TITLE XII—COMMITTEE ON
FINANCE
Subtitle A—Universal
Comprehensive Paid Leave

SEC. 120001. COMPREHENSIVE PAID LEAVE.

The Social Security Act is amended by adding at the end the following:

“TITLE XXII—COMPREHENSIVE PAID LEAVE BENEFITS

SEC. 2201. ENTITLEMENT TO COMPREHENSIVE PAID LEAVE BENEFITS.

“(a) In General.—Every individual who—

“(1) has filed an application for a comprehensive paid leave benefit in accordance with section 2203(a);

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

“(3) has wages or self-employment income at any time during the period—
“(A) beginning with the most recent calendar quarter that ends at least 4 months prior to the beginning of the individual’s benefit period specified in subsection (b); and

“(B) ending with the month before the month in which such benefit period begins; and

“(4) has at least the specified amount of wages and self-employment income during the most recent 8-calendar quarter period that ends at least 4 months prior to the beginning of the individual’s benefit period specified in subsection (b),

shall be entitled to such a benefit for each month during such benefit period, except as otherwise provided in this section. For purposes of paragraph (4), the specified amount for individuals whose benefit period begins in calendar year 2024 shall be $2,000, and the specified amount for individuals whose benefit period begins in any calendar year after 2024 shall equal the specified amount applicable for the calendar year preceding such calendar year, or, if larger, the product of $2,000 and the quotient obtained by dividing the national average wage index (as defined in section 2209) for the second calendar year preceding such calendar year by the national average wage index (as so defined) for 2022.

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

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

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

“(B) the 1st month that begins during such 90-day period, and ending at the end of the month in which ends the 52nd week ending during such period.
“(3) LIMITATION.—Notwithstanding paragraphs (1) and (2), no benefit period under this title may begin with any month beginning before January 2024.

“(c) CAREGIVING HOURS.—

“(1) CAREGIVING HOUR DEFINED.—For purposes of this title, the term ‘caregiving hour’ means a 1-hour period during which the individual is engaged in qualified caregiving (determined on the basis of information filed with the Commissioner pursuant to subsection (c) of section 2203).

“(2) QUALIFIED CAREGIVING.—

“(A) IN GENERAL.—For purposes of this subsection, the term ‘qualified caregiving’ means any activity engaged in by an individual in lieu of work (during the hours that constitute the individual’s regular workweek (within the meaning of section 2202(d))), other than for monetary compensation, for a qualifying reason (as defined in section 2209).

“(B) NO MONETARY COMPENSATION PERMITTED.—For purposes of subparagraph (A), an activity shall be considered to be engaged in by an individual for monetary compensation if,
for the time during which the individual was so engaged, the individual received—

“(i) wages from an employer;

“(ii) self-employment income; or

“(iii) any form of cash payment made by an employer for purposes of providing the individual with paid vacation, paid sick leave, or any other form of paid time off (but not including any such form of cash payment to the extent that the sum of such cash payment and any comprehensive paid leave benefits under section 2201 does not exceed 100 percent of the individual’s regular rate of pay (as determined under section 7(e) of the Fair Labor Standards Act of 1938)).

“(C) Treatment of individuals covered by employer-sponsored comprehensive paid leave program.—For purposes of subparagraph (A), an activity engaged in by an individual shall not be considered to be engaged in in lieu of work if, for the time during which the individual was so engaged, the individual is taking leave from covered employment under an
employer-sponsored program (as defined in section 2208(g)).

“(D) Treatment of individuals covered by legacy State comprehensive paid leave program.—For purposes of subparagraph (A), an activity engaged in by an individual shall not be considered to be engaged in lieu of work if, for the time during which the individual was so engaged, the individual is taking leave from covered employment under the law of a legacy State (as defined in section 2207(c)). In the case of an individual who is no longer employed, such individual shall be treated, for purposes of the preceding sentence, as taking leave from covered employment under the law of a legacy State (as so defined) with respect to the portion of the time during which the individual was so engaged corresponding to the share of the individual’s regular workweek (within the meaning of 2202(d)) that was in covered employment under the law of a legacy State (as so defined).

“(d) Disqualification.—An individual who has been found to have used false statements or representation to secure benefits under this section shall be ineligible for
benefits under this section for a 5-year period following
the date of such finding.

“SEC. 2202. BENEFIT AMOUNT.

“(a) IN GENERAL.—The amount of the benefit to
which an individual is entitled under section 2201 for a
month shall be an amount equal to the sum of the weekly
benefit amounts for each week ending during such month.
The weekly benefit amount of an individual for a week
shall be equal to the product of the individual’s weekly
benefit rate (as determined under subsection (b)) multi-
plied by a fraction—

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

“(2) the denominator of which is the number of
hours in a regular workweek of the individual (as de-
termined in subsection (d)).

“(b) WEEKLY BENEFIT RATE.—

“(1) IN GENERAL.—For purposes of this sec-
tion, an individual’s weekly benefit rate shall be an
amount equal to the sum of—

“(A) 90.138 percent of the individual’s av-
average weekly earnings to the extent that such
earnings do not exceed the amount established
for purposes of this subparagraph by paragraph (2);

“(B) 73.171 percent of the individual’s average weekly earnings to the extent that such earnings exceed the amount established for purposes of subparagraph (A) but do not exceed the amount established for purposes of this subparagraph by paragraph (2); and

“(C) 53.023 percent of the individual’s average weekly earnings to the extent that such earnings exceed the amount established for purposes of subparagraph (B) but do not exceed the amount established for purposes of this subparagraph by paragraph (2).

“(2) AMOUNTS ESTABLISHED.—

“(A) INITIAL AMOUNTS.—For individuals whose benefit period under this title begins in calendar year 2024, the amount established for purposes of subparagraphs (A), (B), and (C) of paragraph (1) shall be \( \frac{1}{52} \) of $15,080, $34,248, and $62,000, respectively.

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

“(i) the national average wage index
(as defined in section 2209) for the second
calendar year preceding such calendar
year, by

“(ii) the national average wage index
(as so defined) for calendar year 2022.

“(C) ROUNDING.—Each amount estab-
lished under subparagraph (B) for any calendar
year shall be rounded to the nearest $1, except
that any amount so established which is a mul-
tiple of $0.50 but not of $1 shall be rounded to
the next higher $1.

“(3) AVERAGE WEEKLY EARNINGS.—For pur-
poses of this subsection, an individual’s average
weekly earnings, as calculated by the Commissioner,
shall be equal to the quotient obtained by dividing—

“(A) the total of the wages and self-emp-
ployment income received by the individual dur-
ing the 8-calendar quarter period described in
section 2201(a)(4); by
“(B) 104.

“(4) Evidence of earnings.—For purposes of determining the wages and self-employment income of an individual with respect to an application for benefits under section 2201, the Commissioner shall make such determination on the basis of data provided to the Commissioner from the National Directory of New Hires pursuant to section 453(j)(12) and self-employment income information provided to the Commissioner pursuant to section 6103(l)(1) of the Internal Revenue Code of 1986, except that the Commissioner shall also consider any more recent or additional evidence of wages or self-employment income the individual chooses to additionally submit.

“(c) Crediting of caregiving hours to a week.—The number of caregiving hours of an individual credited to a week as determined under this subsection shall equal the number of caregiving hours of the individual occurring during such week, except that—

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

“(2) no caregiving hours may be credited to a week in which fewer than 4 caregiving hours of the individual occur;
“(3) no caregiving hours of the individual may be credited to the individual’s waiting period, consisting of the first week during an individual’s benefit period in which at least 4 caregiving hours occur (regardless of whether the individual received any form of cash payment for the purpose of providing the individual with paid vacation, paid sick leave, or any other form of paid time off from the individual’s employer during such week in accordance with section 2201(c)(2)(B)(iii)); and

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

“(d) Number of Hours in a Regular Workweek.—For purposes of this section, the number of hours in a regular workweek of an individual shall be the number of hours that the individual regularly works in a week for all employers or as a self-employed individual (or regularly worked in the case of an individual who is no longer working or whose total weekly hours of work have been reduced) during the month before the individual’s benefit period begins (or prior to such month, if applicable in the
case of an individual who is no longer working or whose total weekly hours of work have been reduced).

“(e) Submission of Required Information.—Any person may submit applicable paid leave information with respect to an individual, including, as applicable, the individual’s representative, the individual’s employer, or any relevant authority identified under section 2203(b)(2). For purposes of this subsection, the term ‘applicable paid leave information’ means, with respect to an individual, any information submitted to the Commissioner with respect to the comprehensive paid leave benefits of the individual, including any initial application, periodic benefit claim report, appeal, and any other information submitted in support of such application, report, or appeal.

“SEC. 2203. BENEFIT DETERMINATION AND PAYMENT.

“(a) In General.—An individual seeking benefits under section 2201 shall file an application with the Commissioner containing at least the information described in subsection (b). Any information contained in an application for benefits under section 2201, or in a periodic benefit claim report filed with respect to such benefits, shall be presumed to be true and accurate, unless the Commissioner demonstrates by a preponderance of the evidence that information contained in the application or periodic benefit claim report is false, except that the Commissioner
shall mandate procedures to validate the identity of such individual.

“(b) REQUIRED CONTENTS OF INITIAL APPLICATION.—An application for a comprehensive paid leave benefit filed by an individual shall include—

“(1) an attestation that the individual has, or anticipates having, at least 4 caregiving hours in a week ending at any time during the period that begins 90 days before the date on which such application is filed or not later than 90 days after such date;

“(2) at the option of the Commissioner, a certification, issued by a relevant authority identified under regulations issued by the Commissioner, that contains such information as the Commissioner shall specify in regulations as necessary to affirm the circumstances giving rise to the need for such caregiving hours, which shall be no more than is required for reasonable documentation (as defined in section 2209);

“(3) an attestation from the individual that notice of the individual’s need to be absent from work during such caregiving hours has been provided, not later than 7 days after such need arises, to the individual’s employer (except in cases of hardship or
other extenuating circumstances or if the individual
does not have (or no longer has) an employer);
“(4) pay stubs or such other evidence as the in-
dividual may provide demonstrating the individual’s
wages or self-employment income during the period
described in section 2201(a)(3), except that the
Commissioner may waive this requirement in any
case in which such evidence is otherwise available to
the Commissioner; and
“(5) an attestation from the individual stating
the number of hours in a regular workweek of the
individual (within the meaning of section 2202(d)).
In the case of an individual who applies for a comprehen-
sive paid leave benefit in the anticipation of caregiving
hours occurring after the date of application, the certifi-
cation described in paragraph (2), the attestations de-
scribed in paragraphs (3) and (5), and the evidence de-
scribed in paragraph (4) may be provided after the 1st
week in which at least 4 such caregiving hours occur.
“(c) Periodic Benefit Claim Report.—
“(1) In general.—Except as provided in para-
graph (2), not later than 60 days (or such longer pe-
riod as may be provided in any case in which the
Commissioner determines that good cause exists for
an extension) after the end of each month during
the benefit period of an individual entitled to benefits under section 2201, the individual shall file a periodic benefit claim report with the Commissioner. Such periodic benefit claim report shall specify the caregiving hours of the individual that occurred during each week that ended in such month. No periodic benefit claim report shall be required with respect to any week in which fewer than 4 caregiving hours occurred.

"(2) RETROACTIVE APPLICATIONS.—In the case of an application filed by an individual for a comprehensive paid leave benefit with a benefit period that begins, in accordance with section 2201(b)(2), with a month that ends before the date on which such application is filed, the individual may include with such application the information described in the second sentence of paragraph (1) with respect to each week in the benefit period that ends before such date.

"(d) DETERMINATIONS.—

"(1) INITIAL APPLICATION.—The Commissioner shall determine, with respect to an individual applying for benefits under section 2201, the initial entitlement and the benefit period in accordance with such section, and the weekly benefit rate, average
weekly earnings, and the number of hours in a regular workweek in accordance with section 2202.

“(2) Monthly benefit determinations.—

On the basis of the information filed with the Commissioner pursuant to subsection (c), the Commissioner shall determine, with respect to an individual for each week ending in a month, the number of caregiving hours to be credited to such week in accordance with section 2202(c).

“(3) Changing circumstances.—If more than one type of circumstance gives rise to the need for caregiving hours during the individual’s benefit period, such caregiving hours shall be credited to weeks within the benefit period in accordance with section 2202(c) regardless of circumstance.

“(e) Certification of payment.—Not later than 15 days after the making of a determination under subsection (d)(2) with respect to the number of caregiving hours of an individual to be credited to weeks ending in a month, the Commissioner shall certify payment of the comprehensive paid leave benefit for such month to be made to such individual, and the Secretary of the Treasury shall make such payment in accordance with the certification of the Commissioner of Social Security.
“(f) REGULATIONS AND PROCEDURES.—The Commissioner shall have full power and authority to make rules and regulation, including interim final regulations, and to establish procedures, not inconsistent with this title, which are necessary and appropriate to carry out this title.

“SEC. 2204. APPEALS.

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

“(1) to appeal to the Commissioner any determination made with respect to—

“(A) comprehensive paid leave benefits under section 2201; and

“(B) comprehensive paid leave benefits under an employer-sponsored program described in section 2208 whose appeal to the employer (or administering entity) pursuant to subsection (b)(1)(B)(iii)(I) of such section results in a determination unfavorable to the individual; and

“(2) to have the appeal heard in a timely manner by a decisionmaker who was not the initial decisionmaker and who reviews any additional evidence submitted.
“(b) TREATMENT OF DETERMINATIONS ON APPEAL.—Any determination by the Commissioner on an appeal under this section shall be a final determination.

“SEC. 2205. ACCURATE PAYMENT.

“(a) UNDERPAYMENTS AND OVERPAYMENTS.—

“(1) IN GENERAL.—Whenever the Commissioner determines that more or less than the correct amount of payment has been made to any individual under this title, the Commissioner shall promptly notify the individual of such determination and inform the individual of the right to appeal such determination in accordance with the provisions of section 2204. Proper adjustment or recovery shall be made as follows:

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

“(B) OVERPAYMENTS.—

“(i) IN GENERAL.—With respect to payment to an individual of more than the correct amount, the Commissioner shall decrease any payment for a month under section 2201 to which such overpaid indi-
individual is entitled (except that no such pay-
ment may be decreased in any manner that
results in weekly benefit amounts for each
week ending during such month that are
less than the lower of the weekly benefit
amounts for each such week as determined
for such individual under section 2202(a)
or the amount specified in clause (ii) with
respect to such weekly benefit amounts of
the individual), or shall require such over-
paid individual to refund the amount in ex-
cess of the correct amount, or shall apply
any combination of the foregoing.

“(ii) Limitation on Recovery.—

“(I) Amount Specified.—The
amount specified in this clause with
respect to a weekly benefit amount of
an individual for a week is an amount
equal to the weekly benefit amount
that would be determined for the indi-
vidual for such week under section
2202(a) if the individual’s weekly ben-
efit rate (as determined under section
2202(b)) were equal to the applicable
dollar amount as determined under subclause (II).

“(II) Applicable Dollar Amount.—For purposes of subclause (I), the applicable dollar amount is—

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

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

“(AA) the national av-
erage wage index (as defined
in section 2209) for the sec-
ond calendar year preceding
such calendar year, by

“(BB) the national av-
erage wage index (as so de-
finied) for 2022.

“(2) WAIVER OF CERTAIN OVERPAYMENTS.—In
any case in which more than the correct amount of
payment for comprehensive paid leave benefits under
section 2201 has been made, there shall be no ad-
justment of payments to, or recovery from, any indi-
vidual who was without fault in connection with the
overpayment if such adjustment or recovery would
defeat the purpose of this title or would impede effi-
cient or effective administration of this title, or if
such individual relied on the receipt or expected pay-
ment of comprehensive paid leave benefits under sec-
tion 2201 to make a financial decision. In consid-
ering whether an individual is without fault, the
Commissioner shall take into account the individ-
ual's age and any physical impairment or mental impairment (including intellectual disability), limited English proficiency, low levels of literacy skills, educational limitations, and any other circumstances that may render the individual not at fault.

“(b) CIVIL MONETARY PENALTY.—

“(1) IN GENERAL.—Any individual or entity who knowingly makes a false statement, misrepresents a fact, or omits material information in connection with an application for benefits under section 2201 or a periodic benefit claim report under section 2203 shall be subject to a civil monetary penalty of not more than the amount determined under paragraph (2) for a calendar year for each such statement, misrepresentation, or omission.

“(2) AMOUNT DETERMINED.—The amount determined under this paragraph for a calendar year shall be the amount that would be in effect for such calendar year if such penalty—

“(A) had been first established in the amount of $5,000 in calendar year 1994; and

“(B) had been initially adjusted for inflation in calendar year 2016.

“(c) EXCLUSION FROM PARTICIPATION.—
“(1) IN GENERAL.—No individual or entity who—

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

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

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

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

“(E) conspires to take any action described
in any of subparagraphs (A) through (C),
may represent, or submit evidence on behalf of, an
individual applying for, or receiving, benefits under
this title.

“(2) EFFECTIVE DATE.—An exclusion under
this paragraph shall be effective with respect to serv-
ices furnished to any individual on or after the effec-
tive date of the exclusion. Nothing in this paragraph
may be construed to preclude consideration of any
medical evidence derived from services provided by a
health care provider before the effective date of the
exclusion of the health care provider under this sub-
section.

“(d) REDETERMINATION OF ENTITLEMENT.—

“(1) IN GENERAL.—

“(A) TERMINATION OR REVERSAL OF BEN-
EFITS.—The Commissioner shall immediately
redetermine the entitlement of an individual to
comprehensive paid leave benefits under section
2201 if there is reason to believe that fraud or
similar fault was involved in the application of
the individual for such benefits.
“(B) Disregard of certain evidence.—When redetermining the entitlement, or making an initial determination of entitlement, of an individual under this title, the Commissioner shall disregard any evidence if there is reason to believe that fraud or similar fault was involved in the providing of such evidence.

“(2) Similar fault described.—For purposes of paragraph (1), similar fault is involved with respect to a determination if—

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

“(B) information that is material to the determination is knowingly concealed.

“(3) Termination of benefits.—If, after redetermining pursuant to this subsection the entitlement of an individual to comprehensive paid leave benefits, the Commissioner determines that there is insufficient evidence to support such entitlement, the Commissioner may terminate such entitlement and may treat benefits paid on the basis of such insufficient evidence as overpayments.
“SEC. 2206. FUNDING FOR BENEFIT PAYMENTS, GRANTS, AND PROGRAM ADMINISTRATION.

“(a) FUNDING FOR BENEFIT PAYMENTS AND GRANTS.—In addition to amounts otherwise available, there are appropriated, out of any funds in the Treasury not otherwise appropriated, such sums as may be necessary to pay benefits under section 2201 and for grants under sections 2207 and 2208.

“(b) FUNDING FOR PROGRAM ADMINISTRATION.—

“(1) IN GENERAL.—In addition to amounts otherwise available, there is appropriated, out of any funds in the Treasury not otherwise appropriated, $1,500,000,000 for fiscal year 2022 and $1,590,700,000 for each subsequent fiscal year (subject to paragraph (2)) for timely and accurate administration of all sections of this title, including costs related to necessary customer service, staffing, technology, training, data sharing, identity validation, technical assistance to legacy States under section 2207 and employers or employer-designated third party administrators under section 2208, public education and outreach to potential beneficiaries, and research for the purpose of ensuring full and equitable access to the programs under this title.

“(2) INDEXING TO WAGE GROWTH.—For each fiscal year after 2024, there shall be substituted for
the dollar amount specified in paragraph (1) for such fiscal year an amount equal to the larger of the dollar amount in effect under this subsection for the fiscal year preceding such fiscal year or the product of $1,590,700,000 multiplied by the ratio of—

“(A) the national average wage index (as defined in section 2209) for the most recent calendar year that ends before the beginning of such preceding fiscal year, to

“(B) the national average wage index (as so defined) for 2021.

“(3) No use of title II funds.—No funds made available for the administration of title II may be used to carry out the paid leave program established under this title.

“(c) Availability of Emergency Funding.—In addition to amounts otherwise available, there is appropriated for fiscal year 2022, out of any funds in the Treasury not otherwise appropriated, $500,000,000, to remain available until expended, for administrative expenses described in subsection (b)(1) during fiscal year 2024 or any subsequent fiscal year, except that such amount shall not be available in any fiscal year unless the Commissioner determines that the number of applications filed during such fiscal year for comprehensive paid leave benefits
under section 2201(a) will exceed the number that were anticipated to be filed during such fiscal year (as determined by the Commissioner) by 20 percent or more.

“SEC. 2207. FUNDING FOR STATE ADMINISTRATION OPTION FOR LEGACY STATES.

“(a) IN GENERAL.—In each calendar year beginning with calendar year 2025, the Commissioner shall make a grant to each State that, for the calendar year preceding such calendar year, was a legacy State and that met the data sharing requirements of subsection (e), in an amount equal to the lesser of—

“(1) an amount, as estimated by the Commissioner, equal to the total amount of comprehensive paid leave benefits that would have been paid under section 2201 (including the costs to the Commissioner to administer such benefits, not to exceed (for purposes of estimating such total amount under this paragraph) 7 percent of the total amount of such benefits paid) to individuals who received paid family and medical leave benefits under a State law described in paragraph (1) or (3) of subsection (b) during the calendar year preceding such calendar year if the State had not been a legacy State for such preceding calendar year; or
“(2) an amount equal to the total cost of paid family and medical leave benefits under a State law described in paragraph (1) or (3) of subsection (b) for the calendar year preceding such calendar year, including—

“(A) any paid family and medical leave benefits provided by an employer (whether directly, under a contract with an insurer, or provided through a multiemployer plan) as described in subsection (d); and

“(B) the full cost to the State of administering such law (except that such cost may not exceed 7 percent of the total amount of paid family and medical leave benefits paid under such State law).

In any case in which, during any calendar year, the Commissioner has reason to believe that a State will be a legacy State and meet the data sharing requirements of subsection (e) for such calendar year, the Commissioner may make estimated payments during such calendar year of the grant which would be paid to such State in the succeeding calendar year, to be adjusted as appropriate in the succeeding calendar year.
“(b) LEGACY STATE.—For purposes of this section, the term ‘legacy State’ for a calendar year means a State with respect to which the Commissioner determines that—

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

“(2) for any calendar year that begins before the date that is 3 years after the date of enactment of this title, the State certifies to the Commissioner that the State intends to remain a legacy State and meet the data sharing requirements of subsection (e) at least through the first calendar year that begins on or after such date; and

“(3) for any calendar year that begins on or after such date, a State law of the State provides for a State program to remain in effect throughout such calendar year that provides comprehensive paid family and medical leave benefits (which may be paid directly by the State or, if permitted under such State law, by an employer pursuant to such State law)—

“(A) for at least 4 full workweeks of leave during each 12-month period to at least all of those individuals in the State who would be eligible for comprehensive paid leave benefits under section 2201 (without regard to section
2201(c)(2)(D)), except that the State shall pro-
vide such benefits for leave from employment by
the State or any political subdivision thereof;

“(B) at a wage replacement rate that is at
least equivalent to the wage replacement rate
under the comprehensive paid leave benefit pro-
gram under section 2201 (without regard to
section 2201(c)(2)(D)).

“(c) Covered Employment Under the Law of
A Legacy State.—For purposes of this title, the term
‘covered employment under the law of a legacy State’
means employment (or self-employment) with respect to
which an individual would be eligible to receive paid family
and medical benefits under the State law of a State, as
described in paragraph (1) or (3) of subsection (b), during
any period during which such State is a legacy State.

“(d) Employer-provided Benefits in a Legacy
State.—

“(1) Treatment for Purposes of This
title.—Notwithstanding any provision of section
2208, in the case of a State that permits paid family
and medical leave benefits to be provided by an em-
ployer (whether directly, under a contract with an
insurer, or provided through a multiemployer plan)
pursuant to a State law described in paragraph (1)
or (3) of subsection (b)—

“(A) such benefits shall be considered, for
all purposes under this title, paid family and
medical leave benefits under the law of a legacy
State; and

“(B) leave for which such benefits are paid
shall be considered, for all such purposes, leave
from covered employment under the law of a
legacy State.

“(2) DISTRIBUTION OF GRANT FUNDS.—In any
case in which paid family and medical leave benefits
are provided by one or more employers (whether di-
rectly, under a contract with an insurer, or provided
through a multiemployer plan) in a legacy State pur-
suant to a State law described in paragraph (1) or
(3) of subsection (b), the State, upon the receipt of
any grant amount under subsection (a), may dis-
distribute an appropriate share of such grant to each
such employer.

“(e) DATA SHARING.—As a condition of receiving a
grant under subsection (a) in a calendar year, a State
shall enter into an agreement with the Commissioner
under which the State shall provide the Commissioner—
“(1) with information, to be provided periodically as determined by the Commissioner, concerning individuals who received a paid leave benefit under a State law described in paragraph (1) or (3) of subsection (b), including each individual’s name, information to establish the individual’s identity, dates for which such paid leave benefits were paid, the amount of such paid leave benefit, and, to the extent available, such other information concerning such individuals as necessary for the purpose of carrying out this section and section 2201(e)(2)(D);

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

“(3) such other information as needed to determine compliance with grant requirements.

“(f) GREATER BENEFITS PERMITTED.—Nothing in this section shall be construed to prohibit a legacy State or an employer providing benefits pursuant to a legacy State law from providing paid family and medical leave benefits that exceed the requirements described in this section.
“SEC. 2208. REIMBURSEMENT OPTION FOR EMPLOYER-SPONSORED COMPREHENSIVE PAID LEAVE BENEFITS.

“(a) IN GENERAL.—For each calendar year beginning with calendar year 2024, the Commissioner shall make a grant to each employer that is an eligible employer for such calendar year in an amount equal to—

“(1) in the case of an eligible employer sponsoring a comprehensive paid leave benefit program with respect to which benefits are awarded and paid under a contract with an insurer (or through a multiemployer plan), an amount (not to exceed the employer’s expenditures for such program) equal to the lesser of—

“(A) 90 percent of the product of—

“(i) the projected national average cost per individual of providing comprehensive paid leave benefits under section 2201 as determined by the Commissioner for such calendar year under subsection (c)(3) (or, in the case of a calendar year during which the eligible employer sponsored such comprehensive paid leave benefit program for only a fraction of the year, an equal fraction of such projected national average cost); multiplied by
“(ii) the number of eligible employees (within the meaning of subsection (b)(1)(A) and pro-rated for part-time eligible employees) whose employment is covered employment under the employer-sponsored program (as defined in subsection (g)) for such calendar year (or, in the case of a calendar year during which the eligible employer sponsored such comprehensive paid leave benefit program for only a fraction of the year, for such fraction of the year); and

“(B) 90 percent of the total premiums paid to the insurer (or contributions paid to the multiemployer plan) by the eligible employer under such contract (or such plan) for such calendar year (or such fraction thereof) for the coverage under such contract (or such plan) of eligible employees of the employer; and

“(2) in the case of an eligible employer sponsoring a self-insured comprehensive paid leave benefit program with respect to which benefits are awarded and paid directly by the employer (or by a third party administrator on behalf of the employer), an amount equal to 90 percent of—
“(A) the amount of benefits paid under the program for such calendar year to eligible employees of the employer for up to 4 weeks of leave per eligible employee; or

“(B) if lesser, the product of the national average weekly benefit amount paid under section 2202(a) during such calendar year multiplied by the number of weeks of leave (up to 4 per eligible employee) paid by the employer for all eligible employees under the program for the calendar year.

“(b) Eligibility.—

“(1) In general.—For purposes of subsection (a), an eligible employer for a calendar year is an employer (other than the Federal Government or the government of any State (or political subdivision thereof) that is a legacy State for such calendar year under section 2207) that satisfies all of the following requirements:

“(A) Non-legacy state employees.—

The employer has one or more employees during such calendar year whose employment with such employer is not covered employment under the law of a legacy State (as defined in section
2007(c)) (in this section referred to as ‘eligible employees’).

“(B) GRANT CONDITIONS.—As a condition of the grant, the employer agrees—

“(i) that, on return from leave under the program described in subparagraph (C)(ii), the eligible employee taking such leave will—

“(I) be restored by the employer to the position of employment held by the eligible employee when the leave commenced; or

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

“(ii) to maintain coverage for the eligible employee under any ‘group health plan’ (as defined in section 2209) for the duration of such leave at the level and under the conditions coverage would have been provided if the eligible employee had continued in employment continuously for the duration of such leave;
“(iii) in any case in which an eligible employee receives an adverse determination from the employer (or administering entity) with respect to comprehensive paid leave benefits under the program described in subparagraph (C)(ii)—

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

“(II) in any case in which the eligible employee elects to appeal the results of such initial appeal to the Commissioner pursuant to section 2204(a)(1)(B) and the final decision of the Commissioner is in the eligible employee’s favor, to provide for the payment of such comprehensive paid leave benefits in addition to the costs to the Commissioner of such secondary appeal;

“(iv) to provide annual notice to all eligible employees stating that their employment is covered employment under an employer-sponsored program (as defined in
subsection (g)) and informing them of the right to appeal any adverse determination with respect to comprehensive paid leave benefits under the program described in subparagraph (C)(ii); and

“(v) not to impose any fee on any eligible employee related to ensuring coverage, or to the receipt of comprehensive paid leave benefits, under the program described in subparagraph (C)(ii).

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

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

“(ii) certifies to the Commissioner that the employer will have in effect during such calendar year a comprehensive paid leave benefit program that meets the requirements of subsection (c) and, not later than the submission deadline specified in paragraph (2)(B) for such calendar year, provides all documentation relating to such
program as the Commissioner may request;
and
“(iii) pays an application fee to the
Commissioner in accordance with this sub-
paragraph, such amounts to remain avail-
able to the Commissioner without further
appropriation, in addition to amounts oth-
erwise available, to administer this section
and appeals described in section
2204(a)(1)(B).

In the case of an initial application, the applica-
tion fee under this subparagraph shall be $500
for an employer with 50 or fewer employees,
$1,000 for an employer with more than 50 but
fewer than 500 employees, and $2,000 for an
employer with 500 or more employees. In the
case of a renewed application, the application
fee under this subparagraph shall be $200.

“(D) APPROVAL BY THE COMMISSIONER.—
The comprehensive paid leave benefit program
referred to in subparagraph (C)(ii) is subse-
quently approved by the Commissioner as meet-
ing all applicable requirements.
“(E) INFORMATION SUBMISSION REQUIREMENT.—At the time of application for such grant for each calendar year, the employer—

“(i) submits to the Commissioner—

“(I) an attestation that the comprehensive paid leave benefit program referred to in subparagraph (C)(ii) will remain in effect during the whole of such calendar year (or, in the case of a program not in effect at the beginning of such calendar year, an attestation that such program will remain in effect until the end of such calendar year); and

“(II) with respect to each eligible employee of the employer whose employment is covered employment under the employer-sponsored program (as defined in subsection (g)) for such calendar year, the eligible employee’s name, information to establish the eligible employee’s identity, and in the case of a part-time eligible employee (for purposes of determining the number of eligible employees (pro-
rated for part-time eligible employees) covered under the program for such calendar year under subsection (a)(1)(B)), the number of hours the eligible employee regularly works in a week; and

“(ii) agrees to submit information to the Commissioner as described in subsection (e).

“(F) MAINTENANCE OF RECORDS.—The employer agrees to retain all records relating to the employer’s comprehensive paid leave benefit program for not less than 3 years.

“(G) ADDITIONAL GRANT REQUIREMENTS.—As a condition of the grant, the employer (or administering entity) does not—

“(i) interfere with, restrain, or deny the exercise of, or the attempt to exercise, any right provided under the program described in subparagraph (C)(ii); or

“(ii) discharge, or in any other manner discriminate against, any eligible employee for opposing any practice prohibited by such program.
“(H) ADDITIONAL ELIGIBILITY REQUIREMENTS FOR SELF-INSURED EMPLOYERS.—In the case of a comprehensive paid leave benefit program of an employer with respect to which benefits are awarded and paid directly by the employer (or by a third party administrator on behalf of the employer)—

“(i) such employer employs at least 50 eligible employees; and

“(ii) such benefits are guaranteed by a surety bond held by the employer.

“(2) TIMING OF APPLICATION.—

“(A) CERTIFICATION.—The certification deadline specified in this subparagraph for a calendar year is the date that is 90 days before the beginning of the calendar year, or, if later, the date that is 90 days before a plan described in paragraph (1)(C)(ii) first goes into effect.

“(B) SUBMISSION OF DOCUMENTATION.—The submission deadline specified in this subparagraph for a calendar year is the date that is 45 days before the beginning of the calendar year, or, if later, the date that is 45 days before a plan described in paragraph (1)(C)(ii) first goes into effect.
“(c) Employer Program Requirements.—

“(1) In general.—A comprehensive paid leave benefit program shall not be considered to meet the requirements of this subsection unless such program consists of a written employer policy in accordance with paragraph (2) that provides for the payment, through one or more employee benefit plans, of family and medical leave benefits (in addition to any paid vacation, paid sick leave, or paid consolidated leave otherwise provided), which may be guaranteed through an insurer or provided through a multiemployer plan and which may be administered by an insurer, multiemployer plan, or by another third-party entity, that includes each element described in subparagraphs (A) through (H) of paragraph (2), and under which the employer provides for each of the following:

“(A) Each of the additional grant conditions described in subsection (b)(1)(B).

“(B) Each of the requirements described in subsection (b)(1)(G).

“(C) Submission of information to the Commissioner as described in subsection (e).

“(2) Comprehensive paid leave plan requirements for grantees.—As a condition of a
grant under this section, the written employer policy referred to in paragraph (1) shall provide comprehensive paid leave benefits—

“(A) to all eligible employees of the employer, regardless of length of service, job type, membership in a labor organization, seniority status, or any other employee classification;

“(B) at a wage replacement rate that is at least as great as the wage replacement rate that an eligible employee would receive under the comprehensive paid leave benefit program under section 2201 (without regard to section 2201(c)(2)(C));

“(C) for a total number of weeks of paid leave that is at least as great as the total number of weeks of paid leave that an eligible employee would receive under such program (without regard to such section);

“(D) for all qualifying reasons (as described in subparagraphs (A), (B), and (C) of section 2209(6)), regardless of any pre-existing medical conditions;

“(E) for leave which may be taken intermittently or on a reduced leave schedule;
“(F) that does not impose any fee on any eligible employee related to ensuring coverage for, or to the receipt of, such benefits;

“(G) which must be paid not less frequently than monthly; and

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

“(3) NATIONAL AVERAGE COST.—Not later than October 1 of the calendar year before each calendar year beginning with 2024, the Commissioner shall determine and publish the projected national average cost per individual of providing comprehensive paid leave benefits under section 2201 for such calendar year, such cost to be determined by dividing the total cost of benefits under such section for such calendar year (including the costs to the Commissioner to administer such benefits, not to exceed (for purposes of calculating the national average cost under this paragraph) 7 percent of the total amount of such benefits paid) by the number of individuals—
“(A) who have wages or self-employment income at any time during such calendar year;
and

“(B) whose employment in a regular work-
week (within the meaning of section 2202(d))
includes employment that is not covered em-
ployment under an employer-sponsored program
(as defined in subsection (g) of this section) or
covered employment under the law of a legacy
State (as defined in section 2207(c)).

“(d) TIming of PAyment; PEnalty for LAtE fiL-
ing.—

“(1) InsuRed eMployers and eMployers conTRibuting to mulTieMployer PlAns.—A grant paid under this section for a calendar year to
an eligible employer described in subsection (a)(1)
shall be paid by the Commissioner not later than 30
days after the beginning of such calendar year.

“(2) Self-insuRed eMployers.—A grant paid under this section for a calendar year to an eli-
gible employer described in subsection (a)(2) shall be
paid by the Commissioner not later than March 31
of the calendar year succeeding such calendar year.

“(3) Penalty for late filing.—In any case in which an eligible employer seeking a grant under
this subsection for a calendar year fails to submit all
required documentation by the submission deadline
for such calendar year as required under subsection
(b)(2)(B)—

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

“(B) the amount of such grant shall be re-
duced by 2 percent for each 7 days by which
such submission deadline is exceeded.

“(e) INFORMATION SUBMISSION.—As a condition of
receiving a grant under subsection (a) for a calendar year,
an employer shall provide the Commissioner with informa-
tion, at such times and in such manner as required by
the Commissioner, concerning eligible employees who re-
ceived a paid leave benefit under the comprehensive paid
leave benefit program of the employer, including each eli-
gible employee’s name, information to establish the eligible
employee’s identity, dates for which such paid leave bene-
fits were paid, the amount of such paid leave benefit, and,
to the extent available, such other information concerning
such eligible employees as needed for the purpose of car-
rying out this section and section 2201(c)(2)(C), and for
otherwise carrying out the provisions of this title.
“(f) Enforcement and Grant Recovery.—

“(1) In general.—The Commissioner shall conduct periodic reviews of employers receiving grants under this section (and of entities administering such programs). The Commissioner may withdraw approval of the comprehensive paid leave benefit program of an employer in any case in which the Commissioner finds that the employer (or administering entity) has violated any requirement of this section, may require the employer to repay the full amount of such grant, and may disqualify an employer from receiving subsequent grants (or an administering entity from administering programs) under this section in the case of repeated violations.

“(2) Penalties relating to appeals.—In any case in which the Commissioner determines that a pattern exists with respect to an employer (or administering entity) in which the employer (or administering entity) has incorrectly denied claims for paid leave benefits under the employer-sponsored program and such claims have subsequently been approved by the Commissioner pursuant to an appeal described in section 2204(a)(1)(B), the Commissioner shall impose penalties on the employer (or administering entity), which shall include requiring the
employer to repay the full amount of such grant and
a reduction in, or disqualification from, receiving
subsequent grants (or an entity from administering
programs) under this section.

“(3) Penalties on administering entities.—In the case of a third-party entity admin-
istering a comprehensive paid leave benefit program
of an employer, such entity shall notify such em-
ployer in any case in which a penalty is imposed
under this subsection on the administering entity
not later than 30 days after the date on which such
penalty has been imposed. In any case in which the
Commissioner determines that a pattern of mis-
conduct exists with respect to an entity admin-
istering benefits under this section for multiple em-
ployers, the Commissioner shall disqualify such enti-
ity from administering employer-sponsored programs
receiving subsequent grants under this section.

“(4) Employer and administrator appeals.—An employer (or administering entity) with
respect to which a penalty is imposed under this
subsection may appeal such decision to the Commis-
sioner only if such appeal is filed with the Commiss-
ioner not later than 60 days after the date of such
decision.
“(g) Covered Employment Under an Employer-Sponsored Program.—For purposes of this title, the term ‘covered employment under an employer-sponsored program’—

“(1) means employment with an eligible employer sponsoring a comprehensive paid leave benefit program that meets the requirements of subsection (c) during a calendar year for which the eligible employer receives a grant under subsection (a); and

“(2) does not include covered employment under the law of a legacy State (as defined in section 2207(c)).

“(h) Greater Benefits Permitted.—Nothing in this section shall be construed to prohibit an eligible employer from providing paid family and medical leave benefits that exceed the requirements described in this section.

“SEC. 2209. DEFINITIONS.

“For purposes of this title:

“(1) Commissioner.—The term ‘Commissioner’ means the Commissioner of Social Security.

“(2) Eligibility.—With respect to any reference in this title to an individual’s eligibility or ineligibility for comprehensive paid leave benefits under section 2201(a) for a month, an individual shall be considered to be eligible for such benefits
for such month if, upon filing an application for
such benefits for such month, the individual would
be entitled to such benefits for such month.

“(3) GROUP HEALTH PLAN.—The term ‘group
health plan’ has the meaning given such term in sec-
tion 5000(b)(1) of the Internal Revenue Code of
1986.

“(4) MULTIEMPLOYER PLAN.—The term ‘multi-
employer plan’ has the meaning given such term in
section 3(37) of the Employee Retirement Income
Security Act of 1974 (29 U.S.C. 1002(37)).

“(5) NATIONAL AVERAGE WAGE INDEX.—The
term ‘national average wage index’ has the meaning
given such term in section 209(k)(1).

“(6) QUALIFYING REASON.—The term ‘quali-
fying reason’ means, with respect to any determina-
tion of whether an individual is engaged in qualified
caregiving under section 2201(c)(2)(A), any of the
following:

“(A) A reason described in subparagraph
(A) or (B) of section 102(a)(1) of the Family
and Medical Leave Act of 1993 (29 U.S.C.
2612(a)(1)) (applied for purposes of this para-
graph as if the individual involved were the em-
ployee referred to in such section).
“(B)(i) In order to care for a qualified family member of the individual, if such qualified family member has a serious health condition.

“(ii) For purposes of clause (i)—

“(I) the term ‘qualified family member’ means, with respect to an individual—

“(aa) a spouse (including a domestic partner in a civil union or other registered domestic partnership recognized by a State) and a spouse’s parent;

“(bb) a child and a child’s spouse;

“(cc) a parent and a parent’s spouse;

“(dd) a sibling and a sibling’s spouse;

“(ee) a grandparent, a grandchild, or a spouse of a grandparent or grandchild; and

“(ff) any other individual who is related by blood or affinity and whose association with the individual in-
volved is equivalent of a family relationship; and

“(II) the term ‘serious health condition’ has the meaning given such term in section 101(11) of the Family and Medical Leave Act of 1993 (29 U.S.C. 2611(11)).

“(C) Because of a serious health condition (as defined in subparagraph (B)(ii)(II)) that makes the individual unable to satisfy the requirements needed to continue receiving (or in the case of an individual no longer employed, to resume receiving) the wages or self-employment income described in section 2201(a)(3).

“(7) Reasonable documentation.—The term ‘reasonable documentation’ means the information that is required to be stated under subsection (b) of section 103 of the Family and Medical Leave Act of 1993 (29 U.S.C. 2613).

“(8) Self-employment income.—The term ‘self-employment income’ has the meaning given the term in section 1402(b) of the Internal Revenue Code of 1986 for purposes of the taxes imposed by section 1401(b) of such Code. For purposes of section 2201(a) and 2202(b)(3), the Commissioner
shall determine rules for the crediting of self-employment income to calendar quarters, under which—

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

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

“(9) State.—The term ‘State’ means any State of the United States or the District of Columbia or any territory or possession of the United States.

“(10) Wages.—The term ‘wages’ has the meaning given such term in section 3121(a) of the Internal Revenue Code of 1986 for purposes of the taxes imposed by sections 3101(b) and 3111(b) of such Code (without regard to section 3121(u)(2)(C) of such Code), except that such term also includes—

“(A) compensation, as defined in section 3231(e) of such Code for purposes of the Railroad Retirement Tax Act; and
“(B) unemployment compensation, as defined in section 85(b) of such Code.

“(11) Week.—The term ‘week’ means a 7-day period beginning on a Sunday.”.

SEC. 120002. ACCESS TO WAGE INFORMATION FROM THE NATIONAL DIRECTORY OF NEW HIRES FOR THE PURPOSE OF ADMINISTERING COMPREHENSIVE PAID LEAVE.

Section 453(j) of the Social Security Act (42 U.S.C. 653(j)) is amended by adding at the end the following:

“(12) Information comparisons and disclosure to assist in administration of title XXII.—

“(A) Furnishing of information by the Commissioner of Social Security.—

The Commissioner of Social Security shall furnish to the Secretary, on such periodic basis as determined by the Commissioner of Social Security in consultation with the Secretary, information in the custody of the Commissioner of Social Security for comparison with information in the National Directory of New Hires, in order to obtain information in such Directory with respect to individuals for purposes of administering title XXII.
“(B) REQUIREMENT TO SEEK MINIMUM INFORMATION.—The Commissioner of Social Security shall seek information pursuant to this section only to the extent necessary to administer title XXII.

“(C) DUTIES OF THE SECRETARY.—

“(i) INFORMATION DISCLOSURE.—The Secretary, in cooperation with the Commissioner of Social Security, shall compare information in the National Directory of New Hires with information provided by the Commissioner of Social Security with respect to individuals described in subparagraph (A), and shall disclose information in such Directory regarding such individuals to the Commissioner of Social Security, in accordance with this paragraph, for the purposes specified in this paragraph.

“(ii) CONDITION ON DISCLOSURE.—The Secretary shall make disclosures in accordance with clause (i) only to the extent that the Secretary determines that such disclosures do not interfere with the effective operation of the program under this part.
“(D) Use of information by the Commissioner of Social Security.—The Commissioner of Social Security may use information provided under this paragraph only for purposes of administering title XXII, and shall maintain such information in the records of the Commissioner of Social Security for such time as the Commissioner of Social Security deems necessary for the administration of such title.

“(E) Disclosure of information by the Commissioner of Social Security.—

“(i) Purpose of disclosure.—The Commissioner of Social Security may make a disclosure under this subparagraph only for purposes of verifying the employment and income of individuals described in subparagraph (A).

“(ii) Conditions on disclosure.—Disclosures under this subparagraph shall be—

“(I) made in accordance with data security and control policies established by the Commissioner of Social Security and approved by the Secretary;
“(II) subject to audit in a manner satisfactory to the Secretary; and

“(III) subject to the sanctions under subsection (l)(2).

“(iii) Restrictions on redisclosure.—A person or entity to which information is disclosed under this subparagraph may use or disclose such information only as needed for verifying the employment and income of individuals described in subparagraph (A), subject to the conditions in clause (ii) and such additional conditions as agreed to by the Secretary and the Commissioner of Social Security.

“(F) Reimbursement of HHS costs.—. The Commissioner of Social Security shall reimburse the Secretary, in accordance with subsection (k)(3), for the costs incurred by the Secretary in furnishing the information requested under this paragraph.”
SEC. 120003. CERTAIN COMPREHENSIVE PAID LEAVE BENEFITS EXCLUDED FROM GROSS INCOME.

(a) In General.—Part III of subchapter B of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after section 139I the following new section:

“SEC. 139J. CERTAIN COMPREHENSIVE PAID LEAVE BENEFITS.

“In the case of an individual, gross income shall not include any amount received by the taxpayer by reason of entitlement to a comprehensive paid leave benefit under section 2201(a) of the Social Security Act.”.

(b) Clerical Amendment.—The table of sections for part III of subchapter B of chapter 1 of such Code is amended by inserting after the item relating to section 139I the following new item:

“Sec. 139J. Certain comprehensive paid leave benefits.”.

Subtitle B—Medicare, Medicaid and CHIP Provisions

PART I—MEDICARE

Subpart A—Medicare Coverage of Hearing Services

SEC. 122101. PROVIDING COVERAGE FOR HEARING CARE UNDER THE MEDICARE PROGRAM.

(a) Provision of Audiology Services by Qualified Audiologists and Hearing Aid Examination Services by Qualified Hearing Aid Professionals.—
(1) IN GENERAL.—Section 1861(ll) of the Social Security Act (42 U.S.C. 1395x(ll)) is amended—

(A) in paragraph (3)—

(i) by inserting ``(A)'' after ``(3)'';

(ii) in subparagraph (A), as added by clause (i) of this subparagraph—

(I) by striking ``means such hearing and balance assessment services'' and inserting ``means—

``(i) such hearing and balance assessment services and, beginning January 1, 2023, such hearing aid examination services and treatment services (including aural rehabilitation, vestibular rehabilitation, and cerumen management)'';

(II) in clause (i), as added by subclause (I) of this clause, by striking the period at the end and inserting ``; and''; and

(III) by adding at the end the following new clause:

``(ii) beginning January 1, 2023, such hearing aid examination services furnished by a qualified hearing aid professional (as defined in paragraph (4)(C)) as the professional is legally authorized to
perform under State law (or the State regulatory
mechanism provided by State law), as would other-
wise be covered if furnished by a physician.”; and

(iii) by adding at the end the fol-
lowing new subparagraph:

“(B) Beginning January 1, 2023, audiology services
described in subparagraph (A)(i) shall be furnished with-
out a requirement for an order from a physician or practi-
tioner.”; and

(B) in paragraph (4), by adding at the end
the following new subparagraph:

“(C) The term ‘qualified hearing aid profes-
sional’ means an individual who—

“(i) is licensed or registered as a hearing
aid dispenser, hearing aid specialist, hearing in-
strument dispenser, or related professional by
the State in which the individual furnishes such
services; and

“(ii) is accredited by the National Board
for Certification in Hearing Instrument
Sciences or meets such other requirements as
the Secretary determines appropriate (including
requirements relating to educational certifi-
cations or accreditations) taking into account
any additional relevant requirements for hear-
ing aid specialists, hearing aid dispensers, and
hearing instrument dispensers established by
Medicare Advantage organizations under part
C, State plans (or waivers of such plans) under
title XIX, and group health plans and health
insurance issuers (as such terms are defined in
section 2791 of the Public Health Service
Act).”.

(2) Payment for qualified hearing aid
professionals.—Section 1833(a)(1) of the Social
Security Act (42 U.S.C. 1395l(a)(1)), as amended
by section 129101(b), is further amended—

(A) by striking “and” before “(EE)”;

(B) by inserting before the semicolon at
the end the following: “and (FF) with respect
to hearing aid examination services (as de-
scribed in paragraph (3)(A)(ii) of section
1861(ll)) furnished by a qualified hearing aid
professional (as defined in paragraph (4)(C) of
such section), the amounts paid shall be equal
to 80 percent of the lesser of the actual charge
for such services or 85 percent of the amount
for such services determined under the payment
basis determined under section 1848”.
(3) Inclusion of Qualified Audiologists and Qualified Hearing Aid Professionals As Certain Practitioners to Receive Payment on an Assignment-Related Basis.—

(A) Qualified Audiologists.—Section 1842(b)(18)(C) of the Social Security Act (42 U.S.C. 1395u(b)(18)(C)) is amended by adding at the end the following new clause:

“(vii) Beginning on January 1, 2023, a qualified audiologist (as defined in section 1861(l)(4)(B)).”.

(B) Qualified Hearing Aid Professionals.—Section 1842(b)(18) of the Social Security Act (42 U.S.C. 1395u(b)(18)) is amended—

(i) in each of subparagraphs (A) and (B), by “striking subparagraph (C)” and inserting “subparagraph (C) or, beginning on January 1, 2023, subparagraph (E)”;

and

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

“(E) A practitioner described in this subparagraph is a qualified hearing aid professional (as defined in section 1861(l)(4)(C)).”.
(b) **Coverage of Hearing Aids.**—

(1) **Inclusion of Hearing Aids as Prosthetic Devices.**—Section 1861(s)(8) of the Social Security Act (42 U.S.C. 1395x(s)(8)) is amended by inserting “, and including hearing aids (as described in section 1834(h)(7)) furnished on or after January 1, 2023, to individuals with moderately severe, severe, or profound hearing loss” before the semicolon at the end.

(2) **Payment Limitations for Hearing Aids.**—Section 1834(h) of the Social Security Act (42 U.S.C. 1395m(h)) is amended by adding at the end the following new paragraphs:

“(6) **Payment only on an Assignment-Related Basis.**—Payment for hearing aids for which payment may be made under this part may be made only on an assignment-related basis. The provisions of subparagraphs (A) and (B) of section 1842(b)(18) shall apply to hearing aids in the same manner as they apply to services furnished by a practitioner described in subparagraph (C) of such section.

“(7) **Limitations for Hearing Aids.**—

“(A) **In General.**—Payment may be made under this part with respect to an indi-
vidual, with respect to hearing aids furnished by a qualified hearing aid supplier (as defined in subparagraph (B)) on or after January 1, 2023—

"(i) not more than once per ear during a 5-year period;

"(ii) only for types of such hearing aids that are determined appropriate by the Secretary; and

"(iii) only if furnished pursuant to a written order of a physician, qualified audiologist (as defined in section 1861(ll)(4)), qualified hearing aid professional (as so defined), physician assistant, nurse practitioner, or clinical nurse specialist.

"(B) DEFINITIONS.—In this subsection:

"(i) HEARING AID.—The term ‘hearing aid’ means the item and related services including selection, fitting, adjustment, and patient education and training.

"(ii) QUALIFIED HEARING AID SUPPLIER.—The term ‘qualified hearing aid supplier’ means—

"(I) a qualified audiologist;
“(II) a physician (as defined in section 1861(r)(1));

“(III) a physician assistant, nurse practitioner, or clinical nurse specialist;

“(IV) a qualified hearing aid professional (as defined in 1861(ll)(4)(C)); and

“(V) other suppliers as determined by the Secretary.”.

(3) APPLICATION OF COMPETITIVE ACQUISITION.—

(A) IN GENERAL.—Section 1834(h)(1)(H) of the Social Security Act (42 U.S.C. 1395m(h)(1)(H)) is amended—

(i) in the header, by inserting “AND HEARING AIDS” after “ORTHOTICS”;

(ii) by inserting “or of hearing aids described in paragraph (2)(D) of such section,” after “2011,”; and

(iii) in clause (i), by inserting “or such hearing aids” after “such orthototics”.

(B) CONFORMING AMENDMENTS.—

(i) IN GENERAL.—Section 1847(a)(2) of the Social Security Act (42 U.S.C.
1395w–3(a)(2)) is amended by adding at the end the following new subparagraph:

“(D) HEARING AIDS.—Hearing aids described in section 1861(s)(8) for which payment would otherwise be made under section 1834(h).”.

(ii) EXEMPTION OF CERTAIN ITEMS FROM COMPETITIVE ACQUISITION.—Section 1847(a)(7) of the Social Security Act (42 U.S.C. 1395w–3(a)(7)) is amended by adding at the end the following new subparagraph:

“(C) CERTAIN HEARING AIDS.—Those items and services described in paragraph (2)(D) if furnished by a physician or other practitioner (as defined by the Secretary) to the physician’s or practitioner’s own patients as part of the physician’s or practitioner’s professional service.”.

(iii) IMPLEMENTATION.—Section 1847(a) of the Social Security Act (42 U.S.C. 1395w–3(a)) is amended by adding at the end the following new paragraph:

“(8) COMPETITION WITH RESPECT TO HEARING AIDS.—Not later than January 1, 2028, the Sec-
retary shall begin the competition with respect to the 
items and services described in paragraph (2)(D).”.

(4) PHYSICIAN SELF-REFERRAL LAW.—Section 
1877(b) of the Social Security Act (42 U.S.C. 
1395nn(b)) is amended by adding at the end the fol-
lowing new paragraph:

“(6) HEARING AIDS AND SERVICES.—In the 
case of hearing aid examination services and hearing 
 aids—

“(A) furnished on or after January 1, 
2023, and before January 1, 2025; and

“(B) furnished on or after January 1, 
2025, if the financial relationship specified in 
subsection (a)(2) meets such requirements the 
Secretary imposes by regulation to protect 
against program or patient abuse.”.

(c) EXCLUSION MODIFICATION.—Section 1862(a)(7) 
of the Social Security Act (42 U.S.C. 1395y(a)(7)) is 
amended by inserting “(except such hearing aids or exami-
nations therefor as described in and otherwise allowed 
under section 1861(s)(8))” after “hearing aids or exami-
nations therefor”.

(d) INCLUSION AS EXCEPTED MEDICAL TREAT-
MENT.—Section 1821(b)(5)(A) of the Social Security Act 
(42 U.S.C. 1395i–5(b)(5)(A)) is amended—
(1) in clause (i), by striking “or”;

(2) in clause (ii), by striking the period and inserting “, or”; and

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

“(iii) consisting of audiology services described in subsection (ll)(3) of section 1861, or hearing aids described in subsection (s)(8) of such section, that are payable under part B as a result of the amendments made by An Act to provide for reconciliation pursuant to title II of S. Con. Res. 14.”.

(e) **Rural Health Clinics and Federally Qualified Health Centers.**—

(1) **Clarifying Coverage of Audiology Services as Physicians’ Services.**—Section 1861(aa)(1)(A) of the Social Security Act (42 U.S.C. 1395x(aa)(1)(A)) is amended by inserting “(including audiology services (as defined in subsection (ll)(3)))” after “physicians’ services”.

(2) **Inclusion of Qualified Audiologists and Qualified Hearing Aid Professionals as RHC and FQHC Practitioners.**—Section 1861(aa)(1)(B) of the Social Security Act (42
U.S.C. 1395x(aa)(1)(B)) is amended by inserting
“or by a qualified audiologist or a qualified hearing
aid professional (as such terms are defined in sub-
section (ll)),” after “(as defined in subsection
(hh)(1)),”.

(3) TEMPORARY PAYMENT RATES FOR CERTAIN
SERVICES UNDER THE RHC AIR AND FQHC PPS.—

(A) AIR.—Section 1833 of the Social Se-
curity Act (42 U.S.C. 1395l) is amended—

(i) in subsection (a)(3)(A), by insert-
ing “(which shall, in the case of audiology
services (as defined in section 1861(ll)(3)),
in lieu of any limits on reasonable costs
otherwise applicable, be based on the rates
payable for such services under the pay-
ment basis determined under section 1848
until such time as the Secretary deter-
mines sufficient data has been collected to
otherwise apply such limits (or January 1,
2029, if no such determination has been
made as of such date))” after “may pre-
scribe in regulations”; and

(ii) by adding at the end the following
new subsection:
“(ee) Disregard of Costs Attributable to Certain Services From Calculation of RHC AIR.—Payments for rural health clinic services other than audiology services (as defined in section 1861(ll)(3)) under the methodology for all-inclusive rates (established by the Secretary) under subsection (a)(3) shall not take into account the costs of such services while rates for such services are based on rates payable for such services under the payment basis established under section 1848.”.

(B) PPS.—Section 1834(o) of the Social Security Act (42 U.S.C. 1395m(o)) is amended by adding at the end the following new paragraph:

“(5) Temporary payment rates based on PFS for certain services.—The Secretary shall, in establishing payment rates for audiology services (as defined in section 1861(ll)(3)) that are Federally qualified health center services under the prospective payment system established under this subsection, in lieu of the rates otherwise applicable under such system, base such rates on rates payable for such services under the payment basis established under section 1848 until such time as the Secretary determines sufficient data has been collected to otherwise establish rates for such services under such system.
(or January 1, 2029, if no such determination has
been made as of such date). Payments for Federally
qualified health center services other than such audi-
ology services under such system shall not take into
account the costs of such services while rates for
such services are based on rates payable for such
services under the payment basis established under
section 1848.”.

(f) IMPLEMENTATION FOR 2022 THROUGH 2024.—
The Secretary of Health and Human Services shall imple-
ment the provisions of, and the amendments made by, this
section for 2022, 2023, and 2024 by program instruction
or other forms of program guidance.

(g) FUNDING.—In addition to amounts otherwise
available, there is appropriated to the Secretary of Health
and Human Services for fiscal year 2022, out of any
money in the Treasury not otherwise appropriated,
$370,000,000, to remain available until expended, for pur-
poses of implementing the amendments made by this sec-
tion during the period beginning on January 1, 2022, and
ending on September 30, 2031.
Subpart B—Skilled Nursing Facility and Nursing Facility Improvements

SEC. 122111. FUNDING TO IMPROVE THE ACCURACY AND RELIABILITY OF CERTAIN SKILLED NURSING FACILITY DATA.

Section 1888 of the Social Security Act (42 U.S.C. 1395yy) is amended—

(1) in subsection (h)(12)—

(A) in subparagraph (A), by striking “and the data submitted under subsection (e)(6) a process to validate such measures and data” and inserting “, the data submitted under subsection (e)(6), and, during the period beginning with fiscal year 2024 and ending with fiscal year 2031, the resident assessment data described in section 1819(b)(3) and the direct care staffing information described in section 1128I(g) a process to validate such measures, data, and information”; and

(B) in subparagraph (B)—

(i) by striking “FUNDING.—For purposes” and inserting “FUNDING.—“(i) FISCAL YEARS 2023 THROUGH 2025.—For purposes”; and

(ii) by adding at the end the following new clause:
“(ii) ADDITIONAL FUNDING.—There is appropriated to the Secretary, out of any monies in the Treasury not otherwise appropriated, $50,000,000 for fiscal year 2022, to remain available through fiscal year 2031, for purposes of carrying out this paragraph.”; and

(2) in subsection (c)(6)(A)—

(A) in the header, by striking “FOR FAILURE TO REPORT”;

and

(B) in clause (i)—

(i) by striking “For fiscal years beginning with fiscal year 2018, in the case of a skilled nursing facility that does not submit” and inserting the following:

“(I) FAILURE TO REPORT.—For fiscal years beginning with fiscal year 2018, in the case of a skilled nursing facility that does not submit quality measure data specified by the Secretary and”; and

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

“(II) REPORTING OF INACCURATE INFORMATION.—For fiscal
years during the period beginning with fiscal year 2026 and ending with fiscal year 2031, in the case of a skilled nursing facility that submits data under this paragraph, measures under subsection (h), resident assessment data described in section 1819(b)(3), or direct care staffing information described in section 1128I(g) with respect to such fiscal year that is inaccurate (as determined by the Secretary through the validation process described in section 1888(h)(12) or otherwise), after determining the percentage described in paragraph (5)(B)(i), and after application of clauses (ii) and (iii) of paragraph (5)(B) and of subclause (I) of this clause (if applicable), the Secretary shall reduce such percentage for payment rates during such fiscal year by 2 percentage points.”.
SEC. 122112. ENSURING ACCURATE INFORMATION ON COST REPORTS.

Section 1888(f) of the Social Security Act (42 U.S.C. 1395yy(f)) is amended by adding at the end the following new paragraph:

“(5) Audit of cost reports.—There is appropriated to the Secretary, out of any monies in the Treasury not otherwise appropriated, $250,000,000 for fiscal year 2022, to remain available through fiscal year 2031, for purposes of conducting an annual audit (beginning with 2023 and ending with 2031) of cost reports submitted under this title for a representative sample of skilled nursing facilities.”

SEC. 122113. SURVEY AND ENFORCEMENT IMPROVEMENTS FOR SKILLED NURSING FACILITIES AND NURSING FACILITIES.

Section 1128I of the Social Security Act (42 U.S.C. 1320a–7j) is amended by adding at the end the following new subsection:

“(i) Funding for survey and enforcement improvements.—In addition to amounts otherwise available, there is appropriated to the Secretary for fiscal year 2022, out of any money in the Treasury not otherwise appropriated, $325,000,000, to remain available until September 30, 2031, for purposes of Federal surveys and enforcement and providing training, tools, technical assist-
ance, and funding to State agencies that perform surveys of facilities for the purpose of improving the surveys conducted under subsection (g) of sections 1819 and 1919 and the enforcement process under subsection (h) of sections 1819 and 1919 with respect to the following areas:

“(1) The extent to which such surveys and enforcement result in increased compliance with requirements under sections 1819 and 1919 and subpart B of part 483 of title 42, Code of Federal Regulations, with respect to facilities.

“(2) The timeliness and thoroughness of State agency verification of deficiency corrections at facilities.

“(3) The identification and the scope and severity of cited deficiencies at facilities, particularly with respect to life safety, infection control, and emergency preparedness.

“(4) The timeliness of State agency investigations of—

“(A) complaints at facilities; and

“(B) reported allegations of abuse, neglect, and exploitation at facilities.

“(5) The consistency of identifying facilities that consistently fail to report substantiated com-
plaints to appropriate State and local authorities in accordance with State law.

“(6) Hiring, training, and retention of individuals who conduct surveys.

“(7) Any other area related to surveys of facilities, or the individuals conducting such surveys, determined appropriate by the Secretary.”

SEC. 122114. NURSE STAFFING.

Section 1819(d) of the Social Security Act (42 U.S.C. 1395i–3(d)) is amended by adding at the end the following new paragraph:

“(5) Nurse staffing.—

“(A) Funding.—In addition to amounts otherwise available, there is appropriated to the Secretary, out of any money in the Treasury not otherwise appropriated, $50,000,000 for fiscal years 2022, to remain available until September 30, 2031, for purposes of carrying out subparagraph (B).

“(B) Study.—Not later than 3 years after the date of the enactment of this paragraph, and not less frequently than once every 5 years thereafter, the Secretary shall, out of funds appropriated under subparagraph (A), conduct a study and submit to Congress a report on the
appropriateness of establishing minimum staff
to resident ratios for nursing staff for skilled
nursing facilities. Each such report shall in-
clude—

“(i) with respect to the first such re-
port, recommendations regarding appro-
priate minimum ratios of registered nurses
(and, if practicable, licensed practical
nurses (or licensed vocational nurses) and
certified nursing assistants) to residents at
such skilled nursing facilities; and

“(ii) with respect to each subsequent
such report, recommendations regarding
appropriate minimum ratios of registered
nurses, licensed practical nurses (or li-
censed vocational nurses), and certified
nursing assistants to residents at such
skilled nursing facilities.”.

SEC. 122115. REGISTERED PROFESSIONAL NURSES.

(a) MEDICARE.—Section 1819(b)(4)(C)(i) of the So-
cial Security Act (42 U.S.C. 1395i–3(b)(4)(C)(i)) is
amended by striking “registered professional nurse” and
all that follows through the period at the end and inserting
the following: “registered professional nurse, with respect
to such services furnished—
“(I) before October 1, 2024, at least 8 consecutive hours a day, 7 days a week; and

“(II) on or after such date, 24 hours a day, 7 days a week.”.

(b) MEDICAID.—Section 1919(b)(4)(C)(i)(II) of the Social Security Act (42 U.S.C. 1396r(b)(4)(C)(i)(II)) is amended by striking “registered professional nurse” and all that follows through the period at the end and inserting the following: “registered professional nurse, with respect to such services furnished—

“(aa) before October 1, 2024, at least 8 consecutive hours a day, 7 days a week; and

“(bb) on or after such date, 24 hours a day, 7 days a week.”.

SEC. 122116. IMPROVEMENTS TO THE SPECIAL FOCUS FACILITY PROGRAM.

Section 1128I of the Social Security Act (42 U.S.C. 1320a–7j) is amended by adding at the end the following new subsection:

“(i) FUNDING FOR THE SPECIAL FOCUS FACILITY PROGRAM, INCLUDING COMPLIANCE ASSISTANCE PROGRAMS.—In addition to amounts otherwise available, there is appropriated to the Secretary, out of any money in the
Treasury not otherwise appropriated, $100,000,000 for fiscal years 2022, to remain available until September 30, 2026, for purposes of—

“(1) for a period of not less than 3 years beginning not later than October 1, 2023, ensuring that the number of facilities participating in the special focus facility program under section 1819(f)(8) and section 1919(f)(10) is not less than 3.5 percent of all facilities; and

“(2) for a period of not less than 2 years beginning not later than October 1, 2024, providing mandatory on-site consultation and educational programming for facilities participating in such special focus facility program with respect to compliance with the applicable requirements under titles XVIII and XIX, to be carried out by quality improvement organizations under part B of this title or other independent organizations of a similar type that do not have conflicts of interest and are deemed appropriate by the Secretary.”
SEC. 122117. GRANTS TO IMPROVE STAFFING AND INFEC-
TION CONTROL IN LONG-TERM CARE INSTI-
TUTIONAL SETTINGS.

Part A of title XI of the Social Security Act (42
U.S.C. 1301–1320b–26) is amended by inserting after
section 1150C the following:

“SEC. 1150D. GRANTS TO IMPROVE STAFFING AND INFEC-
TION CONTROL IN LONG-TERM CARE INSTI-
TUTIONAL SETTINGS.

“(a) FUNDING.—Out of any funds in the Treasury
not otherwise appropriated, there are appropriated to the
Secretary—

“(1) for fiscal year 2022, $800,000,000 for
making staffing and infection control improvement
grants under subsection (b), to remain available
through September 30, 2031; and

“(2) for fiscal year 2022, $3,000,000 for ad-
ministrative and technical assistance costs in car-
ying out this section, to remain available through
September 30, 2031.

“(b) STAFFING AND INFECTION CONTROL IMPROVE-
MENT GRANTS.—

“(1) IN GENERAL.—From the amounts appro-
priated under subsection (a)(1), beginning with fis-
cal year 2024, the Secretary, acting through the Ad-
ministrator, shall solicit and make a grant under
this subsection for a term of 4 fiscal years to each State that submits an application which meets the requirements of paragraph (2).

“(2) APPLICATION REQUIREMENTS.—To receive a grant under this subsection, a State shall submit to the Administrator an application, in such form and manner as prescribed by the Administrator, which at a minimum shall include the following:

“(A) A description of how the State will use the grant funds for activities described in paragraph (4).

“(B) A description of how the State will ensure that grant funds (including any funds subgranted to an eligible long-term care facility) are used only for activities and purposes permitted under paragraph (4) and in accordance with any other requirements of this section or prescribed by the Secretary to carry out this section.

“(C) Information based on the most recent data available on the number of eligible individuals in the State.

“(3) AMOUNT OF GRANTS.—The Administrator shall determine the amount of the grant to be made to a State under this subsection based on the num-
ber of eligible individuals in the State and the proposed improvements to staffing and infection control.

“(4) USE OF FUNDS.—

“(A) IN GENERAL.—A State shall use funds from a grant made under this subsection to carry out at least 2 of the following activities in eligible long-term care facilities:

“(i) To provide wage or benefit enhancements for 1 or more types of eligible workers who care for eligible individuals in eligible long-term care facilities.

“(ii) To improve and develop training and career development opportunities, which shall include opportunities for training for infection control, for eligible workers who care for eligible individuals in eligible long-term care facilities.

“(iii) To expand staffing of 1 or more types of eligible workers who care for eligible individuals in eligible long-term care facilities so as to increase staffing ratios of such workers to such individuals.

“(B) OTHER REQUIREMENTS.—
“(i) Eligible Long-Term Care Facilities.—A State shall not be considered to be using funds from a grant under this subsection in accordance with the requirements of this section unless the State carries out activities supported by the grant in eligible long-term care facilities described in subparagraph (A) of subsection (c)(3) and in eligible long-term care facilities described in subparagraph (B) or (C) of such subsection.

“(ii) Supplement, Not Supplant.—As a condition of receiving a grant for a fiscal year under this subsection, a State shall agree that with respect to activities for which the State uses funds from such grant for such fiscal year, the total amount of expenditures made by the State during the fiscal year for such activities using non-Federal funds shall not be less than the total amount of expenditures made by the State for such activities using non-Federal funds over the 4-quarter period that ends on the last day of the most recent cal-
endar quarter ending on or before the date
of enactment of this section.

“(iii) LIMITATION ON USE OF
FUNDS.—No funds from a grant received
by a State under this subsection may be
used by the State as the source of the non-
Federal share of expenditures under the
State Medicaid program.

“(e) DEFINITIONS.—In this section:

“(1) ADMINISTRATOR.—The term ‘Adminis-
trator’ means the Administrator of the Centers for
Medicare & Medicaid Services.

“(2) ELIGIBLE INDIVIDUAL.—The term ‘eligible
individual’ means an individual who—

“(A) is eligible for and receiving medical
assistance under a State Medicaid program;
and

“(B) is a resident of an eligible long-term
care facility.

“(3) ELIGIBLE LONG-TERM CARE FACILITY.—
The term ‘eligible long-term care facility’ means—

“(A) an institution described in section
1905(d) that provides services to eligible indi-
viduals;
“(B) a nursing facility, as defined in section 1919(a), that provides services to eligible individuals; and

“(C) a skilled nursing facility, as defined in section 1819(a), that provides services to eligible individuals.

“(4) ELIGIBLE WORKER.—The term ‘eligible worker’ means, with respect to a State, a registered nurse, licensed practical nurse, licensed nursing assistant, certified nursing assistant, nursing assistant, infection preventionist, and any other relevant staffer, as determined by the Administrator, who furnishes services for which payment is available under the State Medicaid program to an eligible individual in an eligible long-term care facility.

“(5) STATE MEDICAID PROGRAM.—The term ‘State Medicaid program’ means, with respect to a State, the program carried out under the State plan approved under title XIX or under a waiver of such plan.

“(6) STATE.—The term ‘State’ means each of the 50 States, the District of Columbia, Puerto Rico, the United States Virgin Islands, Guam, the Northern Mariana Islands, and American Samoa.”.
Subpart C—Miscellaneous

SEC. 122121. PERMANENT EXTENSION OF THE INDEPENDENCE AT HOME MEDICAL PRACTICE DEMONSTRATION PROGRAM.

Section 1866E of the Social Security Act (42 U.S.C. 1395cc–5) is amended by adding at the end the following new subsection:

“(j) PERMANENT DEMONSTRATION PROGRAM.—

“(1) IN GENERAL.—Notwithstanding subsection (e)(1) and subject to paragraph (2), beginning on the date of enactment of this subsection, the Secretary shall conduct the demonstration program on a permanent basis.

“(2) ADJUSTMENTS.—In conducting the demonstration program on a permanent basis pursuant to paragraph (1), the preceding provisions of this section shall apply except that, beginning on the date of enactment of this subsection, the following shall apply:

“(A) Notwithstanding paragraphs (1) and (5) of subsection (e):

“(i) For 2022 through 2029, the Secretary shall limit the number of qualified independence at home medical practices participating under the demonstration program so that the number of applicable
beneficiaries that may participate in the
demonstration program does not exceed
the following:

“(I) 25,000 in 2022.
“(II) 50,000 in 2023.
“(III) 75,000 in 2024.
“(IV) 100,000 in 2025.
“(V) 125,000 in 2026.
“(VI) 150,000 in 2027.
“(VII) 175,000 in 2028.
“(VIII) 200,000 in 2029.
“(ii) For 2030 and subsequent years,
there shall be no limit on the number of
qualified independence at home medical
practices or applicable beneficiaries that
may participate in the demonstration pro-
gram.
“(iii) Participation of qualified inde-
pendence at home medical practices under
the demonstration program shall not be
limited to practices that were selected to
participate prior to the date of enactment
of this subsection.
“(B) In applying subsection (c), any appli-
cable beneficiary that participates in the dem-
onstration program, including by reason of the increase or elimination under subparagraph (A) of the limit on the number of applicable beneficiaries who may participate, shall be taken into account in establishing any—

“(i) estimated annual spending target under subsection (c)(1); and

“(ii) incentive payment under subsection (c)(2).

“(3) FUNDING.—In addition to amounts otherwise available, there is appropriated to the Centers for Medicare & Medicaid Services Program Management Account for fiscal year 2022, out of any money in the Treasury not otherwise appropriated, $60,000,000, to remain available until September 30, 2031, for purposes of administering and carrying out the demonstration program, other than for payments for items and services furnished under this title and incentive payments under subsection (c).”.

PART II—MEDICAID

Subpart A—Investments in Home and Community-Based Services and Long-Term Care Quality and Workforce

SEC. 122201. HCBS IMPROVEMENT PLANNING GRANTS.

(a) FUNDING.—
(1) IN GENERAL.—In addition to amounts otherwise available, there is appropriated to the Secretary for fiscal year 2022, out of any money in the Treasury not otherwise appropriated, $130,000,000, to remain available until expended, for carrying out this section.

(2) TECHNICAL ASSISTANCE AND GUIDANCE.—In addition to amounts otherwise available, there is appropriated to the Secretary for fiscal year 2022, out of any money in the Treasury not otherwise appropriated, $5,000,000, to remain available until expended, for purposes of issuing guidance and providing technical assistance to States intending to apply for, or which are awarded, a planning grant under this section, and for other administrative expenses related to awarding planning grants under this section.

(b) AWARD AND USE OF GRANTS.—

(1) DEADLINE FOR AWARD OF GRANTS.—From the amount appropriated under subsection (a)(1), the Secretary, not later than 12 months after the date of enactment of this Act, shall solicit State requests for HCBS improvement planning grants and award such grants to all States that meet such requirements as determined by the Secretary.
(2) USE OF FUNDS.—Subject to paragraph (3), a State awarded a planning grant under this section shall use the grant to carry out planning activities for purposes of developing and submitting to the Secretary an HCBS improvement plan for the State that meets the requirements of subsection (c). A State may use planning grant funds to support activities related to the implementation of the HCBS improvement plan for the State.

(3) LIMITATION ON USE OF FUNDS.—None of the funds awarded to a State under this section may be used by a State as the source of the non-Federal share of expenditures under the State Medicaid program.

(c) HCBS IMPROVEMENT PLAN REQUIREMENTS.—

(1) CONTENT.—The Secretary shall define the content requirements for an HCBS improvement plan, which, at minimum, shall include an assessment of access barriers to home and community-based services and the availability (as defined by the Secretary) of such services in the State, a description of Medicaid payment rates for such services, a description of the current workforce of direct care workers, the percentage of expenditures made by the State for long-term services and supports that are
for home and community-based services, and a de-
scription of how the State will meet the require-
ments of the HCBS Improvement Program.

(2) Submission; Approval; Amendments.—
Not later than 24 months after the date on which
a State is awarded a planning grant under this sec-
tion, the State shall submit an HCBS improvement
plan for approval by the Secretary, along with assur-
ances by the State that the State will implement the
plan in accordance with the requirements of the
HCBS Improvement Program. The Secretary shall
approve the HCBS improvement plan for a State
after the plan and such assurances are submitted to
the Secretary for approval and the Secretary deter-
mines the plan meets the requirements of this sub-
section. A State may amend its HCBS improvement
plan, subject to the approval of the Secretary that
the plan as so amended meets the requirements of
this subsection.

(d) Definitions.—In this part:

(1) Direct care worker.—The term “direct
care worker” means, with respect to a State, any of
the following individuals who are paid to provide di-
rectly to Medicaid eligible individuals home and com-
munity-based services available under the State Medicaid program:

(A) A registered nurse, licensed practical nurse, nurse practitioner, or clinical nurse specialist, or a licensed nursing assistant who provides such services under the supervision of a registered nurse, licensed practical nurse, nurse practitioner, or clinical nurse specialist.

(B) A direct support professional.

(C) A personal care attendant.

(D) A home health aide.

(E) Any other paid health care professional or worker determined to be appropriate by the State and approved by the Secretary.

(2) HCBS IMPROVEMENT PROGRAM.—The term “HCBS Improvement Program” means the program established under subsection (jj) of section 1905 of the Social Security Act (42 U.S.C. 1396d) (as added by section 122202).

(3) HCBS IMPROVEMENT PROGRAM STATE.—The term “HCBS Improvement Program State” means a State that is awarded a planning grant under subsection (b) and has an HCBS improvement plan approved by the Secretary under subsection (c)(2).
(4) **Home and Community-Based Services.**—The term “home and community-based services” means any of the following (whether provided on a fee-for-service, risk, or other basis):

(A) Home health care services authorized under paragraph (7) of section 1905(a) of the Social Security Act (42 U.S.C. 1396d(a)).

(B) Private duty nursing services authorized under paragraph (8) of such section, when such services are provided in a Medicaid eligible individual’s home.

(C) Personal care services authorized under paragraph (24) of such section.

(D) PACE services authorized under paragraph (26) of such section.

(E) Home and community-based services authorized under subsections (b), (c), (i), (j), and (k) of section 1915 of such Act (42 U.S.C. 1396n), authorized under a waiver under section 1115 of such Act (42 U.S.C. 1315), or provided through coverage authorized under section 1937 of such Act (42 U.S.C. 1396u–7).

(F) Case management services authorized under section 1905(a)(19) of the Social Secu-
(G) Rehabilitative services, including those related to behavioral health, described in section 1905(a)(13) of such Act (42 U.S.C. 1396d(a)(13)).

(H) Such other services specified by the Secretary.

(5) MEDICAID ELIGIBLE INDIVIDUAL.—The term “Medicaid eligible individual” means an individual who is eligible for and receiving medical assistance under a State Medicaid program. Such term includes an individual who is on a waiting list and who would become eligible for medical assistance and enrolled under a State Medicaid program upon receipt of home and community-based services.

(6) STATE MEDICAID PROGRAM.—The term “State Medicaid program” means, with respect to a State, the State program under title XIX of the Social Security Act (42 U.S.C. 1396 through 1396w-6) (including any waiver or demonstration under such title or under section 1115 of such Act (42 U.S.C. 1315) relating to such title).

(7) SECRETARY.—The term “Secretary” means the Secretary of Health and Human Services.
(8) STATE.—The term “State” means each of the 50 States, the District of Columbia, Puerto Rico, the Virgin Islands, Guam, the Northern Mariana Islands, and American Samoa.

SEC. 122202. HCBS IMPROVEMENT PROGRAM.

(a) INCREASED FMAP FOR HCBS IMPROVEMENT PROGRAM STATES.—Section 1905 of the Social Security Act (42 U.S.C. 1396d) is amended—

(1) in subsection (b), by striking “and (ii)” and inserting “(ii), and (jj)”;

(2) by adding at the end the following new subsection:

“(jj) ADDITIONAL SUPPORT FOR HCBS IMPROVEMENT PROGRAM STATES.—

“(1) IN GENERAL.—

“(A) ADDITIONAL SUPPORT.—Subject to paragraph (5), in the case of a State that is an HCBS Improvement Program State, for each fiscal quarter that begins on or after the first date on which the State is an HCBS Improvement Program State—

“(i) and for which the State meets the requirements described in paragraphs (2) and (4), notwithstanding subsection (b) or (ff), subject to subparagraph (B), with re-
spect to amounts expended during the quarter by such State for medical assistance for home and community-based services, the Federal medical assistance percentage for such State and quarter (as determined for the State under subsection (b) or (ff) and, if applicable, increased under subsection (y), (z), (aa), or (ii), section 6008(a) of the Families First Coronavirus Response Act, or section 1915(k)(2)) shall be increased by 6 percentage points; and

“(ii) with respect to the State meeting the requirements described in paragraphs (2) and (4) and with respect to amounts expended during the quarter and before October 1, 2031, administrative costs for expanding and enhancing home and community-based services, including for enhancing Medicaid data and technology infrastructure, modifying rate setting processes, adopting or improving training programs for direct care workers and family caregivers, home and community-based services ombudsman office activities, devel-
opposing processes to identify direct care
workers and assign such workers unique
identifiers, and adopting, carrying out, or
enhancing programs that register direct
care workers or connect beneficiaries to di-
rect care workers, shall be eligible for Fed-
eral financial participation in the same
manner as other administrative expendi-
tures under section 1903(a), except that,
for purposes of this clause, the per centum
applicable to such expenditures shall be the
greater of 80 percent or the per centum
that would otherwise apply.

In no case may the application of clause (i) re-
sult in the Federal medical assistance percent-
age determined for a State being more than 95
percent with respect to such expenditures. Any
increase pursuant to clause (ii) shall be avail-
able to a State before the State meets the re-
quirements of paragraphs (2) and (4).

“(B) ADDITIONAL HCBS IMPROVEMENT
EFFORTS.—Subject to paragraph (5), in addi-
tion to the increase to the Federal medical as-
sistance percentage under subparagraph (A)(i)
for amounts expended during a quarter for
medical assistance for home and community-based services by an HCBS Improvement Program State that meets the requirements of paragraphs (2) and (4) for the quarter, the Federal medical assistance percentage for amounts expended by the State during the quarter for medical assistance for home and community-based services shall be further increased by 2 percentage points (but not to exceed 95 percent) during the first 6 fiscal quarters throughout which the State has implemented and has in effect a program that meets the requirements of paragraph (3).

“(C) NONAPPLICATION TO CHIP EFMAP.— Any increase to the Federal medical assistance percentage of a State under subparagraph (A)(i) or (B) or an increase to an applicable Federal matching percentage under subparagraph (A)(ii) shall not be taken into account in calculating the enhanced FMAP of a State under section 2105.

“(2) REQUIREMENTS.—As conditions for receipt of the increase under paragraph (1)(A)(i) to the Federal medical assistance percentage determined for a State, with respect to a fiscal year quar-
ter, the State shall meet each of the following re-

duirements:

“(A) NONSUPPLANTATION.—The State

uses an amount in State funds equivalent to the

additional Federal funds received by the State

that are attributable to the increase to the Fed-
eral medical assistance percentage for amounts

expended during a quarter for medical assist-

ance for home and community-based services

under paragraph (1)(A) and paragraph (1)(B)

(if applicable) to supplement, and not supplant,

the level of State funds expended for home and

community-based services for eligible individ-

uals through programs in effect as of the date

the State is awarded a planning grant under

section 122201 of the Act titled ‘An Act to pro-

vide for reconciliation pursuant to title II of S.

Con. Res. 14’. In applying this subparagraph,

the Secretary shall provide that a State shall

have a 3-year period, as specified by the Sec-

retary, to spend any accumulated unspent State

funds attributable to such increase to the Fed-
eral medical assistance percentage.

“(B) MAINTENANCE OF EFFORT.—
“(i) IN GENERAL.—The State does not—

“(I) reduce the amount, duration, or scope of home and community-based services available under the State plan (or waiver of such plan) relative to the home and community-based services available under the plan or a waiver of such plan as of the date on which the State was awarded a planning grant under section 122201 of the Act titled ‘An Act to provide for reconciliation pursuant to title II of S. Con. Res. 14’;

“(II) reduce payment rates for home and community-based services lower than such rates that were in place as of the date described in subclause (I), including, to the extent applicable, assumed payment rates for such services that are included in managed care capitation rates as such rates are being prospectively built; or

“(III) except to the extent permitted under clause (ii), adopt more
restrictive standards, methodologies, or procedures for determining eligibility for, or the scope of, medical assistance for home and community-based services, including with respect to cost-sharing, than the standards, methodologies, or procedures applicable as of the date described in subclause (I).

“(ii) Conditions for flexibility.—A State may make modifications that would otherwise violate the maintenance of effort described in clause (i) if the State demonstrates to the satisfaction of the Secretary that such modifications shall not result in—

“(I) home and community-based services that are less comprehensive or lower in amount, duration, or scope;

“(II) fewer individuals (overall and within particular eligibility groups) receiving home and community-based services, adjusted for de-
mographic changes since the date described in clause (i)(I); or

“(III) increased cost-sharing (other than resulting from the rate of inflation) for home and community-based services.

“(C) ACCESS TO SERVICES.—The State undertakes efforts to improve access to home and community-based services by doing all of the following not later than an implementation date specified by the Secretary (which may vary for each of the following clauses) after the first day of the first fiscal quarter for which a State receives an increase to the Federal medical assistance percentage or other applicable Federal matching percentage under paragraph (1):

“(i) Reduces access barriers and disparities in access or utilization of home and community-based services.

“(ii) Provides coverage of personal care services authorized under subsection (a)(24) for all individuals eligible for and enrolled in medical assistance in the State.

“(iii) Provides for navigation of home and community-based services through ‘no
wrong door’ programs, provides expedited eligibility for home and community-based services, and improves home and community-based services counseling and education programs.

“(iv) Expands access to behavioral health services furnished in home and community-based settings.

“(v) Improves coordination of home and community-based services with employment, housing, and transportation supports.

“(vi) Provides supports to family caregivers.

“(vii) Newly provides coverage under, or expands existing eligibility criteria for, 1 or more of the eligibility categories authorized under subclause (XIII), (XV), or (XVI) of section 1902(a)(10)(A)(ii).

“(D) WORKFORCE.—The State strengthens and expands the workforce of direct care workers that provides home and community-based services by—

“(i) adopting processes to ensure that payment rates for home and community-
based services are sufficient (as defined by the Secretary) to ensure that services are available, including by, not later than 2 years after approval of the HCBS improvement plan and, at least every 3 years thereafter, updating and, as appropriate, increasing payment rates for home and community-based services to support recruitment and retention of direct care workers using, through existing or other processes to determine provider payments, a transparent process involving input from nongovernmental stakeholders;

“(ii) ensuring that increases in the payment rates for home and community-based services result in at least a proportionate increase to payments for direct care workers; and

“(iii) updating qualification standards as appropriate, and developing and adopting training opportunities, for direct care workers and family caregivers, at such times as the Secretary shall prescribe.

“(3) Self-directed models for the delivery of services.—As conditions for receipt of the
increase under paragraph (1)(B) to the Federal medical assistance percentage determined for a State, with respect to a fiscal year quarter, the State shall establish directly, or by contract with 1 or more entities, including an agency with choice or a similar service delivery model, a program for the performance of all of the following functions, consistent with guidance issued by the Secretary, to facilitate beneficiary use of self-directed care in the case the State covers home and community-based services under authorities that permit self-direction:

“(A) Recruiting and registering qualified direct care workers and assisting beneficiaries in finding qualified direct care workers.

“(B) Supporting beneficiary hiring, if selected by the beneficiary, of independent providers of home and community-based services, including through the provision of financial management services.

“(C) To the extent a State permits beneficiaries to hire a family member or individual with whom they have an existing relationship to provide home and community-based services, providing support to beneficiaries who wish to hire a caregiver who is a family member or in-
individual with whom they have an existing relationship.

“(D) Ensuring that the program under this paragraph does not promote or deter the ability of workers to form a labor organization or discriminate against workers who may join or decline to join such an organization

“(4) Reporting and Oversight.—As a condition for receipt of an increase under subparagraphs (A)(i) or (B) of paragraph (1) to the Federal medical assistance percentage determined for a State, with respect to a fiscal year quarter, the State shall, beginning with the last day of the 5th fiscal quarter for which the State is an HCBS Improvement Program State, and annually thereafter, report to the Secretary, in a manner the Secretary shall prescribe, on—

“(A) the State’s progress in implementing the activities described in subparagraphs (C) and (D) of paragraph (2) and (if applicable) paragraph (3) in accordance with the State HCBS improvement plan; and

“(B) the use of the increased funding provided under this subsection.
“(5) **Benchmarks for demonstrating improvements.**—An HCBS Improvement Program State shall cease to be eligible for an increase to the Federal medical assistance percentage under paragraph (1)(A)(i) or (1)(B) or an increase to an applicable Federal matching percentage under paragraph (1)(A)(ii) for each fiscal quarter after the 29th fiscal quarter that begins on or after the first date on which the State is an HCBS Improvement Program State unless, at the end of such 29th fiscal quarter, the State demonstrates the following in the annual report required in paragraph (4) for such quarter:

“(A) Increased availability (above a marginal increase) of home and community-based services in the State relative to such availability as reported in the State HCBS improvement plan and adjusted for demographic changes in the State since the submission of such plan.

“(B) With respect to the percentage of expenditures made by the State for long-term services and supports that are for home and community-based services, in the case of an HCBS Improvement Program State for which such percentage (as reported in the State HCBS improvement plan) was—
“(i) less than 50 percent, the State demonstrates that the percentage of such expenditures has increased to at least 50 percent since the plan was approved; and

“(ii) at least 50 percent, the State demonstrates that such percentage has not decreased since the plan was approved.

“(6) DEFINITIONS.—In this subsection, the terms ‘direct care worker’, ‘HCBS Improvement Program State’, and ‘home and community-based services’ have the meaning given those terms in section 122201(d) of the Act titled ‘An Act to provide for reconciliation pursuant to title II of S. Con. Res. 14’.

SEC. 122203. FUNDING FOR FEDERAL ACTIVITIES RELATED TO MEDICAID HCBS.

In addition to amounts otherwise available, there is appropriated to the Secretary for fiscal year 2022, out of any money in the Treasury not otherwise appropriated, $40,000,000, to remain available until expended, to carry out section 122202 (including the amendments made by such section), including by issuing necessary guidance and technical assistance to States and conducting program integrity and oversight efforts.
SEC. 122204. FUNDING FOR HCBS QUALITY MEASUREMENT AND IMPROVEMENT.

In addition to amounts otherwise available, there is appropriated to the Secretary for fiscal year 2022, out of any money in the Treasury not otherwise appropriated, $25,000,000, to remain available until expended, for purposes of developing, in consultation with nongovernmental stakeholders with expertise in home and community-based services (including recipients and providers of such services), a recommended set of home and community-based services quality measures that reflect the full range of home and community-based services (as defined in section 122201(d)) and the recipients of such services.

SEC. 122205. PERMANENT EXTENSION OF MEDICAID PROTECTIONS AGAINST SPOUSAL IMPOVERISHMENT FOR RECIPIENTS OF HOME AND COMMUNITY-BASED SERVICES.

(a) In General.—Section 1924(h)(1)(A) of the Social Security Act (42 U.S.C. 1396r–5(h)(1)(A)) is amended by striking “(at the option of the State) is described in section 1902(a)(10)(A)(ii)(VI)” and inserting the following: “is eligible for medical assistance for home and community-based services provided under subsection (c), (d), or (i) of section 1915 or under a waiver approved under section 1115, or who is eligible for such medical assistance by reason of being determined eligible under
section 1902(a)(10)(C) or by reason of section 1902(f) or otherwise on the basis of a reduction of income based on costs incurred for medical or other remedial care, or who is eligible for medical assistance for home and community-based attendant services and supports under section 1915(k”).

(b) **Conforming Amendment.**—Section 2404 of the Patient Protection and Affordable Care Act (42 U.S.C. 1396r–5 note) is amended by striking “September 30, 2023” and inserting “the date of the enactment of the Act titled ‘An Act to provide for reconciliation pursuant to title II of S. Con. Res. 14’”.

**SEC. 122206. PERMANENT EXTENSION OF MONEY FOLLOWS THE PERSON REBALANCING DEMONSTRATION.**

(a) **In General.**—Subsection (h) of section 6071 of the Deficit Reduction Act of 2005 (42 U.S.C. 1396a note) is amended—

(1) in paragraph (1)—

(A) in subparagraph (I), by inserting “and” after the semicolon;

(B) by amending subparagraph (J) to read as follows:

“(J) $450,000,000 for each fiscal year after 2021.”; and
(C) by striking subparagraph (K);

(2) in paragraph (2), by striking “September 30, 2023” and inserting “September 30 of the subsequent fiscal year”; and

(3) by adding at the end the following new paragraph:

“(3) TECHNICAL ASSISTANCE.—In addition to amounts otherwise available, there is appropriated to the Secretary for fiscal year 2022 and for each subsequent 3-year period, out of any money in the Treasury not otherwise appropriated, $5,000,000, to remain available until expended, for carrying out subsections (f), (g), and (i).”.

(b) REDISTRIBUTION OF UNEXPENDED GRANT AWARDS.—Subsection (e)(2) of section 6071 of the Deficit Reduction Act of 2005 (42 U.S.C. 1396a note) is amended by adding at the end the following new sentence: “Any portion of a State grant award for a fiscal year under this section that is unexpended by the State at the end of the fourth succeeding fiscal year shall be rescinded by the Secretary and added to the appropriation for the fifth succeeding fiscal year.”.
Subpart B—Expanding Access to Maternal Health

SEC. 122211. EXTENDING CONTINUOUS COVERAGE FOR PREGNANT AND POSTPARTUM INDIVIDUALS.

(a) MEDICAID.—

(1) REQUIRING FULL BENEFITS FOR PREGNANT AND POSTPARTUM INDIVIDUALS FOR 12-MONTH PERIOD POST PREGNANCY.—

(A) IN GENERAL.—Paragraph (5) of section 1902(e) of the Social Security Act (42 U.S.C. 1396a(e)) is amended—

(i) by striking ``(5) A woman who'' and inserting ``(5)(A) For any fiscal year quarter (beginning with the first fiscal year quarter beginning one year after the date of the enactment of the Act titled ‘An Act to provide for reconciliation pursuant to title II of S. Con. Res. 14’) with respect to which subparagraph (B) does not apply, an individual who''; and

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

“(B) For any fiscal year quarter (beginning with the first fiscal year quarter beginning one year after the date of the enactment of the Act titled ‘An Act to provide for reconciliation pursuant to title II of S. Con. Res. 14’), any individual who, while preg-
nant, is eligible for and received medical assistance under the State plan or a waiver of such plan (regardless of the basis for the individual’s eligibility for medical assistance and including during a period of retroactive eligibility under subsection (a)(34)), shall remain eligible, notwithstanding section 1916(c)(3) or any other limitation under this title, for medical assistance through the end of the month in which the 12-month period (beginning on the last day of pregnancy of the individual) ends, and such medical assistance shall be in accordance with clauses (i) and (ii) of paragraph (16)(B).”.

(B) CONFORMING AMENDMENTS.—Title XIX of the Social Security Act (42 U.S.C. 1396 through 1396w-6) is amended—

(i) in section 1902(a)(10), in the matter following subparagraph (G), by striking “(VII) the medical assistance” and all that follows through “, (VIII)” and inserting “(VIII)”;

(ii) in section 1902(e)(6), by striking “In the case of” and inserting “For any fiscal year quarter with respect to which paragraph (5)(B) does not apply, in the case of”;

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(iii) in section 1902(l)(1)(A), by striking “60-day period” and inserting “12-month period (or, for any fiscal year quarter with respect to which subsection (e)(5)(B) does not apply and for which the State has not adopted the option under section 1902(e)(16)(A), 60-day period)”;

(iv) in section 1903(v)(4)—

   (I) in subparagraph (A)(i), by striking “the 60-day period” and inserting “the applicable period (as described in subparagraph (D))”;

   (II) in subparagraph (A)(ii), by striking the period and inserting “, and, in the case of such an individual who is or becomes pregnant, such individual (regardless of age) during pregnancy and during the applicable period (as described in subparagraph (D)).”;

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

   “(D) For purposes of subparagraph (A), the applicable period described in this subparagraph is—
“(i) beginning with the first fiscal year quarter that begins one year after the date of the enactment of the American Rescue Plan Act of 2021, for a State that has adopted the option under section 1902(e)(16)(A), the 12-month period;”;

and

(IV) in the subparagraph (D) added by subclause (III), by adding at the end the following new clauses:

“(ii) beginning with the first fiscal year quarter beginning one year after the date of the enactment of the Act titled ‘An Act to provide for reconciliation pursuant to title II of S. Con. Res. 14’, the 12-month period; and

“(iii) for any fiscal year quarter (beginning with such first fiscal year quarter) with respect to which section 1902(e)(5)(B) does not apply and for which the State has not adopted the option under section 1902(e)(16)(A), the 60-day period.”;

(v) in section 1905(a), in the 4th sentence in the matter following paragraph
by striking “60-day period” and inserting “12-month period (or, for any fiscal year quarter with respect to which section 1902(e)(5)(B) does not apply and for which the State has not adopted the option under section 1902(e)(16)(A), 60-day period)”; and

(vi) in section 1905(y), by adding at the end the following new paragraph:

“(3) TREATMENT FOR CERTAIN INDIVIDUALS.—Notwithstanding paragraphs (1) and (2), section 1902(a)(10)(A)(i)(III), and section 1902(a)(10)(A)(i)(IV), the term ‘newly eligible’ in paragraph (2)(A) and the phrase ‘newly eligible individuals described in subclause (VIII) of section 1902(a)(10)(A)(i)’ in paragraph (1) shall apply to individuals who but for the amendments made by section 122211(a) of the Act titled ‘An Act to provide for reconciliation pursuant to title II of S. Con. Res. 14’ would be eligible under the State plan (or waiver) for medical assistance under section 1902(a)(10)(A)(i)(VIII) for the period beginning on the first day occurring after the end of such 60-day period and ending on the last day of the month in...
which the 12-month period (beginning on the last
day of the pregnancy) ends.”.

(2) Transition from state option.—

(A) In general.—Section 1902(e)(16)(A)
of the Social Security Act (42 U.S.C.
1396a(e)(16)(A)) is amended by striking “At
the option of the State” and inserting “For any
fiscal year quarter with respect to which para-
graph (5)(B) does not apply, at the option of
the State”.

(B) Conforming amendment.—Section
9812(b) of the American Rescue Plan Act of
2021 (Public Law 117–2) is amended by strik-
ing “during the 5-year period”.

(3) Effective date.—

(A) In general.—Subject to subpara-
graphs (B) and (C), the amendments made by
this paragraph shall take effect on the 1st day
of the 1st fiscal year quarter that begins one
year after the date of the enactment of this Act
and shall apply with respect to medical assist-
ance provided on or after such date.

(B) Exception for certain American
Rescue Plan Act of 2021 conforming
amendments.—The amendments made by sub-
clauses (I), (II), and (III) of paragraph
(1)(B)(iv) shall take effect on the first day of
the first fiscal year quarter that begins one year
after the date of the enactment of the American
Rescue Plan Act of 2021 and shall apply with
respect to medical assistance provided on or
after such date.

(C) Exception for state legislation.—In the case of a State plan under title
XIX of the Social Security Act (42 U.S.C. 1396
through 1396w-6) that the Secretary of Health
and Human Services determines requires State
legislation in order for the plan to meet any re-
quirement imposed by amendments made by
this subsection, the plan shall not be regarded
as failing to comply with the requirements of
such title solely on the basis of its failure to
meet such a requirement before the first day of
the first calendar quarter beginning after the
close of the first regular session of the State
legislature that begins after the date of the en-
actment of this Act. For purposes of the pre-
vious sentence, in the case of a State that has
a 2-year legislative session, each year of the ses-
sion shall be considered to be a separate regular
session of the State legislature.

(b) CHIP.—

(1) REQUIRING FULL BENEFITS FOR PREGNANT
AND POSTPARTUM WOMEN FOR 12-MONTH PERIOD
POST PREGNANCY.—

(A) IN GENERAL.—Section 2107(e)(1)(J)
of the Social Security Act (42 U.S.C.
1397gg(e)(1)(J)) is amended—

(i) by striking “Paragraphs (5) and
(16) of section 1902(e)” and inserting “(i)
For any fiscal year quarter with respect to
which paragraph (5)(B) of section 1902(e)
does not apply, paragraphs (5)(A) and
(16) of such section”; and

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

“(ii) For any fiscal year quarter (beginning
with the first fiscal year quarter beginning one
year after the date of the enactment of the Act
titled ‘An Act to provide for reconciliation pur-
suant to title II of S. Con. Res. 14’), section
1902(e)(5)(B) (requiring, notwithstanding sec-
tion 2103(e)(3)(C)(ii)(I) or any other limitation
under this title, continuous coverage for preg-
nant and postpartum individuals, including 12 months postpartum, of medical assistance) if the State provides child health assistance to targeted low-income children or pregnancy-related assistance to targeted low-income pregnant women, under the State child health plan or waiver, including coverage of all items or services provided to a targeted low-income child or targeted low-income pregnant woman (as applicable) under the State child health plan or waiver.”.

(B) CONFORMING AMENDMENTS.—Section 2112 of the Social Security Act (42 U.S.C. 1397ll) is amended—

(i) in subsection (d)—

(I) in paragraph (1), by inserting “and includes, through application of section 1902(e)(5)(B) pursuant to section 2107(e)(1)(J)(ii), continuous coverage for pregnant and postpartum individuals, including 12 months postpartum” before the period at the end; and

(II) in paragraph (2)(A), by striking “60-day period” and all that
follows through “ends” and inserting
“12-month period (or, for any fiscal
year quarter with respect to which
section 2107(e)(1)(J)(ii) does not
apply and for which the State has not
adopted the option under section
1902(e)(16)(A), 60-day period) ends’’;
and
(ii) in subsection (f)(2), by striking
“60-day period” and inserting “12-month
period (or, for any fiscal year quarter (be-
beginning with the first fiscal year quarter
beginning one year after the date of the
enactment of the Act titled ‘An Act to pro-
vide for reconciliation pursuant to title II
of S. Con. Res. 14’) with respect to which
section 2107(e)(1)(J)(ii) does not apply
and for which the State has not adopted
the option under section 1902(e)(16)(A),
60-day period)’’.

(2) TRANSITION FROM STATE PLAN OPTION.—
Section 9822(b) of the American Rescue Plan Act of
2021 (Public Law 117–2) is amended by striking “,
during the 5-year period”.

(3) EFFECTIVE DATE.—
(A) IN GENERAL.—Subject to subparagraph (B), the amendments made by this subsection shall take effect on the 1st day of the 1st fiscal year quarter that begins one year after the date of the enactment of this Act and shall apply with respect to child health assistance and pregnancy-related assistance, as applicable, provided on or after such date.

(B) EXCEPTION FOR STATE LEGISLATION.—In the case of a State child health plan under title XXI of the Social Security Act (42 U.S.C. 1397aa through 1397mm) that the Secretary of Health and Human Services determines requires State legislation in order for the plan to meet any requirement imposed by amendments made under this subsection, the plan shall not be regarded as failing to comply with the requirements of such title solely on the basis of its failure to meet such a requirement before the first day of the first calendar quarter beginning after the close of the first regular session of the State legislature that begins after the date of the enactment of this Act. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each
year of the session shall be considered to be a separate regular session of the State legislature.

SEC. 122212. STATE OPTION TO PROVIDE COORDINATED CARE THROUGH A MATERNAL HEALTH HOME FOR PREGNANT AND POSTPARTUM INDIVIDUALS.

Title XIX of the Social Security Act (42 U.S.C. 1396a) is amended by inserting after section 1945A the following new section:

"SEC. 1945B. STATE OPTION TO PROVIDE COORDINATED CARE THROUGH A MATERNAL HEALTH HOME FOR PREGNANT AND POSTPARTUM INDIVIDUALS.

“(a) IN GENERAL.—Notwithstanding section 1902(a)(1) (relating to statewideness) and section 1902(a)(10)(B) (relating to comparability), beginning 24 months after the date of enactment of this section, a State, at its option as a State plan amendment, may provide for medical assistance under this title to eligible individuals who choose to enroll in a maternal health home under this section and receive maternal health home services from a designated provider, a team of health professionals operating with such a provider, or a health team.

“(b) MATERNAL HEALTH HOME QUALIFICATION STANDARDS.—A maternal health home under this section
shall demonstrate to the State the ability to do the following:

“(1) Develop an individualized comprehensive care plan for each eligible individual, working in a culturally and linguistically appropriate manner with such individual to develop and incorporate such care plan in a manner consistent with such individual’s needs and choices, including—

“(A) primary care;
“(B) inpatient care;
“(C) social support services;
“(D) local hospital emergency care;
“(E) care management and planning related to a change in an eligible individual’s eligibility for medical assistance or a change in health insurance coverage as needed; and
“(F) behavioral health services.

“(2) Coordinate all necessary services to support prenatal, labor and delivery, and postpartum care for eligible individuals.

“(3) Coordinate access to specialists, behavioral health providers, early intervention services, and pediatricians.

“(c) PAYMENTS.—
“(1) IN GENERAL.—A State shall provide a designated provider, a team of health professionals operating with such a provider, or a health team with payments for the provision of maternal health home services to each eligible individual enrolled in a maternal health home. Payments for maternal health home services made to a designated provider, a team of health professionals operating with such a provider, or a health team shall be treated as payments for medical assistance for purposes of section 1903(a), except that, during the first 8 fiscal quarters that the State plan amendment is in effect, the Federal medical assistance percentage otherwise applicable to such payments shall be increased by 15 percentage points, not to exceed 90 percent.

“(2) METHODOLOGY.—

“(A) IN GENERAL.—The State shall specify in the State plan amendment the methodology the State will use for determining payment for the provision of maternal health home services. Such methodology for determining payment—

“(i) may be tiered or adjusted to reflect, with respect to each individual provided such services by a designated pro-
vider, a team of health care professionals operating with such a provider, or a health team, the acuity of each individual receiving care, or the specific capabilities of the provider, team of health care providers, or health team; and

“(ii) shall be established consistent with section 1902(a)(30)(A).

“(B) ALTERNATE MODEL OF PAYMENT.—
The methodology for determining payment for provision of maternal health home services under this section shall not be limited to a fee-for-service or per-member per-month payment model, and may provide for alternate models of payment that reflect the needs of a State, subject to the approval of the Secretary.

“(3) PLANNING GRANTS.—

“(A) IN GENERAL.—Beginning 12 months after the date of enactment of this section, the Secretary may award planning grants to States for purposes of developing a State plan amendment under this section. A planning grant awarded to a State under this paragraph shall remain available until expended.
“(B) State Contribution.—A State awarded a planning grant shall contribute an amount equal to the State percentage determined under section 1905(b) for each fiscal year for which the grant is awarded.

“(C) Appropriations.—In addition to amounts otherwise available, there is appropriated for fiscal year 2022, out of any money in the Treasury not otherwise appropriated, to remain available until expended, to carry out this paragraph, $5,000,000 for awarding grants under this section.

“(d) State Plan Amendment.—A State plan amendment submitted pursuant to this section shall include—

“(1) eligibility criteria for maternal health homes;

“(2) services available to eligible individuals through the maternal health home;

“(3) a description of providers that may provide care through a maternal health home, and that include how such State will ensure any provider arrangement offered includes a person-centered planning approach to determining necessary services and supports and providing the appropriate care coordi-
nation to meet clinical and non-clinical needs of eligible individuals; and

“(4) reimbursement methodologies (as described in subsection (e)(2)).

“(e) DEFINITIONS.—In this section:

“(1) DESIGNATED PROVIDER.—The term ‘designated provider’ means a physician, clinical practice or clinical group practice, rural health clinic, freestanding birth center, community health center, obstetrician gynecologist, midwife who meets at a minimum the international definition of the midwife and global standards for midwifery education as established by the International Confederation of Midwives, or any other health care entity or provider determined by the State and approved by the Secretary to be qualified to act as a maternal health home.

“(2) ELIGIBLE INDIVIDUAL.—The term ‘eligible individual’ means an individual eligible for medical assistance under the State plan or under a waiver of such plan who—

“(A) is pregnant or in the postpartum period that begins on the last day of the pregnancy and ends on the last day of the month in which the 12-month period (beginning on the
last day of the pregnancy of the individual)
ends (or, if the State provides for a longer pe-
period of postpartum coverage period under such
plan or waiver, on the last day of such longer
period); and

“(B) is not enrolled in a health home
under section 1945 or 1945A.

“(3) HEALTH TEAM.—The term ‘health team’
has the meaning given such term for purposes of
section 3502 of Public Law 111–148.

“(4) MATERNAL HEALTH HOME.—The term
‘maternal health home’ means a designated provider
(including a provider that operates in coordination
with a team of health care professionals), or a health
team selected by a State to provide maternal health
home services to pregnant and postpartum individ-
uals.

“(5) MATERNAL HEALTH HOME SERVICES.—

“(A) IN GENERAL.—The term ‘maternal
health home services’ means comprehensive and
timely high-quality services described in sub-
paragraph (B) that are provided by a des-
ignated provider, a team of health professionals
operating with such a provider, or a health
team.
“(B) Services described.—The services described in this subparagraph shall include—

“(i) a standardized risk assessment for all participants to determine needs;

“(ii) comprehensive care management;

“(iii) care coordination and health promotion;

“(iv) comprehensive transitional care, including arranging appropriate follow-up, for individuals transitioning from inpatient care to other settings;

“(v) individual and family support (including authorized representatives);

“(vi) making referrals to other medical, community, and social support services, if relevant; and

“(vii) the use of health information technology to link services and coordinate care, to the extent practicable.

“(6) Standardized risk assessment.—The term ‘standardized risk assessment’ means an assessment to determine the needs of an eligible individual, and shall include an assessment of medical, obstetric, behavioral health, and social needs performed at the initial prenatal or postpartum visit.
“(7) TEAM OF HEALTH PROFESSIONALS.—The term ‘team of health professionals’ means a team of health professionals (as described in the State plan amendment under this section) that may—

“(A) include physicians, midwives who meet at a minimum the international definition of the midwife and global standards for midwifery education as established by the International Confederation of Midwives, nurses, nurse care coordinators, nutritionists, social workers, doulas, behavioral health professionals, community health workers, translators and interpreters, and other professionals determined to be appropriate by the State;

“(B) a health care entity or individual who is designated to coordinate such a team; and

“(C) provide care at a facility that is free-standing, virtual, or based at a hospital, free-standing birth center, community health center, community mental health center, rural clinic, clinical practice or clinical group practice, academic health center, children’s hospital, or any health care entity determined to be appropriate by the State and approved by the Secretary.”.
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Subpart C—Territories

SEC. 122221. INCREASING MEDICAID CAP AMOUNTS AND
THE FEDERAL MEDICAL ASSISTANCE PER-
CENTAGE FOR THE TERRITORIES.

(a) CAP AMOUNT ADJUSTMENTS.—Section
1108(g)(2) of the Social Security Act (42 U.S.C.
1308(g)(2)) is amended—

(1) in subparagraph (A)—

(A) in clause (i)—

(i) by striking “except as provided in
clause (ii)” and inserting “for each of fis-
cal years 1999 through 2019”; and

(ii) by striking “and” at the end; and

(B) by adding at the end the following new
clauses:

“(iii) for fiscal year 2022, $3,600,000,000; and
“(iv) for fiscal year 2023 and each
subsequent year, the sum of the amount
provided in this subsection for the pre-
ceding fiscal year, increased by the per-
centage increase, if any, in Medicaid
spending under title XIX during the pre-
ceding year (as determined based on the
most recent National Health Expenditure
data with respect to such year), rounded to the nearest $100,000;”;

(2) in subparagraph (B)—

(A) in clause (i), by striking “except as provided in clause (ii),” and inserting “for each of fiscal years 1999 through 2019,”;

(B) in clause (ii), by striking “and” at the end;

(C) by adding at the end the following:

“(iv) for fiscal year 2022, $135,000,000; and

“(v) for fiscal year 2023 and each subsequent year, the sum of the amount provided in this subsection for the preceding fiscal year, increased by the percentage increase described in subparagraph (A)(iv) for the preceding year, rounded to the nearest $10,000;”;

(3) in subparagraph (C)—

(A) in clause (i), by striking “except as provided in clause (ii),” and inserting “for each of fiscal years 1999 through 2019,”;

(B) in clause (ii), by striking “and” at the end;

(C) by adding at the end the following:
“(iv) for fiscal year 2022, $140,000,000; and

“(v) for fiscal year 2023 and each subsequent year, the sum of the amount provided in this subsection for the preceding fiscal year, increased by the percentage increase described in subparagraph (A)(iv) for the preceding year, rounded to the nearest $10,000;”;

(4) in subparagraph (D)—

(A) in clause (i), by striking “except as provided in clause (ii),” and inserting “for each of fiscal years 1999 through 2019,”;

(B) in clause (ii), by striking “and” at the end;

(C) in clause (iii), by striking “and” at the end; and

(D) by adding at the end the following new clauses:

“(iv) for fiscal year 2022, $73,000,000; and

“(v) for fiscal year 2023 and each subsequent year, the sum of the amount provided in this subsection for the preceding fiscal year, increased by the per-
percentage increase described in subparagraph (A)(iv) for the preceding year, rounded to the nearest $10,000; and’’;

(5) in subparagraph (E)—

(A) in clause (i), by striking “except as provided in clause (ii),” and inserting “for each of fiscal years 1999 through 2019;’’;

(B) in clause (ii), by striking “and” at the end;

(C) in clause (iii), by striking the period and inserting a semicolon; and

(D) by adding at the end the following:

“(iv) for fiscal year 2022, $90,000,000; and

“(v) for fiscal year 2023 and each subsequent year, the sum of the amount provided in this subsection for the preceding fiscal year, increased by the percentage increase described in subparagraph (A)(iv) for the preceding year, rounded to the nearest $10,000.’’; and

(6) by striking the flush matter following subparagraph (E).

(b) FMAP ADJUSTMENTS.—Section 1905(ff) of the Social Security Act (42 U.S.C. 1396d(ff)), as amended by
section 2104(a) of title I of division C of the Further Extending Government Funding Act (Public Law 117–70), is amended—

(1) by redesignating paragraphs (1) through (3) as subparagraphs (A) through (C), respectively, and adjusting the margins accordingly;

(2) by striking “Notwithstanding” and inserting the following:

“(1) IN GENERAL.—Notwithstanding”;

(3) in paragraph (1), as so inserted—

(A) in the matter preceding subparagraph (A), as so redesignated, by inserting “paragraph (2) and” after “subject to”;

(B) in subparagraph (B), as so redesignated—

(i) by striking “1108(g)(7)(C)” and inserting “1108(g)(7)(B)”;

(ii) by striking “December 3, 2021,” and inserting “September 30, 2021”; and

(iii) by striking “and” at the end;

(C) in subparagraph (C), as so redesignated, by striking “February 18, 2022,” and inserting “September 30, 2021”; and

(D) by adding at the end the following:
“(D) for fiscal year 2022 and each subsequent fiscal year, the Federal medical assistance percentage for the Virgin Islands, Guam, the Northern Mariana Islands, and American Samoa shall be equal to 83 percent;

“(E) for fiscal year 2022, the Federal medical assistance percentage for Puerto Rico shall be equal to 76 percent; and

“(F) for fiscal year 2023 and each subsequent fiscal year, the Federal medical assistance percentage for Puerto Rico shall be equal to 83 percent.”; and

(4) by adding at the end the following new paragraph:

“(2) Special rule for Puerto Rico relating to establishing a payment floor.—

“(A) In general.—For each fiscal quarter (beginning with the first fiscal quarter beginning on or after the date of the enactment of this paragraph), Puerto Rico’s State plan (or waiver of such plan) shall establish a reimbursement floor, implemented through a directed payment arrangement plan, for physician services that are covered under the Medicare part B fee schedule in the Puerto Rico locality estab-
lished under section 1848(b) that is not less than 70 percent of the payment that would apply to such services if they were furnished under part B of title XVIII during such fiscal quarter.

“(B) Application to managed care.—

In determining whether Puerto Rico has established a reimbursement floor under a directed payment arrangement plan that satisfies the requirements of subparagraph (A) for a fiscal quarter occurring during fiscal year 2022 or a subsequent fiscal year—

“(i) the Secretary shall disregard payments made under sub-capitated arrangements for services such as primary care case management; and

“(ii) if the reimbursement floor for physician services applicable under a managed care contract satisfies the requirements of subparagraph (A) for a fiscal quarter occurring during a year in which the contract is entered into or renewed, such reimbursement floor shall be deemed to satisfy such requirements for each subsequent fiscal quarter occurring during
such year and for each fiscal quarter occurring during the subsequent fiscal year.

“(C) FMAP REDUCTION FOR FAILURE TO ESTABLISH PAYMENT FLOOR.—

“(i) IN GENERAL.—In the case that the Secretary determines that Puerto Rico has failed to meet the requirement of subparagraph (A) with respect to a fiscal quarter, the Federal medical assistance percentage otherwise determined under this subsection for Puerto Rico shall be reduced for such quarter by the applicable number of percentage points described in clause (ii).

“(ii) APPLICABLE NUMBER OF PERCENTAGE POINTS.—For purposes of clause (i), the applicable number of percentage points described in this clause is, with respect to a fiscal quarter, the following:

“(I) In the case no reduction was made under this subparagraph for the preceding fiscal quarter, 0.5 percentage points.

“(II) In the case a reduction was made under this subparagraph for the
preceding fiscal quarter, the number
of percentage points of such reduction
for such preceding fiscal quarter, plus
0.25 percentage points, except that in
no case may the application of this
subclause result in a reduction of
more than 5 percentage points.”.

Subpart D—Other Medicaid

SEC. 122231. INVESTMENTS TO ENSURE CONTINUED AC-
CESS TO HEALTH CARE FOR CHILDREN AND
OTHER INDIVIDUALS.

(a) Providing for 1 Year of Continuous Eligibility for Children.—

(1) Under the Medicaid Program.—

(A) In General.—Section 1902(e) of the
Social Security Act (42 U.S.C. 1396a(e)) is
amended—

(i) in paragraph (12), by inserting
“before the date that is one year after the
date of the enactment of paragraph (17)”
after “subsection (a)(10)(A)” ; and

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

“(17) 1 YEAR OF CONTINUOUS ELIGIBILITY FOR
CHILDREN.—The State plan (or waiver of such
State plan) shall provide that an individual who is under the age of 19 and who is determined to be eligible for benefits under a State plan (or waiver of such plan) approved under subsection (a)(10)(A) shall remain eligible for such benefits until the earlier of—

“(A) the end of the 12-month period beginning on the date of such determination;

“(B) the time that such individual attains the age of 19; or

“(C) the date that such individual ceases to be a resident of such State.”.

(B) Effective Date.—

(i) In general.—Subject to clause (ii), the amendments made by subparagraph (A)(ii) shall take effect one year after the date of enactment of this Act.

(ii) Exception for state legislation.—In the case of a State plan under title XIX of the Social Security Act (42 U.S.C. 1396 through 1396w-6) that the Secretary of Health and Human Services determines requires State legislation in order for the plan to meet any requirement imposed by amendments made under sub-
paragraph (A)(ii), the plan shall not be regarded as failing to comply with the requirements of such title solely on the basis of its failure to meet such a requirement before the first day of the first calendar quarter beginning after the close of the first regular session of the State legislature that begins after the date of the enactment of this Act. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of the session shall be considered to be a separate regular session of the State legislature.

(2) **Under the Children’s Health Insurance Program.**—Section 2107(e)(1) of the Social Security Act (42 U.S.C. 1397gg(e)(1)) is amended—

(A) by redesignating subparagraphs (K) through (T) as subparagraphs (L) through (U), respectively; and

(B) by inserting after subparagraph (J) the following new subparagraph:

“(K) Section 1902(e)(17) (relating to 1 year of continuous eligibility for children).”.

(b) **Revisions to Temporary Increase of Medicaid FMAP Under the Families First Coronavirus
RESPONSE ACT.—Section 6008 of the Families First Coronavirus Response Act (42 U.S.C. 1396d note) is amended—

(1) in subsection (a)—

(A) by striking “IN GENERAL.—Subject to” and inserting “TEMPORARY INCREASE.—

“(1) IN GENERAL.—Subject to”;

(B) in the paragraph (1) inserted by subparagraph (A)—

(i) by striking “the last day of the calendar quarter in which the last day of such emergency period occurs” and inserting “September 30, 2022”; and

(ii) by striking “6.2 percentage points” and inserting “the number of percentage points specified in paragraph (2) with respect to such calendar quarter”; and

(C) by adding at the end the following new paragraph:

“(2) PERCENTAGE POINTS SPECIFIED.—For purposes of paragraph (1), the number of percentage points specified in this paragraph is—

“(A) 6.2 percentage points with respect to each calendar quarter occurring during the pe-
period beginning on the first day of the emergency period defined in paragraph (1)(B) of section 1135(g) of the Social Security Act (42 U.S.C. 1320b-5(g)) and ending March 31, 2022;

“(B) 3.0 percentage points with respect to the calendar quarter beginning on April 1, 2022, and ending on June 30, 2022; and

“(C) 1.5 percentage points with respect to the calendar quarter beginning on July 1, 2022, and ending on September 30, 2022.”;

(2) in subsection (b)(3)—

(A) by striking “the State fails” and inserting “subject to subsection (f), the State fails”;

(B) by striking “and ending the last day of the month in which the emergency period described in subsection (a) ends” and inserting “and ending on March 31, 2022,”; and

(C) by striking “through the end of the month in which such emergency period ends” and inserting “through September 30, 2022,”; and

(3) by adding at the end the following new subsection:
“(f) Special Rule for Enrollments as of April 1, 2022.—For calendar quarters during the period described in subsection (a) that begin on or after April 1, 2022, a State described in such subsection may, in accordance with paragraph (3), terminate coverage for an individual who is determined to be no longer eligible for medical assistance and who has been enrolled for at least 12 consecutive months under the State plan of such State under title XIX of the Social Security Act (42 U.S.C. 1396 through 1396w–6) (including any waiver under such title or section 1115 of such Act (42 U.S.C. 1315)), and such State shall not be ineligible for the increase to the Federal medical assistance percentage of the State described in such subsection on the basis that the State is in violation of the requirement of subsection (b)(3), if the State, with respect to such terminations of coverage conducted through September 30, 2022, for such individuals, is in compliance with each of the following:

“(1) The State shall conduct such eligibility redeterminations, with respect to such an individual, in accordance with all Federal legal requirements that govern eligibility redeterminations under title XIX of the Social Security Act, as applicable.

“(2) Prior to terminating coverage for an individual, the State shall undertake a good faith effort
to ensure that the State has contact information (including an up-to-date mailing address, phone number, or email address) for such individuals by coordinating with Medicaid managed care organizations (where applicable), and other applicable State health and human services agencies.

“(3) The State may not disenroll from the State plan (or waiver) such an individual determined ineligible pursuant to such a redetermination for medical assistance under the State plan (or waiver) on the basis of returned mail unless—

“(A) there have been at least 2 failed attempts to contact such individual through at least 2 modalities; and

“(B) the individual had reasonable notice (as provided in accordance with guidance issued by the Secretary) before such disenrollment takes effect.

“(4) The State may not initiate eligibility redeterminations for more than 1/9 of individuals enrolled in the State plan (or waiver) with respect to any month during the period beginning on the date that the State begins to initiate such redeterminations in accordance with this subsection, and ending on September 30, 2022.
“(5) During the period described in subsection (a) that begins on or after April 1, 2022, and for which the State receives an increase in its Federal medical assistance percentage pursuant to such subsection, the State shall submit to the Secretary monthly reports on the activities of the State, including, with respect to the period for which the report is submitted—

“(A) the number of eligibility renewals initiated, beneficiaries renewed, and individuals whose eligibility was terminated;

“(B) the number of such cases in which eligibility for medical assistance under the State plan (or waiver) were so terminated due to the individual’s failure to return a renewal form or other information needed by the state to make an eligibility determination;

“(C) the number of such cases in which eligibility for medical assistance under the State plan (or waiver) were so terminated pursuant to such a redetermination due to a known change in circumstance;

“(D) the number of individuals whose coverage was terminated pursuant to such a redetermination whose accounts were, during such
period, transferred to the Exchange, CHIP, or basic health program; and

“(E) the total call center volume, average wait times, and average abandonment rate (as determined by the Secretary) for each call center during such month.”.

(c) MEDICAL ASSISTANCE UNDER MEDICAID FOR INMATES DURING 30-DAY PERIOD PRECEDEING RELEASE.—

(1) IN GENERAL.—The subdivision (A) following paragraph (31) of section 1905(a) of the Social Security Act (42 U.S.C. 1396d(a)) is amended by inserting “and, beginning on the first day of the first fiscal year quarter that begins two years after the date of the enactment of the Act titled ‘An Act to provide for reconciliation pursuant to title II of S. Con. Res. 14’, except during the 30-day period preceding the date of release of an inmate of a public institution” after “medical institution”.

(2) CONFORMING AMENDMENTS IN TITLE XIX.—Section 1902(a) of the Social Security Act (42 U.S.C. 1396a(a)) is amended—

(A) in paragraph (74), by striking at the end “and”; and

(B) in paragraph (84)—
(i) in subparagraph (A), by inserting
“, except, beginning on the first day of the
first fiscal year quarter that begins 2 years
after the date of enactment of the Act ti-
tled ‘An Act to provide for reconciliation
pursuant to title II of S. Con. Res. 14’, the
State may not suspend coverage during the
30-day period preceding the date of release
of the juvenile” after “during the period
the juvenile is such an inmate”; and

(ii) in subparagraph (C), by striking
“upon release” and inserting “30 days
prior to release”.

(3) CONFORMING AMENDMENT IN TITLE XXI.—
Section 2110(b)(2) of the Social Security Act (42
U.S.C. 1397jj(b)(2)) is amended—

(A) by redesignating subparagraph (B) as
subparagraph (C); and

(B) by striking subparagraph (A) and in-
serting the following:

“(A) a child who is an inmate of a public
institution except, beginning on the first day of
the first fiscal year quarter that begins 2 years
after the date of enactment of the Act titled
‘An Act to provide for reconciliation pursuant
to title II of S. Con. Res. 14,' during the 30-
day period preceding the date of release of such
child from such public institution;

“(B) a child who is a patient in an institu-
tion for mental diseases; or”.

(d) Extension of Certain Provisions.—

(1) Express Lane Eligibility Option.—Sec-
tion 1902(e)(13) of the Social Security Act (42
U.S.C. 1396a(e)(13)) is amended by striking sub-
paragraph (I).

(2) Conforming Amendments for Assurance of Affordability Standard for Children and Families.—Section 1902(gg)(2) of the Social Security Act (42 U.S.C. 1396a(gg)(2)) is amend-
ed—

(A) in the paragraph heading, by striking

“THROUGH SEPTEMBER 30, 2027”; and

(B) by striking “through September 30”
and all that follows through “ends on Sep-
tember 30, 2027” and inserting “(but begin-
ing on October 1, 2019,”.

(e) Expansion of Community Mental Health Services Demonstration Program.—Section 223 of the Protecting Access to Medicare Act of 2014 (42 U.S.C.
1396a note) is amended—
(1) in subsection (c), by adding at the end the following new paragraph:

“(3) ADDITIONAL PLANNING GRANTS.—In addition to the planning grants awarded under paragraph (1), the Secretary shall award planning grants to States (other than States selected to conduct demonstration programs under paragraph (1) or (8) of subsection (d)) for the purpose of developing proposals to participate in time-limited demonstration programs described in subsection (d).”;

(2) in subsection (d)—

(A) in paragraph (3), by striking “Subject to paragraph (8)” and inserting “Subject to paragraphs (8) and (9)”;

(B) in paragraph (5)(C)(iii)(II), by inserting “or paragraph (9)” after “paragraph (8)”;

(C) in paragraph (8), by striking “2 years” and all that follows through the period and inserting “4 years.”; and

(D) by adding at the end the following new paragraph:

“(9) FURTHER ADDITIONAL PROGRAMS.—

“(A) IN GENERAL.—In addition to the States selected under paragraphs (1) and (8) and without regard to paragraph (4), the Sec-
retary shall select any State that meets the requirements described in subparagraph (B) to conduct a demonstration program that meets the requirements of this subsection for 4 years.

“(B) REQUIREMENTS.—The requirements described in this subparagraph with respect to a State are that the State—

“(i) was awarded a planning grant under paragraph (1) or (3) of subsection (c); and

“(ii) submits an application (in addition to any application that the State may have previously submitted under this section) that meets the requirements of paragraph (2)(B).

“(C) REQUIREMENTS FOR SELECTED STATES.—The requirements applicable to States selected under paragraph (8) pursuant to subparagraph (C) of such paragraph shall apply in the same manner to States selected under this paragraph.”;

(3) in subsection (e), by amending paragraph (4) to read as follows:

“(4) STATE.—The term State means each of the 50 States, the District of Columbia, Puerto Rico,
the Virgin Islands, Guam, the Northern Mariana Islands, and American Samoa.”; and

(4) in subsection (f)(1)—

(A) in subparagraph (A), by striking “; and” and inserting a semicolon;

(B) in subparagraph (B), by striking the period and inserting “, and $40,000,000 for fiscal year 2022; and”; and

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

“(C) for purposes of updating the criteria under subsection (a) as needed for certified community behavioral health clinics, carrying out subsections (c)(3), (d)(7), and (d)(9), and the provision of technical assistance to States applying for planning grants under subsection (c)(3) and all States conducting demonstration projects under this section, $5,000,000 for fiscal year 2022, to remain available until expended.”.

(f) **Making Permanent a State Option to Provide Qualifying Community-Based Mobile Crisis Intervention Services.**—Section 1947 of the Social Security Act (42 U.S.C. 1396w–6) is amended—
(1) in subsection (a), by striking “during the 5-year period”;

(2) in subsection (c), by striking “occurring during the period described in subsection (a) that a State” and inserting “in which a State provides medical assistance for qualifying community-based mobile crisis intervention services under this section and”; and

(3) in subsection (d)(2)—

(A) in subparagraph (A), by striking “for the fiscal year preceding the first fiscal quarter occurring during the period described in subsection (a)” and inserting “for the fiscal year preceding the first fiscal quarter in which the State provides medical assistance for qualifying community-based mobile crisis intervention services under this section”; and

(B) in subparagraph (B), by striking “occurring during the period described in subsection (a)” and inserting “occurring during a fiscal quarter”.

(g) **Extension of 100 Percent Federal Medical Assistance Percentage for Urban Indian Health Organizations and Native Hawaiian Health Care Systems.**—Effective as if included in the
enactment of section 9815 of the American Rescue Plan Act of 2021 (Public Law 117–2), the third sentence of section 1905(b) of the Social Security Act (42 U.S.C. 1396d(b)) is amended—

(1) by striking “for the 8 fiscal year quarters beginning with the first fiscal year quarter beginning after the date of the enactment of the American Rescue Plan Act of 2021” and inserting “for the period of the 16 fiscal year quarters that begins on April 1, 2021”; and

(2) by striking “such 8 fiscal year quarters” and inserting “such period of 16 fiscal year quarters”; and

(3) by striking “Papa Ola Lokahi” and all that follows through the period and inserting “Secretary under section (6) of such Act.”.

(h) Ensuring Accurate Payments to Pharmacies Under Medicaid.—

(1) In general.—Section 1927(f) of the Social Security Act (42 U.S.C. 1396r–8(f)) is amended—

(A) by striking “and” after the semicolon at the end of paragraph (1)(A)(i) and all that precedes it through “(1)” and inserting the following:
“(1) Determining pharmacy actual acquisition costs.—The Secretary shall conduct a survey of retail community pharmacy drug prices in the 50 States and the District of Columbia, to determine the national average drug acquisition cost, as follows:

“(A) Use of vendor.—The Secretary may contract services for—

“(i) with respect to retail community pharmacies, the determination of retail survey prices of the national average drug acquisition cost for covered outpatient drugs based on a monthly survey of such pharmacies, net of all discounts and rebates (to the extent any information with respect to such discounts and rebates is available), the average reimbursement received for such drugs by such pharmacies from all sources of payment and, to the extent available, the usual and customary charges to consumers for such drugs; and”;

(B) by adding at the end of paragraph (1) the following:
“(F) Survey Reporting.—A State shall require that any retail community pharmacy in the State that receives any payment, reimbursement, administrative fee, discount, or rebate related to the dispensing of covered outpatient drugs to individuals receiving benefits under this title or title XXI, regardless of whether such payment, fee, discount, or rebate is received from the State or a managed care entity directly or from a pharmacy benefit manager or another entity that has a contract with the State or a managed care entity or other specified entity (as such terms are defined in section 1903(m)(9)(D)), shall respond to surveys of retail prices conducted under this subsection with the specific information requested by the vendor.

“(G) Survey Information.—Information on retail community actual acquisition prices obtained under this paragraph shall be made publicly available and shall include at least the following:

“(i) The monthly response rate of the survey, including a list of pharmacies not in compliance with subparagraph (F) and
the identification numbers for such phar-
macies.

“(ii) The sampling frame and number
of pharmacies sampled monthly.

“(iii) Characteristics of reporting
pharmacies, including type (such as inde-
pendent or chain), geographic or regional
location, and dispensing volume.

“(iv) Reporting of a separate national
average drug acquisition cost for each drug
for independent retail pharmacies and
chain pharmacies.

“(v) Information on price concessions
including on and off invoice discounts, re-
bates, and other price concessions.

“(vi) Information on average profes-
sional dispensing fees paid.

“(H) PENALTIES.—

“(i) FAILURE TO PROVIDE TIMELY IN-
FORMATION.—A retail community phar-
macy that knowingly fails to respond to a
survey conducted under this subsection on
a timely basis may be subject to a civil
monetary penalty in an amount not to ex-
ceed $10,000 for each day (in the case of
a retail community pharmacy that is a
small business pharmacy, as defined by the
Secretary, not to exceed $750 for each
day) in which such information has not
been provided. A retail community phar-
my shall not be subject to such penalty
if the pharmacy makes a good faith effort
to provide the information requested by the
survey on a timely basis.

“(ii) FALSE INFORMATION.—A retail
community pharmacy that knowingly pro-
vides false information in response to a
survey conducted under this subsection
may be subject to a civil money penalty in
an amount not to exceed $100,000 for
each item of false information.”; and

(C) in paragraph (4), by inserting “, and
$7,000,000 for fiscal year 2023 and each fiscal
year thereafter,” after “2010”.

(2) CONDITION FOR FEDERAL FINANCIAL PAR-
TICIPATION.—Section 1903(i)(10) of the Social Se-
curity Act (42 U.S.C. 1396b(i)(10)) is amended—

(A) in subparagraph (D), by striking
“and” after the semicolon;
(B) in subparagraph (E), by striking “or” after the semicolon and inserting “and”; and

(C) by inserting after subparagraph (E), the following new subparagraph:

“(F) with respect to any amount expended for reimbursement to a retail community pharmacy under this title unless the State requires the retail community pharmacy to respond to surveys of retail prices conducted under section 1927(f) in accordance with paragraph (1)(F) of such section; or”.

(3) EFFECTIVE DATE.—The amendments made by this subsection take effect on the 1st day of the 1st quarter that begins on or after the date that is 18 months after the date of enactment of this Act.

(i) FUNDING FOR IMPLEMENTATION AND ADMINISTRATION.—In addition to amounts otherwise available, there is appropriated to the Secretary, for fiscal year 2022, to be available until expended, out of any money in the Treasury not otherwise appropriated, $20,000,000, to provide technical assistance and guidance and cover administrative costs associated with implementing the amendments made by this section and sections 122211 and 122212.
SEC. 122232. ADJUSTMENTS TO UNCOMPENSATED CARE POOLS.

Section 1903 of the Social Security Act (42 U.S.C. 1396b) is amended by adding at the end the following new subsection:

“(cc) Excluding Expenditures for Expansion Population From Assistance Under Waivers Relating to Uncompensated Care.—With respect to a State with a State plan (or waiver of such plan) that does not provide, with respect to a fiscal year (beginning with fiscal year 2023), to all individuals described in section 1902(a)(10)(A)(i)(VIII) benchmark coverage described in section 1937(b)(1) or benchmark equivalent coverage described in section 1937(b)(2), in the case of any experimental, pilot, or demonstration project undertaken under section 1115, with respect to such State and fiscal year, that provides for Federal financial participation with respect to expenditures for payments to providers for otherwise uncompensated care that is furnished to low-income individuals, uninsured individuals, or underinsured individuals, notwithstanding any authority available under such section, such project shall exclude from Federal financial participation any expenditures relating to care that is furnished with respect to such fiscal year to individuals described in section 1902(a)(10)(A)(i)(VIII).”.
SEC. 122233. FURTHER INCREASE IN FMAP FOR MEDICAL
ASSISTANCE FOR NEWLY ELIGIBLE MANDATORY INDIVIDUALS.

Section 1905(y)(1) of the Social Security Act (42
U.S.C. 1396d(y)(1)) is amended—

(1) in subparagraph (D), by striking at the end
“and”;

(2) in subparagraph (E), by striking “2020 and
each year thereafter.” and inserting “2020, 2021,
and 2022; and”;

(3) by adding at the end the following new sub-
paragraphs:

“(F) 93 percent for calendar quarters in
2023, 2024, and 2025; and

“(G) 90 percent for calendar quarters in
2026 and each year thereafter.”.

Subpart E—Maintenance of Effort

SEC. 122241. ENCOURAGING CONTINUED ACCESS AFTER
THE END OF THE PUBLIC HEALTH EMER-
GENCY.

Section 6008 of the Families First Coronavirus Re-
response Act (42 U.S.C. 1396d note), as amended by section
122231(b), is further amended—

(1) by redesignating the second subsection (d)
added by section 11 of division X of Public Law
116–260 as subsection (e); and
(2) by adding at the end the following new sub-
section:

“(g) ENCOURAGING CONTINUED ACCESS AFTER THE
END OF THE PUBLIC HEALTH EMERGENCY.—

“(1) IN GENERAL.—Subject to paragraph (2),
if, between October 1, 2022, and December 31,
2025, a State puts into effect for any calendar quar-
ter occurring during such period eligibility stand-
ards, methodologies, or procedures for individuals
(except individuals described in subparagraph (D) of
section 1902(e)(14) of the Social Security Act (42
U.S.C. 1396a(e)(14))) who are applying for or re-
ceiving medical assistance under the State plan of
such State under title XIX of the Social Security
Act (42 U.S.C. 1396 through 1396w–6) (including
any waiver under such title or section 1115 of such
Act (42 U.S.C. 1315)) that are more restrictive than
the eligibility standards, methodologies, or proce-
dures, respectively, under the State plan (or waiver
of such plan) that are in effect on October 1, 2021,
the Federal medical assistance percentage otherwise
determined under the first sentence of subsection (b)
of section 1905 of the Social Security Act (42
U.S.C. 1396d) for that State shall be reduced by 3.1
percentage points for such calendar quarter. In ap-
plying the preceding sentence to a State, the eligibility standards, methodologies, or procedures, respectively, under the State plan (or waiver of such plan) that are in effect on October 1, 2021, shall be determined without regard to any eligibility standards, methodologies, or procedures, respectively, that were established by the State during the emergency period defined in section 1135(g)(1)(B) of the Social Security Act (42 U.S.C. 1320b–5(g)(1)(B)) under a legal authority dependent on the existence of such emergency period or using a waiver or State plan amendment template issued by the Centers for Medicare & Medicaid Services to help States respond to the COVID–19 pandemic or any other disaster or emergency.

“(2) NONAPPLICATION.—During the period described in paragraph (1), at the option of the State, the condition under such paragraph may not apply to the State with respect to nonpregnant, non-disabled adults who are eligible for medical assistance under the State plan under title XIX of the Social Security Act (42 U.S.C. 1396 through 1396w–6) (including any waiver under such title or section 1115 of such Act (42 U.S.C. 1315)) whose income exceeds 133 percent of the poverty line (as defined
in section 2110(c)(5) of such Act (42 U.S.C. 1397jj(c)(5))) applicable to a family of the size involved if, on or after December 31, 2022, the State had certified or certifies to the Secretary that, with respect to the State fiscal year during which the certification is made, the State has a budget deficit, or with respect to the succeeding State fiscal year, the State is projected to have a budget deficit. Upon submission of such a certification to the Secretary, the condition under paragraph (1) shall not apply to the State with respect to any remaining portion of the period described in the preceding sentence.”.

PART III—CHILDREN'S HEALTH INSURANCE PROGRAM

SEC. 122301. INVESTMENTS TO STRENGTHEN CHIP.

(a) PERMANENT EXTENSION OF CHILDREN’S HEALTH INSURANCE PROGRAM.—

(1) IN GENERAL.—Section 2104(a)(28) of the Social Security Act (42 U.S.C. 1397dd(a)(28)) is amended to read as follows:

“(28) for fiscal year 2027 and each subsequent year, such sums as are necessary to fund allotments to States under subsection (m).”.

(2) ALLOTMENTS.—
(A) IN GENERAL.—Section 2104(m) of the Social Security Act (42 U.S.C. 1397dd(m)) is amended—

(i) in paragraph (2)(B)(i), by striking “, 2023, and 2027” and inserting “and 2023”;

(ii) in paragraph (5)—

(I) by striking “(10), or (11)” and inserting “or (10)”;

(II) by striking “for a fiscal year” and inserting “for a fiscal year before 2027”; and

(III) by striking “2023, or 2027” and inserting “or 2023”;

(iii) in paragraph (7)—

(I) in subparagraph (A), by striking “and ending with fiscal year 2027,”; and

(II) in the flush left matter at the end, by striking “or fiscal year 2026” and inserting “fiscal year 2026, or a subsequent even-numbered fiscal year”;

(iv) in paragraph (9)—
(I) by striking “(10), or (11)” and inserting “or (10)” ; and

(II) by striking “2023, or 2027,” and inserting “or 2023”; and

(v) by striking paragraph (11).

(B) CONFORMING AMENDMENT.—Section 50101(b)(2) of the Bipartisan Budget Act of 2018 (Public Law 115–123) is repealed.

(b) OTHER RELATED CHIP POLICIES.—

(1) PEDIATRIC QUALITY MEASURES PROGRAM.—Section 1139A(i)(1) of the Social Security Act (42 U.S.C. 1320b–9a(i)(1)) is amended—

(A) in subparagraph (C), by striking at the end “and”;

(B) in subparagraph (D), by striking the period at the end and inserting a semicolon; and

(C) by adding at the end the following new subparagraphs:

“(E) for fiscal year 2028, $15,000,000 for the purpose of carrying out this section (other than subsections (e), (f), and (g)); and

“(F) for each subsequent fiscal year, the amount appropriated under this paragraph for the previous fiscal year, increased by the per-
percentage increase in the consumer price index for all urban consumers (all items; United States city average, as published by the Bureau of Labor Statistics) rounded to the nearest $100,000 over such previous fiscal year, for the purpose of carrying out this section (other than subsections (e), (f), and (g)).”.

(2) ASSURANCE OF ELIGIBILITY STANDARDS FOR CHILDREN.—Section 2105(d)(3) of the Social Security Act (42 U.S.C. 1397ee(d)(3)) is amended—

(A) in the paragraph heading, by striking “THROUGH SEPTEMBER 30, 2027”; and

(B) in subparagraph (A)—

(i) in the matter preceding clause (i)—

(I) by striking “During the period that begins on the date of enactment of the Patient Protection and Affordable Care Act and ends on September 30, 2027” and inserting “Beginning on the date of the enactment of the Patient Protection and Affordable Care Act”;

(II) by striking “During the period that begins on October 1, 2019,
and ends on September 30, 2027” and inserting “Beginning on October 1, 2019”; and

(III) by striking “The preceding sentences shall not be construed as preventing a State during any such periods from” and inserting “The preceding sentences shall not be construed as preventing a State from”;

(ii) in clause (i), by striking the semi-colon at the end and inserting a period;

(iii) by striking clauses (ii) and (iii);

and

(iv) as amended by subclause (i)(III), by striking “as preventing a State from” and all that follows through “applying eligibility standards” and inserting “as preventing a State from applying eligibility standards”.

(3) QUALIFYING STATES OPTION.—Section 2105(g)(4) of the Social Security Act (42 U.S.C. 1397ee(g)(4)) is amended—

(A) in the paragraph heading, by striking “FOR FISCAL YEARS 2009 THROUGH 2027” and inserting “AFTER FISCAL YEAR 2008”; and
(B) in subparagraph (A), by striking “for any of fiscal years 2009 through 2027” and inserting “for any fiscal year after fiscal year 2008”.

(4) OUTREACH AND ENROLLMENT PROGRAM.—

Section 2113 of the Social Security Act (42 U.S.C. 1397mm) is amended—

(A) in subsection (a)—

(i) in paragraph (1), by striking “during the period of fiscal years 2009 through 2027” and inserting “, beginning with fiscal year 2009,”;

(ii) in paragraph (2)—

(I) by striking “10 percent of such amounts” and inserting “10 percent of such amounts for the period or the fiscal year for which such amounts are appropriated”; and

(II) by striking “during such period” and inserting “, during such period or such fiscal year,”; and

(iii) in paragraph (3), by striking “For the period of fiscal years 2024 through 2027, an amount equal to 10 percent of such amounts” and inserting “Be-
ginning with fiscal year 2024, an amount
equal to 10 percent of such amounts for
the period or the fiscal year for which such
amounts are appropriated”; and
(B) in subsection (g)—
   (i) by striking “2017,” and inserting
   “2017,”;
   (ii) by striking “and $48,000,000”
   and inserting “$48,000,000”; and
   (iii) by inserting after “through
2027” the following: “, $60,000,000 for
fiscal years 2028, 2029, and 2030, and for
each 3 fiscal years after fiscal year 2030,
the amount appropriated under this sub-
section for the previous fiscal year, in-
creased by the percentage increase in the
consumer price index for all urban con-
sumers (all items; United States city aver-
age, as published by the Bureau of Labor
Statistics) rounded to the nearest
$100,000 over such previous fiscal year”.
(5) CHILD ENROLLMENT CONTINGENCY
FUND.—Section 2104(n) of the Social Security Act
(42 U.S.C. 1397dd(n)) is amended—
   (A) in paragraph (2)—
(i) in subparagraph (A)(ii)—

(I) by striking "2024 through 2026" and inserting "beginning with fiscal year 2024"; and

(II) by striking "2023, and 2027" and inserting "and 2023"; and

(ii) in subparagraph (B)—

(I) by striking "2024 through 2026" and inserting "beginning with fiscal year 2024"; and

(II) by striking "2023, and 2027" and inserting "and 2023"; and

(B) in paragraph (3)(A)—

(i) by striking "fiscal years 2024 through 2026" and inserting "fiscal year 2024 or any subsequent fiscal year"; and

(ii) by striking "2023, or 2027" and inserting "or 2023".

(c) CHIP Drug Rebates.—

(1) In general.—Section 2107 of the Social Security Act (42 U.S.C. 1397gg), as amended by section 122231(a)(2), is further amended—

(A) in subsection (e)(1), by adding at the end the following new subparagraph:
“(V) Beginning January 1, 2024, section 1927, in accordance with subsection (h) of this section, with respect to covered outpatient drugs (as defined in section 1927) for which child health assistance or pregnancy-related assistance (as defined in section 2112(d)(1)) is provided under the State child health plan, including such drugs dispensed to individuals enrolled with a managed care organization that meets the requirements of subpart L of part 457 of title 42, Code of Federal Regulations (or a successor regulation) if the organization is responsible for coverage of such drugs, in the same manner as such section 1927 applies to States and managed care organizations under title XIX.”; and

(B) by adding at the end the following new subsection:

“(h) Drug Rebates.—For purposes of subsection (e)(1)(V), in applying section 1927—

“(1) the Secretary shall take such actions as are necessary and develop or adapt such processes and mechanisms as are necessary, including to report and collect data to bill and track rebates under section 1927 for covered outpatient drugs (as de-
fined in such section 1927) for which child health assistance or pregnancy-related assistance (as defined in section 2112(d)(1)) is provided under the State child health plan, and in order to ensure that entities described in section 1927(a)(5)(B) do not request payment under this title with respect to covered outpatient drugs (as defined in such section 1927) that are subject to the payment of a rebate to the State under this title if the drugs are subject to an agreement described in section 1927(a)(5)(A);

“(2) the requirements of such section 1927 shall apply to any drug or biological product described in paragraph (1)(A) of section 1905(ee) that is—

“(A) furnished as child health assistance or pregnancy-related assistance under the State child health plan; and

“(B) a covered outpatient drug (as defined in section 1927(k), except that, in applying paragraph (2)(A) of such section to a drug described in such paragraph (1)(A) of such section 1905(ee), such drug shall be deemed ‘a prescribed drug for purposes of subsection (a)(12))’; and
“(3) in order for payment to be available under section 2105 with respect to child health assistance or pregnancy-related assistance for covered outpatient drugs of a manufacturer, the manufacturer must have entered into and have in effect a single rebate agreement to—

“(A) provide rebates under section 1927 to a State Medicaid program under title XIX as well as a State program under this title; and

“(B) provide such rebates to a State program under this title in the same form and manner as the manufacturer is required to provide rebates under an agreement described in section 1927(b) to a State Medicaid program under title XIX.

Nothing in this subsection or subsection (e)(1)(V) shall be construed as limiting Federal financial participation for prescription drugs and biological products that do not satisfy the definition of a covered outpatient drug and for which there is not a rebate agreement in effect.’’.

(2) DRUG REBATE CONFORMING AMENDMENT.—Section 1927(a)(1) of the Social Security Act (42 U.S.C. 1396r–8(a)(1)) is amended in the first sentence—
(A) by striking “or under part B of title XVIII” and inserting “, under part B of title XVIII, or, beginning with the first full calendar quarter with respect to which section 2107(e)(1)(V) applies, under section 2105 with respect to child health assistance or pregnancy-related assistance under title XXI”;

(B) by striking “a rebate agreement described in subsection (b)” and inserting “a single rebate agreement described in subsection (b) with respect to payment under section 1903(a) and, beginning January 1, 2024, title XXI,”;

and

(C) by inserting “and including as such subsection (b) is applied pursuant to subsections (e)(1)(V) and (h) of section 2107 with respect to child health assistance and pregnancy-related assistance under a State child health plan under title XXI” before “, and must meet”.

(3) EXCLUSION OF REBATES FROM BEST PRICE

CONFORMING AMENDMENT.—Section 1927(c)(1)(C)(i) of the Social Security Act (42 U.S.C. 1396r–8(c)(1)(C)(i)) is amended—
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(A) in subclause (V), by striking “and” at the end;

(B) in subclause (VI), by striking the period and inserting “; and”; and

(C) by adding at the end the following new subclause:

“(VII) any rebates paid pursuant to section 2107(e)(1)(V).”.

(d) FUNDING FOR IMPLEMENTATION AND ADMINISTRATION.—In addition to amounts otherwise available, there is appropriated to the Secretary, for fiscal year 2022, to be available until expended, out of any money in the Treasury not otherwise appropriated, $5,000,000, to provide technical assistance and guidance and cover administrative costs associated with implementing the amendments made by this section.

Subtitle C—Trade Adjustment Assistance

SEC. 123001. APPLICATION OF PROVISIONS RELATING TO TRADE ADJUSTMENT ASSISTANCE.

(a) EFFECTIVE DATE; APPLICABILITY.—Except as otherwise provided in this subtitle, the provisions of chapters 2 through 6 of title II of the Trade Act of 1974, as in effect on June 30, 2021, and as amended by this subtitle, shall—
(1) take effect on the date of the enactment of this Act; and

(2) apply with respect to petitions for certification filed under chapter 2, 3, 4, or 6 of title II of the Trade Act of 1974 on or after such date of enactment.

(b) Reference.—Except as otherwise provided in this subtitle, whenever in this subtitle an amendment or repeal is expressed in terms of an amendment to, or repeal of, a provision of chapters 2 through 6 of title II of the Trade Act of 1974, the reference shall be considered to be made to a provision of any such chapter, as in effect on June 30, 2021.

(e) Repeal of Snapback.—Section 406 of the Trade Adjustment Assistance Reauthorization Act of 2015 (Public Law 114–27; 129 Stat. 379) is repealed.

PART 1—TRADE ADJUSTMENT ASSISTANCE FOR WORKERS

SEC. 123101. FILING PETITIONS.

Section 221(a)(1) of the Trade Act of 1974 (19 U.S.C. 2271(a)(1)) is amended—

(1) by amending subparagraph (A) to read as follows:

“(A) One or more workers in the group of workers.”; and
(2) in subparagraph (C), by striking “or a State dislocated worker unit” and inserting “a State dislocated worker unit, or workforce intermediaries, including labor-management organizations that carry out reemployment and training services”.

SEC. 123102. GROUP ELIGIBILITY REQUIREMENTS.

(a) In General.—Section 222(a)(2) of the Trade Act of 1974 (19 U.S.C. 2272(a)(2)) is amended—

(1) in subparagraph (A)—

(A) in clause (i), by inserting “, failed to increase, or will decrease absolutely due to a scheduled or imminently anticipated, long-term decrease in or reallocation of the production capacity of the firm” after “absolutely”; and

(B) in clause (iii)—

(i) by striking “to the decline” and inserting “to any decline or absence of increase”; and

(ii) by striking “or” at the end;

(2) in subparagraph (B)(ii), by striking the period at the end and inserting “; or”; and

(3) by adding at the end the following:

“(C)(i) the sales or production, or both, of such firm have decreased;
“(ii)(I) exports of articles produced or services supplied by such workers’ firm have decreased; or
“(II) imports of articles or services necessary for the production of articles or services supplied by such firm have decreased; and
“(iii) the decrease in exports or imports described in clause (ii) contributed to such workers’ separation or threat of separation and to the decline in the sales or production of such firm.”.

(b) REPEAL.—Section 222 of the Trade Act of 1974 (19 U.S.C. 2272) is amended—

(1) in subsections (a) and (b), by striking “importantly” each place it appears; and

(2) in subsection (e)—

(A) by striking paragraph (1); and

(B) by redesignating paragraphs (2) through (4) as paragraphs (1) through (3), respectively.

(c) ELIGIBILITY OF STAFFED WORKERS AND TELEWORKERS.—Section 222 of the Trade Act of 1974 (19 U.S.C. 2272), as amended by subsection (b), is further amended by adding at the end the following:

“(f) TREATMENT OF STAFFED WORKERS AND TELEWORKERS.—
“(1) IN GENERAL.—For purposes of subsection (a), workers in a firm include staffed workers and teleworkers.

“(2) DEFINITIONS.—In this subsection:

“(A) STAFFED WORKER.—The term ‘staffed worker’ means a worker who performs work under the operational control of a firm that is the subject of a petition filed under section 221, even if the worker is directly employed by another firm.

“(B) TELEWORKER.—The term ‘teleworker’ means a worker who works remotely but who reports to the location listed for a firm in a petition filed under section 221.”.

SEC. 123103. APPLICATION OF DETERMINATIONS OF ELIGIBILITY TO WORKERS EMPLOYED BY SUCCESSEORS-IN-INTEREST.

Section 223 of the Trade Act of 1974 (19 U.S.C. 2273) is amended by adding at the end the following:

“(f) TREATMENT OF WORKERS OF SUCCESSORS-IN-INTEREST.—If the Secretary certifies a group of workers of a firm as eligible to apply for adjustment assistance under this chapter, a worker of a successor-in-interest to that firm shall be covered by the certification to the same extent as a worker of that firm.”.
SEC. 123104. PROVISION OF BENEFIT INFORMATION TO WORKERS.

Section 225 of the Trade Act of 1974 (19 U.S.C. 2275) is amended—

(1) in subsection (a), by inserting after the second sentence the following: “The Secretary shall make every effort to provide such information and assistance to workers in their native language.”; and

(2) in subsection (b)—

(A) by redesignating paragraph (2) as paragraph (3);

(B) by inserting after paragraph (1) the following:

“(2) The Secretary shall provide a second notice to a worker described in paragraph (1) before the worker has exhausted all rights to any unemployment insurance to which the worker is entitled (other than additional compensation described in section 231(a)(2)(B) funded by a State and not reimbursed from Federal funds).”;

(C) in paragraph (3), as redesignated by paragraph (1), by striking “newspapers of general circulation” and inserting “appropriate print or digital outlets”; and

(D) by adding at the end the following:

“(4) The Secretary shall provide sustained outreach regarding the benefits available under this chapter to
workers covered by a certification made under this sub-
chapter by taking any necessary actions, including, as ap-
propriate, working with firms, unions, community-based
organizations, and others to provide information through
direct outreach, advertising, or public information cam-
paigns.”.

SEC. 123105. QUALIFYING REQUIREMENTS FOR WORKERS.

(a) In General.—Section 231(a) of the Trade Act
of 1974 (19 U.S.C. 2291(a)) is amended—

(1) by striking paragraph (2);

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

(3) in paragraph (4) (as redesignated), by strik-
ing “paragraphs (1) and (2)” each place it appears
and inserting “paragraph (1)”.

(b) Conforming Amendments.—

(1) Weekly Amounts.—Section 232 of the
Trade Act of 1974 (19 U.S.C. 2292) is amended by
striking “section 231(a)(3)(B)” each place it ap-
ppears and inserting “section 231(a)(2)(B)”.

(2) Limitations on Trade Readjustment
Allowances.—Section 233(a) of the Trade Act of
1974 (19 U.S.C. 2293(a)) is amended—
(A) in paragraph (1), by striking “section 231(a)(3)(A)” and inserting “section 231(a)(2)(A)”; and

(B) in paragraph (2)—

(i) by striking “adversely affected employment” and all that follows through “(A) within” and inserting “adversely affected employment within”;

(ii) by striking “, and” and inserting a period; and

(iii) by striking subparagraph (B).

SEC. 123106. MODIFICATION TO TRADE READJUSTMENT ALLOWANCES.

Section 233 of the Trade Act of 1974 (19 U.S.C. 2293) is amended—

(1) in subsection (a)—

(A) in paragraph (2), by inserting after “104-week period” the following: “(or, in the case of an adversely affected worker who requires a program of prerequisite education or remedial education (as described in section 236(a)(5)(D)) in order to complete training approved for the worker under section 236, the 130-week period)”;
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(B) in paragraph (3), by striking “65 additional weeks in the 78-week period” and inserting “78 additional weeks in the 91-week period”; and

(C) in the flush text, by striking “78-week period” and inserting “91-week period”;

(2) by striking subsection (d); and

(3) by amending subsection (f) to read as follows:

“(f) Payment of Trade Readjustment Allowances to Complete Training.—Notwithstanding any other provision of this section, in order to assist an adversely affected worker to complete training approved for the worker under section 236 that includes a program of prerequisite education or remedial education (as described in section 236(a)(5)(D)), and in accordance with regulations prescribed by the Secretary, payments may be made as trade readjustment allowances for up to 26 additional weeks in the 26-week period that follows the last week of entitlement to trade readjustment allowances otherwise payable under this chapter.”.
SEC. 123107. AUTOMATIC EXTENSION OF TRADE READJUSTMENT ALLOWANCES.

Part I of subchapter B of chapter 2 of title II of the Trade Act of 1974 (19 U.S.C. 2291–2294) is amended by inserting after section 233 the following:

"SEC. 233A. AUTOMATIC EXTENSION OF TRADE READJUSTMENT ALLOWANCES.

(a) In General.—Notwithstanding the limitations under section 233(a), the Secretary shall extend the period during which trade readjustment allowances are payable to an adversely affected worker who completes training approved under section 236 by the Secretary during a period of heightened unemployment with respect to the State in which such worker seeks benefits, for the shorter of—

"(1) the 26-week period beginning on the date of completion of such training; or

"(2) the period ending on the date on which the adversely affected worker secures employment.

"(b) Job Search Required.—A worker shall be eligible for an extension under subsection (a) only if the worker is complying with the job search requirements associated with unemployment insurance in the applicable State.

"(c) Period of Heightened Unemployment Defined.—In this section, the term ‘period of heightened unemployment’ with respect to a State means a 90-day
period during which, in the determination of the Secretary, either of the following average rates equals or exceeds 5.5 percent:

“(1) The average rate of total unemployment in such State (seasonally adjusted) for the period consisting of the most recent 3-month period for which data for all States are published before the close of such period.

“(2) The average rate of total unemployment in all States (seasonally adjusted) for the period consisting of the most recent 3-month period for which data for all States are published before the close of such period.”.

SEC. 123108. EMPLOYMENT AND CASE MANAGEMENT SERVICES.

Section 235 of the Trade Act of 1974 (19 U.S.C. 2295) is amended—

(1) in paragraph (3)—

(A) by inserting after “regional areas” the following: “(including information about registered apprenticeship programs, on-the-job training opportunities, and other work-based learning opportunities)”;

and

(B) by inserting after “suitable training” the following: “, information regarding the
track record of a training provider’s ability to successfully place participants into suitable employment’’;

(2) by redesigning paragraph (8) as paragraph (10); and

(3) by inserting after paragraph (7) the following:

“(8) Information related to direct job placement, including facilitating the extent to which employers within the community commit to employing workers who would benefit from the employment and case management services under this section.

“(9) Sustained outreach to groups of workers likely to be certified as eligible for adjustment assistance under this chapter and members of certified worker groups who have not yet applied for or been enrolled in benefits or services under this chapter, especially such groups and members from minority or low-income populations.”.

SEC. 123109. TRAINING.

Section 236 of the Trade Act of 1974 (19 U.S.C. 2296(a)) is amended—

(1) in subsection (a)—

(A) in paragraph (1)(D), by inserting “,” with a demonstrated ability to place partici-
pants into employment” before the comma at the end;

(B) in paragraph (3), by inserting before the period at the end the following: “, except that every effort shall be made to ensure that employment opportunities are available upon the completion of training”; and

(C) in paragraph (5)—

(i) in subparagraph (G), by striking “, and” and inserting a comma;

(ii) in subparagraph (H)(ii), by striking the period at the end and inserting “, and”; and

(iii) by adding at the end before the flush text the following:

“(I) pre-apprenticeship training.”; and

(2) by adding at the end the following:

“(h) Reimbursement for Out-of-Pocket Training Expenses.—If the Secretary approves training for a worker under paragraph (1) of subsection (a), the Secretary may reimburse the worker for out-of-pocket expenses relating to training program described in paragraph (5) of that subsection that were incurred by the worker on and after the date of the worker’s total or partial separation and before the date on which the certifi-
cation of eligibility under section 222 that covers the worker is issued.”.

SEC. 123110. JOB SEARCH, RELOCATION, AND CHILD CARE ALLOWANCES.

(a) JOB SEARCH ALLOWANCES.—Section 237 of the Trade Act of 1974 (19 U.S.C. 2297) is amended—

(1) in subsection (a)—

(A) in paragraph (1), by striking “may use funds made available to the State to carry out sections 235 through 238” and inserting “shall use, from funds made available to the State to carry out sections 235 through 238A, such amounts as may be necessary”; and

(B) in paragraph (2), in the matter preceding subparagraph (A), by striking “may grant” and inserting “shall grant”; and

(2) in subsection (b)—

(A) in paragraph (1), by striking “not more than 90 percent” and inserting “100 percent”; 

(B) in paragraph (2), by striking “$1,250” and inserting “$2,000 (subject to adjustment under paragraph (4))”; and

(C) by adding at the end the following:
“(4) ADJUSTMENT OF MAXIMUM ALLOWANCE LIMITATION FOR INFLATION.—

“(A) IN GENERAL.—The Secretary of Labor shall adjust the maximum allowance limitation under paragraph (2) on the date that is 30 days after the date of the enactment of this paragraph, and at the beginning of each fiscal year thereafter, to reflect the percentage (if any) of the increase in the average of the Consumer Price Index for the preceding 12-month period compared to the Consumer Price Index for fiscal year 2020.

“(B) SPECIAL RULES FOR CALCULATION OF ADJUSTMENT.—In making an adjustment under subparagraph (A), the Secretary—

“(i) shall round the amount of any increase in the Consumer Price Index to the nearest dollar; and

“(ii) may ignore any such increase of less than 1 percent.

“(C) CONSUMER PRICE INDEX DEFINED.—For purposes of this paragraph, the term ‘Consumer Price Index’ means the Consumer Price Index for All Urban Consumers published by
the Bureau of Labor Statistics of the Department of Labor.”.

(b) Relocation Allowances.—Section 238 of the Trade Act of 1974 (19 U.S.C. 2298) is amended—

(1) in subsection (a)—

(A) in paragraph (1), by striking “may use funds made available to the State to carry out sections 235 through 238” and inserting “shall use, from funds made available to the State to carry out sections 235 through 238A, such amounts as may be necessary”; and

(B) in paragraph (2), in the matter preceding subparagraph (A), by striking “may be granted” and inserting “shall be granted”;

(2) in subsection (b)—

(A) in paragraph (1), by striking “not more than 90 percent” and inserting “100 percent”; and

(B) in paragraph (2), by striking “$1,250” and inserting “$2,000 (subject to adjustment under subsection (d))”; and

(3) by adding at the end the following:

“(d) Adjustment of Maximum Payment Limitation for Inflation.—
“(1) IN GENERAL.—The Secretary of Labor shall adjust the maximum payment limitation under subsection (b)(2) on the date that is 30 days after the date of the enactment of this subsection, and at the beginning of each fiscal year thereafter, to reflect the percentage (if any) of the increase in the average of the Consumer Price Index for the preceding 12-month period compared to the Consumer Price Index for fiscal year 2020.

“(2) SPECIAL RULES FOR CALCULATION OF ADJUSTMENT.—In making an adjustment under paragraph (1), the Secretary—

“(A) shall round the amount of any increase in the Consumer Price Index to the nearest dollar; and

“(B) may ignore any such increase of less than 1 percent.

“(3) CONSUMER PRICE INDEX DEFINED.—For purposes of this subsection, the term ‘Consumer Price Index’ means the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor.”.

(e) CHILD CARE ALLOWANCES.—

(1) IN GENERAL.—Part II of subchapter B of chapter 2 of title II of the Trade Act of 1974 (19
U.S.C. 2295–2298) is amended by adding at the end the following:

“SEC. 238A. CHILD CARE ALLOWANCES.

“(a) Child Care Allowances Authorized.—

“(1) In General.—Each State shall use, from funds made available to the State to carry out sections 235 through 238A, such amounts as may be necessary to allow an adversely affected worker covered by a certification issued under subchapter A of this chapter to file an application for a child care allowance with the Secretary, and the Secretary may grant the child care allowance, subject to the terms and conditions of this section.

“(2) Conditions for Granting Allowance.—A child care allowance shall be granted if the allowance will assist an adversely affected worker to attend training or seek suitable employment, by providing for the care of one or more of the minor dependents of the worker.

“(b) Amount of Allowance.—Any child care allowance granted to a worker under subsection (a) shall not exceed $2,000 (subject to adjustment under subsection (c)) per minor dependent per year.

“(c) Adjustment of Maximum Allowance Limitation for Inflation.—
“(1) IN GENERAL.—The Secretary of Labor shall adjust the maximum allowance limitation under subsection (b) on the date that is 30 days after the date of the enactment of this section, and at the beginning of each fiscal year thereafter, to reflect the percentage (if any) of the increase in the average of the Consumer Price Index for the preceding 12-month period compared to the Consumer Price Index for fiscal year 2020.

“(2) SPECIAL RULES FOR CALCULATION OF ADJUSTMENT.—In making an adjustment under paragraph (1), the Secretary—

“(A) shall round the amount of any increase in the Consumer Price Index to the nearest dollar; and

“(B) may ignore any such increase of less than 1 percent.

“(3) CONSUMER PRICE INDEX DEFINED.—For purposes of this subsection, the term ‘Consumer Price Index’ means the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor.”.

(2) CONFORMING AMENDMENTS.—

(A) LIMITATIONS ON ADMINISTRATIVE EXPENSES AND EMPLOYMENT AND CASE-MANAGE-
MENT SERVICES.—Section 235A of the Trade Act of 1974 (19 U.S.C. 2295a) is amended in the matter preceding paragraph (1) by striking “through 238” and inserting “through 238A”.

(B) TRAINING.—Section 236(a)(2) of the Trade Act of 1974 (19 U.S.C. 2296(a)(2)) is amended by striking “and 238” each place it appears and inserting “238, and 238A”.

(C) AUTHORIZATION OF APPROPRIATIONS.—Section 245 of the Trade Act of 1974 (19 U.S.C. 2317) is amended—

(i) in subsection (b), by striking “238” and inserting “238A”; and

(ii) in subsection (c), by striking “238” in each place it appears and inserting “238A”.

SEC. 12311. AGREEMENTS WITH STATES.

(a) COORDINATION.—Section 239(f) of the Trade Act of 1974 (19 U.S.C. 2311(f)) is amended—

(1) by striking “(f) Any agreement” and inserting the following:

“(f)(1) Any agreement”; and

(2) by adding at the end the following:

“(2) In arranging for training programs to be carried out under this chapter, each cooperating State agency
shall, among other factors, take into account and measure the progress of the extent to which such programs—

“(A) achieve a satisfactory rate of completion and placement in jobs that provide a living wage and that increase economic security;

“(B) assist workers in developing the skills, networks, and experiences necessary to advance along a career path; and

“(C) assist individuals from minority and low-income populations, immigrants, persons with disabilities, and formerly incarcerated individuals to establish a work history, demonstrate success in the workplace, and develop the skills that lead to entry into and retention in unsubsidized employment.”.

(b) ADMINISTRATION.—Section 239(g) of the Trade Act of 1974 (19 U.S.C. 2311(g)) is amended—

(1) by redesignating—

(A) paragraph (5) as paragraph (8); and

(B) paragraphs (1) through (4) as paragraphs (3) through (6), respectively; and

(2) by inserting before paragraph (3) (as redesignated) the following:

“(1) review each layoff of more than 5 workers in a firm to determine whether trade played a role in the layoff and whether workers in such firm are
potentially eligible to receive benefits under this chapter,

“(2) perform sustained outreach to firms to facilitate and assist with filing petitions under section 221 and collecting necessary supporting information,”; (3) in paragraph (3) (as redesignated), by striking “who applies for unemployment insurance of” and inserting “identified under paragraph (1) of unemployment insurance benefits and”; (4) in paragraph (4) (as redesignated), by inserting “and assist with” after “facilitate”; (5) in paragraph (6) (as redesignated), by striking “and” at the end; (6) by inserting after paragraph (6) (as redesignated) the following: “(7) perform sustained outreach to workers from minority and low-income populations and to firms that employ a majority or a substantial percentage of workers from minority or low-income populations,”; and (7) by adding at the end the following: “(9) develop a strategy to engage with local workforce development institutions, including local
community colleges and other educational institutions, and

“(10) develop a comprehensive strategy to provide agency staffing to support the requirements of paragraphs (1) through (9).”.

(c) **STAFFING.**—Section 239 of the Trade Act of 1974 (19 U.S.C. 2311) is amended by adding at the end the following:

“(l) **STAFFING.**—An agreement entered into under this section shall provide that the cooperating State or cooperating State agency shall require that any individual engaged in functions (other than functions that are not inherently governmental) to carry out the trade adjustment assistance program under this chapter shall be a State employee covered by a merit system of personnel administration.”.

**SEC. 123112. REEMPLOYMENT TRADE ADJUSTMENT ASSISTANCE PROGRAM.**

Section 246(a) of the Trade Act of 1974 (19 U.S.C. 2318(a)) is amended—

(1) in paragraph (3)(B)(ii), by striking “$50,000” and inserting “$70,000 (subject to adjustment under paragraph (8))”;
(2) in paragraph (5)(B)(i), by striking “$10,000” and inserting “$20,000 (subject to adjustment under paragraph (8))”; and
(3) by adding at the end the following:

“(8) ADJUSTMENT OF SALARY LIMITATION AND TOTAL AMOUNT OF PAYMENTS FOR INFLATION.—

“(A) IN GENERAL.—The Secretary of Labor shall adjust the salary limitation under paragraph (3)(B)(ii) and the amount under paragraph (5)(B)(i) on the date that is 30 days after the date of the enactment of this paragraph, and at the beginning of each fiscal year thereafter, to reflect the percentage (if any) of the increase in the average of the Consumer Price Index for the preceding 12-month period compared to the Consumer Price Index for fiscal year 2020.

“(B) SPECIAL RULES FOR CALCULATION OF ADJUSTMENT.—In making an adjustment under subparagraph (A), the Secretary—

“(i) shall round the amount of any increase in the Consumer Price Index to the nearest dollar; and

“(ii) may ignore any such increase of less than 1 percent.
“(C) CONSUMER PRICE INDEX DEFINED.—

For purposes of this paragraph, the term ‘Consumer Price Index’ means the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor.”.

SEC. 123113. EXTENSION OF TRADE ADJUSTMENT ASSISTANCE TO PUBLIC AGENCY WORKERS.

(a) DEFINITIONS.—Section 247 of the Trade Act of 1974 (19 U.S.C. 2319) is amended—

(1) in paragraph (3)—

(A) in the matter preceding subparagraph (A), by striking “The” and inserting “Subject to section 222(d)(5), the”; and

(B) in subparagraph (A), by striking “or service sector firm” and inserting “, service sector firm, or public agency”; and

(2) by adding at the end the following:

“(20) The term ‘public agency’ means a department or agency of a State or local government or of the Federal Government.”.

(b) GROUP ELIGIBILITY REQUIREMENTS.—Section 222 of the Trade Act of 1974 (19 U.S.C. 2272), as amended by subsections (b) and (c) of section 123102, is further amended—
(1) by redesignating subsections (c), (d), (e), and (f) as subsections (d), (e), (f), and (g), respectively;

(2) by inserting after subsection (b) the following:

“(c) ADVERSELY AFFECTED WORKERS IN PUBLIC AGENCIES.—A group of workers in a public agency shall be certified by the Secretary as eligible to apply for adjustment assistance under this chapter pursuant to a petition filed under section 221 if the Secretary determines that—

“(1) a significant number or proportion of the workers in the public agency have become totally or partially separated, or are threatened to become totally or partially separated;

“(2) the public agency has acquired from a foreign country services like or directly competitive with services which are supplied by such agency; and

“(3) the acquisition of services described in paragraph (2) contributed to such workers’ separation or threat of separation.”;

(3) in subsection (d) (as redesignated), by adding at the end the following:

“(5) REFERENCE TO FIRM.—For purposes of subsections (a) and (b), the term ‘firm’ does not include a public agency.”; and
(4) in paragraph (2) of subsection (e) (as redesignated), by striking “subsection (a) or (b)” and inserting “subsection (a), (b), or (c)”.

SEC. 123114. EXTENSION OF ADJUSTMENT ASSISTANCE FOR WORKERS TO TERRITORIES.

Section 247(7) of the Trade Act of 1974 (19 U.S.C. 2319(7)) is amended—

(1) by inserting “, Guam, the Virgin Islands of the United States, American Samoa, the Commonwealth of the Northern Mariana Islands,” after “District of Columbia”; and

(2) by striking “such Commonwealth.” and inserting “such territories.”.

SEC. 123115. REQUIREMENTS FOR CERTAIN TERRITORIES.

Section 248 of the Trade Act of 1974 (19 U.S.C. 2320) is amended by adding at the end the following:

“(c) REQUIREMENTS FOR CERTAIN TERRITORIES.—

The Secretary shall establish such requirements as may be necessary and appropriate to modify the requirements of this chapter, including requirements relating to eligibility for trade readjustment allowances, to address the particular circumstances of Guam, the Virgin Islands of the United States, American Samoa, and the Commonwealth of the Northern Mariana Islands in implementing and carrying out this chapter.”.
PART 2—TRADE ADJUSTMENT ASSISTANCE FOR FIRMS

SEC. 123201. PETITIONS AND DETERMINATIONS.

Section 251 of the Trade Act of 1974 (19 U.S.C. 2341) is amended—

(1) in the second sentence of subsection (a), by striking “Upon” and inserting “Not later than 15 days after”;

(2) by amending subsection (c) to read as follows:

“(c)(1) The Secretary shall certify a firm (including any agricultural firm or service sector firm) as eligible to apply for adjustment assistance under this chapter if the Secretary determines—

“(A)(i) that a significant number or proportion of the workers in such firm have become totally or partially separated, or are threatened to become totally or partially separated, or

“(ii) that—

“(I) sales or production, or both, of the firm have decreased absolutely or failed to increase,

“(II) sales or production, or both, of an article or service that accounted for not less than 25 percent of the total sales or production of the firm during the 12-month period preceding
the most recent 12-month period for which data
are available have decreased absolutely or failed
to increase,

“(III) sales or production, or both, of the
firm during the most recent 12-month period
for which data are available have decreased or
failed to increase compared to—

“(aa) the average annual sales or pro-
duction for the firm during the 24-month
period preceding that 12-month period, or

“(bb) the average annual sales or pro-
duction for the firm during the 36-month
period preceding that 12-month period, or

“(IV) sales or production, or both, of an
article or service that accounted for not less
than 25 percent of the total sales or production
of the firm during the most recent 12-month
period for which data are available have de-
creased or failed to increase compared to—

“(aa) the average annual sales or pro-
duction for the article or service during the
24-month period preceding that 12-month
period, or

“(bb) the average annual sales or pro-
duction for the article or service during the
36-month period preceding that 12-month period, and

“(B)(i) increases of imports of articles or services like or directly competitive with articles which are produced or services which are supplied by such firm contributed to such total or partial separation, or threat thereof, or to such decline or failure to increase in sales or production, or

“(ii) decreases in exports of articles produced or services supplied by such firm, or imports of articles or services necessary for the production of articles or services supplied by such firm, contributed to such total or partial separation, or threat thereof, or to such decline in sales or production.

“(2) For purposes of paragraph (1)(B):

“(A) Any firm which engages in exploration or drilling for oil or natural gas shall be considered to be a firm producing oil or natural gas.

“(B) Any firm that engages in exploration or drilling for oil or natural gas, or otherwise produces oil or natural gas, shall be considered to be producing articles directly competitive with imports of oil and with imports of natural gas.”; and

(3) in subsection (d)—
(A) by striking “this section,” and inserting “this section.”; and

(B) by striking “but in any event” and all that follows and inserting the following: “If the Secretary does not make a determination with respect to a petition within 55 days after the date on which an investigation is initiated under subsection (a) with respect to the petition, the Secretary shall be deemed to have certified the firm as eligible to apply for adjustment assistance under this chapter.”.

SEC. 123202. APPROVAL OF ADJUSTMENT PROPOSALS.

Section 252 of the Trade Act of 1974 (19 U.S.C. 2342) is amended—

(1) in the second sentence of subsection (a), by inserting before the period at the end the following: “and an assessment of the potential employment outcomes of such proposal”;

(2) in subsection (b)(1)(B), by striking “gives adequate consideration to” and inserting “is in”;

(3) by redesignating subsection (c) as subsection (d); and

(4) by inserting after subsection (b) the following:

“(c) AMOUNT OF ASSISTANCE.—
“(1) IN GENERAL.—A firm may receive adjustment assistance under this chapter with respect to the firm’s economic adjustment proposal in an amount not to exceed $300,000, subject to adjustment under paragraph (2) and the matching requirement under paragraph (3).

“(2) ADJUSTMENT OF ASSISTANCE LIMITATION FOR INFLATION.—

“(A) IN GENERAL.—The Secretary of Commerce shall adjust the adjustment assistance limitation under paragraph (1) on the date that is 30 days after the date of the enactment of this paragraph, and at the beginning of each fiscal year thereafter, to reflect the percentage (if any) of the increase in the average of the Consumer Price Index for the preceding 12-month period compared to the Consumer Price Index for fiscal year 2020.

“(B) SPECIAL RULES FOR CALCULATION OF ADJUSTMENT.—In making an adjustment under subparagraph (A), the Secretary—

“(i) shall round the amount of any increase in the Consumer Price Index to the nearest dollar; and
“(ii) may ignore any such increase of
less than 1 percent.

“(C) CONSUMER PRICE INDEX DEFINED.—
For purposes of this paragraph, the term ‘Con-
sumer Price Index’ means the Consumer Price
Index for All Urban Consumers published by
the Bureau of Labor Statistics of the Depart-
ment of Labor.

“(3) MATCHING REQUIREMENT.—A firm may
receive adjustment assistance under this chapter
only if the firm provides matching funds in an
amount equal to the amount of adjustment assist-
ance received under paragraph (1).”.

SEC. 123203. TECHNICAL ASSISTANCE.

Section 253(a)(3) of the Trade Act of 1974 (19
U.S.C. 2343(a)(3)) is amended by inserting before the pe-
riod at the end the following: “, including assistance to
provide skills training programs to employees of the firm”.

SEC. 123204. SUSTAINED OUTREACH TO POTENTIALLY ELI-
GIBLE FIRMS.

Chapter 3 of title II of the Trade Act of 1974 (19
U.S.C. 2341–2355) is amended by adding at the end the
following:
“SEC. 263. SUSTAINED OUTREACH TO POTENTIALLY ELIGIBLE FIRMS.

“The Secretary shall provide sustained outreach to firms that may be eligible for adjustment assistance under this chapter, including to such firms—

“(1) in industries with increased imports identified in the annual report of the United States International Trade Commission regarding the operation of the trade agreements program under section 163(c);

“(2) in the service sector;

“(3) that are small businesses;

“(4) that are minority- or women-owned firms;

and

“(5) that employ a majority or a substantial percentage of workers from minority or low-income populations.”.

PART 3—TRADE ADJUSTMENT ASSISTANCE FOR COMMUNITIES AND COMMUNITY COLLEGES

SEC. 123301. TRADE ADJUSTMENT ASSISTANCE FOR COMMUNITIES.

Chapter 4 of title II of the Trade Act of 1974 (19 U.S.C. 2371–2372) is amended—

(1) by inserting after the chapter heading the following:
“Subchapter B—Trade Adjustment Assistance for Community Colleges and Career Training”; and

(2) by redesignating sections 271 and 272 as sections 279 and 279A, respectively; and

(3) by inserting before subchapter B (as designated by paragraph (1)) the following:

“Subchapter A—Trade Adjustment Assistance for Communities

“SEC. 271. DEFINITIONS.

“In this subchapter:

“(1) AGRICULTURAL COMMODITY PRODUCER.—
The term ‘agricultural commodity producer’ has the meaning given that term in section 291.

“(2) COMMUNITY.—The term ‘community’ means—

“(A) a city or other political subdivision of a State, including a special purpose unit of a State or local government engaged in economic or infrastructure development activities, or a consortium of political subdivisions;

“(B) an Economic Development District designated by the Economic Development Administration of the Department of Commerce; or
“(C) an Indian Tribe.

“(3) Eligible Community.—The term ‘eligible community’ means a community that is impacted by trade under section 273(a)(2) and is determined to be eligible for assistance under this subchapter.

“(4) Eligible Entity.—The term ‘eligible entity’ means—

“(A) an eligible community;

“(B) an institution of higher education or a consortium of institutions of higher education;

or

“(C) a public or private nonprofit organization or association acting in cooperation with officials of a political subdivision of a State.

“(5) Secretary.—The term ‘Secretary’ means the Secretary of Commerce.

“SEC. 272. ESTABLISHMENT OF TRADE ADJUSTMENT ASSISTANCE FOR COMMUNITIES PROGRAM.

“The Secretary, acting through the Assistant Secretary for Economic Development, shall, not later than 180 days after the date of the enactment of this subchapter, establish a program to provide communities impacted by trade with assistance in accordance with the requirements of this subchapter.
“SEC. 273. ELIGIBILITY.

“(a) IN GENERAL.—A community shall be eligible for assistance under this subchapter if the community is a community impacted by trade under subsection (b).

“(b) COMMUNITY IMPACTED BY TRADE.—A community is impacted by trade if it meets each of the following requirements:

“(1) One or more of the following certifications are made with respect to the community:

“(A) By the Secretary of Labor, that a group of workers located in the community is eligible to apply for assistance under section 223.

“(B) By the Secretary of Commerce, that a firm located in the community is eligible to apply for adjustment assistance under section 251.

“(C) By the Secretary of Agriculture, that a group of agricultural commodity producers located in the community is eligible to apply for adjustment assistance under section 293.

“(2) The community—

“(A) applies for assistance not later than 180 days after the date on which the most recent certification described in paragraph (1) is made; or
“(B) in the case of a community with respect to which one or more such certifications were made on or after January 1, 1994, and before the date of the enactment of this subchapter, applies for assistance not later than September 30, 2024.

“(3) The community—

“(A) has a per capita income of 80 percent or less of the national average;

“(B) has a history of economic distress and long-term unemployment, as determined by the Secretary;

“(C) is significantly affected by a loss of, or threat to, the jobs associated with any certification described in paragraph (1); or

“(D) is undergoing transition of its economic base as a result of changing trade patterns, as determined by the Secretary.

“SEC. 274. GRANTS TO ELIGIBLE COMMUNITIES.

“(a) IN GENERAL.—The Secretary may—

“(1) upon the application of an eligible community, award a grant under this section to the community to assist in developing or updating a strategic plan that meets the requirements of section 275; or
“(2) upon the application of an eligible entity, award an implementation grant under this section to the entity to assist in implementing projects included in a strategic plan that meets the requirements of section 275.

“(b) Special Provisions.—

“(1) Revolving Loan Fund Grants.—

“(A) In General.—The Secretary shall maintain the proper operation and financial integrity of revolving loan funds established by eligible entities with assistance under this section.

“(B) Efficient Administration.—The Secretary may—

“(i) at the request of an eligible entity, amend and consolidate grant agreements governing revolving loan funds to provide flexibility with respect to lending areas and borrower criteria; and

“(ii) assign or transfer assets of a revolving loan fund to a third party for the purpose of liquidation, and the third party may retain assets of the fund to defray costs related to liquidation.

“(C) Treatment of Actions.—An action taken by the Secretary under this paragraph
with respect to a revolving loan fund shall not constitute a new obligation if all grant funds associated with the original grant award have been disbursed to the recipient.

“(2) USE OF FUNDS IN PROJECTS CONSTRUCTED UNDER PROJECT COST.—

“(A) IN GENERAL.—In the case of a grant for a construction project under this section, if the Secretary determines, before closeout of the project, that the cost of the project, based on the designs and specifications that were the basis of the grant, has decreased because of decreases in costs, the Secretary may approve the use of the excess funds (or a portion of the excess funds) to improve the project.

“(B) OTHER USES OF EXCESS FUNDS.—Any amount of excess funds remaining after application of subparagraph (A) may be used by the Secretary for providing assistance under this section.

“(c) COORDINATION.—If an eligible institution (as such term is defined in section 279) located in an eligible community is seeking a grant under section 279 at the same time the community is seeking an implementation grant under subsection (a)—
“(1) the Secretary, upon receipt of such information from the Secretary of Labor as required under section 279(e), shall notify the community that the institution is seeking a grant under section 279; and

“(2) the community shall provide to the Secretary, in coordination with the institution, a description of how the community will integrate projects included in the strategic plan with the specific project for which the institution submits the grant proposal under section 279.

“(d) LIMITATION.—The total amount of grants awarded with respect to an eligible community under this section for fiscal years 2022 through 2025 may not exceed $25,000,000.

“(e) TECHNICAL ASSISTANCE.—The Secretary shall provide technical assistance for communities as appropriate under this section, including in the course of developing a strategic plan that meets the requirements of section 275, and to access assistance under other available sources, including State, local, or private sources, to implement projects that diversify and strengthen the economy in the community.
"SEC. 275. STRATEGIC PLANS.

(a) IN GENERAL.—A strategic plan meets the requirements of this section if—

"(1) the consultation requirements of subsection (b) are met with respect to the development of the plan;

"(2) the plan meets the requirements of subsection (c); and

"(3) the plan is approved in accordance with the requirements of subsection (d).

(b) CONSULTATION.—

"(1) IN GENERAL.—To the extent practicable, an eligible community shall consult with the entities described in paragraph (2) in developing the strategic plan.

"(2) ENTITIES DESCRIBED.—The entities described in this paragraph are public and private entities located in or serving the eligible community, including—

"(A) local, county, or State government agencies;

"(B) firms, including small- and medium-sized firms;

"(C) local workforce investment boards;
“(D) labor organizations, including State labor federations and labor-management initiatives, representing workers in the community;

“(E) educational institutions, local educational agencies, and other training providers;

and

“(F) local civil rights organizations and community-based organizations, including organizations representing underserved communities.

“(c) CONTENTS.—The strategic plan shall contain, as applicable to the community, the following:

“(1) An analysis of the economic development challenges and opportunities facing the community, including the impact of trade on the community, the populations facing unemployment, the impact of trade on minority and low-income populations, and the future needs of the community.

“(2) A description of the role of the entities described in subsection (b)(2) in developing the strategic plan.

“(3) A description of projects under the strategic plan to facilitate the community’s economic adjustment to the impact of trade.
“(4) An assessment of the anticipated impact of implementing the strategic plan on unemployment, future employment, and minority and low-income communities.

“(5) A description of the educational and training programs and the potential employment opportunities available to workers in the community, including for workers under the age of 25, and the future employment needs of the community.

“(6) An assessment of—

“(A) the cost of implementing the strategic plan;

“(B) the timing of funding required by the community to implement the strategic plan; and

“(C) the methods of financing to be used to implement the strategic plan.

“(d) APPROVAL; CEDS EQUIVALENT.—

“(1) APPROVAL.—The Secretary shall approve the strategic plan developed by an eligible community under this section if the Secretary determines that the strategic plan meets the requirements of this section.

“(2) CEDS OR EQUIVALENT.—The Secretary may deem an eligible community’s Comprehensive Economic Development Strategy that substantially
meets the requirements of this section to be an approved strategic plan for purposes of this subchapter.

“(e) Allocation.—Of the funds appropriated to carry out this chapter for each of fiscal years 2022 through 2025, the Secretary may make available not more than $50,000,000 to award grants under section 274(a)(1).

“SEC. 276. REGULATIONS.

“The Secretary shall promulgate such regulations as may be necessary to carry out this subchapter, including with respect to—

“(1) administering the awarding of grants under section 274, including establishing guidelines for the submission and evaluation of grant applications under such section; and

“(2) establishing guidelines for the evaluation of strategic plans developed to meet the requirements of section 275.”.

SEC. 123302. TRADE ADJUSTMENT ASSISTANCE FOR COMMUNITY COLLEGES AND CAREER TRAINING.

Section 279 of the Trade Act of 1974, as redesignated by section 123301(a)(2), is amended—

(1) in subsection (a)—
(A) in paragraph (1), by striking “eligible institutions” and inserting “eligible entities”; and

(B) in paragraph (2)—

(i) in the matter preceding subparagraph (A), by striking “eligible institution” and inserting “eligible entity”; and

(ii) in subparagraph (B)—

(I) by striking “$1,000,000” and inserting “$2,500,000”; (II) by striking “(B)” and inserting “(B)(i) in the case of an eligible institution,”; (III) by striking the period at the end and inserting “; or”; and (IV) by adding at the end the following:

“(ii) in the case of a consortium of eligible institutions, a grant under this section in excess of $15,000,000.”;

(2) in subsection (b), by adding at the end the following:

“(3) ELIGIBLE ENTITY.—The term ‘eligible entity’ means an eligible institution or a consortium of eligible institutions.”;
(3) in subsection (c)—

(A) by striking “eligible institution” each place it appears and inserting “eligible entity”;

(B) in paragraph (4)(A)—

(i) in clause (ii), by striking “and” at the end;

(ii) by redesignating clause (iii) as clause (iv); and

(iii) by inserting after clause (ii) the following:

“(iii) how the eligible entity will effectively serve individuals from minority and low-income populations; and”; and

(C) in paragraph (5)(A)(i)—

(i) in subclause (I), by striking “and” at the end; and

(ii) by adding at the end the following:

“(III) any opportunities to support industry or sector partnerships to develop or expand quality academic programs and curricula; and”;

(4) in subsection (d), by striking “eligible institution” each place it appears and inserting “eligible entity”; and
(5) by redesignating subsection (e) as subsection (h) and inserting after subsection (d) the following:

“(e) USE OF FUNDS.—

“(1) IN GENERAL.—An eligible entity shall use a grant awarded under this section to establish and scale career training programs, including career and technical education programs, and career pathways and supports for students participating in such programs.

“(2) STUDENT SUPPORT.—Not less than 15 percent of the amount of a grant awarded to an eligible entity under this section shall be used to provide student support services, which may include—

“(A) supportive services, including services related to childcare, transportation, health, and housing;

“(B) the provision of direct financial assistance to students facing financial hardship;

“(C) case management services, including outreach to students facing financial hardship; and

“(D) access to materials and equipment necessary to participate in a career training program.”.
PART 4—TRADE ADJUSTMENT ASSISTANCE FOR FARMERS

SEC. 123401. GROUP ELIGIBILITY REQUIREMENTS.

Section 292 of the Trade Act of 1974 (19 U.S.C. 2401a) is amended—

(1) in subsection (e)—

(A) in paragraph (1)—

(i) by striking “85 percent of” each place it appears; and

(ii) in subparagraph (D), by adding “and” at the end;

(B) in paragraph (2), by striking “(2)” and inserting“(2)(A)(i)”;

(C) by redesignating paragraph (3) as clause (ii) of paragraph (2)(A) (as designated by subparagraph (B));

(D) in clause (ii) of paragraph (2)(A) (as redesignated by subparagraph (C))—

(i) by striking “importantly”; and

(ii) by striking the period at the end and inserting “; or” ; and

(E) in paragraph (2), by adding at the end the following:

“(B)(i) the volume of exports of the agricultural commodity produced by the group in the marketing year with respect to which the group files the peti-
tion decreased compared to the average volume of such exports during the 3 marketing years preceding such marketing year; and

“(ii) the decrease in such exports contributed to the decrease in the national average price, quantity of production, or value of production of, or cash receipts for, the agricultural commodity, as described in paragraph (1).”; and

(2) in subsection (e)(3), by adding at the end before the period the following: “or exports”.

SEC. 123402. BENEFIT INFORMATION TO AGRICULTURAL COMMODITY PRODUCERS.

Section 295(a) of the Trade Act of 1974 (19 U.S.C. 2401d(a)) is amended by adding at the end the following:

“The Secretary shall conduct targeted sustained outreach and offer assistance to agricultural commodity producers from minority and low-income populations.”.

SEC. 123403. QUALIFYING REQUIREMENTS AND BENEFITS FOR AGRICULTURAL COMMODITY PRODUCERS.

Section 296 of the Trade Act of 1974 (19 U.S.C. 2401e) is amended—

(1) in subsection (a)(1)(A), by striking “90 days” and inserting “120 days”;

(2) in subsection (b)—
(A) in paragraph (3)(B), by striking "$4,000" and inserting "$12,000 (subject to adjustment under subsection (e))"; and

(B) in paragraph (4)(C), by striking "$8,000" and inserting "$24,000 (subject to adjustment under subsection (e))";

(3) in subsection (e), by striking "$12,000" and inserting "$36,000 (subject to adjustment under subsection (e))"; and

(4) by adding at the end the following:

"(e) ADJUSTMENTS FOR INFLATION.—

“(1) IN GENERAL.—The Secretary of Agriculture shall adjust each dollar amount limitation described in this section on the date that is 30 days after the date of the enactment of this subsection, and at the beginning of each fiscal year thereafter, to reflect the percentage (if any) of the increase in the average of the Consumer Price Index for the preceding 12-month period compared to the Consumer Price Index for fiscal year 2020.

“(2) SPECIAL RULES FOR CALCULATION OF ADJUSTMENT.—In making an adjustment under paragraph (1), the Secretary—
“(A) shall round the amount of any increase in the Consumer Price Index to the nearest dollar; and

“(B) may ignore any such increase of less than 1 percent.

“(3) Consumer price index defined.—For purposes of this subsection, the term ‘Consumer Price Index’ means the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor.”.

PART 5—APPROPRIATIONS AND OTHER MATTERS

SEC. 123501. EXTENSION OF AND APPROPRIATIONS FOR TRADE ADJUSTMENT ASSISTANCE PROGRAM.

(a) Extension of Termination Provisions.—Section 285 of the Trade Act of 1974 (19 U.S.C. 2271 note) is amended by striking “2021” each place it appears and inserting “2025”.

(b) Training Funds.—Section 236(a)(2)(A) of the Trade Act of 1974 (19 U.S.C. 2296(a)(2)(A)), as amended by section 123110(c)(2)(B), is further amended—

(1) by striking “shall not exceed $450,000,000” and inserting the following: “shall not exceed—

“(i) $450,000,000”;

(2) by striking the period at the end and inserting “; and”; and
(3) by adding at the end the following:

“(ii) $990,000,000 for each of fiscal years 2022 through 2025.”.

(c) Reemployment Trade Adjustment Assistance.—Section 246(b)(1) of the Trade Act of 1974 (19 U.S.C. 2318(b)(1)) is amended by striking “2021” and inserting “2025”.

(d) Appropriations.—

(1) Trade adjustment assistance for workers.—In addition to amounts otherwise available, there are appropriated to the Secretary of Labor for each of fiscal years 2022 through 2025, out of any money in the Treasury not otherwise appropriated, to remain available until expended—

(A) $990,000,000 to carry out chapter 2 of title II of the Trade Act of 1974, as amended by this subtitle; and

(B) $10,000,000 for Federal administration of the program under such chapter (in addition to amounts otherwise available for such purposes), technical assistance, grants for pilots and demonstrations, and the evaluation of activities carried out under such chapter.

(2) Trade adjustment assistance for firms.—In addition to amounts otherwise available,
there are appropriated to the Secretary of Commerce for each of fiscal years 2022 through 2025, out of any money in the Treasury not otherwise appropriated, to remain available until expended—

(A) $49,500,000 to carry out chapter 3 of title II of the Trade Act of 1974, as amended by this subtitle; and

(B) $500,000 for sustained outreach to potentially eligible firms under section 263 of the Trade Act of 1974, as added by section 123204.

(3) TRADE ADJUSTMENT ASSISTANCE FOR COMMUNITIES.—In addition to amounts otherwise available, there are appropriated to the Secretary of Commerce for each of fiscal years 2022 through 2025, out of any money in the Treasury not otherwise appropriated, to remain available for obligation until September 30, 2026—

(A) $260,000,000 to carry out subchapter A of chapter 4 of title II of the Trade Act of 1974, as added by section 123301; and

(B) $40,000,000 for the salaries and expenses of personnel administering such subchapter.
(4) Trade adjustment assistance for community colleges and career training.—In addition to amounts otherwise available, there are appropriated to the Secretary of Labor for each of fiscal years 2022 through 2025, out of any money in the Treasury not otherwise appropriated, to remain available until expended—

(A) $285,000,000 to carry out subchapter B of chapter 4 of title II of the Trade Act of 1974, as designated by section 123301; and

(B) $15,000,000 for administration of the program under such subchapter, including providing technical assistance, sustained outreach to eligible institutions effectively serving minority or low-income populations, grants for pilots and demonstrations, and a third-party evaluation of the program.

(5) Trade adjustment assistance for farmers.—In addition to amounts otherwise available, there are appropriated to the Secretary of Agriculture for each of fiscal years 2022 through 2025, out of any money in the Treasury not otherwise appropriated, to remain available until expended—
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(A) $9,500,000 to carry out chapter 6 of
title II of the Trade Act of 1974, as amended
by this subtitle; and

(B) $500,000 for technical assistance, pi-
lots and demonstrations, targeted sustained
outreach and assistance to agricultural com-
modity producers from minority and low-income
populations under section 295(a) of the Trade
Act of 1974 (as amended by section 123402),
and the evaluation of activities carried out
under such chapter.

SEC. 123502. APPLICABILITY OF TRADE ADJUSTMENT AS-
SISTANCE PROVISIONS.

(a) WORKERS CERTIFIED BEFORE DATE OF ENACT-
MENT.—

(1) IN GENERAL.—Except as provided in para-
graphs (2) and (3), a worker certified as eligible for
adjustment assistance under section 222 of the
Trade Act of 1974 before the date of the enactment
of this Act shall be eligible, on and after such date
of enactment, to receive benefits only under the pro-
visions of chapter 2 of title II of the Trade Act of
1974, as in effect on such date of enactment, or as
such provisions may be amended after such date of
enactment.
(2) Computation of maximum benefits.—

Benefits received by a worker described in paragraph (1) under chapter 2 of title II of the Trade Act of 1974 before the date of the enactment of this Act shall be included in any determination of the maximum benefits for which the worker is eligible under the provisions of chapter 2 of title II of the Trade Act of 1974, as in effect on the date of the enactment of this Act, or as such provisions may be amended after such date of enactment.

(3) Authority to make adjustments to benefits.—For the 90-day period beginning on the date of the enactment of this Act, the Secretary is authorized to make any adjustments to benefits to workers described in paragraph (1) that the Secretary determines to be necessary and appropriate in applying and administering the provisions of chapter 2 of title II of the Trade Act of 1974, as in effect on the date of the enactment of this Act, or as such provisions may be amended after such date of enactment, in a manner that ensures parity of treatment between the benefits of such workers and the benefits of workers certified after such date of enactment.
(b) WORKERS NOT CERTIFIED PURSUANT TO CERTAIN PETITIONS FILED BEFORE DATE OF ENACTMENT.—

(1) CERTIFICATIONS OF WORKERS NOT CERTIFIED BEFORE DATE OF ENACTMENT.—

(A) CRITERIA IF A DETERMINATION HAS NOT BEEN MADE.—If, as of the date of the enactment of this Act, the Secretary of Labor has not made a determination with respect to whether to certify a group of workers as eligible to apply for adjustment assistance under section 222 of the Trade Act of 1974 pursuant to a petition described in subparagraph (C), the Secretary shall make that determination based on the requirements of section 222 of the Trade Act of 1974, as in effect on such date of enactment.

(B) RECONSIDERATION OF DENIALS OF CERTIFICATIONS.—If, before the date of the enactment of this Act, the Secretary made a determination not to certify a group of workers as eligible to apply for adjustment assistance under section 222 of the Trade Act of 1974 pursuant to a petition described in subparagraph (C), the Secretary shall—
(i) reconsider that determination; and

(ii) if the group of workers meets the

requirements of section 222 of the Trade

Act of 1974, as in effect on such date of

enactment, certify the group of workers as

eligible to apply for adjustment assistance.

(C) Petition Described.—A petition de-
dscribed in this subparagraph is a petition for a

certification of eligibility for a group of workers

filed under section 221 of the Trade Act of

1974 on or after January 1, 2021, and before

the date of the enactment of this Act.

(2) Eligibility for Benefits.—

(A) In General.—Except as provided in

subparagraph (B), a worker certified as eligible

to apply for adjustment assistance under sec-
tion 222 of the Trade Act of 1974 pursuant to

a petition described in paragraph (1)(C) shall

be eligible, on and after the date of the enact-
ment of this Act, to receive benefits only under

the provisions of chapter 2 of title II of the

Trade Act of 1974, as in effect on such date of

enactment, or as such provisions may be

amended after such date of enactment.
(B) Computation of maximum benefits.—Benefits received by a worker described in paragraph (1) under chapter 2 of title II of the Trade Act of 1974 before the date of the enactment of this Act shall be included in any determination of the maximum benefits for which the worker is eligible under the provisions of chapter 2 of title II of the Trade Act of 1974, as in effect on the date of the enactment of this Act, or as such provisions may be amended after such date of enactment.

(c) Conforming Amendments.—

(1) Trade Act of 2002.—Section 151 of the Trade Act of 2002 (19 U.S.C. note prec. 2271) is amended by striking subsections (a), (b), and (c).


(3) Trade Adjustment Assistance Extension Act of 2011.—The Trade Adjustment Assistance Extension Act of 2011 is amended—

(A) in section 201 (19 U.S.C. note prec. 2271), by striking subsections (b) and (c); and
(B) in section 231(a) (19 U.S.C. 2271 note), by striking paragraphs (1)(B) and (2).

(4) Trade Adjustment Assistance Reauthorization Act of 2015.—The Trade Adjustment Assistance Reauthorization Act of 2015 is amended—

(A) in section 402 (19 U.S.C. note prec. 2271), by striking subsections (b) and (c); and

(B) in section 405(a)(1) (19 U.S.C. 2271 note), by striking subparagraph (B).

(d) Trade Adjustment Assistance for Firms.—

(1) Certification of firms not certified before date of enactment.—

(A) Criteria if a determination has not been made.—If, as of the date of the enactment of this Act, the Secretary of Commerce has not made a determination with respect to whether to certify a firm as eligible to apply for adjustment assistance under section 251 of the Trade Act of 1974 pursuant to a petition described in subparagraph (C), the Secretary shall make that determination based on the requirements of section 251 of the Trade Act of 1974, as in effect on such date of enactment.
(B) Reconsideration of denial of certain petitions.—If, before the date of the enactment of this Act, the Secretary made a determination not to certify a firm as eligible to apply for adjustment assistance under section 251 of the Trade Act of 1974 pursuant to a petition described in subparagraph (C), the Secretary shall—

(i) reconsider that determination; and

(ii) if the firm meets the requirements of section 251 of the Trade Act of 1974, as in effect on such date of enactment, certify the firm as eligible to apply for adjustment assistance.

(C) Petition described.—A petition described in this subparagraph is a petition for a certification of eligibility filed by a firm or its representative under section 251 of the Trade Act of 1974 on or after January 1, 2021, and before the date of the enactment of this Act.

(2) Certification of firms that did not submit petitions between January 1, 2021, and date of enactment.—

(A) In general.—The Secretary of Commerce shall certify a firm described in subpara-
graph (B) as eligible to apply for adjustment assistance under section 251 of the Trade Act of 1974, as in effect on the date of the enactment of this Act, if the firm or its representative files a petition for a certification of eligibility under section 251 of the Trade Act of 1974 not later than 90 days after such date of enactment.

(B) FIRM DESCRIBED.—A firm described in this subparagraph is a firm that the Secretary determines would have been certified as eligible to apply for adjustment assistance if—

(i) the firm or its representative had filed a petition for a certification of eligibility under section 251 of the Trade Act of 1974 on a date during the period beginning on January 1, 2021, and ending on the day before the date of the enactment of this Act; and

(ii) the provisions of chapter 3 of title II of the Trade Act of 1974, as in effect on such date of enactment, had been in effect on that date during the period described in clause (i).
SEC. 123503. SUNSET PROVISIONS.

(a) Application of Prior Law.—Subject to subsection (b), beginning on July 1, 2025, the provisions of chapters 2, 3, 5, and 6 of title II of the Trade Act of 1974 (19 U.S.C. 2271–2401g), as in effect on January 1, 2014, shall be in effect and apply, except that in applying and administering such chapters—

(1) paragraph (1) of section 231(c) of that Act shall be applied and administered as if subparagraphs (A), (B), and (C) of that paragraph were not in effect;

(2) section 233 of that Act shall be applied and administered—

(A) in subsection (a)—

(i) in paragraph (2), by substituting “104-week period” for “104-week period” and all that follows through “130-week period”;

(ii) by substituting “78-week period” for “52-week period” each place it appears; and

(B) in the matter preceding subparagraph (A), by substituting “65” for “52”; and

(II) by substituting “78-week period” for “52-week period” each place it appears; and
(B) by applying and administering sub-
section (g) as if it read as follows:

“(g) Payment of Trade Readjustment Allow-
ances To Complete Training.—Notwithstanding any
other provision of this section, in order to assist an ad-
versely affected worker to complete training approved for
the worker under section 236 that leads to the completion
of a degree or industry-recognized credential, payments
may be made as trade readjustment allowances for not
more than 13 weeks within such period of eligibility as
the Secretary may prescribe to account for a break in
training or for justifiable cause that follows the last week
for which the worker is otherwise entitled to a trade read-
justment allowance under this chapter if—

“(1) payment of the trade readjustment allow-
ance for not more than 13 weeks is necessary for the
worker to complete the training;

“(2) the worker participates in training in each
such week; and

“(3) the worker—

“(A) has substantially met the perform-
ance benchmarks established as part of the
training approved for the worker;
“(B) is expected to continue to make progress toward the completion of the training; and

“(C) will complete the training during that period of eligibility.”;

(3) section 245(a) of that Act shall be applied and administered by substituting “June 30, 2026” for “December 31, 2007”;

(4) section 246(b)(1) of that Act shall be applied and administered by substituting “June 30, 2026” for “the date that is 5 years” and all that follows through “State”;

(5) section 256(b) of that Act shall be applied and administered by substituting “the 1-year period beginning on July 1, 2025” for “each of fiscal years 2003 through 2007, and $4,000,000 for the 3-month period beginning on October 1, 2007”;

(6) section 298(a) of that Act shall be applied and administered by substituting “the 1-year period beginning on July 1, 2025” for “each of the fiscal years” and all that follows through “October 1, 2007”; and

(7) section 285 of that Act shall be applied and administered—
(A) in subsection (a), by substituting “June 30, 2026” for “December 31, 2007” each place it appears; and

(B) by applying and administering subsection (b) as if it read as follows:

“(b) OTHER ASSISTANCE.—

“(1) ASSISTANCE FOR FIRMS.—

“(A) IN GENERAL.—Except as provided in subparagraph (B), assistance may not be provided under chapter 3 after June 30, 2026.

“(B) EXCEPTION.—Notwithstanding subparagraph (A), any assistance approved under chapter 3 pursuant to a petition filed under section 251 on or before June 30, 2026, may be provided—

“(i) to the extent funds are available pursuant to such chapter for such purpose;

and

“(ii) to the extent the recipient of the assistance is otherwise eligible to receive such assistance.

“(2) FARMERS.—

“(A) IN GENERAL.—Except as provided in subparagraph (B), assistance may not be provided under chapter 6 after June 30, 2026.
“(B) EXCEPTION.—Notwithstanding sub-
paragraph (A), any assistance approved under
chapter 6 on or before June 30, 2026, may be
provided—

“(i) to the extent funds are available
pursuant to such chapter for such purpose;
and

“(ii) to the extent the recipient of the
assistance is otherwise eligible to receive
such assistance.”.

(b) EXCEPTIONS.—The provisions of chapters 2, 3,
5, and 6 of title II of the Trade Act of 1974, as in effect
on the date of the enactment of this Act, shall continue
to apply on and after July 1, 2025, with respect to—

(1) workers certified as eligible for trade adjust-
ment assistance benefits under chapter 2 of title II
of that Act pursuant to petitions filed under section
221 of that Act before July 1, 2025;

(2) firms certified as eligible for technical assis-
tance or grants under chapter 3 of title II of that
Act pursuant to petitions filed under section 251 of
that Act before July 1, 2025; and

(3) agricultural commodity producers certified
as eligible for technical or financial assistance under
chapter 6 of title II of that Act pursuant to petitions
filed under section 292 of that Act before July 1, 2025.

Subtitle D—Career Pathways and Social Services

PART 1—PROVISIONS RELATING TO PATHWAYS TO HEALTH CAREERS

SEC. 124101. PATHWAYS TO HEALTH CAREERS.

Effective October 1, 2021, title XX of the Social Security Act (42 U.S.C. 1397–1397n–13) is amended by adding at the end the following:

“Subtitle D—Career Pathways Through Health Profession Opportunity Grants

“SEC. 2071. CAREER PATHWAYS THROUGH HEALTH PROFESSION OPPORTUNITY GRANTS.

“(a) Application Requirements.—An eligible entity desiring a grant under this section for a project shall submit to the Secretary an application for the grant, that includes the following:

“(1) A description of how the applicant will use a career pathways approach to train eligible individuals for health professions that will put eligible individuals on a career path to an occupation that pays well, under the project.
“(2) A description of the adult basic education and literacy activities, work readiness activities, training activities, case management services, and career coaching, mentoring, or peer support services that the applicant will use to assist eligible individuals to gain work experience, connection to employers, and job placement.

“(3) A description of how the applicant will assess adult basic skill competency and provide any adult basic skills education necessary for lower-skilled eligible individuals to enroll and succeed in the project, including by:

“(A) Establishing a network of partners that offer pre-training activities for project participants who need to improve basic academic skills or English language proficiency before entering a health occupational training career pathway program.

“(B) Offering resources to enable project participants to continue advancing adult basic skill proficiency while enrolled in a career pathway program.

“(C) Embedding adult basic skill maintenance as part of ongoing post-graduation career coaching and mentoring.
“(4) A plan for providing post-employment support and ongoing training as part of a career pathway under the project.

“(5) A description of the support services the applicant will provide under the project, including a description of whether the applicant will provide any of the following support services and how such services will be provided:

“(A) A cash stipend or wage supplement.

“(B) A reserve fund for financial assistance to project participants in emergency situations.

“(C) Tuition, certification exam fees, and training materials such as books, software, uniforms, shoes, connection to the internet, hair nets, and personal protective equipment.

“(D) In-kind resource donations such as interview clothing and conference attendance fees.

“(E) Assistance with accessing and completing high school equivalency or adult basic education courses as necessary to achieve success in the project and make progress toward career goals.
“(F) Assistance with programs and activities, including legal assistance, deemed necessary to address arrest or conviction records as an employment barrier.

“(G) Child care or transportation services in addition to those required under paragraphs (6) and (7).

“(6) A description of how the applicant will guarantee that child care is an available and affordable support service for project participants through—

“(A) referral to, and assistance with, enrollment in a subsidized child care program;

“(B) direct payment to a child care provider if a slot in a subsidized child care program is not available or reasonably accessible;

or

“(C) payment of co-payments or associated fees for child care.

“(7) A description of how the applicant will provide project participants with transportation support through—

“(A) referral to, and assistance with enrollment in, a subsidized transportation program;

or
“(B) if a subsidized transportation program is not reasonably available, direct payments to subsidize transportation costs.

“(8) A description of how the project will prepare eligible individuals for jobs that are available or are expected to be available in the labor market, including a description of the availability and relevance of recent labor market information and other pertinent evidence of in-demand jobs or worker shortages.

“(9) If the project involves providing training for a recognized postsecondary credential (including an industry-recognized credential, and a certificate awarded by a local workforce development board) which is awarded in recognition of attainment of measurable technical or occupational skills necessary to gain employment or advance within an occupation, a description of how the applicant will ensure that the number of hours of training provided to an eligible individual under the project for a such recognized postsecondary credential shall be—

“(A) not less than the number of hours of training required for certification in that level of skill by the State in which the project is conducted; or
“(B) if there is no such requirement, such number of hours of training as the Secretary finds is necessary to achieve that skill level.

“(10) A demonstration that the applicant is capable of carrying out the project, including:

“(A) A demonstration that the applicant has experience working with low-income populations, or a description of the plan of the applicant to work with a partner organization that has such experience.

“(B) If the applicant previously received a grant under this section or any predecessor to this section, a description of activities conducted under the previous grant and outcomes of those activities.

“(C) A description of the plan for recruiting, hiring, and training staff to carry out the project and to provide the case management, mentoring, and career coaching services under the project directly or through local governmental, apprenticeship, educational, or charitable institutions.

“(D) A description of any business and community partners in any of the following categories with whom the applicant will cooperate:
“(i) State and local government agencies and social service providers, including a State or local entity that administers a State program funded under part A of this title.

“(ii) Institutions of higher education, apprenticeship programs, and local workforce development boards.

“(iii) Health care employers, health care industry or sector partnerships, labor unions, and labor-management partnerships.

“(b) GRANTS.—

“(1) COMPETITIVE GRANTS.—

“(A) GRANT AUTHORITY.—

“(i) IN GENERAL.—The Secretary shall make a grant in accordance with this paragraph to an eligible entity whose application for the grant is approved by the Secretary, to conduct a project designed to train low-income individuals for allied health professions, health information technology, physician assistants, nursing assistants, registered nurse, advanced practice nurse, and other professions consid-
ered part of a health care career pathway model.

“(ii) GUARANTEE OF GRANTEES IN EACH STATE AND THE DISTRICT OF CO-
LUMBIA.—For each grant cycle, the Sec-
etary shall award a grant under this para-
graph to at least 2 eligible entities in each
State that is not a territory, to the extent
there are a sufficient number of applica-
tions that have a high likelihood of success
and that are submitted by the entities that
meet the requirements applicable with re-
spect to such a grant. If, for a grant cycle,
there are fewer than 2 such eligible entities
in a State that have submitted applications
with a high likelihood of success, the Sec-
etary shall identify qualified eligible appli-
cants located elsewhere, that are otherwise
approved but un-funded, and issue a Sub-
stitution of Grant and tailored technical
assistance. In the preceding sentence, the
term ‘issue a Substitution of Grant’
means, in a case in which an approved
grantee does not complete its full project
period, or in which there are fewer than 2
qualified grantees per State with a high likelihood of success, substitute an applicant located in another State that was approved but un-funded during the competition for the award for the award recipient.

“(B) GUARANTEE OF GRANTS FOR INDIAN POPULATIONS.—The Secretary shall award a grant under this paragraph to at least 10 eligible entities that are an Indian tribe, an Alaska Native Corporation, a tribal organization, or a tribal college or university, to the extent there are a sufficient number of applications submitted by the entities that meet the requirements applicable with respect to such a grant.

“(C) GUARANTEE OF GRANTEES IN THE TERRITORIES.—The Secretary shall award a grant under this paragraph to at least 2 eligible entities that are located in a territory, to the extent there are a sufficient number of applications submitted by the entities that meet the requirements applicable with respect to such a grant.

“(2) GRANT CYCLE.—The grant cycle under this section shall be not less than 5 years, with a planning period of not more than the first 12
months of the grant cycle. During the planning period, the amount of the grant shall be in such lesser amount as the Secretary determines appropriate.

“(c) Use of Grant.—

“(1) In general.—An entity to which a grant is made under this section shall use the grant in accordance with the approved application for the grant.

“(2) Inclusion of TANF recipients.—In the case of a project for which a grant is made under this section that is conducted in a State that has a program funded under part A of title IV, at least 10 percent of the eligible individuals to whom support is provided under the project shall meet the income eligibility requirements under that State program, without regard to whether the individuals receive benefits or services directly under that State program.

“(3) Income limitation.—An entity to which a grant is made under this section shall not use the grant to provide support to a person who is not an eligible individual.

“(4) Prohibition.—An entity to which a grant is made under this section shall not use the grant for purposes of entertainment, except that case man-
agement and career coaching services may include celebrations of specific career-based milestones such as completing a semester, graduation, or job placement.

“(d) TECHNICAL ASSISTANCE.—

“(1) IN GENERAL.—The Secretary shall provide technical assistance—

“(A) to assist eligible entities in applying for grants under this section;

“(B) that is tailored to meet the needs of grantees at each stage of the administration of projects for which grants are made under this section;

“(C) that is tailored to meet the specific needs of Indian tribes, Alaska Native Corporations, tribal organizations, and tribal colleges and universities;

“(D) that is tailored to meet the specific needs of the territories; and

“(E) to facilitate the exchange of information among eligible entities regarding best practices and promising practices used in the projects.

“(2) CONTINUATION OF PEER TECHNICAL ASSISTANCE CONFERENCES.—The Secretary shall con-
continue to hold peer technical assistance conferences for entities to which a grant is made under this section or was made under the immediate predecessor of this section.

“(e) DEFINITIONS.—In this section:

“(1) ALASKA NATIVE CORPORATION.—The term ‘Alaska Native Corporation’ has the meaning given the term in section 3(m) of the Alaska Native Claims Settlement Act (43 U.S.C. 1602(m)).

“(2) ALLIED HEALTH PROFESSION.—The term ‘allied health profession’ has the meaning given the term in section 799B(5) of the Public Health Service Act.

“(3) CAREER PATHWAY.—The term ‘career pathway’ has the meaning given the term in section 3(7) of the Workforce Innovation and Opportunity Act.

“(4) ELIGIBLE ENTITY.—The term ‘eligible entity’ means any of the following entities that demonstrates in an application submitted under this section that the entity has the capacity to fully develop and administer the project described in the application:

“(A) A local workforce development board.
“(B) A State or territory, a political subdivision of a State or territory, or an agency of a State, territory, or such a political subdivision, including a State or local entity that administers a State program funded under part A of this title.

“(C) An Indian tribe, an Alaska Native Corporation, a tribal organization, or a tribal college or university.

“(D) An institution of higher education (as defined in the Higher Education Act of 1965).

“(E) A hospital (as defined in section 1861(e)).

“(F) A high-quality skilled nursing facility.

“(G) A Federally qualified health center (as defined in section 1861(aa)(4)).

“(H) A nonprofit organization described in section 501(c)(3) of the Internal Revenue Code of 1986, a labor organization, or an entity with shared labor-management oversight, that has a demonstrated history of providing health profession training to eligible individuals.

“(I) An opioid treatment program (as defined in section 1861(jjj)(2)), and other high quality comprehensive addiction care providers.
“(J) A rural health clinic (as defined in section 1861(aa)(2)).

“(5) ELIGIBLE INDIVIDUAL.—The term ‘eligible individual’ means an individual whose family income does not exceed 200 percent of the Federal poverty level.

“(6) FEDERAL POVERTY LEVEL.—The term ‘Federal poverty level’ means the poverty line (as defined in section 673(2) of the Omnibus Budget Reconciliation Act of 1981, including any revision required by such section applicable to a family of the size involved).

“(7) INSTITUTION OF HIGHER EDUCATION.—The term ‘institution of higher education’ has the meaning given the term in section 101 or 102(a)(1)(B) of the Higher Education Act of 1965.

“(8) TERRITORY.—The term ‘territory’ means the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, the Northern Mariana Islands, and American Samoa.

“(9) TRIBAL COLLEGE OR UNIVERSITY.—The term ‘tribal college or university’ has the meaning given the term in section 316(b) of the Higher Education Act of 1965.
“(10) **TRIBAL ORGANIZATION.**—The term ‘tribal organization’ means the recognized governing body of any Indian tribe; any legally established organization of Indians which is controlled, sanctioned, or chartered by such governing body or which is democratically elected by the adult members of the Indian community to be served by such organization and which includes the maximum participation of Indians in all phases of its activities.

“(f) **APPROPRIATION.**—Out of any funds in the Treasury not otherwise appropriated, in addition to amounts otherwise available, there is appropriated to the Secretary for fiscal year 2022, to remain available through fiscal year 2026—

“(1) $1,774,199,886 for grants under subsection (b)(1)(A);

“(2) $94,260,366 for grants under subsection (b)(1)(B);

“(3) $111,388,252 for grants under subsection (b)(1)(C); and

“(4) $222,776,500 for the provision of technical assistance under subsection (d) and the administration and evaluation of this section.”.
PART 2—PROVISIONS RELATING TO ELDER JUSTICE

SEC. 124201. REAUTHORIZATION OF FUNDING FOR PROGRAMS TO PREVENT AND INVESTIGATE ELDER ABUSE, NEGLECT, AND EXPLOITATION.

(a) Long-term Care Staff Training Grants.—Section 2041 of the Social Security Act (42 U.S.C. 1397m) is amended to read as follows:

“SEC. 2041. NURSING HOME WORKER TRAINING GRANTS.

“(a) Appropriation.—Out of any funds in the Treasury not otherwise appropriated, in addition to amounts otherwise available, there is appropriated to the Secretary for fiscal year 2022, to remain available through fiscal year 2026—

“(1) $1,629,529,888 for grants under subsection (b)(1);

“(2) $32,294,680 for grants under subsection (b)(2); and

“(3) $33,255,712 for administrative costs of carrying out this section.

“(b) Grants.—

“(1) State entitlement.—

“(A) In general.—Each State shall be entitled to receive from the Secretary for each of fiscal years 2022 through 2026 a grant in an
amount equal to the amount allotted to the State under subparagraph (B).

“(B) STATE ALLOTMENTS.—The amount allotted to a State under this subparagraph for a fiscal year shall be—

“(i) one-fifth of the amount appropriated under subsection (a)(1); multiplied by

“(ii)(I) the number of State residents who have attained 65 years of age or are individuals with a disability who are under 65 years of age, as determined by the Secretary using the most recent version of the American Community Survey published by the Bureau of the Census or a successor data set; divided by

“(II) the total number of such residents of all States.

“(2) GRANTS TO INDIAN TRIBES AND TRIBAL ORGANIZATIONS.—

“(A) IN GENERAL.—The Secretary shall make grants in accordance with this section to Indian tribes and tribal organizations who operate at least 1 eligible setting.
“(B) GRANT FORMULA.—The Secretary shall devise a formula for distributing among Indian tribes and tribal organizations a grant for each of fiscal years 2022 through 2026 from the amount made available by subsection (a)(2).

“(3) SUB-GRANTS.—A State, Indian tribe, or tribal organization to which an amount is paid under this paragraph may use the amount to make sub-grants to local organizations, including community organizations, local non-profits, elder rights and justice groups, and workforce development boards for any purpose described in subsection (c)(1).

“(c) USE OF FUNDS.—

“(1) AUTHORIZED USES.—A State, Indian tribe, or tribal organization to which an amount is paid under subsection (b) may use the amount to—

“(A) provide wage subsidies;

“(B) provide student loan repayment or tuition assistance for a degree or certification in a field relevant to a position referred to in subsection (d)(1)(A);

“(C) provide affordable and accessible child care, including help with referrals, co-pays, or other direct assistance;
“(D) provide assistance with transportation, including public transportation, gas money, or transit vouchers;

“(E) establish a reserve fund for financial assistance in emergency situations;

“(F) provide in-kind resources, such as interview clothing and conference attendance fees; or

“(G) administer subgrants in accordance with this section and provide technical assistance.

“(2) Provision of funds only for the benefit of eligible individuals in eligible settings.—A State, Indian tribe, or tribal organization to which an amount is paid under subsection (b) may provide the amount only to an eligible individual or a partner organization serving an eligible individual.

“(3) Non-supplantation.—A State, Indian tribe, or tribal organization to which an amount is paid under subsection (b) shall not use the amount to supplant the expenditure of any State or tribal funds for recruiting or retaining employees in an eligible setting.

“(d) Definitions.—In this section:
"(1) ELIGIBLE INDIVIDUAL.—The term ‘eligible individual’ means an individual who—

“(A)(i) is a qualified home health aide, as defined in section 484.80(a) of title 42, Code of Federal Regulations;

“(ii) is a nurse aide approved by the State as meeting the requirements of sections 483.150 through 483.154 of such title, and is listed in good standing on the State nurse aide registry;

“(iii) is a personal care aide approved by the State, and furnishes personal care services, as defined in section 440.167 of such title;

“(iv) is a qualified hospice aide, as defined in section 418.76 of such title;

“(v) is a licensed practical nurse or a licensed or certified social worker; or

“(vi) is receiving training to be certified or licensed as such an aide, nurse, or social worker; and

“(B) provides (or, in the case of a trainee, intends to provide) services as such an aide, nurse, or social worker in an eligible setting.

“(2) ELIGIBLE SETTING.—The term ‘eligible setting’ means—
“(A) a skilled nursing facility, as defined in section 1819;

“(B) a nursing facility, as defined in section 1919;

“(C) a home health agency, as defined in section 1891;

“(D) a hospice, as defined in section 1814;

“(E) an intermediate care facility, as defined in section 1905(d); or

“(F) a tribal assisted living facility.

“(3) Tribal organization.—The term ‘tribal organization’ has the meaning given the term in section 4 of the Indian Self-Determination and Education Assistance Act.”.

(b) Adult Protective Services Functions and Grant Programs.—

(1) Direct funding; state entitlement; grants to Indian tribes and tribal organizations.—Section 2042 of the Social Security Act (42 U.S.C. 1397m–1) is amended—

(A) in subsection (a)—

(i) in paragraph (1)(A)—

(I) by striking “offices” and inserting “programs”; and
(II) by inserting “and adults who are under a disability (as defined in section 216(i)(1))” before the semicolon; and

(ii) by striking paragraph (2) and inserting the following:

“(2) APPROPRIATION.—Out of any money in the Treasury not otherwise appropriated, in addition to amounts otherwise available, there are appropriated to the Secretary to carry out this subsection, $25,450,800 for fiscal year 2022, to remain available through fiscal year 2025.”;

(B) in subsection (b)—

(i) in paragraph (2)—

(I) in subparagraph (A)—

(aa) by striking “the availability of appropriations and”;

and

(bb) by striking “the amount appropriated for that year to carry out this subsection” and inserting “1/4 of the amount appropriated for grants to States under paragraph (5)(A)”;

and

(II) in subparagraph (B)—
(aa) in the heading for clause (i), by inserting “AND THE DISTRICT OF COLUMBIA” after “STATES”; 

(bb) in clause (i), by striking “0.75 percent of the amount appropriated for such year” and inserting “0.75 percent of \( \frac{1}{4} \) of the amount appropriated for grants to States under this paragraph (5)(A)”; and 

(cc) in clause (ii), by inserting “or the District of Columbia” after “States”; and 

(ii) by striking paragraph (5) and inserting the following:

“(5) APPROPRIATION.—Out of any money in the Treasury not otherwise appropriated, in addition to amounts otherwise available, there are appropriated to the Secretary for fiscal year 2022, to remain available through fiscal year 2025—

“(A) $1,629,529,888 for grants to States under this subsection;
“(B) $32,294,680 for grants to Indian tribes and tribal organizations under this subsection; and

“(C) $33,255,712 for administrative costs of carrying out this subsection.”; and

(C) in subsection (c)—

“(6) Appropriation.—Out of any money in the Treasury not otherwise appropriated, in addition to amounts otherwise available, there are appropriated to the Secretary $238,601,250 for fiscal year 2022, to remain available through fiscal year 2025, to carry out this subsection.”.

(2) State entitlement; grants to Indian tribes and tribal organizations.—Section 2042 of such Act (42 U.S.C. 1397m–1) is amended—

(A) in subsection (a)(1)(A), by striking “State and local” and inserting “State, local, and tribal”;

(B) in subsection (b)(1), by striking “the Secretary shall annually award grants to States in the amounts calculated under paragraph (2)” and inserting “each State shall be entitled to annually receive from the Secretary in the amounts calculated under paragraph (2), and the Secretary may annually award to each In-
dian tribe and tribal organization in accordance with paragraph (3), grants’;

(C) in subsection (b)(2), in the paragraph heading, by inserting “FOR A STATE” after “PAYMENT”;

(D) in subsection (b), by redesignating paragraphs (3) through (5) as paragraphs (4) through (6), respectively, and inserting after paragraph (2) the following:

“(3) AMOUNT OF PAYMENT TO INDIAN TRIBE OR TRIBAL ORGANIZATION.—The Secretary shall determine the amount of any grant to be made to each Indian tribe and tribal organization under this subsection. Paragraphs (4) and (5) shall apply to grantees under this paragraph in the same manner in which the paragraphs apply to States.”;

(E) in subsection (c)—

(i) in paragraph (1), by striking “to States” and inserting “to States, Indian tribes, and tribal organizations”;

(ii) in paragraph (2)—

(I) in the matter preceding subparagraph (A), by inserting “and Indian tribes and tribal organizations” after “government”; and
(II) in subparagraph (D), by inserting “or Indian tribe or tribal organization, as the case may be” after “government”;

(iii) in paragraph (4), by inserting “or Indian tribe or tribal organization” after “a State” the 1st place it appears; and

(iv) in paragraph (5)—

(I) by inserting “or Indian tribe or tribal organization” after “Each State”; and

(II) by inserting “or Indian tribe or tribal organization, as the case may be” after “the State”; and

(F) by adding at the end the following:

“(d) Definitions of Indian Tribe and Tribal Organization.—In this section, the terms ‘Indian tribe’ and ‘tribal organization’ have the meanings given the terms in section 419.”.

(3) Conforming Amendment.—Section 2011(2) of such Act (42 U.S.C. 1397j(2)) is amended by striking “such services provided to adults as the Secretary may specify” and inserting “services provided by an entity authorized by or under State
law address neglect, abuse, and exploitation of older adults and people with disabilities’’.

(c) **LONG-TERM CARE OMBUDSMAN PROGRAM**

GRANTS AND TRAINING.—Section 2043 of the Social Security Act (42 U.S.C. 1397m–2) is amended—

(1) in subsection (a), by striking paragraph (2) and inserting the following:

“(2) **APPROPRIATION.**—Out of any money in the Treasury not otherwise appropriated, in addition to amounts otherwise available, there are appropriated to the Secretary to carry out this subsection $87,487,125 for fiscal year 2022, to remain available through fiscal year 2025.”; and

(2) in subsection (b), by striking paragraph (2) and inserting the following:

“(2) **APPROPRIATION.**—Out of any money in the Treasury not otherwise appropriated, in addition to amounts otherwise available, there are appropriated to the Secretary to carry out this subsection, $95,440,500 for fiscal year 2022, to remain available through fiscal year 2025.”.

**SEC. 124202. APPROPRIATION FOR ASSESSMENTS.**

Out of any money in the Treasury not otherwise appropriated, in addition to amounts otherwise available, there are appropriated to the Secretary of Health and
Human Services $21,209,000 for fiscal year 2022, to remain available through fiscal year 2026, to conduct an evaluation of the programs, coordinating bodies, registries, and activities established or authorized under subtitle B of title XX of the Social Security Act or section 6703(b) of the Patient Protection and Affordable Care Act (42 U.S.C. 1395i–3a), which shall assess the extent to which such programs, coordinating bodies, registries, and activities have improved access to, and the quality of, resources available to aging Americans and their caregivers to prevent, detect, and treat abuse, neglect, and exploitation of aging Americans.

Subtitle E—Infrastructure Financing and Community Development

SEC. 125001. AMENDMENT OF 1986 CODE.

Except as otherwise expressly provided, whenever in this subtitle an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.
1. **PART 1—LOW INCOME HOUSING CREDIT**

2. **SEC. 125101. INCREASES IN STATE ALLOCATIONS.**

3. (a) In General.—Section 42(h)(3)(I) is amended to read as follows:

   “(I) INCREASE IN STATE HOUSING CREDIT CEILING FOR 2022 THROUGH 2025.—In the case of calendar years 2022 through 2025—

   “(i) subparagraph (H) shall not apply,

   “(ii) the dollar amounts in effect under subclauses (I) and (II), respectively, of subparagraph (C)(ii) for any such calendar year shall be—

   “(I) in the case of calendar year 2022, $2.93 and $3,346,875,

   “(II) in the case of calendar year 2023, $2.98 and $3,425,625,

   “(III) in the case of calendar year 2024, $3.04 and $3,504,375,

   and

   “(IV) in the case of calendar year 2025, $3.86 and $4,481,950.”.

4. (b) Effective Date.—The amendment made by this section shall apply to calendar years beginning after December 31, 2021.
SEC. 125102. TAX-EXEMPT BOND FINANCING REQUIREMENT.

(a) In General.—Section 42(h)(4)(B) is amended to read as follows:

“(B) Special rule where a required percent of buildings is financed with tax-exempt bonds subject to volume cap.—For purposes of subparagraph (A), paragraph (1) shall not apply to any portion of the credit allowable under subsection (a) with respect to a building if—

“(i) 50 percent or more of the aggregate basis of any such building and the land on which the building is located is financed by any obligation described in subparagraph (A), or

“(ii) 25 percent or more of the aggregate basis of such building and the land on which the building is located is financed by any obligation which is described in subparagraph (A) and issued in calendar year 2022, 2023, 2024, 2025, or 2026.”.

(b) Effective Date.—The amendment made by this section shall apply to any building some portion of which, or of the land on which the building is located, is financed by an obligation which is described in section
42(h)(4)(A) and which is part of an issue the issue date
of which is after December 31, 2021.

SEC. 125103. BUILDINGS DESIGNATED TO SERVE EXTREME-
MELY LOW-INCOME HOUSEHOLDS.

(a) RESERVED STATE ALLOCATION.—

(1) IN GENERAL.—Section 42(h) is amended—

(A) by redesignating paragraphs (6), (7),
and (8) as paragraphs (7), (8), and (9), respec-

(B) by inserting after paragraph (5) the
following new paragraph:

“(6) PORTION OF STATE CEILING SET-ASIDE
FOR PROJECTS DESIGNATED TO SERVE EXTREMELY
LOW-INCOME HOUSEHOLDS.—

“(A) IN GENERAL.—Not more than 92
percent of the portion of the State housing
credit ceiling amount described in paragraph
(3)(C)(ii) for any State for any calendar year
shall be allocated to buildings other than build-
ings described in subparagraph (B).

“(B) BUILDINGS DESCRIBED.—A building
is described in this subparagraph if 20 percent
or more of the residential units in such building
are rent-restricted (determined as if the im-
puted income limitation applicable to such units
were 30 percent of area median gross income
and are designated by the taxpayer for occu-
pancy by households the aggregate household
income of which does not exceed the greater
of—

“(i) 30 percent of area median gross
income, or

“(ii) 100 percent of an amount equal
to the Federal poverty line (within the
meaning of section 36B(d)(3)).

“(C) EXCEPTION.—A building shall not be
treated as described in subparagraph (B) if
such building is a part of a qualified low-income
housing project with respect to which the tax-
payer elects the requirements of subsection
(g)(1)(C).”.

(2) CONFORMING AMENDMENT.—Section
42(b)(4)(C) is amended by striking “(h)(7)” and in-
serting “(h)(8)”.

(b) INCREASE IN CREDIT.—Paragraph (5) of section
42(d) is amended by adding at the end the following new
subparagraph:

“(C) INCREASE IN CREDIT FOR BUILDINGS
DESIGNATED TO SERVE EXTREMELY LOW-IN-
COME HOUSEHOLDS.—
“(i) IN GENERAL.—In the case of any building—

“(I) which is described in subsection (h)(6)(B), and

“(II) which is designated by the housing credit agency as requiring the increase in credit under this subparagraph in order for such building to be financially feasible as part of a qualified low-income housing project,

subparagraph (B) shall not apply to the portion of such building which is comprised of residential units described in subsection (h)(6)(B) (determined in a manner similar to the unit fraction under subsection (c)(1)(C)), and the eligible basis of such portion of the building shall be 150 percent of such basis determined without regard to this subparagraph.

“(ii) ALLOCATION RULES APPLICABLE TO PROJECTS TO WHICH CLAUSE (i) APPLIES.—

“(I) STATE HOUSING CREDIT CEILING.—For any calendar year, no more than 13 percent of the portion
of the State housing credit ceiling described in subsection (h)(3)(C)(ii) shall be allocated to buildings to which clause (i) applies.

“(II) APPLICATION TO PROJECTS FINANCED WITH TAX-EXEMPT BONDS.—In the case of any building which is financed by an obligation described in subsection (h)(4), clause (i) shall not apply unless—

“(aa) the State in which the issuing authority issuing such obligation is located designates such obligation as an obligation to which this subparagraph applies, and

“(bb) the aggregate face amount of obligations designated under item (aa) by such State in the calendar year during which such obligation is issued does not exceed 8 percent of the State ceiling of such State under section 146(d)(1) for such year.”.
(c) Effective Date.—The amendments made by this section shall apply to allocations of housing credit dollar amount after December 31, 2021, and to buildings that are described in section 42(h)(4)(B) taking into account only obligations that are part of an issue the issue date of which is after December 31, 2021.

SEC. 125104. REPEAL OF QUALIFIED CONTRACT OPTION.

(a) Termination of Option for Certain Buildings.—

(1) In General.—Subclause (II) of section 42(h)(7)(E)(i), as redesignated by section 125103, is amended by inserting “in the case of a building described in clause (iii),” before “on the last day”.

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

“(iii) Buildings Described.—A building described in this clause is a building—

“(I) which received its allocation of housing credit dollar amount before January 1, 2022, or

“(II) in the case of a building any portion of which is financed as
described in paragraph (4), and which received before January 1, 2022, under the rules of paragraphs (1) and (2) of subsection (m), a determination from the issuer of the tax-exempt bonds or the housing credit agency that the building would be eligible under the qualified allocation plan to receive an allocation of housing credit dollar amount or that the credits to be earned are necessary for financial feasibility of the project and its viability as a qualified low-income housing project throughout the credit period.”.

(b) Rules Relating to Existing Projects.— Subparagraph (F) of section 42(h)(7), as redesignated by section 125103, is amended by striking “the nonlow-income portion” and all that follows and inserting “the nonlow-income portion and the low-income portion of the building for fair market value (determined by the housing credit agency by taking into account the rent restrictions required for the low-income portion of the building to continue to meet the standards of paragraphs (1) and (2) of subsection (g)). The Secretary shall prescribe such regula-
tions as may be necessary or appropriate to carry out this paragraph.”.

(c) CONFORMING AMENDMENTS.—

(1) Paragraph (7) of section 42(h), as redesignated by section 125103, is amended by striking subparagraph (G) and by redesignating subparagraphs (H), (I), (J), and (K) as subparagraphs (G), (H), (I), and (J), respectively.

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

(d) EFFECTIVE DATES.—

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

(2) SUBSECTION (b).—The amendments made by subsection (b) shall apply to buildings with respect to which a written request described in section 42(h)(7)(H) of the Internal Revenue Code of 1986, as redesignated by section 125103 and subsection (e), is submitted after the date of the enactment of this Act.
SEC. 125105. MODIFICATION AND CLARIFICATION OF RIGHTS RELATING TO BUILDING PURCHASE.

(a) Modification of Right of First Refusal.—

(1) In general.—Subparagraph (A) of section 42(i)(7) is amended by striking “a right of 1st refusal” and inserting “an option”.

(2) Conforming amendment.—The heading of paragraph (7) of section 42(i) is amended by striking “RIGHT OF 1ST REFUSAL” and inserting “OPTION”.

(b) Clarification With Respect to Right of First Refusal and Purchase Options.—

(1) Purchase of partnership interest.—

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

(B) Application to S corporations and other pass-through entities.—Subparagraph (A) of section 42(i)(7) is amended by adding at the end the following: “Except as provided by the Secretary, the rules of this
paragraph shall apply to S corporations and other pass-through entities in the same manner as such rules apply to partnerships.”

(C) CONFORMING AMENDMENT.—Subparagraph (B) of section 42(i)(7) is amended by adding at the end the following: “In the case of a purchase of all of the partnership interests, the minimum purchase price under this subparagraph shall be an amount not less than the sum of the interests’ shares of the amount which would be determined with respect to the property under this subparagraph without regard to this sentence.”.

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

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

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

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

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

(c) OTHER CONFORMING AMENDMENT.—Subparagraph (B) of section 42(i)(7), as amended by subsection (b), is amended by striking “the sum of” and all that follows through “application of clause (ii)” and inserting the following: “the principal amount of outstanding indebtedness secured by the building (other than indebtedness incurred within the 5-year period ending on the date of the sale to the tenants).”.

(d) EFFECTIVE DATES.—
(1) Modification of right of first refusal.—The amendments made by subsections (a) and (c) shall apply to agreements entered into or amended after the date of the enactment of this Act.

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

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

PART 2—NEIGHBORHOOD HOMES INVESTMENT ACT

SEC. 125201. NEIGHBORHOOD HOMES CREDIT.

(a) In general.—Subpart D of part IV of subchapter A of chapter 1 is amended by inserting after section 42 the following new section:
SEC. 42A. NEIGHBORHOOD HOMES CREDIT.

(a) ALLOWANCE OF CREDIT.—For purposes of section 38, the neighborhood homes credit determined under this section for the taxable year is, with respect to each qualified residence sold by the taxpayer during such taxable year in an affordable sale, the lesser of—

(1) either—

(A) the excess (if any) of—

(i) the reasonable development costs paid or incurred by the taxpayer with respect to such qualified residence, over

(ii) the sale price of such qualified residence (reduced by any reasonable expenses paid or incurred by the taxpayer in connection with such sale), or

(B) if the neighborhood homes credit agency determines it is necessary to ensure financial feasibility, an amount not to exceed 120 percent of the amount under subparagraph (A), or

(2) 35 percent of the lesser of—

(A) the eligible development costs paid or incurred by the taxpayer with respect to such qualified residence, or

(B) 80 percent of the national median sale price for new homes (as determined pursu-
ant to the most recent census data available as of the date on which the neighborhood homes credit agency makes an allocation for the qualified project).

“(b) DEVELOPMENT COSTS.—For purposes of this section—

“(1) REASONABLE DEVELOPMENT COSTS.—

“(A) IN GENERAL.—The term ‘reasonable development costs’ means amounts paid or incurred for the acquisition of buildings and land, construction, substantial rehabilitation, demolition of structures, or environmental remediation, to the extent that the neighborhood homes credit agency determines that such amounts meet the standards specified pursuant to subsection (f)(1)(C) (as of the date on which construction or substantial rehabilitation is substantially complete, as determined by such agency) and are necessary to ensure the financial feasibility of such qualified residence.

“(B) CONSIDERATIONS IN MAKING DETERMINATION.—In making the determination under subparagraph (A), the neighborhood homes credit agency shall consider—
“(i) the sources and uses of funds and the total financing,

“(ii) any proceeds or receipts generated or expected to be generated by reason of tax benefits, and

“(iii) the reasonableness of the developmental costs and fees.

“(2) Eligible development costs.—The term ‘eligible development costs’ means the amount which would be reasonable development costs if the amounts taken into account as paid or incurred for the acquisition of buildings and land did not exceed 75 percent of such costs determined without regard to any amount paid or incurred for the acquisition of buildings and land.

“(3) Substantial rehabilitation.—The term ‘substantial rehabilitation’ means amounts paid or incurred for rehabilitation of a qualified residence if such amounts exceed the greater of—

“(A) $20,000, or

“(B) 20 percent of the amounts paid or incurred by the taxpayer for the acquisition of buildings and land with respect to such qualified residence.
“(4) Construction and rehabilitation only after allocation taken into account.—

“(A) In general.—The terms ‘reasonable development costs’ and ‘eligible development costs’ shall not include any amount paid or incurred before the date on which an allocation is made to the taxpayer under subsection (e) with respect to the qualified project of which the qualified residence is part unless such amount is paid or incurred for the acquisition of buildings or land.

“(B) Land and building acquisition costs.—Amounts paid or incurred for the acquisition of buildings or land shall be included under paragraph (A) only if paid or incurred not more than 3 years before the date on which the allocation referred to in subparagraph (A) is made. If the taxpayer acquired any building or land from an entity (or any related party to such entity) that holds an ownership interest in the taxpayer, then such entity must also have acquired such property within such 3-year period, and the acquisition cost included under subparagraph (A) with respect to the taxpayer
shall not exceed the amount such entity paid or
incurred to acquire such property.

“(c) Qualified Residence.—For purposes of this
section—

“(1) In general.—The term ‘qualified resi-
dence’ means a residence that—

“(A) is real property affixed on a perma-
nent foundation,

“(B) is—

“(i) a house which is comprised of 4
or fewer residential units,

“(ii) a condominium unit, or

“(iii) a house or an apartment owned
by a cooperative housing corporation (as
defined in section 216(b)),

“(C) is part of a qualified project with re-
spect to which the neighborhood homes credit
agency has made an allocation under subsection
(e), and

“(D) is located in a qualified census tract
(determined as of the date of such allocation).

“(2) Qualified Census Tract.—

“(A) In general.—The term ‘qualified
census tract’ means a census tract—

“(i) which—
“(I) has a median family income which does not exceed 80 percent of the median family income for the applicable area,

“(II) has a poverty rate that is not less than 130 percent of the poverty rate of the applicable area, and

“(III) has a median value for owner-occupied homes that does not exceed the median value for owner-occupied homes in the applicable area,

“(ii) which—

“(I) is located in a city which has a population of not less than 50,000 and such city has a poverty rate that is not less than 150 percent of the poverty rate of the applicable area,

“(II) has a median family income which does not exceed the median family income for the applicable area, and

“(III) has a median value for owner-occupied homes that does not exceed 80 percent of the median value
for owner-occupied homes in the applicable area,

“(iii) which—

“(I) is located in a nonmetropolitan county,

“(II) has a median family income which does not exceed the median family income for the applicable area, and

“(III) has been designated by a neighborhood homes credit agency under this clause, or

“(iv) which is not otherwise a qualified census tract and is located in a disaster area (as defined in section 7508A(d)(3)), but only with respect to credits allocated in any period during which the President of the United States has determined that such area warrants individual or individual and public assistance by the Federal Government under the Robert T. Stafford Disaster Relief and Emergency Assistance Act.

“(B) APPLICABLE AREA.—The term ‘applicable area’ means—
“(i) in the case of a metropolitan census tract, the metropolitan area in which such census tract is located, and

“(ii) in the case of a census tract other than a census tract described in clause (i), the State.

“(d) AFFORDABLE SALE.—For purposes of this section—

“(1) IN GENERAL.—The term ‘affordable sale’ means a sale to a qualified homeowner of a qualified residence that the neighborhood homes credit agency certifies as meeting the standards promulgated under subsection (f)(1)(D) for a price that does not exceed—

“(A) in the case of any qualified residence not described in subparagraph (B), (C), or (D), the amount equal to the product of 4 multiplied by the median family income for the applicable area (as determined pursuant to the most recent census data available as of the date of the contract for such sale),

“(B) in the case of a house comprised of 2 residential units, 125 percent of the amount described in subparagraph (A),
“(C) in the case of a house comprised of
3 residential units, 150 percent of the amount
described in subparagraph (A), or
“(D) in the case of a house comprised of
4 residential units, 175 percent of the amount
described in subparagraph (A).
“(2) Qualified homeowner.—The term ‘qualified homeowner’ means, with respect to a
qualified residence, an individual—
“(A) who owns and uses such qualified res-
idence as the principal residence of such indi-
vidual, and
“(B) whose family income (determined as
of the date that a binding contract for the af-
fordable sale of such residence is entered into)
is 140 percent or less of the median family in-
come for the applicable area in which the quali-
fied residence is located.
“(e) Credit Ceiling and Allocations.—
“(1) Credit limited based on allocations
to qualified projects.—
“(A) In general.—The credit allowed
under subsection (a) to any taxpayer for any
taxable year with respect to one or more quali-
fied residences which are part of the same
qualified project shall not exceed the excess (if any) of—

“(i) the amount allocated by the neighborhood homes credit agency under this paragraph to such taxpayer with respect to such qualified project, over

“(ii) the aggregate amount of credit allowed under subsection (a) to such taxpayer with respect to qualified residences which are a part of such qualified project for all prior taxable years.

“(B) DEADLINE FOR COMPLETION.—No credit shall be allowed under subsection (a) with respect to any qualified residence unless the affordable sale of such residence is during the 5-year period beginning on the date of the allocation to the qualified project of which such residence is a part (or, in the case of a qualified residence to which subsection (i) applies, the rehabilitation of such residence is completed during such 5-year period).

“(2) LIMITATIONS ON_ALLOCATIONS TO QUALIFIED PROJECTS.—

“(A) ALLOCATIONS LIMITED BY STATE NEIGHBORHOOD HOMES CREDIT CEILING.—The
aggregate amount allocated to taxpayers with respect to qualified projects by the neighborhood homes credit agency of any State for any calendar year shall not exceed the State neighborhood homes credit amount of such State for such calendar year.

“(B) *Set-aside for certain projects involving qualified nonprofit organizations.*—Rules similar to the rules of section 42(h)(5) shall apply for purposes of this section.

“(3) **Determination of state neighborhood homes credit ceiling.**—

“(A) *In general.*—The State neighborhood homes credit amount for a State for a calendar year is an amount equal to the sum of—

“(i) the greater of—

“(I) the product of $3 ($6 in the case of calendar year 2025), multiplied by the State population (determined in accordance with section 146(j)), or

“(II) $4,000,000 ($8,000,000 in the case of calendar year 2025), and
“(ii) any amount previously allocated to any taxpayer with respect to any qualified project by the neighborhood homes credit agency of such State which can no longer be allocated to any qualified residence because the 5-year period described in paragraph (1)(B) expires during calendar year.

“(B) Termination of additional amounts.—The amount determined under subparagraph (A)(i) shall be zero with respect to any calendar year beginning after December 31, 2025.

“(C) 3-year carryforward of unused limitation.—The State neighborhood homes credit amount for a State for a calendar year shall be increased by the excess (if any) of the State neighborhood homes credit amount for such State for the preceding calendar year over the aggregate amount allocated by the neighborhood homes credit agency of such State during such preceding calendar year. Any amount carried forward under the preceding sentence shall not be carried past the third calendar year after the calendar year in which such credit
amount originally arose, determined on a first-in, first-out basis.

“(f) Responsibilities of Neighborhood Homes Credit Agencies.—

“(1) In general.—Notwithstanding subsection (e), the State neighborhood homes credit dollar amount shall be zero for a calendar year unless the neighborhood homes credit agency of the State—

“(A) allocates such amount pursuant to a qualified allocation plan of the neighborhood homes credit agency,

“(B) allocates not more than 20 percent of amounts allocated in the previous year (or for allocations made in 2022, not more than 20 percent of the neighborhood homes credit ceiling for such year) to projects with respect to qualified residences which—

“(i) are located in census tracts described in subsection (c)(2)(A)(iii), (c)(2)(A)(iv), (i)(5), or

“(ii) are not located in a qualified census tract but meet the requirements of subsection (i)(8),
“(C) promulgates standards with respect to reasonable qualified development costs and fees,

“(D) promulgates standards with respect to construction quality,

“(E) in the case of any neighborhood homes credit agency which makes an allocation to a qualified project which includes any qualified residence to which subsection (i) applies, promulgates standards with respect to protecting the owners of such residences, including the capacity of such owners to pay rehabilitation costs not covered by the credit provided by this section and providing for the disclosure to such owners of their rights and responsibilities with respect to the rehabilitation of such residences,

“(F) submits to the Secretary (at such time and in such manner as the Secretary may prescribe) an annual report specifying—

“(i) the amount of the neighborhood homes credits allocated to each qualified project for the previous year,
“(ii) with respect to each qualified residence completed in the preceding calendar year—

“(I) the census tract in which such qualified residence is located,

“(II) with respect to the qualified project that includes such qualified residence, the year in which such project received an allocation under this section,

“(III) whether such qualified residence was new, substantially rehabilitated and sold to a qualified homeowner, or substantially rehabilitated pursuant to subsection (i),

“(IV) the eligible development costs of such qualified residence,

“(V) the amount of the neighborhood homes credit with respect to such qualified residence,

“(VI) the sales price of such qualified residence, if applicable, and

“(VII) the family income of the qualified homeowner (expressed as a percentage of the applicable area me-
dian family income for the location of
the qualified residence), and
“(iii) such other information as the
Secretary may require, and
“(G) makes available to the general public
a written explanation for any allocation of a
neighborhood homes credit dollar amount which
is not made in accordance with established pri-
orities and selection criteria of the neighbor-
hood homes credit agency.

Subparagraph (B) shall be applied by substituting
‘40 percent’ for ‘20 percent’ each place it appears in
the case of any State in which at least 45 percent
of the State population resides outside metropolitan
statistical areas (within the meaning of section
143(k)(2)(B)) and less than 20 percent of the cen-
sus tracts located in the State are described in sub-
section (c)(2)(A)(i).

“(2) QUALIFIED ALLOCATION PLAN.—For pur-
poses of this subsection, the term ‘qualified alloca-
tion plan’ means any plan which—
“(A) sets forth the selection criteria to be
used to prioritize qualified projects for alloca-
tions of State neighborhood homes credit dollar
amounts, including—
“(i) the need for new or substantially rehabilitated owner-occupied homes in the area addressed by the project,
“(ii) the expected contribution of the project to neighborhood stability and revitalization, including the impact on neighborhood residents,
“(iii) the capability and prior performance of the project sponsor, and
“(iv) the likelihood the project will result in long-term homeownership,
“(B) has been made available for public comment, and
“(C) provides a procedure that the neighborhood homes credit agency (or any agent or contractor of such agency) shall follow for purposes of—
“(i) identifying noncompliance with any provisions of this section, and
“(ii) notifying the Internal Revenue Service of any such noncompliance of which the agency becomes aware.
“(g) Repayment.—
“(1) In general.—
“(A) Disposed of during 5-year period.—If a qualified residence is disposed of or ceases to be the principal residence of the owner (and, if married, the owner’s spouse) during the 5-year period beginning immediately after the affordable sale of such qualified residence referred to in subsection (a), the person so disposing of such residence or the owner ceasing to use such residence as a principal residence, whichever is applicable, shall transfer an amount equal to the repayment amount to the relevant neighborhood homes credit agency.

“(B) Use of repayments.—A neighborhood homes credit agency shall use any amount received pursuant to subparagraph (A) only for purposes of qualified projects.

“(2) Repayment amount.—For purposes of paragraph (1)(A)—

“(A) In general.—The repayment amount is an amount equal to the applicable percentage of the gain from the sale to which the repayment relates.

“(B) Applicable percentage.—For purposes of subparagraph (A), the applicable percentage is 50 percent, reduced by 10 per-
centage points for each year of the 5-year pe-
riod referred to in paragraph (1)(A) which ends
before the date of such sale.

“(C) Dispositions other than sale.—

In the case of—

“(i) any transfer of a qualified resi-
dence other than by sale to a person who
is not related to the taxpayer (within the
meaning of subsection (h)(6)(B)), or

“(ii) any qualified residence which
ceases to be the principal residence of the
owner (and, if married, the owner’s
spouse),

the repayment amount is the amount of the
credit under this section with respect to such
residence.

“(3) Lien for repayment amount.—A
neighborhood homes credit agency receiving an allo-
cation under this section shall place a lien on each
qualified residence that is built or rehabilitated as
part of a qualified project for an amount such agen-
cy deems necessary to ensure potential repayment
pursuant to paragraph (1)(A).

“(4) Denial of deductions if converted
to rental housing.—If, during the 5-year period
beginning immediately after the affordable sale of a qualified residence referred to in subsection (a), an individual who owns a qualified residence (whether or not such individual was the purchaser in such affordable sale) fails to use such qualified residence as such individual’s principal residence for any period of time, no deduction shall be allowed for expenses paid or incurred by such individual with respect to renting, during such period of time, such qualified residence.

“(5) WAIVER.—The neighborhood homes credit agency may waive the repayment required under paragraph (1)(A) if the agency determines that making a repayment would constitute a hardship to the person disposing of the residence.

“(6) EXCEPTIONS.—Rules similar to the rules of subparagraphs (A), (B), (C), and (E) of section 36(f)(4) shall apply for purposes of this subsection.

“(h) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

“(1) NEIGHBORHOOD HOMES CREDIT AGENCY.—The term ‘neighborhood homes credit agency’ means the agency designated by the governor of a State as the neighborhood homes credit agency of the State.
“(2) Qualified Project.—The term ‘qualified project’ means a project that a neighborhood homes credit agency certifies will build or substantially rehabilitate one or more qualified residences.

“(3) Determinations of Family Income.— Rules similar to the rules of section 143(f)(2) shall apply for purposes of this section.

“(4) Possessions Treated as States.—The term ‘State’ includes the District of Columbia and the possessions of the United States.

“(5) Special Rules Related to Condominiums and Cooperative Housing Corporations.—

“(A) Determination of Development Costs.—In the case of a qualified residence described in clause (ii) or (iii) of subsection (c)(1)(A), the reasonable development costs and eligible development costs of such qualified residence shall be an amount equal to such costs, respectively, of the entire condominium or cooperative housing property in which such qualified residence is located, multiplied by a fraction—

“(i) the numerator of which is the total floor space of such qualified residence, and
“(ii) the denominator of which is the total floor space of all residences within such property.

“(B) Tenant-stockholders of cooperative housing corporations treated as owners.—In the case of a cooperative housing corporation (as such term is defined in section 216(b)), a tenant-stockholder shall be treated as owning the house or apartment which such person is entitled to occupy.

“(6) Related party sales not treated as affordable sales.—

“(A) In general.—A sale between related persons shall not be treated as an affordable sale.

“(B) Related persons.—For purposes of this paragraph, a person (in this subpara- graph referred to as the ‘related person’) is related to any person if the related person bears a relationship to such person specified in section 267(b) or 707(b)(1), or the related person and such person are engaged in trades or businesses under common control (within the meaning of subsections (a) and (b) of section 52).

For purposes of the preceding sentence, in ap-
plying section 267(b) or 707(b)(1), ‘10 percent’ shall be substituted for ‘50 percent’.

“(7) INFLATION ADJUSTMENT.—

“(A) IN GENERAL.—In the case of a calendar year after 2022, the dollar amounts in subsections (b)(3)(A), (e)(3)(A)(i)(I), (e)(3)(A)(i)(II), and (i)(2)(C) shall each be increased by an amount equal to—

“(i) such dollar amount, multiplied by

“(ii) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting ‘calendar year 2021’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

“(B) Rounding.—

“(i) In the case of the dollar amounts in subsection (b)(3)(A) and (i)(2)(C), any increase under paragraph (1) which is not a multiple of $1,000 shall be rounded to the nearest multiple of $1,000.

“(ii) In the case of the dollar amount in subsection (c)(3)(A)(i)(I), any increase under paragraph (1) which is not a multiple of $0.01 shall be rounded to the nearest multiple of $0.01.
“(iii) In the case of the dollar amount in subsection (e)(3)(A)(i)(II), any increase under paragraph (1) which is not a multiple of $100,000 shall be rounded to the nearest multiple of $100,000.

“(8) Report.—

“(A) In general.—The Secretary shall annually issue a report, to be made available to the public, which contains the information submitted pursuant to subsection (f)(1)(F).

“(B) De-identification.—The Secretary shall ensure that any information made public pursuant to paragraph (1) excludes any information that would allow for the identification of qualified homeowners.

“(9) List of qualified census tracts.—The Secretary shall, for each year, make publicly available a list of qualified census tracts under—

“(A) on a combined basis, clauses (i) and (ii) of subsection (c)(2)(A),

“(B) clause (iii) of such subsection, and

“(C) subsection (i)(5)(A).

“(i) Application of credit with respect to owner-occupied rehabilitations.—
“(1) In General.—In the case of a qualified rehabilitation by the taxpayer of any qualified residence which is owned (as of the date that the written binding contract referred to in paragraph (3) is entered into) by a specified homeowner, the rules of paragraphs (2) through (7) shall apply.

“(2) Alternative Credit Determination.—

In the case of any qualified residence described in paragraph (1), the neighborhood homes credit determined under subsection (a) with respect to such residence shall (in lieu of any credit otherwise determined under subsection (a) with respect to such residence) be allowed in the taxable year during which the qualified rehabilitation is completed (as determined by the neighborhood homes credit agency) and shall be equal to the least of—

“(A) the excess (if any) of—

“(i) the amounts paid or incurred by the taxpayer for the qualified rehabilitation of the qualified residence to the extent that such amounts are certified by the neighborhood homes credit agency (at the time of the completion of such rehabilitation) as meeting the standards specified pursuant to subsection (f)(1)(C), over
“(ii) any amounts paid to such taxpayer for such rehabilitation,

“(B) 50 percent of the amounts described in subparagraph (A)(i), or

“(C) $50,000.

“(3) QUALIFIED REHABILITATION.—

“(A) IN GENERAL.—For purposes of this subsection, the term ‘qualified rehabilitation’ means a rehabilitation or reconstruction performed pursuant to a written binding contract between the taxpayer and the specified homeowner if the amount paid or incurred by the taxpayer in the performance of such rehabilitation or reconstruction exceeds the dollar amount in effect under subsection (b)(3)(A).

“(B) APPLICATION OF LIMITATION TO EXPENSES PAID OR INCURRED AFTER ALLOCATION.—A rule similar to the rule of section (b)(4) shall apply for purposes of this subsection.

“(4) SPECIFIED HOMEOWNER.—For purposes of this subsection, the term ‘qualified homeowner’ means, with respect to a qualified residence, an individual—
“(A) who owns and uses such qualified residence as the principal residence of such individual as of the date that the written binding contract referred to in paragraph (3) is entered into, and

“(B) whose family income (determined as of such date) does not exceed the median family income for the applicable area (with respect to the census tract in which the qualified residence is located).

“(5) ADDITIONAL CENSUS TRACTS IN WHICH OWNER-OCCUPIED RESIDENCES MAY BE LOCATED.—In the case of any qualified residence described in paragraph (1), the term ‘qualified census tract’ includes any census tract which—

“(A) meets the requirements of subsection (c)(2)(A)(i) without regard to subclause (III) thereof, and

“(B) is designated by the neighborhood homes credit agency for purposes of this paragraph.

“(6) MODIFICATION OF REPAYMENT REQUIREMENT.—In the case of any qualified residence described in paragraph (1), subsection (g) shall be applied by beginning the 5-year period otherwise de-
scribed therein on the date on which the qualified re-
habilitation is completed.

“(7) RELATED PARTIES.—Paragraph (1) shall
not apply if the taxpayer is the owner of the quali-
fied residence described in paragraph (1) or is re-
lated (within the meaning of subsection (h)(6)(B))
to such owner.

“(8) PYRRHOTITE REMEDIATION.—The require-
ment of subsection (c)(1)(C) shall not apply to a
qualified rehabilitation under this subsection of a
qualified residence that is documented by an engi-
neer’s report and core testing to have a foundation
that is adversely impacted by pyrrhotite or other
iron sulfide minerals.

“(j) REGULATIONS.—The Secretary shall prescribe
such regulations as may be necessary or appropriate to
carry out the purposes of this section, including regula-
tions that prevent avoidance of the rules, and abuse of
the purposes, of this section.”.

(b) CREDIT ALLOWED AS PART OF GENERAL BUSI-
NESS CREDIT.—Section 38(b) is amended by striking
“plus” at the end of paragraph (32), by striking the period
at the end of paragraph (33) and inserting “, plus”, and
by adding at the end the following new paragraph:
“(34) the neighborhood homes credit determined under section 42A(a),”.

(c) Credit Allowed Against Alternative Minimum Tax.—Section 38(c)(4)(B) is amended by redesignating clauses (iv) through (xii) as clauses (v) through (xiii), respectively, and by inserting after clause (iii) the following new clause:

“(iv) the credit determined under section 42A,”.

(d) Conforming Amendments.—

(1) Subsections (i)(3)(C), (i)(6)(B)(i), and (k)(1) of section 469 are each amended by inserting “or 42A” after “section 42”.

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 42 the following new item:

“Sec. 42A. Neighborhood homes credit.”.

(e) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2021.
PART 3—INVESTMENTS IN TRIBAL INFRASTRUCTURE

SEC. 125301. TREATMENT OF INDIAN TRIBES AS STATES WITH RESPECT TO BOND ISSUANCE.

(a) In General.—Section 7871(c) is amended to read as follows:

“(c) Special Rules for Tax-exempt Bonds.—

“(1) In general.—In applying section 146 to bonds issued by Indian Tribal Governments the Secretary shall annually—

“(A) establish a national bond volume cap based on the greater of—

“(i) the State population formula approach in section 146(d)(1)(A) (using national Tribal population estimates supplied annually by the Department of the Interior in consultation with the Census Bureau), and

“(ii) the minimum State ceiling amount in section 146(d)(1)(B) (as adjusted in accordance with the cost of living provision in section 146(d)(2)), and

“(B) allocate such national bond volume cap among all Indian Tribal Governments seeking such an allocation in a particular year under regulations prescribed by the Secretary.
“(2) Application of geographic restriction.—In the case of national bond volume cap allocated under paragraph (1), section 146(k)(1) shall not apply to the extent that such cap is used with respect to financing for a facility located on qualified Indian lands.

“(3) Restriction on financing of certain gaming facilities.—No portion of the volume cap allocated under this subsection may be used with respect to the financing of any portion of a building in which class II or class III gaming (as defined in section 4 of the Indian Gaming Regulatory Act) is conducted or housed or any property actually used in the conduct of such gaming.

“(4) Definitions and special rules.—For purposes of this subsection—

“(A) Indian tribal government.—The term ‘Indian Tribal Government’ means the governing body of an Indian Tribe, band, nation, or other organized group or community, or of Alaska Natives, which is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians, and also includes any
agencies, instrumentalities or political subdivisions thereof.

“(B) INTERTRIBAL CONSORTIUMS, ETC.—
In any case in which an Indian Tribal Government has authorized an intertribal consortium, a Tribal organization, or an Alaska Native regional or village corporation, as defined in, or established pursuant to, the Alaska Native Claims Settlement Act, to plan for, coordinate or otherwise administer services, finances, functions, or activities on its behalf under this subsection, the authorized entity shall have the rights and responsibilities of the authorizing Indian Tribal Government only to the extent provided in the Authorizing resolution.

“(C) QUALIFIED INDIAN LANDS.—The term ‘qualified Indian lands’ shall mean an Indian reservation as defined in section 3(d) of the Indian Financing Act of 1974 (25 U.S.C. 1452(d)), including lands which are within the jurisdictional area of an Oklahoma Indian Tribe (as determined by the Secretary of the Interior) and shall include lands outside a reservation where the facility is to be placed in service in connection with—
“(i) the active conduct of a trade or business by an Indian Tribe on, contiguous to, within reasonable proximity of, or with a substantial connection to, an Indian reservation or Alaska Native village, or

“(ii) infrastructure (including roads, power lines, water systems, railroad spurs, and communication facilities) serving an Indian reservation or Alaska Native village.”

(b) CONFORMING AMENDMENT.—Subparagraph (B) of section 45(c)(9) is amended to read as follows:

“(B) INDIAN TRIBE.—For purposes of this paragraph, the term ‘Indian tribe’ has the meaning given the term ‘Indian Tribal Government’ by section 7871(c)(3)(A).”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to obligations issued in calendar years beginning after the date of the enactment of this Act.

SEC. 125302. NEW MARKETS TAX CREDIT FOR TRIBAL STATISTICAL AREAS.

(a) ADDITIONAL ALLOCATIONS FOR TRIBAL STATISTICAL AREAS.—Section 45D(f) is amended by adding at the end the following new paragraph:
“(5) Additional allocations for tribal statistical areas.—

“(A) In general.—In the case of calendar years 2022 through 2025, there is (in addition to any limitation under any other paragraph of this subsection) a new markets tax credit limitation of $175,000,000 which shall be allocated by the Secretary as provided in paragraph (2) except that such limitation may only be allocated with respect to Tribal Statistical Areas.

“(B) Carryover of unused tribal statistical area limitation.—

“(i) In general.—If the credit limitation under subparagraph (A) for any calendar year exceeds the amount of such limitation allocated by the Secretary for such calendar year, such limitation for the succeeding calendar year shall be increased by the amount of such excess.

“(ii) Limitation on carryover.—No amount of credit limitation may be carried under clause (i) past the 5th calendar year following the calendar year in which such amount of credit limitation arose.
“(iii) Transfer of Expired Tribal Statistical Area Limitation to General Limitation.—In the case of any amount of credit limitation which would (but for clause (ii)) be carried under clause (i) to the 6th calendar year following the calendar year in which such amount of credit limitation arose, the new market tax credit limitation under paragraph (1) for such 6th calendar year shall be increased by the amount of such credit limitation, except that no such increase shall be made for any calendar year after 2030.

“(C) Tribal Statistical Area.—For purposes of this paragraph, the term ‘Tribal Statistical Area’ means—

“(i) any low-income community which is located in any Tribal Census Tract, Oklahoma Tribal Statistical Area, Tribal-Designated Statistical Area, Alaska Native Village Statistical Area, or Hawaiian Home Land, and

“(ii) any low-income community described in subsection (e)(1)(B).”.
(b) Eligibility of Certain Projects Serving Tribal Members.—Section 45D(e)(1) is amended to read as follows:

“(1) IN GENERAL.—The term ‘low-income community’ means any area—

“(A) comprising a population census tract if—

“(i) the poverty rate for such tract is at least 20 percent, or

“(ii)(I) in the case of a tract not located within a metropolitan area, the median family income for such tract does not exceed 80 percent of statewide median family income, or

“(II) in the case of a tract located within a metropolitan area, the median family income for such tract does not exceed 80 percent of the greater of statewide median family income or the metropolitan area median family income,

“(B) which is used for a qualified active low-income community business which—

“(i) services a significant population of Tribal or Alaska Native Village members who are residents of a low-income
community described in subsection (f)(5)(C)(i), and "(ii) obtains a written statement from the relevant Indian Tribal Government (within the meaning of section 7871(c)) that documents the eligibility such project with respect to the requirement of clause (i).

Subparagraph (A)(ii) shall be applied using possession wide median family income in the case of census tracts located within a possession of the United States.".

(e) COORDINATION WITH EXISTING CARRYOVER.—Section 45D(f)(3) is amended—

(1) is amended by inserting "under paragraph (1)" after "new markets tax credit limitation", and

(2) by striking "the aggregate amount allocated" and inserting "the amount of such limitation allocated by the Secretary".

(d) REGULATORY AUTHORITY.—Section 45D(i) is amended by striking "and" at the end of paragraph (5), by striking the period at the end of paragraph (6) and inserting ", and", and by adding at the end the following new paragraph:
“(7) which provide documentation requirements for the written statement required under subsection (e)(1)(B)(ii), and

“(8) which provide procedures for determining which projects under subsection (e)(1)(B) are qualified active low-income community businesses with respect to the populations described in such subsection. Such procedures shall take into account the location needs of such projects, especially with respect to projects that serve multiple tribal or Alaska Native Village communities.”.

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

SEC. 125303. INCLUSION OF INDIAN AREAS AS DIFFICULT DEVELOPMENT AREAS FOR PURPOSES OF CERTAIN BUILDINGS.

(a) IN GENERAL.—Subclause (I) of section 42(d)(5)(B)(iii) is amended by inserting “, or any Indian area” before the period at the end.

(b) INDIAN AREA.—Clause (iii) of section 42(d)(5)(B) is amended by redesignating subclause (II) as subclause (IV) and by inserting after subclause (I) the following new subclauses:
“(II) INDIAN AREA.—For purposes of subclause (I), the term ‘Indian area’ means any Indian area (as defined in section 4(11) of the Native American Housing Assistance and Self Determination Act of 1996 (25 U.S.C. 4103(11))).

“(III) SPECIAL RULE FOR BUILDINGS IN INDIAN AREAS.—In the case of an area which is a difficult development area solely because it is an Indian area, a building shall not be treated as located in such area unless such building is assisted or financed under the Native American Housing Assistance and Self Determination Act of 1996 (25 U.S.C. 4101 et seq.) or the project sponsor is an Indian tribe (as defined in section 45A(c)(6)), a tribally designated housing entity (as defined in section 4(22) of such Act (25 U.S.C. 4103(22))), or wholly owned or controlled by such an Indian tribe or tribally designated housing entity.”.
(c) Effective Date.—The amendments made by this section shall apply to buildings placed in service after December 31, 2021.

PART 4—OTHER PROVISIONS

SEC. 125401. POSSESSIONS ECONOMIC ACTIVITY CREDIT.

(a) In General.—Subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new section:

“SEC. 45U. POSSESSIONS ECONOMIC ACTIVITY CREDIT.

“(a) Allowance of Credit.—For purposes of section 38, in the case of a qualified domestic corporation the possessions economic activity credit determined under this section for a taxable year is an amount equal to 20 percent of the sum of the qualified possession wages and allocable employee fringe benefit expenses paid or incurred by the taxpayer for the taxable year.

“(b) Qualified Domestic Corporation; Qualified Corporation.—For purposes of this section—

“(1) In General.—The term ‘qualified domestic corporation’ means any domestic corporation which is—

“(A) a qualified corporation, or

“(B) a United States shareholder of a foreign corporation which—

“(i) is a qualified corporation, and
“(ii) is wholly owned by the United States shareholder together with any corporations which are members of the same affiliated group (within the meaning of section 1504(a)) as such United States shareholder.

“(2) QUALIFIED CORPORATION.—The term ‘qualified corporation’ means any corporation if such corporation meets the following requirements:

“(A) SOURCE QUALIFICATION.—80 percent or more of the gross income of the corporation for the 3-year period immediately preceding the close of the taxable year (or for such part of such period immediately preceding the close of such taxable year as may be applicable) was derived from sources within a possession of the United States (determined without regard to section 904(f)).

“(B) TRADE OR BUSINESS QUALIFICATION.—75 percent or more of the gross income of the corporation for such period or such part thereof was derived from the active conduct of a trade or business within a possession of the United States.
“(3) SPECIAL RULE FOR SEPARATE AND CLEARLY IDENTIFIED UNITS OF FOREIGN CORPORATIONS.—

“(A) IN GENERAL.—In the case of a United States shareholder of a foreign corporation which—

“(i) is not a qualified corporation but with respect to which the ownership requirements of paragraph (1)(B)(ii) are met, and

“(ii) has an eligible foreign business unit which, if such unit were a corporation, would be a qualified corporation with respect to which such ownership requirements would be met,

then, for purposes of this section, the United States shareholder may elect to treat such unit as a separate foreign corporation which meets the requirements of paragraph (1)(B) and with respect to which such shareholder is a United States shareholder.

“(B) ELIGIBLE FOREIGN BUSINESS UNIT.—For purposes of this paragraph, the term ‘eligible foreign business unit’ means a separate and clearly identified foreign unit of a
trade or business, including a partnership or an entity treated as disregarded as a separate entity from its owner (under section 7701 or other provision under this title), which maintains separate books and records.

“(C) Special election for affiliated groups.—In the case of an affiliated group described in paragraph (1)(B)(ii), the election under subparagraph (A) with respect to any eligible foreign business unit shall be made by the common parent of such group and shall apply uniformly to all members of such group which are United States shareholders with respect to the foreign corporation which has such unit.

“(c) Qualified possession wages.—For purposes of this section—

“(1) In general.—The term ‘qualified possession wages’ means wages paid or incurred by the qualified corporation during the taxable year in connection with the active conduct of a trade or business within a possession of the United States to any employee for services performed in such possession, but only if such services are performed while the principal place of employment of such employee is within such possession.
“(2) LIMITATION ON AMOUNT OF WAGES TAKEN INTO ACCOUNT.—

“(A) IN GENERAL.—The amount of wages which may be taken into account under paragraph (1) with respect to any employee for any taxable year shall not exceed $50,000.

“(B) TREATMENT OF PART-TIME EMPLOYEES, ETC.—If—

“(i) any employee is not employed by the qualified corporation on a substantially full-time basis at all times during the taxable year, or

“(ii) the principal place of employment of any employee with the qualified corporation is not within a possession at all times during the taxable year,

the limitation applicable under paragraph (1) with respect to such employee shall be the appropriate portion (as determined by the Secretary) of the limitation which would otherwise be in effect under paragraph (1).

“(C) WAGES.—

“(i) IN GENERAL.—Except as provided in clause (ii), the term ‘wages’ has the meaning given to such term by sub-
section (b) of section 3306 (determined without regard to any dollar limitation contained in such section). For purposes of the preceding sentence, such subsection (b) shall be applied as if the term ‘United States’ included all possessions of the United States.

“(ii) Special rule for agricultural labor and railway labor.—In any case to which subparagraph (A) or (B) of paragraph (1) of section 51(h) applies, the term ‘wages’ has the meaning given to such term by section 51(h)(2).

“(3) Allocable employee fringe benefit expenses.—

“(A) In general.—The allocable employee fringe benefit expenses of any qualified corporation for any taxable year is an amount which bears the same ratio to the amount determined under subparagraph (B) for such taxable year as—

“(i) the aggregate amount of the qualified corporation’s qualified possession wages for such taxable year, bears to
“(ii) the aggregate amount of the
wages paid or incurred by such qualified
corporation during such taxable year.

In no event shall the amount determined under
the preceding sentence exceed 15 percent of the
amount referred to in clause (i).

“(B) EXPENSES TAKEN INTO ACCOUNT.—

For purposes of subparagraph (A), the amount
determined under this subparagraph for any
taxable year is the aggregate amount allowable
(or, in the case of a foreign corporation, which
would be allowable if such foreign corporation
were a domestic corporation) as a deduction
under this chapter to the qualified corporation
for such taxable year with respect to—

“(i) employer contributions under a
stock bonus, pension, profit-sharing, or an-
nuity plan,

“(ii) employer-provided coverage
under any accident or health plan for em-
ployees, and

“(iii) the cost of life or disability in-

urance provided to employees.
Any amount treated as wages under paragraph (2)(C) shall not be taken into account under this subparagraph.

“(d) Special Rule for Qualified Small Domestic Corporation.—For purposes of this section—

“(1) Increased credit percentage.—In the case of a qualified small domestic corporation, subsection (a) shall be applied by substituting ‘50 percent’ for ‘20 percent’.

“(2) Qualified small domestic corporation.—

“(A) In general.—The term ‘qualified small domestic corporation’ means a qualified domestic corporation that meets the requirements of subparagraphs (B) and (C).

“(B) Full-time employment.—A qualified domestic corporation meets the requirements of this subparagraph if the qualified corporation which is the qualified domestic corporation under subsection (b)(1)(A) or the foreign corporation under subsection (b)(1)(B)(i)—

“(i) has at least 5 full-time employees in a possession of the United States for each year in the 3-year period immediately
preceding the close of the taxable year (or for such part of such period immediately preceding the close of such taxable year as may be applicable), and

“(ii) has not more than a total of 30 full-time employees for each year in such 3-year period.

“(C) GROSS RECEIPTS.—A qualified domestic corporation meets the requirements of this subparagraph if the annual gross receipts of the qualified domestic corporation (and all persons related thereto) for each year in such 3-year period is not more than $50,000,000.

“(3) RELATED PERSONS.—In determining whether the limitations under subparagraphs (B)(ii) and (C) of paragraph (2) are met, all persons who are treated as a single employer for purposes of subsection (a) or (b) of section 52 shall be taken into account.

“(4) AMOUNT OF WAGES TAKEN INTO ACCOUNT.—Subsection (c)(2)(A) shall be applied by substituting ‘$142,800’ for ‘$50,000’.

“(e) POSSESSION OF THE UNITED STATES.—

“(1) IN GENERAL.—The term ‘possession of the United States’ means American Samoa, the Com-
monwealth of the Northern Mariana Islands, the
Commonwealth of Puerto Rico, Guam, and the Vir-
gin Islands.

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

“(f) SEPARATE APPLICATION TO EACH POSSESSION.—For purposes of determining the amount of the credit allowed under this section, this section shall be applied separately with respect to each possession of the United States.

“(g) TERMINATION.—No credit shall be allowed under this section for any taxable year beginning after December 31, 2031.”.

(b) CREDIT MADE PART OF GENERAL BUSINESS CREDIT.—Section 38(b), as amended by the preceding provisions of this Act, is amended by striking “plus” at the end of paragraph (33), by striking the period at the end of paragraph (34) and inserting “, plus”, and by adding at the end the following new paragraph:
“(35) the possessions economic activity credit determined under section 45U.’’.

(c) CLERICAL AMENDMENT.—The table of sections for subpart B of part IV of subchapter A of chapter 1 is amended by adding at the end the following:

“Sec. 45U. Possessions economic activity credit.”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act, and in the case of a qualified corporation that is a foreign corporation, to taxable years beginning after the date of enactment and to taxable years of United States shareholders in which or with which such taxable years of foreign corporations end.

SEC. 125402. TAX TREATMENT OF CERTAIN ASSISTANCE TO FARMERS, ETC.

For purposes of the Internal Revenue Code of 1986, in the case of any payment described in section 1005(b) or 1006(e) of the American Rescue Plan Act of 2021 (as amended by this Act)—

(1) such payment shall not be included in the gross income of the person on whose behalf, or to whom, such payment is made,

(2) no deduction shall be denied, no tax attribute shall be reduced, and no basis increase shall
be denied, by reason of the exclusion from gross in-
come provided by paragraph (1), and

(3) in the case of a partnership or S corpora-
tion on whose behalf, or to whom, such a payment
is made—

(A) any amount excluded from income by
reason of paragraph (1) shall be treated as tax
exempt income for purposes of sections 705 and
1366 of such Code, and

(B) except as provided by the Secretary of
the Treasury (or the Secretary’s delegate), any
increase in the adjusted basis of a partner’s in-
terest in a partnership under section 705 of
such Code with respect to any amount described
in subparagraph (A) shall equal the partner’s
distributive share of deductions resulting from
interest that is part of such payment and the
partner’s share, as determined under section
752 of such Code, of principal that is part of
such payment.
SEC. 125403. EXCLUSION OF AMOUNTS RECEIVED FROM STATE-BASED CATASTROPHE LOSS MITIGATION PROGRAMS.

(a) In general.—Section 139 is amended by redesignating subsection (h) as subsection (i) and by inserting after subsection (g) the following new subsection:

“(h) State-Based Catastrophe Loss Mitigation Programs.—

“(1) In general.—Gross income shall not include any amount received by an individual as a qualified catastrophe mitigation payment under a program established by—

“(A) a State, or a political subdivision or instrumentality thereof,

“(B) a joint powers authority, or

“(C) an entity created under State law to ensure the availability of an adequate market of last resort for essential property insurance, over which a State agency or State department of insurance has regulatory oversight.

“(2) Qualified catastrophe mitigation payment.—For purposes of this section, the term ‘qualified catastrophe mitigation payment’ means any amount which is received by an individual to make improvements to such individual’s residence for the sole purpose of reducing the damage that
would be done to such residence by a windstorm, earthquake, or wildfire.

“(3) NO INCREASE IN BASIS.—Rules similar to the rules of subsection (g)(3) shall apply in the case of this subsection.”.

(b) CONFORMING AMENDMENTS.—

(1) Section 139(d) is amended by striking “and qualified” and inserting “, qualified catastrophe mitigation payments, and qualified”.

(2) Section 139(i) (as redesignated by subsection (a)) is amended by striking “or qualified” and inserting “, qualified catastrophe mitigation payment, or qualified”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2020.

Subtitle F—Green Energy

SEC. 126001. AMENDMENT OF 1986 CODE.

Except as otherwise expressly provided, whenever in this subtitle an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.
PART 1—RENEWABLE ELECTRICITY AND REDUCING CARBON EMISSIONS

SEC. 126101. EXTENSION AND MODIFICATION OF CREDIT FOR ELECTRICITY PRODUCED FROM CERTAIN RENEWABLE RESOURCES.

(a) In general.—The following provisions of section 45(d) are each amended by striking “January 1, 2022” each place it appears and inserting “January 1, 2027”:

(1) Paragraph (2)(A).
(2) Paragraph (3)(A).
(3) Paragraph (4)(B).
(4) Paragraph (6).
(5) Paragraph (7).
(6) Paragraph (9).
(7) Paragraph (11)(B).

(b) Base Credit Amount.—Section 45 is amended—

(1) in subsection (a)(1), by striking “1.5 cents” and inserting “0.3 cents”, and
(2) in subsection (b)(2), by striking “1.5 cent” and inserting “0.3 cent”.

c) Application of Extension to Solar.—Section 45(d)(4)(A) is amended by striking “is placed in service before January 1, 2006” and inserting “the construction of which begins before January 1, 2027”.

(d) Extension of Election to Treat Qualified Facilities as Energy Property.—Section 48(a)(5)(C)(ii) is amended by striking “January 1, 2022” and inserting “January 1, 2027”.

(e) Application of Extension to Wind Facilities.—

(1) In general.—Section 45(d)(1) is amended by striking “January 1, 2022” and inserting “January 1, 2027”.

(2) Application of phaseout percentage.—

(A) Renewable electricity production credit.—Section 45(b)(5) is amended by inserting “which is placed in service before January 1, 2022” after “using wind to produce electricity”.

(B) Energy credit.—Section 48(a)(5)(E) is amended by inserting “placed in service before January 1, 2022, and” before “treated as energy property”.

(3) Qualified offshore wind facilities under energy credit.—Section 48(a)(5)(F)(i) is amended by striking “offshore wind facility” and all that follows and inserting the following: “offshore wind facility, subparagraph (E) shall not apply.”.
(f) Wage and Apprenticeship Requirements.—

Section 45(b) is amended by adding at the end the following new paragraphs:

“(6) Increased credit amount for qualified facilities.—

“(A) In general.—In the case of any qualified facility which satisfies the requirements of subparagraph (B), the amount of the credit determined under subsection (a) (determined after the application of paragraphs (1) through (5) and without regard to this paragraph) shall be equal to such amount multiplied by 5.

“(B) Qualified facility requirements.—A qualified facility meets the requirements of this subparagraph if it is one of the following:

“(i) A facility with a maximum net output of less than 1 megawatt.

“(ii) A facility the construction of which begins prior to the date that is 60 days after the Secretary publishes guidance with respect to the requirements of paragraphs (7)(A) and (8).
“(iii) A facility which satisfies the requirements of paragraphs (7)(A) and (8).

“(7) PREVAILING WAGE REQUIREMENTS.—

“(A) IN GENERAL.—The requirements described in this subparagraph with respect to any qualified facility are that the taxpayer shall ensure that any laborers and mechanics employed by contractors and subcontractors in—

“(i) the construction of such facility,

and

“(ii) with respect to any taxable year, for any portion of such taxable year which is within the period described in subsection (a)(2)(A)(ii), the alteration or repair of such facility,

shall be paid wages at rates not less than the prevailing rates for construction, alteration, or repair of a similar character in the locality as most recently determined by the Secretary of Labor, in accordance with subchapter IV of chapter 31 of title 40, United States Code. For purposes of determining an increased credit amount under paragraph (6)(A) for a taxable year, the requirement under clause (ii) is ap-
plied to such taxable year in which the alteration or repair of the qualified facility occurs.”

“(B) Correction and penalty related to failure to satisfy wage requirements.—

“(i) In general.—In the case of any taxpayer which fails to satisfy the requirement under subparagraph (A) with respect to the construction of any qualified facility or with respect to the alteration or repair of a facility in any year during the period described in subparagraph (A)(ii), such taxpayer shall be deemed to have satisfied such requirement under such subparagraph with respect to such facility for any year if, with respect to any laborer or mechanic who was paid wages at a rate below the rate described in such subparagraph for any period during such year, such taxpayer—

“(I) makes payment to such laborer or mechanic in an amount equal to the sum of—

“(aa) an amount equal to the difference between—

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“(AA) the amount of
wages paid to such laborer
or mechanic during such pe-
riod, and

“(BB) the amount of
wages required to be paid to
such laborer or mechanic
pursuant to such subpara-
graph during such period,
plus

“(bb) interest on the
amount determined under item
(aa) at the underpayment rate
established under section 6621
(determined by substituting ‘6
percentage points’ for ‘3 percent-
age points’ in subsection (a)(2)
of such section) for the period
described in such item, and

“(II) makes payment to the Sec-
retary of a penalty in an amount
equal to the product of—

“(aa) $5,000, multiplied by

“(bb) the total number of la-
borers and mechanics who were
paid wages at a rate below the rate described in subparagraph (A) for any period during such year.

“(ii) DEFICIENCY PROCEDURES NOT TO APPLY.—Subchapter B of chapter 63 (relating to deficiency procedures for income, estate, gift, and certain excise taxes) shall not apply with respect to the assessment or collection of any penalty imposed by this paragraph.

“(iii) INTENTIONAL DISREGARD.—If the Secretary determines that any failure described in subclause (i) is due to intentional disregard of the requirements under subparagraph (A), subclause (I) shall be applied by substituting ‘three times the sum’ for ‘the sum’ in item (aa) thereof and subclause (II) shall be applied by substituting ‘$10,000’ for ‘5,000’ in item (aa) thereof.

“(iv) LIMITATION ON PERIOD FOR PAYMENT.—Pursuant to rules issued by the Secretary which are similar to the rules under chapter 63, in the case of a
final determination by the Secretary with respect to any failure by the taxpayer to satisfy the requirement under subparagraph (A), subparagraph (B)(i) shall not apply unless the payments described in subclauses (I) and (II) of such clause are made by the taxpayer on or before the date which is 180 days after the date of such determination.

“(8) Apprenticeship Requirements.—The requirements described in this paragraph with respect to the construction of any qualified facility are as follows:

“(A) Labor Hours.—

“(i) Percentage of Total Labor Hours.—Taxpayers shall ensure that, with respect to the construction of any qualified facility, not less than the applicable percentage of the total labor hours of the construction, alteration, or repair work (including such work performed by any contractor or subcontractor) on such facility shall, subject to subparagraph (B), be performed by qualified apprentices.
“(ii) Applicable Percentage.—For purposes of clause (i), the applicable percentage shall be—

“(I) in the case of a qualified facility the construction of which begins before January 1, 2023, 10 percent,

“(II) in the case of a qualified facility the construction of which begins after December 31, 2022, and before January 1, 2024, 12.5 percent, and

“(III) in the case of a qualified facility the construction of which begins after December 31, 2023, 15 percent.

“(B) Apprentice to Journeyworker Ratio.—The requirement under subparagraph (A)(i) shall be subject to any applicable requirements for apprentice-to-journeyworker ratios of the Department of Labor or the applicable State apprenticeship agency.

“(C) Participation.—Each contractor and subcontractor who employs 4 or more individuals to perform construction, alteration, or repair work with respect to the construction of
a qualified facility shall employ 1 or more qualified apprentices to perform such work.

“(D) Exception.—

“(i) In general.—A taxpayer shall not be treated as failing to satisfy the requirements of this paragraph if such taxpayer—

“(I) makes a good faith effort to comply with the requirements of this paragraph, or

“(II) subject to clause (iii), in the case of any failure by the taxpayer to satisfy the requirement under subparagraphs (A) and (C) with respect to the construction, alteration, or repair work on any qualified facility to which subclause (I) does not apply, makes payment to the Secretary of a penalty in an amount equal to the product of—

“(aa) $50, multiplied by

“(bb) the total labor hours for which the requirement described in such subparagraph was not satisfied with respect to the
construction, alteration, or repair
work on such qualified facility.

“(ii) GOOD FAITH EFFORT.—For pur-
poses of clause (i), a taxpayer shall be
deemed to have satisfied the requirements
under this paragraph with respect to a
qualified facility if such taxpayer has re-
quested qualified apprentices from a reg-
istered apprenticeship program, as defined
in section 3131(e)(3)(B), and—

“(I) such request has been de-
nied, provided that such denial is not
the result of a refusal by the contrac-
tors or subcontractors engaged in the
performance of construction, alter-
ation, or repair work on such qualified
facility to comply with the established
standards and requirements of the
registered apprenticeship program, or

“(II) the registered apprentice-
ship program fails to respond to such
request within 5 business days after
the date on which such registered ap-
prenticeship program received such
request.
“(iii) INTENTIONAL DISREGARD.—If the Secretary determines that any failure described in subclause (i)(II) is due to intentional disregard of the requirements under subparagraphs (A) and (C), subclause (i)(II) shall be applied by substituting ‘$500’ for ‘$50’ in item (aa) thereof.

“(E) DEFINITIONS.—For purposes of this paragraph—

“(i) LABOR HOURS.—The term ‘labor hours’—

“(I) means the total number of hours devoted to the performance of construction, alteration, or repair work by employees of the taxpayer (including construction, alteration, or repair work by any contractor or subcontractor), and

“(II) excludes any hours worked by—

“(aa) foremen,

“(bb) superintendents,

“(cc) owners, or
“(dd) persons employed in a bona fide executive, administrative, or professional capacity (within the meaning of those terms in part 541 of title 29, Code of Federal Regulations).

“(ii) Qualified Apprentice.—The term ‘qualified apprentice’ means an individual who is an employee of the contractor or subcontractor and who is participating in a registered apprenticeship program, as defined in section 3131(e)(3)(B).

“(9) Domestic Content Bonus Credit Amount.—

“(A) In General.—In the case of any qualified facility which satisfies the requirement under subparagraph (B)(i), the amount of the credit determined under subsection (a) (determined after the application of paragraphs (1) through (8)) shall be increased by an amount equal to 10 percent of the amount otherwise in effect under such subsection.

“(B) Requirement.—
“(i) IN GENERAL.—The requirement described in this subclause with respect to any qualified facility is satisfied if the taxpayer certifies to the Secretary (at such time, and in such form and manner, as the Secretary may prescribe) that any steel, iron, or manufactured product which is a component of such facility (upon completion of construction) was produced in the United States.

“(ii) STEEL AND IRON.—In the case of steel or iron, clause (i) shall be applied in a manner consistent with section 661.5 of title 49, Code of Federal Regulations.

“(iii) MANUFACTURED PRODUCT.—For purposes of clause (i), the manufactured products which are components of a qualified facility upon completion of construction shall be deemed to have been produced in the United States if not less than the adjusted percentage of the total costs across all such manufactured products of such facility are attributable to manufactured products (including components)
which are mined, produced, or manufactured in the United States.

“(C) ADJUSTED PERCENTAGE.—

“(i) IN GENERAL.—Subject to subclause (ii), for purposes of subparagraph (B)(iii), the adjusted percentage shall be—

“(I) in the case of a facility the construction of which begins before January 1, 2025, 40 percent,

“(II) in the case of a facility the construction of which begins after December 31, 2024, and before January 1, 2026, 45 percent,

“(III) in the case of a facility the construction of which begins after December 31, 2025, and before January 1, 2027, 50 percent, and

“(IV) in the case of a facility the construction of which begins after December 31, 2026, 55 percent.

“(ii) OFFSHORE WIND FACILITY.—

For purposes of subparagraph (B)(iii), in the case of a qualified facility which is an offshore wind facility, the adjusted percentage shall be—
“(I) in the case of a facility the construction of which begins before January 1, 2025, 20 percent,

“(II) in the case of a facility the construction of which begins after December 31, 2024, and before January 1, 2026, 27.5 percent,

“(III) in the case of a facility the construction of which begins after December 31, 2025, and before January 1, 2027, 35 percent,

“(IV) in the case of a facility the construction of which begins after December 31, 2026, and before January 1, 2028, 45 percent, and

“(V) in the case of a facility the construction of which begins after December 31, 2027, 55 percent.

“(10) Phaseout for elective payment.—

“(A) In general.—In the case of a taxpayer making an election under section 6417 with respect to a credit under this section, the amount of such credit shall be replaced with—
“(i) the value of such credit (determined without regard to this paragraph), multiplied by
“(ii) the applicable percentage.
“(B) 100 PERCENT APPLICABLE PERCENTAGE FOR CERTAIN QUALIFIED FACILITIES.—In the case of any qualified facility—
“(i) which satisfies the requirements under paragraph (9)(B) with respect to the construction of such facility, or
“(ii) with a maximum net output of less than 1 megawatt,
the applicable percentage shall be 100 percent.
“(C) PHASED DOMESTIC CONTENT REQUIREMENT.—Subject to subparagraph (D), in the case of any qualified facility which is not described in subparagraph (B), the applicable percentage shall be—
“(i) if construction of such facility began before January 1, 2024, 100 percent,
“(ii) if construction of such facility began in calendar year 2024, 90 percent,
“(iii) if construction of such facility began in calendar year 2025, 85 percent, and
“(iv) if construction of such facility began after December 31, 2025, 0 percent.
“(D) EXCEPTION.—
“(i) IN GENERAL.—For purposes of this paragraph, the Secretary shall provide appropriate exceptions to the requirements under this paragraph for the construction of qualified facilities if—
“(I) the inclusion of steel, iron, or manufactured products which are produced in the United States increases the overall costs of construction of qualified facilities by more than 25 percent, or
“(II) relevant steel, iron, or manufactured products are not produced in the United States in sufficient and reasonably available quantities or of a satisfactory quality.
“(ii) APPLICABLE PERCENTAGE.—In any case in which the Secretary provides
an exception pursuant to clause (i), the applicable percentage shall be 100 percent.

“(11) **Special rule for qualified facility located in energy community.**—

“(A) **In general.**—In the case of a qualified facility which is located in an energy community, the credit determined under subsection (a) shall be increased by an amount equal to 10 percent of the amount otherwise in effect under such subsection (without application of paragraph (9)).

“(B) **Energy community.**—

“(i) **In general.**—For purposes of this paragraph, the term ‘energy community’ means—

“(I) a brownfield site (as defined in subparagraphs (A) and (B) of section 101(39) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. 9601(39))),

“(II) a census tract—

“(aa) in which—

“(AA) for the calendar year prior to the calendar
year in which construction of the qualified facility begins, not less than 5 percent of the employment in such tract is within the oil and gas sector,

“(BB) after December 31, 1999, a coal mine has closed, or

“(CC) after December 31, 2009, a coal-fired electric generating unit has been retired, or

“(bb) which is directly adjoining to any census tract described in item (aa).

“(ii) EXCEPTION.—

“(I) IN GENERAL.—A qualified facility shall be deemed to not be located in an energy community if such qualified facility is located in an area described in subclause (II).

“(II) FORESTED LAND.—The area described in this subclause is land—
“(aa) as of the date of the enactment of this paragraph, at least 10 percent of which is
stocked with trees of any size, and

“(bb) which is located within a designated Forest Legacy Area, as established under section 7 of the Cooperative Forestry Assistance Act of 1978 (16 U.S.C. 2103c).

“(12) REGULATIONS AND GUIDANCE.—The Secretary shall issue such regulations or other guidance as the Secretary determines necessary or appropriate to carry out the purposes of this subsection, including regulations or other guidance which provides for requirements for recordkeeping or information reporting for purposes of administering the requirements of this subsection.”.

(g) CREDIT REDUCED FOR TAX-EXEMPT BONDS.—Section 45(b)(3) is amended to read as follows:

“(3) CREDIT REDUCED FOR TAX-EXEMPT BONDS.—The amount of the credit determined under subsection (a) with respect to any facility for any taxable year (determined after the application of
paragraphs (1) and (2)) shall be reduced by the amount which is the product of the amount so determined for such year and the lesser of 15 percent or a fraction—

“(A) the numerator of which is the sum, for the taxable year and all prior taxable years, of proceeds of an issue of any obligations the interest on which is exempt from tax under section 103 and which is used to provide financing for the qualified facility, and

“(B) the denominator of which is the aggregate amount of additions to the capital account for the qualified facility for the taxable year and all prior taxable years.

The amounts under the preceding sentence for any taxable year shall be determined as of the close of the taxable year.”.

(h) Rounding Adjustment.—

(1) In General.—Section 45(b)(2) is amended by striking the second sentence and inserting the following: “If the 0.3 cent amount as increased under the preceding sentence is not a multiple of 0.05 cent, such amount shall be rounded to the nearest multiple of 0.05 cent. In any other case, if an amount as increased under this paragraph is not a multiple
of 0.1 cent, such amount shall be rounded to the nearest multiple of 0.1 cent.”.

(2) Conforming Amendment.—Section 45(b)(4)(A) is amended by striking “last sentence” and inserting “last two sentences”.

(i) Hydropower.—

(1) Elimination of Credit Rate Reduction for Qualified Hydroelectric Production and Marine and Hydrokinetic Renewable Energy.—Section 45(b)(4)(A), as amended by the preceding provisions of this section, is amended by striking “(7), (9), or (11)” and inserting “or (7)”.

(2) Marine and Hydrokinetic Renewable Energy.—Section 45(c)(10)(A) is amended—

(A) in clause (iii), by striking “or”,

(B) in clause (iv), by striking the period at the end and inserting “, or” and

(C) by adding at the end the following:

“(v) pressurized water used in a pipeline (or similar man-made water conveyance) which is operated—

“(I) for the distribution of water for agricultural, municipal, or industrial consumption, and
“(II) not primarily for the generation of electricity.”.

(j) Effective Dates.—

(1) In general.—Except as provided in paragraph (2), the amendments made by this section shall apply to facilities placed in service after December 31, 2021.

(2) Credit reduced for tax-exempt bonds.—The amendment made by subsection (g) shall apply to facilities the construction of which begins after December 31, 2021.

SEC. 126102. EXTENSION AND MODIFICATION OF ENERGY CREDIT.

(a) Extension of Credit.—The following provisions of section 48 are each amended by striking “January 1, 2024” each place it appears and inserting “January 1, 2027”:

3. Subsection (c)(1)(D).
4. Subsection (c)(2)(D).
7. Subsection (c)(5)(D).
(b) **Further Extension for Certain Energy Property.**—Section 48(a)(3)(A)(vii) is amended by striking “January 1, 2024” and inserting “January 1, 2034”.

(c) **Phaseout of Credit.**—Section 48(a) is amended by striking paragraphs (6) and (7) and inserting the following new paragraph:

“(6) **Phaseout for Certain Energy Property.**—In the case of any qualified fuel cell property, qualified small wind property, or energy property described in clause (i) or clause (ii) of paragraph (3)(A) the construction of which begins after December 31, 2019, and which is placed in service before January 1, 2022, the energy percentage determined under paragraph (2) shall be equal to 26 percent.”.

(d) **Base Energy Percentage Amount.**—Section 48(a) is amended—

(1) in paragraph (2)(A)—

(A) in clause (i), by striking “30 percent” and inserting “6 percent”, and

(B) in clause (ii), by striking “10 percent” and inserting “2 percent”, and

(2) in paragraph (5)(A)(ii), by striking “30 percent” and inserting “6 percent”.

(e) 6 Percent Credit for Geothermal.—Section 48(a)(2)(A)(i)(II) is amended by striking “paragraph (3)(A)(i)” and inserting “clause (i) or (iii) of paragraph (3)(A)”.

(f) Energy Storage Technologies; Qualified Biogas Property; Microgrid Controllers; Hydropower Environmental Improvement Property; Extension of Other Property.—

  (1) In general.—Section 48(a)(3)(A) is amended by striking “or” at the end of clause (vii), and by adding at the end the following new clauses:

  “(ix) energy storage technology,
  “(x) qualified biogas property,
  “(xi) microgrid controllers, or
  “(xii) hydropower environmental improvement property,”.

  (2) Application of 6 percent credit.—Section 48(a)(2)(A)(i) is amended by striking “and” at the end of subclauses (IV) and (V) and adding at the end the following new subclauses:

  “(VI) energy storage technology,
  “(VII) qualified biogas property,
  “(VIII) microgrid controllers,
  “(IX) hydropower environmental improvement property, and
“(X) energy property described in clauses (v) and (vii) of paragraph (3)(A), and”.

(3) definitions.—section 48(c) is amended by adding at the end the following new paragraphs:

“(6) energy storage technology.—

“(a) in general.—the term ‘energy storage technology’ means property (other than property primarily used in the transportation of goods or individuals and not for the production of electricity) which receives, stores, and delivers energy for conversion to electricity (or, in the case of hydrogen, which stores energy), and has a nameplate capacity of not less than 5 kilowatt hours.

“(b) modifications of certain property.—in the case of any equipment which either—

“(i) would be described in subparagraph (a) except that such equipment has a capacity of less than 5 kilowatt hours and is modified such that such equipment (after such modification) has a nameplate capacity of not less than 5 kilowatt hours, or
“(ii) is described in subparagraph (A) and which has a capacity of not less than 5 kilowatt hours and is modified such that such equipment (after such modification) has an increased nameplate capacity.

such equipment shall be treated as described in subparagraph (A) except that the basis of any property which was part of such equipment before such modification shall not be taken into account for purposes of this section. In the case of any property to which this subparagraph applies, subparagraph (C) shall be applied by substituting ‘modification’ for ‘construction’.

“(C) TERMINATION.—The term ‘energy storage technology’ shall not include any property the construction of which begins after December 31, 2026.

“(7) QUALIFIED BIOGAS PROPERTY.—

“(A) IN GENERAL.—The term ‘qualified biogas property’ means property comprising a system which—

“(i) converts biomass (as defined in section 45K(c)(3), as in effect on the date of enactment of this paragraph) into a gas which—
“(I) consists of not less than 52 percent methane by volume, or

“(II) is concentrated by such system into a gas which consists of not less than 52 percent methane, and

“(ii) captures such gas for sale or productive use, and not for disposal via combustion.

“(B) INCLUSION OF CLEANING AND CONDITIONING PROPERTY.—The term ‘qualified biogas property’ includes any property which is part of such system which cleans or conditions such gas.

“(C) TERMINATION.—The term ‘qualified biogas property’ shall not include any property the construction of which begins after December 31, 2026.

“(8) MICROGRID CONTROLLER.—

“(A) IN GENERAL.—The term ‘microgrid controller’ means equipment which is—

“(i) part of a qualified microgrid, and

“(ii) designed and used to monitor and control the energy resources and loads on such microgrid.
“(B) Qualified microgrid.—The term ‘qualified microgrid’ means an electrical system which—

“(i) includes equipment which is capable of generating not less than 4 kilowatts and not greater than 20 megawatts of electricity,

“(ii) is capable of operating—

“(I) in connection with the electrical grid and as a single controllable entity with respect to such grid, and

“(II) independently (and disconnected) from such grid, and

“(iii) is not part of a bulk-power system (as defined in section 215 of the Federal Power Act (16 U.S.C. 240)).

“(C) Termination.—The term ‘microgrid controller’ shall not include any property the construction of which begins after December 31, 2026.

“(9) Hydropower environmental improvement property.—

“(A) In general.—The term ‘hydropower environmental improvement property’ means property the purpose of which is to—
“(i) add or improve safe and effective fish passage, including new or upgraded turbine technology, fish ladders, fishways, or other fish passage technology with respect to a qualified dam,

“(ii) maintain or improve the quality of the water retained or released by a qualified dam, or

“(iii) promote downstream sediment transport processes and habitat maintenance with respect to a qualified dam.

“(B) QUALIFIED DAM.—For purposes of this paragraph, the term ‘qualified dam’ means—

“(i) a hydroelectric dam which—

“(I) is licensed by the Federal Energy Regulatory Commission or legally operating without such a license, and

“(II) was placed in service before the date of the enactment of this paragraph, or

“(ii) any dam which—

“(I) is a qualified nonpowered dam (as defined in section 34(e)(3) of
the Federal Power Act (16 U.S.C. §
823e(e)(3)), and

“(II) was placed in service before
the date of the enactment of this
paragraph.

“(C) TERMINATION.—The term ‘hydro-
power environmental improvement property’
shall not include any property the construction
of which begins after December 31, 2026.”.

(4) DENIAL OF DOUBLE BENEFIT FOR QUALI-
FIED BIOGAS PROPERTY.—Section 45(e) is amended
by adding at the end the following new paragraph:

“(12) COORDINATION WITH ENERGY CREDIT
FOR QUALIFIED BIOGAS PROPERTY.—The term
‘qualified facility’ shall not include any facility which
produces electricity from gas produced by qualified
biogas property (as defined in section 48(c)(7)) if a
credit is allowed under section 48 with respect to
such property for the taxable year or any prior tax-
able year.”.

(5) PHASEOUT OF CERTAIN ENERGY PROP-
ERTY.—Section 48(a), as amended by the preceding
provisions of this Act, is amended by adding at the
end the following new paragraph:
“(7) Phaseout for certain energy property.—In the case of any energy property described in clause (vii) of paragraph (3)(A), the energy percentage determined under paragraph (2) shall be equal to—

“(A) in the case of any property the construction of which begins before January 1, 2032, and which is placed in service after December 31, 2021, 6 percent,

“(B) in the case of any property the construction of which begins after December 31, 2031, and before January 1, 2033, 5.2 percent, and

“(C) in the case of any property the construction of which begins after December 31, 2032, and before January 1, 2034, 4.4 percent.”.

(g) Fuel Cells Using Electromechanical Processes.—

(1) In general.—Section 48(c)(1) is amended—

(A) in subparagraph (A)(i)—

(i) by inserting “or electromechanical” after “electrochemical”, and
(ii) by inserting “(1 kilowatt in the case of a fuel cell power plant with a linear generator assembly)” after “0.5 kilowatt”, and

(B) in subparagraph (C)—

(i) by inserting “, or linear generator assembly,” after “a fuel cell stack assembly”, and

(ii) by inserting “or electromechanical” after “electrochemical”.

(2) Linear generator assembly limitation.—Section 48(c)(1) is amended by redesignating subparagraph (D) as subparagraph (E) and by inserting after subparagraph (C) the following new subparagraph:

“(D) Linear generator assembly.—The term ‘linear generator assembly’ does not include any assembly which contains rotating parts.”.

(h) Dynamic glass.—Section 48(a)(3)(A)(ii) is amended by inserting “, or electrochromic glass which uses electricity to change its light transmittance properties in order to heat or cool a structure,” after “sunlight”.

(i) Coordination With Low Income Housing Tax Credit.—Paragraph (3) of section 50(e) is amended—

(1) by striking “and” at the end of subparagraph (A),

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

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

“(C) paragraph (1) shall not apply for purposes of determining eligible basis under section 42.”.

(j) Interconnection Property; Wage and Apprenticeship Requirements.—Section 48(a), as amended by the preceding provisions of this Act, is amended by adding at the end the following new paragraphs:

“(8) Interconnection property.—

“(A) In general.—For purposes of determining the credit under subsection (a), energy property shall include amounts paid or incurred by the taxpayer for qualified interconnection property in connection with the installation of energy property (as defined in paragraph (3)) which has a maximum net output of not greater than 5 megawatts, to provide for the trans-
mission or distribution of the electricity produced or stored by such property, and which are properly chargeable to the capital account of the taxpayer.

“(B) QUALIFIED INTERCONNECTION PROPERTY.—The term ‘qualified interconnection property’ means, with respect to an energy project which is not a microgrid controller, any tangible property—

“(i) which is part of an addition, modification, or upgrade to a transmission or distribution system which is required at or beyond the point at which the energy project interconnects to such transmission or distribution system in order to accommodate such interconnection,

“(ii) either—

“(I) which is constructed, reconstructed, or erected by the taxpayer, or

“(II) for which the cost with respect to the construction, reconstruction, or erection of such property is paid or incurred by such taxpayer, and
“(iii) the original use of which, pursuant to an interconnection agreement, commences with a utility.

“(C) INTERCONNECTION AGREEMENT.—

The term ‘interconnection agreement’ means an agreement with a utility for the purposes of interconnecting the energy property owned by such taxpayer to the transmission or distribution system of such utility.

“(D) UTILITY.—For purposes of this paragraph, the term ‘utility’ means the owner or operator of an electrical transmission or distribution system which is subject to the regulatory authority of a State or political subdivision thereof, any agency or instrumentality of the United States, a public service or public utility commission or other similar body of any State or political subdivision thereof, or the governing or ratemaking body of an electric cooperative.

“(E) SPECIAL RULE FOR INTERCONNECTION PROPERTY.—In the case of expenses paid or incurred for interconnection property, amounts otherwise chargeable to capital account with respect to such expenses shall be re-
duced under rules similar to the rules of section 50(e).

“(9) INCREASED CREDIT AMOUNT FOR ENERGY PROJECTS.—

“(A) IN GENERAL.—

“(i) RULE.—In the case of any energy project which satisfies the requirements of subparagraph (B), the amount of the credit determined under this subsection (determined after the application of paragraphs (1) through (8) and without regard to this clause) shall be equal to such amount multiplied by 5.

“(ii) ENERGY PROJECT DEFINED.—

For purposes of this subsection, the term ‘energy project’ means a project consisting of one or more energy properties that are part of a single project.

“(B) PROJECT REQUIREMENTS.—A project meets the requirements of this subparagraph if it is one of the following:

“(i) A project with a maximum net output of less than 1 megawatt of electrical or thermal energy.
“(ii) A project the construction of which begins before the date that is 60 days after the Secretary publishes guidance with respect to the requirements of paragraphs (10)(A) and (11).

“(iii) A project which satisfies the requirements of paragraphs (10)(A) and (11).

“(10) PREVAILING WAGE REQUIREMENTS.—

“(A) IN GENERAL.—The requirements described in this subparagraph with respect to any energy project are that the taxpayer shall ensure that any laborers and mechanics employed by contractors and subcontractors in—

“(i) the construction of such energy project, and

“(ii) for the 5-year period beginning on the date such project is originally placed in service, the alteration or repair of such project, shall be paid wages at rates not less than the prevailing rates for construction, alteration, or repair of a similar character in the locality as most recently determined by the Secretary of Labor, in accordance with subchapter IV of
chapter 31 of title 40, United States Code. Subject to subparagraph (C), for purposes of any determination under paragraph (9)(A)(i) for the taxable year in which the energy project is placed in service, the taxpayer shall be deemed to satisfy the requirement under clause (ii) at the time such project is placed in service.

“(B) CORRECTION AND PENALTY RELATED TO FAILURE TO SATISFY WAGE REQUIREMENTS.—Rules similar to the rules of section 45(b)(7)(B) shall apply.

“(C) RECAPTURE.—The Secretary shall, by regulations or other guidance, provide for recapturing the benefit of any increase in the credit allowed under this subsection by reason of this paragraph with respect to any project which does not satisfy the requirements under subparagraph (A) (after application of subparagraph (B)) for the period described in clause (ii) of subparagraph (A) (but which does not cease to be investment credit property within the meaning of section 50(a)). The period and percentage of such recapture shall be determined under rules similar to the rules of section 50(a).
“(11) Apprenticeship Requirements.—
Rules similar to the rules of section 45(b)(8) shall apply.

“(12) Domestic Content Bonus Credit Amount.—

“(A) In General.—In the case of any energy project which satisfies the requirement under subparagraph (B), for purposes of applying paragraph (2) with respect to such property, the energy percentage shall be increased by the applicable credit rate increase.

“(B) Requirement.—Rules similar to the rules of section 45(b)(9)(B) shall apply.

“(C) Applicable Credit Rate Increase.—For purposes of subparagraph (A), the applicable credit rate increase shall be—

“(i) in the case of an energy project that does not satisfy the requirements of paragraph (9)(B), 2 percentage points, and

“(ii) in the case of an energy project that satisfies the requirements of paragraph (9)(B), 10 percentage points.

“(13) Phaseout for Elective Payment.—In the case of a taxpayer making an election under section 6417 with respect to a credit under this section,
rules similar to the rules of section 45(b)(10) shall apply.

“(14) REGULATIONS AND GUIDANCE.—The Secretary shall issue such regulations or other guidance as the Secretary determines necessary or appropriate to carry out the purposes of this subsection, including regulations or other guidance which provides for requirements for recordkeeping or information reporting for purposes of administering the requirements of this subsection.”.

(k) SPECIAL RULE FOR PROPERTY FINANCED BY TAX-EXEMPT BONDS.—Section 48(a)(4) is amended to read as follows:

“(4) SPECIAL RULE FOR PROPERTY FINANCED BY TAX-EXEMPT BONDS.—Rules similar to the rule under section 45(b)(3) shall apply for purposes of this section.”.

(l) TREATMENT OF CERTAIN CONTRACTS INVOLVING ENERGY STORAGE.—Section 7701(e) is amended—

(1) in paragraph (3)—

(A) in subparagraph (A)(i), by striking “or” at the end of subclause (II), by striking “and” at the end of subclause (III) and inserting “or”, and by adding at the end the following new subclause:
“(IV) the operation of a storage facility, and”, and

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

“(F) Storage facility.—For purposes of subparagraph (A), the term ‘storage facility’ means a facility which uses energy storage technology within the meaning of section 48(c)(6).”, and

(2) in paragraph (4), by striking “or water treatment works facility” and inserting “water treatment works facility, or storage facility”.

(m) Increase in Credit Rate for Energy Communities.—Section 48(a), as amended by the preceding provisions of this Act, is amended—

(1) by redesignating paragraph (14) as paragraph (15), and

(2) by inserting after paragraph (13) the following new paragraph:

“(14) Increase in Credit Rate for Energy Communities.—

“(A) In General.—In the case of any energy project that is placed in service within an energy community (as defined in section 45(b)(11)(B), as applied by substituting ‘energy
project’ for ‘qualified facility’ each place it appears), for purposes of applying paragraph (2) with respect to energy property which is part of such project, the energy percentage shall be increased by the applicable credit rate increase.

“(B) Applicable credit rate increase.—For purposes of subparagraph (A), the applicable credit rate increase shall be equal to—

“(i) in the case of any energy project that does not satisfy the requirements of paragraph (9)(B), 2 percentage points, and

“(ii) in the case of any energy project that satisfies the requirements of paragraph (9)(B), 10 percentage points.”.

(n) Effective Dates.—

(1) In general.—Except as provided in paragraphs (2) and (3), the amendments made by this section shall apply to property placed in service after December 31, 2021.

(2) Other property.—The amendments made by subsections (f), (g), and (h) shall apply to property placed in service after December 31, 2021, and, for any property the construction of which begins prior to January 1, 2022, only to the extent of
the basis thereof attributable to the construction, reconstruction, or erection after December 31, 2021.

(3) Special rule for property financed by tax-exempt bonds.—The amendments made by subsection (k) shall apply to property the construction of which begins after December 31, 2021.

SEC. 126103. INCREASE IN ENERGY CREDIT FOR SOLAR AND WIND FACILITIES PLACED IN SERVICE IN CONNECTION WITH LOW-INCOME COMMUNITIES.

(a) In General.—Section 48 is amended by adding at the end the following new subsection:

“(e) Special Rules for Certain Solar and Wind Facilities Placed in Service in Connection With Low-income Communities.—

“(1) In General.—In the case of any qualified solar and wind facility with respect to which the Secretary makes an allocation of environmental justice solar and wind capacity limitation under paragraph (4)—

“(A) the energy percentage otherwise determined under subsection (a)(2) with respect to any eligible property which is part of such facility shall be increased by—
“(i) in the case of a facility described in subclause (I) of paragraph (2)(A)(iii) and not described in subclause (II) of such paragraph, 10 percentage points, and

“(ii) in the case of a facility described in subclause (II) of paragraph (2)(A)(iii), 20 percentage points, and

“(B) the increase in the credit determined under subsection (a) by reason of this subsection for any taxable year with respect to all property which is part of such facility shall not exceed the amount which bears the same ratio to the amount of such increase (determined without regard to this subparagraph) as—

“(i) the environmental justice solar and wind capacity limitation allocated to such facility, bears to

“(ii) the total megawatt nameplate capacity of such facility, as measured in direct current.

“(2) QUALIFIED SOLAR AND WIND FACILITY.—

For purposes of this subsection—

“(A) IN GENERAL.—The term ‘qualified solar and wind facility’ means any facility—
“(i) which generates electricity solely from property described in section 45(d)(1) or in clause (i) or (vi) of subsection (a)(3)(A),

“(ii) which has a maximum net output of less than 5 megawatts, and

“(iii) which—

“(I) is located in a low-income community (as defined in section 45D(e)) or on Indian land (as defined in section 2601(2) of the Energy Policy Act of 1992 (25 U.S.C. 3501(2))), or

“(II) is part of a qualified low-income residential building project or a qualified low-income economic benefit project.

“(B) Qualified Low-Income Residential Building Project.—A facility shall be treated as part of a qualified low-income residential building project if—

“(i) such facility is installed on a residential rental building which participates in a covered housing program (as defined in section 41411(a) of the Violence Against
Women Act of 1994 (34 U.S.C. 12491(a)(3)), a housing assistance program administered by the Department of Agriculture under title V of the Housing Act of 1949, a housing program administered by a tribally designated housing entity (as defined in section 4(22) of the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4103(22))) or such other affordable housing programs as the Secretary may provide, and

“(ii) the financial benefits of the electricity produced by such facility are allocated equitably among the occupants of the dwelling units of such building.

“(C) QUALIFIED LOW-INCOME ECONOMIC BENEFIT PROJECT.—A facility shall be treated as part of a qualified low-income economic benefit project if at least 50 percent of the financial benefits of the electricity produced by such facility are provided to households with income of—
“(i) less than 200 percent of the pov-
erty line applicable to a family of the size
involved, or
“(ii) less than 80 percent of area me-
dian gross income (as determined under
section 142(d)(2)(B)).
“(D) FINANCIAL BENEFIT.—For purposes
of subparagraphs (B) and (C), electricity ac-
quired at a below-market rate shall not fail to
be taken into account as a financial benefit.
“(3) ELIGIBLE PROPERTY.—For purposes of
this section, the term ‘eligible property’ means en-
ergy property which is part of a facility described in
section 45(d)(1) or in clause (i) or (vi) of subsection
(a)(3)(A), including energy storage technology (de-
scribed in subsection (a)(3)(A)(ix)) installed in con-
nection with such energy property.
“(4) ALLOCATIONS.—
“(A) IN GENERAL.—Not later than 270
days after the date of enactment of this sub-
section, the Secretary shall establish a program
to allocate amounts of environmental justice
solar and wind capacity limitation to qualified
government.
“(B) LIMITATION.—The amount of environmental justice solar and wind capacity limitation allocated by the Secretary under subparagraph (A) during any calendar year shall not exceed the annual capacity limitation with respect to such year.

“(C) ANNUAL CAPACITY LIMITATION.—For purposes of this paragraph, the term ‘annual capacity limitation’ means 1.8 gigawatts of direct current capacity for each of calendar years 2022 through 2026, and zero thereafter.

“(D) CARRYOVER OF UNUSED LIMITATION.—If the annual capacity limitation for any calendar year exceeds the aggregate amount allocated for such year under this paragraph, such limitation for the succeeding calendar year shall be increased by the amount of such excess. No amount may be carried under the preceding sentence to any calendar year after 2026 except as provided in section 48F(i)(4)(D)(ii).

“(E) PLACED IN SERVICE DEADLINE.—

“(i) IN GENERAL.—Paragraph (1) shall not apply with respect to any property which is placed in service after the date that is 4 years after the date of the
allocation with respect to the facility of
which such property is a part.

“(ii) Application of carryover.—
Any amount of environmental justice solar
and wind capacity limitation which expires
under clause (i) during any calendar year
shall be taken into account as an excess
described in subparagraph (D) (or as an
increase in such excess) for such calendar
year, subject to the limitation imposed by
the last sentence of such subparagraph.

“(5) Recapture.—The Secretary shall, by reg-
ulations or other guidance, provide for recapturing
the benefit of any increase in the credit allowed
under subsection (a) by reason of this subsection
with respect to any property which ceases to be
property eligible for such increase (but which does
not cease to be investment credit property within the
meaning of section 50(a)). The period and percent-
age of such recapture shall be determined under
rules similar to the rules of section 50(a). To the ex-
tent provided by the Secretary, such recapture may
not apply with respect to any property if, within 12
months after the date the taxpayer becomes aware
(or reasonably should have become aware) of such
property ceasing to be property eligible for such increase, the eligibility of such property for such increase is restored. The preceding sentence shall not apply more than once with respect to any facility.”. 

(b) Effective Date.—The amendments made by this section shall take effect on January 1, 2022.

SEC. 126104. ELECTIVE PAYMENT FOR ENERGY PROPERTY AND ELECTRICITY PRODUCED FROM CERTAIN RENEWABLE RESOURCES, ETC.

(a) In General.—Subchapter B of chapter 65 is amended by inserting after section 6416 the following new section:

“SEC. 6417. ELECTIVE PAYMENT OF APPLICABLE CREDITS.

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

“(b) Applicable Credit.—The term ‘applicable credit’ means each of the following:

“(1) So much of the renewable electricity production credit determined under section 45 as is at-
tributable to qualified facilities which are originally
placed in service after December 31, 2021, and with
respect to which an election is made under sub-
section (c)(3).

“(2) The energy credit determined under sec-
tion 48.

“(3) So much of the credit for carbon oxide se-
questration determined under section 45Q as is at-
tributable to carbon capture equipment which is
originally placed in service after December 31, 2021,
and with respect to which an election is made under
subsection (c)(3).

“(4) The credit for alternative fuel vehicle re-
fueling property allowed under section 30C.

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

“(c) SPECIAL RULES.—For purposes of this sec-
tion—

“(1) APPLICATION TO TAX-EXEMPT AND GOV-
ERNMENTAL ENTITIES.—In the case of any organi-
ization exempt from the tax imposed by subtitle A,
any State or local government (or political subdivi-
sion thereof), the Tennessee Valley Authority, an In-
dian tribal government (as defined in section
48(e)(4)(F)(ii)), or any Alaska Native Corporation
(as defined in section 3 of the Alaska Native Claims Settlement Act (43 U.S.C. 1602(m)) which makes the election described in subsection (a), any applicable credit shall be determined—

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

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

“(2) APPLICATION TO PARTNERSHIPS AND S CORPORATIONS.—

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

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

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

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

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

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

“(3) ELECTIONS.—

“(A) IN GENERAL.—Any election under subsection (a) shall be made not later than the due date (including extensions of time) for the return of tax for the taxable year for which the election is made, but in no event earlier than 270 days after the date of the enactment of this
section. Any such election, once made, shall be irrecoverable. Except as otherwise provided in this paragraph, any election under subsection (a) shall apply with respect to any credit for the taxable year for which the election is made.

“(B) RENEWABLE ELECTRICITY PRODUCTION CREDIT.—In the case of the credit described in subsection (b)(1), any election under this subsection shall—

“(i) apply separately with respect to each qualified facility,

“(ii) be made for the taxable year in which such qualified facility is originally placed in service, and

“(iii) shall apply to such taxable year and to any subsequent taxable year which is within the period described in subsection (a)(2)(A)(ii) of section 45 with respect to such qualified facility.

“(C) CREDIT FOR CARBON OXIDE SEQUESTRATION.—In the case of the credit described in subsection (b)(3), any election under this subsection shall—

“(i) apply separately with respect to the carbon capture equipment originally
placed in service by the taxpayer during a taxable year, and

“(ii) shall apply to such taxable year and to any subsequent taxable year which is within the period described in paragraph (3)(A) or (4)(A) of section 45Q(a) with respect to such equipment.

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

“(A) in the case of any government, or political subdivision, described in paragraph (1) and for which no return is required under section 6011 or 6033(a), the later of the date that a return would be due under section 6033(a) if such government or subdivision were described in that section or the date on which such government or subdivision submits a claim for credit or refund (at such time and in such manner as the Secretary shall provide), and

“(B) in any other case, the later of the due date (determined without regard to extensions) of the return of tax for the taxable year or the date on which such return is filed.

“(5) TREATMENT OF PAYMENTS TO PARTNER-SHIPS AND S CORPORATIONS.—For purposes of sec-
tion 1324 of title 31, United States Code, the pay-
mements under paragraph (2)(A)(i) shall be treated in
the same manner as a refund due from a credit pro-
vision referred to in subsection (b)(2) of such sec-
tion.

“(6) ADDITIONAL INFORMATION.—As a condi-
tion of, and prior to, a payment under this section,
the Secretary may require such information or reg-
istration as the Secretary deems necessary or appro-
priate for purposes of preventing duplication, fraud,
improper payments, or excessive payments under
this section.

“(7) EXCESSIVE PAYMENT.—

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

“(i) the amount of such excessive pay-
ment, plus
“(ii) an amount equal to 20 percent of such excessive payment.

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

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

“(i) the amount of the payment made to the taxpayer under this subsection or any amount treated as a payment which is made by the taxpayer under subsection (a) with respect to such facility or property for such taxable year, over

“(ii) the amount of the credit which, without application of this subsection, would be otherwise allowable (determined without regard to section 38(e)) under this section with respect to such facility or property for such taxable year.
“(d) Denial of Double Benefit.—In the case of a taxpayer making an election under this section with respect to an applicable credit, such credit shall be reduced to zero and shall, for any other purposes under this title, be deemed to have been allowed to the taxpayer for such taxable year. “

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

“(f) Basis Reduction and Recapture.—Except as otherwise provided in subsection (e)(1)(A), rules similar to the rules of section 50 shall apply for purposes of this section. “

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

“(1) regulations or other guidance providing rules for determining a partner’s distributive share of the tax exempt income described in subsection (e)(2)(A)(iii), and
“(2) guidance to ensure that the amount of the payment or deemed payment made under this section is commensurate with the amount of the credit that would be otherwise allowable (determined without regard to section 38(c)).”.

(b) Application With Respect to Real Estate Investment Trusts.—Section 50(d) is amended by adding at the end the following: “In the case of a real estate investment trust making an election under section 6417, paragraphs (1)(B) and (2)(B) of the section 46(e) referred to in paragraph (1) of this subsection shall not apply to any qualified investment credit property of a real estate investment trust.”.

(e) Gross-up of Direct Spending.—Beginning in fiscal year 2023 and each fiscal year thereafter, the portion of any payment made to a taxpayer pursuant to an election under section 6417 of the Internal Revenue Code of 1986, or any amount treated as a payment which is made by the taxpayer under subsection (a) of such section, that is direct spending shall be increased by 6.0445 percent.

(d) Clerical Amendment.—The table of sections for subchapter B of chapter 65 is amended by inserting after the item relating to section 6416 the following new item:

“Sec. 6417. Elective payment of applicable credits.”.
(e) **Effective Date.**—The amendments made by this section shall apply to facilities and property placed in service after December 31, 2021.

**SEC. 126105. INVESTMENT CREDIT FOR ELECTRIC TRANSMISSION PROPERTY.**

(a) **In General.**—Subpart E of part IV of subchapter A of chapter 1 is amended by inserting after section 48C the following new section:

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''SEC. 48D. QUALIFYING ELECTRIC TRANSMISSION PROPERTY.

“(a) Allowance of Credit.—For purposes of section 46, the qualifying electric transmission property credit for any taxable year is an amount equal to 6 percent of the basis of qualifying electric transmission property placed in service by the taxpayer during such taxable year.

“(b) Qualifying Electric Transmission Property.—For purposes of this section—

“(1) In General.—The term ‘qualifying electric transmission property’ means tangible property—

“(A) which is a qualifying electric transmission line or related transmission property,

“(B)(i) the construction, reconstruction, or erection of which is completed by the taxpayer,


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“(ii) which is acquired by the taxpayer if the original use of such property commences with the taxpayer, and

“(C) with respect to which depreciation (or amortization in lieu of depreciation) is allowable.

“(2) QUALIFYING ELECTRIC TRANSMISSION LINE.—

“(A) IN GENERAL.—The term ‘qualifying electric transmission line’ means an electric transmission line which—

“(i) is capable of transmitting electricity at a voltage of not less than 275 kilovolts or is a superconducting line, and

“(ii) has a transmission capacity of not less than 500 megawatts.

“(B) SUPERCONDUCTING LINE.—For purposes of subparagraph (A), the term ‘superconducting line’ means a transmission line that conducts all of its current over a superconducting material.

“(C) REPLACEMENT SYSTEMS.—In the case of any electric transmission line which replaces an existing electric transmission line, subparagraph (A)(ii) shall be applied by in-
creasing the 500 megawatt amount specified in
such subparagraph by the transmission capacity
of such existing electric transmission line.
“(3) RELATED TRANSMISSION PROPERTY.—
“(A) IN GENERAL.—The term ‘related
transmission property’ means, with respect to
any qualifying electric transmission line, any
property which—
“(i) is listed as a ‘transmission plant’
in the Uniform System of Accounts for the
Federal Energy Regulatory Commission
under part 101 of subchapter C of chapter
I of title 18, Code of Federal Regulations,
and
“(ii) is—
“(I) necessary for the operation
of such electric transmission line, or
“(II) conversion equipment along
such electric transmission line.
“(B) CREDIT NOT ALLOWED SEPARATELY
WITH RESPECT TO RELATED PROPERTY.—No
credit shall be allowed to any taxpayer under
this section with respect to any related trans-
mision property unless such taxpayer is al-
lowed a credit under this section with respect to
the qualifying electric transmission line to
which such related transmission property re-
lates.

“(c) Application to Replacement and Up-
graded Systems.—

“(1) In general.—In the case of any quali-
fying electric transmission line which replaces any
existing electric transmission line, in no event shall
the basis of such existing electric transmission line
(or related transmission property with respect to
such existing electric transmission line) be taken
into account in determining the credit allowed under
this section.

“(2) Upgrades treated as replace-
ments.—For purposes of this section, any upgrade
of an existing electric transmission line shall be
treated as a replacement of such line.

“(d) Exception for certain property and
projects already in process.—

“(1) In general.—No credit shall be allowed
under this section with respect to—

“(A) any property that is selected for cost
allocation in a regional transmission plan ap-
proved by a transmission planning region that
was approved by the Federal Energy Regulatory Commission prior to January 1, 2022, or

“(B) any property if—

“(i) construction of such property begins before January 1, 2022, or

“(ii) construction of any portion of the qualifying electric transmission line to which such property relates begins before such date.

“(2) WHEN CONSTRUCTION BEGINS.—For purposes of subparagraph (B) of paragraph (1), construction of property begins when the taxpayer has begun on-site physical work of a significant nature with respect to such property.

“(e) CERTAIN QUALIFIED PROGRESS EXPENDITURES RULES MADE APPLICABLE.—Rules similar to the rules of subsections (c)(4) and (d) of section 46 (as in effect on the day before the enactment of the Revenue Reconciliation Act of 1990) shall apply for purposes of this section.

“(f) CREDIT ADJUSTMENTS; WAGE AND APPRENTICESHIP REQUIREMENTS.—

“(1) INCREASED CREDIT AMOUNT FOR APPLICABLE FACILITIES.—

“(A) IN GENERAL.—
“(i) Rule.—In the case of any applicable facility which satisfies the requirements of subparagraph (B), the amount of the credit determined under subsection (a) shall be such amount (determined without regard to this sentence) multiplied by 5.

“(ii) Applicable facility defined.—For purposes of this subsection, the term ‘applicable facility’ means a qualifying electric transmission line and related transmission property to which such qualifying electric transmission line relates.

“(B) Applicable facility requirements.—An applicable facility meets the requirements of this subparagraph if it is one of the following:

“(i) An applicable facility the construction of which begins prior to the date that is 60 days after the Secretary publishes guidance with respect to the requirements of paragraphs (2) and (3).

“(ii) An applicable facility which satisfies the requirements of paragraphs (2) and (3).
“(2) Prevailing Wage Requirements.—
Rules similar to the rules of section 48(a)(10) shall apply.

“(3) Apprenticeship Requirements.—Rules similar to the rules of section 45(b)(8) shall apply.

“(4) Domestic Content Bonus Credit Amount.—Rules similar to the rules of section 48(a)(12) shall apply.

“(5) Phaseout for Elective Payment.—
Rules similar to the rules of section 48(a)(13) shall apply.

“(g) Termination.—This section shall not apply to any qualifying electric transmission property the construction of which begins after December 31, 2031.

“(h) Regulations and Guidance.—The Secretary shall issue such regulations or other guidance as the Secretary determines necessary or appropriate to carry out the purposes of this section, including regulations or other guidance which provides for requirements for record-keeping or information reporting for purposes of administering the requirements of this section.”.

(b) Elective Payment of Credit.—Subsection (b) of section 6417, as added by section 126104, is amended by adding at the end the following new paragraph:
“(6) The qualifying electric transmission property credit determined under section 48D.”.

(c) Special Rule for Property Financed by Tax-exempt Bonds.—Section 48D, as added by subsection (a), is amended—

(1) by redesignating subsections (g) and (h) as subsections (h) and (i), respectively, and

(2) by inserting after subsection (f) the following new subsection:

“(g) Special Rule for Property Financed by Tax-exempt Bonds.—Rules similar to the rules of section 45(b)(3) shall apply.”.

(d) Conforming Amendments.—

(1) Paragraph (6) of section 46 is amended to read as follows:

“(6) the qualifying electric transmission property credit.”.

(2) Section 49(a)(1)(C) is amended—

(A) by striking “and” at the end of clause (iv),

(B) by striking the period at the end of clause (v) and inserting “, and”, and

(C) by adding at the end the following new clause:
“(vi) the basis of any qualifying electric transmission property under section 48D.”.

(3) Section 50(a)(2)(E) is amended by striking “or 48C(b)(2)” and inserting “48C(b)(2), or 48D(e)”.

(4) The table of sections for subpart E of part IV of subchapter A of chapter 1 of such Code is amended by inserting after the item relating to section 48C the following new item:

“Sec. 48D. Qualifying electric transmission property.”.

(e) Effective Date.—

(1) In General.—The amendments made by subsections (a), (b), and (d) of this section shall apply to property placed in service after December 31, 2021.

(2) Tax-Exempt Bonds.—The amendment made by subsection (c) shall apply to property the construction of which begins after December 31, 2021.

(3) Exception for Certain Property and Projects Already in Process.—For exclusion of certain property and projects already in process, see section 48D(d) of the Internal Revenue Code of 1986 (as added by this section).
SEC. 126106. EXTENSION AND MODIFICATION OF CREDIT FOR CARBON OXIDE SEQUESTRATION.

(a) MODIFICATION OF CARBON OXIDE CAPTURE REQUIREMENTS.—Section 45Q(d) is amended to read as follows:

“(d) QUALIFIED FACILITY.—For purposes of this section, the term ‘qualified facility’ means any industrial facility or direct air capture facility—

“(1) the construction of which begins before January 1, 2032, and either—

“(A) construction of carbon capture equipment begins before such date, or

“(B) the original planning and design for such facility includes installation of carbon capture equipment, and

“(2) which captures—

“(A) in the case of a direct air capture facility, not less than 1,000 metric tons of qualified carbon oxide during the taxable year,

“(B) in the case of an electricity generating facility, not less than 18,750 metric tons of qualified carbon oxide during the taxable year and not less than 75 percent by mass of the carbon oxide that would otherwise be released into the atmosphere by such facility during such taxable year, and
“(C) in the case of any other facility, not less than 12,500 metric tons of qualified carbon oxide during the taxable year.”.

(b) MODIFIED APPLICABLE DOLLAR AMOUNT.—Section 45Q(b)(1)(A) is amended—

(1) in clause (i)—

(A) in subclause (I), by striking “the dollar amount” and all that follows through “such period” and inserting “$17”, and

(B) in subclause (II), by striking “the dollar amount” and all that follows through “such period” and inserting “$12”, and

(2) in clause (ii)—

(A) in subclause (I), by striking “$50” and inserting “$17”, and

(B) in subclause (II), by striking “$35” and inserting “$12”.

(c) DETERMINATION OF APPLICABLE DOLLAR AMOUNT.—

(1) IN GENERAL.—Section 45Q(b)(1), as amended by the preceding provisions of this Act, is amended—

(A) by redesignating subparagraph (B) as subparagraph (D), and
(B) by inserting after subparagraph (A) the following new subparagraphs:

“(B) Special rule for direct air capture facilities.—In the case of any qualified facility described in subsection (d)(2)(A) the construction of which begins after December 31, 2021, the applicable dollar amount shall be an amount equal to the applicable dollar amount otherwise determined with respect to such qualified facility under subparagraph (A), except that such subparagraph shall be applied—

“(i) by substituting ‘$36’ for ‘$17’ each place it appears, and

“(ii) by substituting ‘$26’ for ‘$12’ each place it appears.

“(C) Applicable dollar amount for additional carbon capture equipment.—

In the case of any qualified facility the construction of which begins before January 1, 2022, if any additional carbon capture equipment is installed at such facility and construction of such equipment begins after December 31, 2021, the applicable dollar amount shall be an amount equal to the applicable dollar
amount otherwise determined under this para-
graph, except that subparagraph (B) shall be
applied—

“(i) by substituting ‘before January 1,
2022’ for ‘after December 31, 2021’, and
“(ii) by substituting ‘the additional
carbon capture equipment installed at such
qualified facility’ for ‘such qualified facil-
ity’."

(2) CONFORMING AMENDMENTS.—

(A) Section 45Q(b)(1)(A) is amended by
striking “The applicable dollar amount” and in-
serting “Except as provided in subparagraph
(B) or (C), the applicable dollar amount”.

(B) Section 45Q(b)(1)(D), as redesignated
by paragraph (1)(A), is amended by striking
“subparagraph (A)” and inserting “subpara-
graph (A), (B), or (C)”.

(d) INSTALLATION OF ADDITIONAL CARBON CAP-
TURE EQUIPMENT ON CERTAIN FACILITIES.—

(1) IN GENERAL.—Section 45Q(b) is amended
by redesignating paragraph (3) as paragraph (4)
and by inserting after paragraph (2) the following
new paragraph:
“(3) INSTALLATION OF ADDITIONAL CARBON CAPTURE EQUIPMENT ON CERTAIN FACILITIES.—In the case of a qualified facility described in paragraph (1)(C), for purposes of determining the amount of qualified carbon oxide which is captured by the taxpayer, rules similar to rules of paragraph (2) shall apply for purposes of subsection (a).”.

(2) CONFORMING AMENDMENT.—Section 45Q(b)(2) is amended by striking “In the case” and inserting “Subject to paragraph (3), in the case”.

(e) WAGE AND APPRENTICESHIP REQUIREMENTS.—Section 45Q is amended by redesignating subsection (h) as subsection (i) and inserting after subsection (g) following new subsection:

“(h) INCREASED CREDIT AMOUNT FOR QUALIFIED FACILITIES AND CARBON CAPTURE EQUIPMENT.—

“(1) IN GENERAL.—In the case of any qualified facility and any carbon capture equipment which satisfy the requirements of paragraph (2), the amount of the credit determined under subsection (a) shall be equal to such amount (determined without regard to this sentence) multiplied by 5.

“(2) REQUIREMENTS.—The requirements described in this paragraph are that—
“(A) with respect to any qualified facility the construction of which begins on or after the date that is 60 days after the Secretary publishes guidance with respect to the requirements of paragraphs (3)(A) and (4), as well as any carbon capture equipment placed in service at such facility—

“(i) subject to subparagraph (B) of paragraph (3), the taxpayer satisfies the requirements under subparagraph (A) of such paragraph with respect to such facility and equipment, and

“(ii) the taxpayer satisfies the requirements under paragraph (4) with respect to the construction of such facility and equipment,

“(B) with respect to any carbon capture equipment the construction of which begins after the date that is 60 days after the Secretary publishes guidance with respect to the requirements of paragraphs (3)(A) and (4), and which is installed at a qualified facility the construction of which began prior to such date—

“(i) subject to subparagraph (B) of paragraph (3), the taxpayer satisfies the
requirements under subparagraph (A) of such paragraph with respect to such equipment, and

“(ii) the taxpayer satisfies the requirements under paragraph (4) with respect to the construction of such equipment, or

“(C) the construction of carbon capture equipment begins prior to the date that is 60 days after the Secretary publishes guidance with respect to the requirements of paragraphs (3)(A) and (4), and such equipment is installed at a qualified facility the construction of which begins prior to such date.

“(3) PREVAILING WAGE REQUIREMENTS.—

“(A) IN GENERAL.—The requirements described in this subparagraph with respect to any qualified facility and any carbon capture equipment placed in service at such facility are that the taxpayer shall ensure that any laborers and mechanics employed by contractors and subcontractors in—

“(i) the construction of such facility or equipment, and
“(ii) with respect to any taxable year, for any portion of such taxable year which is within the period described in paragraph (3)(A) or (4)(A) of subsection (a), the alteration or repair of such facility or such equipment, shall be paid wages at rates not less than the prevailing rates for construction, alteration, or repair of a similar character in the locality as most recently determined by the Secretary of Labor, in accordance with subchapter IV of chapter 31 of title 40, United States Code. For purposes of determining an increased credit amount under paragraph (1) for a taxable year, the requirement under clause (ii) of this subparagraph is applied to such taxable year in which the alteration or repair of qualified facility occurs.

“(B) Correction and penalty related to failure to satisfy wage requirements.—Rules similar to the rules of section 45(b)(7)(B) shall apply.

“(4) Apprenticeship requirements.—Rules similar to the rules of section 45(b)(8) shall apply.
“(5) Regulations and Guidance.—The Secretary shall issue such regulations or other guidance as the Secretary determines necessary or appropriate to carry out the purposes of this subsection, including regulations or other guidance which provides for requirements for recordkeeping or information reporting for purposes of administering the requirements of this subsection.”.

(f) Credit Reduced for Tax-exempt Bonds.—

Section 45Q(f) is amended—

(1) by striking the second paragraph (3), as added at the end of such section by section 80402(e) of the Infrastructure Investment and Jobs Act (Public Law 117-58), and

(2) by adding at the end the following new paragraph:

“(8) Credit reduced for tax-exempt bonds.—Rules similar to the rule under section 45(b)(3) shall apply for purposes of this section.”.

(g) Application of Section for Certain Carbon Capture Equipment.—Section 45Q(g) is amended by inserting “the earlier of January 1, 2023, and” before “the end of the calendar year”.
(h) ELECTION.—Section 45Q(f), as amended by subsection (f), is amended by adding at the end the following new paragraph:

“(9) ELECTION.—For purposes of paragraphs (3) and (4) of subsection (a), a person described in paragraph (3)(A)(ii) may elect, at such time and in such manner as the Secretary may prescribe, to have the 12-year period begin on the first day of the first taxable year in which a credit under this section is claimed with respect to carbon capture equipment which is originally placed in service at a qualified facility on or after the date of the enactment of the Bipartisan Budget Act of 2018 (after application of subsection (f)(6), where applicable) if—

“(A) no taxpayer claimed a credit under this section with respect to such carbon capture equipment for any prior taxable year,

“(B) the qualified facility at which such carbon capture equipment is placed in service is located in an area affected by a federally-declared disaster (as defined by section 165(i)(5)(A)) after the carbon capture equipment is originally placed in service, and

“(C) such federally-declared disaster results in a cessation of the operation of the
qualified facility after the carbon capture equip-
ment is originally placed in service.”.

(i) Effective Dates.—

(1) The amendments made by subsections (a), (b), (c), (d), (e), (f), and (g) shall apply to facilities or equipment the construction of which begins after December 31, 2021.

(2) The amendments made by subsection (h) shall apply to carbon oxide captured and disposed of after December 31, 2021.

SEC. 126107. GREEN ENERGY PUBLICLY TRADED PARTNER-
SHIPS.

(a) In General.—Section 7704(d)(1)(E) is amend-
ed—

(1) by striking “income and gains derived from the exploration” and inserting “income and gains derived from—

“(i) the exploration”,

(2) by inserting “or” before “industrial source”, and

(3) by striking “, or the transportation or stor-
age” and all that follows and inserting the following:

“(ii) the generation of electric power or thermal energy exclusively using any
qualified energy resource (as defined in section 45(e)(1)),

“(iii) the operation of energy property (as defined in section 48(a)(3), determined without regard to any date by which the construction of the property is required to begin),

“(iv) in the case of a facility described in paragraph (3) or (7) of section 45(d) (determined without regard to any placed in service date or date by which construction of the facility is required to begin), the accepting or processing of open-loop biomass or municipal solid waste,

“(v) the transportation or storage of any fuel described in subsection (b), (c), (d), or (e) of section 6426,

“(vi) the conversion of renewable biomass (as defined in subparagraph (I) of section 211(o)(1) of the Clean Air Act (as in effect on the date of the enactment of this clause)) into renewable fuel (as defined in subparagraph (J) of such section as so in effect), or the storage or transportation of such fuel,
“(vii) the production, storage, or transportation of any fuel which—

“(I) uses as its primary feedstock carbon oxides captured from an anthropogenic source or the atmosphere,

“(II) does not use as its primary feedstock carbon oxide which is deliberately released from naturally occurring subsurface springs, and

“(III) is determined by the Secretary to achieve a reduction of not less than a 60 percent in lifecycle greenhouse gas emissions (as defined in section 211(o)(1)(H) of the Clean Air Act, as in effect on the date of the enactment of this clause) compared to baseline lifecycle greenhouse gas emissions (as defined in section 211(o)(1)(C) of such Act, as so in effect), or

“(viii) a qualified facility (as defined in section 45Q(d), without regard to any date by which construction of the facility is required to begin).”.
(b) **Effective Date.**—The amendments made by this section apply to taxable years beginning after December 31, 2021.

**SEC. 126108. ZERO-EMISSION NUCLEAR POWER PRODUCTION CREDIT.**

(a) **In General.**—Subpart D of part IV of subchapter A of chapter 1, as amended by the preceding provisions of this Act, is amended by adding at the end the following new section:

“**SEC. 45V. ZERO-EMISSION NUCLEAR POWER PRODUCTION CREDIT.**

“(a) **Amount of Credit.**—For purposes of section 38, the zero-emission nuclear power production credit for any taxable year is an amount equal to the amount by which—

“(1) the product of—

“(A) 0.3 cents, multiplied by

“(B) the kilowatt hours of electricity—

“(i) produced by the taxpayer at a qualified nuclear power facility, and

“(ii) sold by the taxpayer to an unrelated person during the taxable year, exceeds

“(2) the reduction amount for such taxable year.
“(b) DEFINITIONS.—

“(1) QUALIFIED NUCLEAR POWER FACILITY.—

For purposes of this section, the term ‘qualified nuclear power facility’ means any nuclear facility—

“(A) which is owned by the taxpayer and which uses nuclear energy to produce electricity,

“(B) which is not an advanced nuclear power facility as defined in subsection (d)(1) of section 45J, and

“(C) which is placed in service before the date of the enactment of this section.

“(2) REDUCTION AMOUNT.—

“(A) IN GENERAL.—For purposes of this section, the term ‘reduction amount’ means, with respect to any qualified nuclear power facility for any taxable year, the amount equal to the lesser of—

“(i) the amount determined under subsection (a)(1), or

“(ii) the amount equal to 16 percent of the excess of—

“(I) subject to subparagraph (B), the gross receipts from any electricity produced by such facility (including
any electricity services or products provided in conjunction with the electricity produced by such facility) and sold to an unrelated person during such taxable year, over

“(II) the amount equal to the product of—

“(aa) 2.5 cents, multiplied by

“(bb) the amount determined under subsection (a)(1)(B).

“(B) TREATMENT OF CERTAIN RECEIPTS.—

“(i) In general.—The amount determined under subparagraph (A)(ii)(I) shall include any amount received by the taxpayer during the taxable year with respect to the qualified nuclear power facility from a zero-emission credit program unless the amount received by the taxpayer is subject to reduction—

“(I) by the full amount of the credit determined under this section, or
“(II) by any lesser amount if such amount entirely offsets the amount received from a zero-emission credit program.

“(ii) ZERO-EMISSION CREDIT PROGRAM.—For purposes of this subparagraph, the term ‘zero-emission credit program’ means any payments to a qualified nuclear power facility as a result of any Federal, State or local government program for, in whole or in part, the zero-emission, zero-carbon, or air quality attributes of any portion of the electricity produced by such facility.

“(3) ELECTRICITY.—For purposes of this section, the term ‘electricity’ means the energy produced by a qualified nuclear power facility from the conversion of nuclear fuel into electric power.

“(c) OTHER RULES.—

“(1) INFLATION ADJUSTMENT.—The 0.3 cent amount in subsection (a)(1)(A) and the 2.5 cent amount in subsection (b)(2)(A)(ii)(II)(aa) shall each be adjusted by multiplying such amount by the inflation adjustment factor (as determined under section 45(e)(2), as applied by substituting ‘calendar year...
2022’ for ‘calendar year 1992’ in subparagraph (B) thereof for the calendar year in which the sale occurs. If the 0.3 cent amount as increased under this paragraph is not a multiple of 0.05 cent, such amount shall be rounded to the nearest multiple of 0.05 cent. If the 2.5 cent amount as increased under this paragraph is not a multiple of 0.1 cent, such amount shall be rounded to the nearest multiple of 0.1 cent.

“(2) Special rules.—Rules similar to the rules of paragraphs (1), (3), (4), and (5) of section 45(e) shall apply for purposes of this section.

“(d) Wage Requirements.—

“(1) Increased credit amount and reduction amount for qualified nuclear power facilities.—In the case of any qualified nuclear power facility which satisfies the requirements of paragraph (2)(A)—

“(A) the amount of the credit determined under subsection (a), and

“(B) the percentage described in subsection (b)(2)(A)(ii), shall each be equal to such amount (determined without regard to this sentence) or percentage multiplied by 5.
“(2) Prevailing wage requirements.—

“(A) In general.—The requirements described in this subparagraph with respect to any qualified nuclear power facility are that the taxpayer shall ensure that any laborers and mechanics employed by contractors and subcontractors in the alteration or repair of such facility shall be paid wages at rates not less than the prevailing rates for alteration or repair of a similar character in the locality as most recently determined by the Secretary of Labor, in accordance with subchapter IV of chapter 31 of title 40, United States Code.

“(B) Correction and penalty related to failure to satisfy wage requirements.—Rules similar to the rules of section 45(b)(7)(B) shall apply.

“(3) Regulations and guidance.—The Secretary shall issue such regulations or other guidance as the Secretary determines necessary or appropriate to carry out the purposes of this subsection, including regulations or other guidance which provides for requirements for recordkeeping or information reporting for purposes of administering the requirements of this subsection.
“(e) Termination.—This section shall not apply to taxable years beginning after December 31, 2027.”.

(b) Conforming Amendments.—

(1) Section 38(b), as amended by the preceding provisions of this Act, is amended—

(A) in paragraph (34), by striking “plus” at the end,

(B) in paragraph (35), by striking the period at the end and inserting “, plus”, and

(C) by adding at the end the following new paragraph:

“(36) the zero-emission nuclear power production credit determined under section 45V(a).”.

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by the preceding provisions of this Act, is amended by adding at the end the following new item:

“Sec. 45V. Zero-emission nuclear power production credit.”.

(c) Elective Payment of Credit.—Section 6417(b), as amended by the preceding provisions of this Act, is amended by adding at the end the following new paragraph:

“(7) The zero-emission nuclear power production credit determined under section 45V.”.
(d) Effective Date.—This section shall apply to electricity produced and sold after December 31, 2021, in taxable years beginning after such date.

PART 2—RENEWABLE FUELS

SEC. 126201. EXTENSION OF INCENTIVES FOR BIODIESEL, RENEWABLE DIESEL AND ALTERNATIVE FUELS.

(a) Biodiesel and Renewable Diesel Credit.—

Section 40A(g) is amended by striking “December 31, 2022” and inserting “December 31, 2026”.

(b) Biodiesel Mixture Credit.—

(1) In General.—Section 6426(c)(6) is amended by striking “December 31, 2022” and inserting “December 31, 2026”.

(2) Fuels Not Used for Taxable Purposes.—Section 6427(e)(6)(B) is amended by striking “December 31, 2022” and inserting “December 31, 2026”.

(c) Alternative Fuel Credit.—Section 6426(d)(5) is amended by striking “December 31, 2021” and inserting “December 31, 2026”.

(d) Alternative Fuel Mixture Credit.—Section 6426(e)(3) is amended by striking “December 31, 2021” and inserting “December 31, 2026”.

(e) Payments for Alternative Fuels.—Section 6427(e)(6)(C) is amended by striking “December 31, 2021” and inserting “December 31, 2026”.

(f) Effective Date.—The amendments made by this section shall apply to fuel sold or used after December 31, 2021.

SEC. 126202. EXTENSION OF SECOND GENERATION BIOFUEL INCENTIVES.
(a) In General.—Section 40(b)(6)(J)(i) is amended by striking “2022” and inserting “2027”.

(b) Effective Date.—The amendment made by subsection (a) shall apply to qualified second generation biofuel production after December 31, 2021.

SEC. 126203. SUSTAINABLE AVIATION FUEL CREDIT.
(a) In General.—Subpart D of part IV of subchapter A of chapter 1 is amended by inserting after section 40A the following new section:

“SEC. 40B. SUSTAINABLE AVIATION FUEL CREDIT.
“(a) In General.—For purposes of section 38, the sustainable aviation fuel credit determined under this section for the taxable year is, with respect to any sale or use of a qualified mixture which occurs during such taxable year, an amount equal to the product of—
“(1) the number of gallons of sustainable aviation fuel in such mixture, multiplied by
“(2) the sum of—

“(A) $1.25, plus

“(B) the applicable supplementary amount

with respect to such sustainable aviation fuel.

“(b) APPLICABLE SUPPLEMENTARY AMOUNT.—For purposes of this section, the term ‘applicable supplementary amount’ means, with respect to any sustainable aviation fuel, an amount equal to $0.01 for each percentage point by which the lifecycle greenhouse gas emissions reduction percentage with respect to such fuel exceeds 50 percent. In no event shall the applicable supplementary amount determined under this subsection exceed $0.50.

“(c) QUALIFIED MIXTURE.—For purposes of this section, the term ‘qualified mixture’ means a mixture of sustainable aviation fuel and kerosene if—

“(1) such mixture is produced by the taxpayer in the United States,

“(2) such mixture is used by the taxpayer (or sold by the taxpayer for use) in an aircraft,

“(3) such sale or use is in the ordinary course of a trade or business of the taxpayer, and

“(4) the transfer of such mixture to the fuel tank of such aircraft occurs in the United States.
“(d) SUSTAINABLE AVIATION FUEL.—For purposes of this section, the term ‘sustainable aviation fuel’ means liquid fuel which—

“(1) meets the requirements of—

“(A) ASTM International Standard D7566-21, or

“(B) the Fischer Tropsch provisions of ASTM International Standard D1655-21, Annex A1,

“(2) is not derived from palm fatty acid distillates or petroleum, and

“(3) has been certified in accordance with subsection (e) as having a lifecycle greenhouse gas emissions reduction percentage of at least 50 percent.

“(e) LIFECYCLE GREENHOUSE GAS EMISSIONS REDUCTION PERCENTAGE.—For purposes of this section, the term ‘lifecycle greenhouse gas emissions reduction percentage’ means, with respect to any sustainable aviation fuel, the percentage reduction in lifecycle greenhouse gas emissions—

“(1) as defined in accordance with—

“(A) the most recent Carbon Offsetting and Reduction Scheme for International Aviation which has been adopted by the Inter-
national Civil Aviation Organization with the agreement of the United States, or

“(B) any equivalent methodology which satisfies the criteria under section 211(o)(1)(H) of the Clean Air Act (42 U.S.C. 7545(o)(1)(H)), and

“(2) achieved by such fuel as compared with petroleum-based jet fuel.

“(f) Registration of Sustainable Aviation Fuel Producers.—No credit shall be allowed under this section with respect to any sustainable aviation fuel unless the producer of such fuel—

“(1) is registered with the Secretary under section 4101, and

“(2) provides—

“(A) certification (in such form and manner as the Secretary shall prescribe) from an unrelated party demonstrating compliance with—

“(i) any supply chain traceability and information transmission requirements under subparagraph (A) of subsection (e)(1), or

“(ii) any methodology described in subparagraph (B) of such subsection, and
“(B) such other information with respect to such fuel as the Secretary may require for purposes of carrying out this section.

“(g) COORDINATION WITH CREDIT AGAINST EXCISE TAX.—The amount of the credit determined under this section with respect to any sustainable aviation fuel shall, under rules prescribed by the Secretary, be properly reduced to take into account any benefit provided with respect to such sustainable aviation fuel solely by reason of the application of section 6426 or 6427(c).

“(h) TERMINATION.—This section shall not apply to any sale or use after December 31, 2026.”.

(b) CREDIT MADE PART OF GENERAL BUSINESS CREDIT.—Section 38(b), as amended by the preceding provisions of this Act, is amended by striking “plus” at the end of paragraph (35), by striking the period at the end of paragraph (36) and inserting “, plus”, and by inserting after paragraph (36) the following new paragraph:

“(37) the sustainable aviation fuel credit determined under section 40B.”.

(c) COORDINATION WITH BIODIESEL INCENTIVES.—

(1) IN GENERAL.—Section 40A(d)(1) is amended by inserting “or 40B” after “determined under section 40”.
(2) CONFORMING AMENDMENT.—Section 40A(f) is amended by striking paragraph (4).

(d) SUSTAINABLE AVIATION FUEL ADDED TO CREDIT FOR ALCOHOL FUEL, BIODIESEL, AND ALTERNATIVE FUEL MIXTURES.—

(1) IN GENERAL.—Section 6426 is amended by adding at the end the following new subsection:

“(k) SUSTAINABLE AVIATION FUEL CREDIT.—

“(1) IN GENERAL.—For purposes of this section, the sustainable aviation fuel credit for the taxable year is, with respect to any sale or use of a qualified mixture, an amount equal to the product of—

“(A) the number of gallons of sustainable aviation fuel in such mixture, multiplied by

“(B) the sum of—

“(i) $1.25, plus

“(ii) the applicable supplementary amount with respect to such sustainable aviation fuel.

“(2) DEFINITIONS.—Any term used in this subsection which is also used in section 40B shall have the meaning given such term by section 40B.
“(3) Registration requirement.—For purposes of this subsection, rules similar to the rules of section 40B(f) shall apply.”.

(2) Conforming amendments.—

(A) Section 6426 is amended—

(i) in subsection (a)(1), by striking “and (e)” and inserting “(e), and (k)”, and

(ii) in subsection (h), by striking “under section 40 or 40A” and inserting “under section 40, 40A, or 40B”.

(B) Section 6427(e) is amended—

(i) in the heading, by striking “OR ALTERNATIVE FUEL” and inserting, “ALTERNATIVE FUEL, OR SUSTAINABLE AVIATION FUEL”,

(ii) in paragraph (1), by inserting “or the sustainable aviation fuel mixture credit” after “alternative fuel mixture credit”, and

(iii) in paragraph (6)—

(I) in subparagraph (C), by striking “and” at the end,
(II) in subparagraph (D), by striking the period at the end and insert ing “, and”, and

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

“(E) any qualified mixture of sustainable aviation fuel (as defined in section 6426(k)(3)) sold or used after December 31, 2026.”.

(C) Section 4101(a)(1) is amended by inserting “every person producing sustainable aviation fuel (as defined in section 40B),” before “and every person producing second generation biofuel”.

(D) The table of sections for subpart D of subchapter A of chapter 1 is amended by inserting after the item relating to section 40A the following new item:

“Sec. 40B. Sustainable aviation fuel credit.”.

(e) GUIDANCE.—Under rules prescribed by the Secretary of the Treasury (or the Secretary’s delegate), the amount of the credit allowed under section 40B of the Internal Revenue Code of 1986 (as added by this section) shall be properly reduced to take into account any benefit provided with respect to sustainable aviation fuel (as defined in such section 40B) by reason of the application of section 6426 or section 6427(e).
(f) Amount of Credit Included in Gross Income.—Section 87 is amended by striking “and” in paragraph (1), by striking the period at the end of paragraph (2) and inserting “, and”, and by adding at the end the following new paragraph:

“(3) the sustainable aviation fuel credit determined with respect to the taxpayer for the taxable year under section 40B(a).”.

(g) Effective Date.—The amendments made by this section shall apply to fuel sold or used after December 31, 2022.

SEC. 126204. CLEAN HYDROGEN.

(a) Credit for Production of Clean Hydrogen.—

(1) In general.—Subpart D of part IV of subchapter A of chapter 1, as amended by the preceding provisions of this Act, is amended by adding at the end the following new section:

“SEC. 45W. CREDIT FOR PRODUCTION OF CLEAN HYDROGEN.

“(a) Amount of Credit.—For purposes of section 38, the clean hydrogen production credit for any taxable year is an amount equal to the product of—

“(1) the applicable amount, multiplied by
“(2) the kilograms of qualified clean hydrogen produced by the taxpayer during such taxable year at a qualified clean hydrogen production facility during the 10-year period beginning on the date such facility was originally placed in service.

“(b) Applicable Amount.—

“(1) In General.—For purposes of subsection (a)(1), the applicable amount shall be an amount equal to the applicable percentage of $0.60. If any amount as determined under the preceding sentence is not a multiple of 0.1 cent, such amount shall be rounded to the nearest multiple of 0.1 cent.

“(2) Applicable Percentage.—For purposes of paragraph (1), the term ‘applicable percentage’ shall be determined as follows:

“(A) In the case of any qualified clean hydrogen which is produced by a facility that is placed in service before January 1, 2027, through a process that results in a lifecycle greenhouse gas emissions rate of—

“(i) not greater than 6 kilograms of CO2e per kilogram of hydrogen, and

“(ii) not less than 4 kilograms of CO2e per kilogram of hydrogen,

the applicable percentage shall be 15 percent.
“(B) In the case of any qualified clean hydrogen which is produced through a process that results in a lifecycle greenhouse gas emissions rate of—

“(i) less than 4 kilograms of CO2e per kilogram of hydrogen, and

“(ii) not less than 2.5 kilograms of CO2e per kilogram of hydrogen,

the applicable percentage shall be 20 percent.

“(C) In the case of any qualified clean hydrogen which is produced through a process that results in a lifecycle greenhouse gas emissions rate of—

“(i) less than 2.5 kilograms of CO2e per kilogram of hydrogen, and

“(ii) not less than 1.5 kilograms of CO2e per kilogram of hydrogen,

the applicable percentage shall be 25 percent.

“(D) In the case of any qualified clean hydrogen which is produced through a process that results in a lifecycle greenhouse gas emissions rate of—

“(i) less than 1.5 kilograms of CO2e per kilogram of hydrogen, and
“(ii) not less than 0.45 kilograms of CO2e per kilogram of hydrogen, the applicable percentage shall be 33.4 percent.

“(E) In the case of any qualified clean hydrogen which is produced through a process that results in a lifecycle greenhouse gas emissions rate of less than 0.45 kilograms of CO2e per kilogram of hydrogen, the applicable percentage shall be 100 percent.

“(3) INFLATION ADJUSTMENT.—The $0.60 amount in paragraph (1) shall be adjusted by multiplying such amount by the inflation adjustment factor (as determined under section 45(e)(2), determined by substituting ‘2020’ for ‘1992’ in subparagraph (B) thereof) for the calendar year in which the qualified clean hydrogen is produced. If any amount as increased under the preceding sentence is not a multiple of 0.1 cent, such amount shall be rounded to the nearest multiple of 0.1 cent.

“(c) DEFINITIONS.—For purposes of this section—

“(1) LIFECYCLE GREENHOUSE GAS EMISSIONS.—

“(A) IN GENERAL.—Subject to subparagraph (B), the term ‘lifecycle greenhouse gas emissions’ has the same meaning given such
term under subparagraph (H) of section 211(o)(1) of the Clean Air Act (42 U.S.C. 7545(o)(1)), as in effect on the date of enactment of this section.

“(B) GREET model.—The term ‘lifecycle greenhouse gas emissions’ shall only include emissions through the point of production (well-to-gate), as determined under the most recent Greenhouse gases, Regulated Emissions, and Energy use in Transportation model (commonly referred to as the ‘GREET model’) developed by Argonne National Laboratory, or a successor model (as determined by the Secretary).

“(2) Qualified clean hydrogen.—

“(A) In general.—The term ‘qualified clean hydrogen’ means hydrogen which is produced through a process that results in a lifecycle greenhouse gas emissions rate of not greater than 6 kilograms of CO2e per kilogram of hydrogen.

“(B) Additional requirements.—Such term shall not include any hydrogen unless such hydrogen is produced—

“(i) in the United States (as defined in section 638(1)) or a possession of the
United States (as defined in section 638(2)),

“(ii) in the ordinary course of a trade or business of the taxpayer, and

“(iii) in compliance with such requirements as the Secretary may prescribe under subsection (f)(2).

“(3) QUALIFIED CLEAN HYDROGEN PRODUCTION FACILITY.—The term ‘qualified clean hydrogen production facility’ means a facility—

“(A) owned by the taxpayer,

“(B) which produces qualified clean hydrogen, and

“(C) the construction of which begins before January 1, 2029.

“(d) SPECIAL RULES.—

“(1) TREATMENT OF FACILITIES OWNED BY MORE THAN 1 TAXPAYER.—Rules similar to the rules section 45(e)(3) shall apply for purposes of this section.

“(2) COORDINATION WITH CREDIT FOR CARBON OXIDE SEQUESTRATION.—No credit shall be allowed under this section with respect to any qualified clean hydrogen produced at a facility which includes carbon capture equipment for which a credit is allowed
to any taxpayer under section 45Q for the taxable year or any prior taxable year.

“(e) Increased Credit Amount for Qualified Clean Hydrogen Production Facilities.—

“(1) In general.—In the case of any qualified clean hydrogen production facility which satisfies the requirements of paragraph (2), the amount of the credit determined under subsection (a) with respect to qualified clean hydrogen described in subsection (b)(2) shall be equal to such amount (determined without regard to this sentence) multiplied by 5.

“(2) Requirements.—A facility meets the requirements of this paragraph if it is one of the following:

“(A) A facility—

“(i) the construction of which begins prior to the date that is 60 days after the Secretary publishes guidance with respect to the requirements of paragraphs (3)(A) and (4), and

“(ii) which meets the requirements of paragraph (3)(A) with respect to construction, alteration, or repair of such facility which occurs after such date.
“(B) A facility which satisfies the requirements of paragraphs (3)(A) and (4).

“(3) PREVAILING WAGE REQUIREMENTS.—

“(A) IN GENERAL.—The requirements described in this subparagraph with respect to any qualified clean hydrogen production facility are that the taxpayer shall ensure that any laborers and mechanics employed by contractors and subcontractors in—

“(i) the construction of such facility,

and

“(ii) with respect to any taxable year, for any portion of such taxable year which is within the period described in subsection (a)(2), the alteration or repair of such facility,

shall be paid wages at rates not less than the prevailing rates for construction, alteration, or repair of a similar character in the locality as most recently determined by the Secretary of Labor, in accordance with subchapter IV of chapter 31 of title 40, United States Code. For purposes of determining an increased credit amount under paragraph (1) for a taxable year, the requirement under clause (ii) of this sub-
paragraph is applied to such taxable year in which the alteration or repair of qualified facility occurs.

“(B) Correction and penalty related to failure to satisfy wage requirements.—Rules similar to the rules of section 45(b)(7)(B) shall apply.

“(4) Apprenticeship requirements.—Rules similar to the rules of section 45(b)(8) shall apply.

“(5) Regulations and guidance.—The Secretary shall issue such regulations or other guidance as the Secretary determines necessary or appropriate to carry out the purposes of this subsection, including regulations or other guidance which provides for requirements for recordkeeping or information reporting for purposes of administering the requirements of this subsection.

“(f) Regulations.—Not later than 1 year after the date of enactment of this section, the Secretary shall issue regulations or other guidance to carry out the purposes of this section, including regulations or other guidance—

“(1) for determining lifecycle greenhouse gas emissions, and

“(2) which require verification by unrelated third parties of the production and sale or use of
qualified clean hydrogen with respect to which credit
is otherwise allowed under this section.”.

(2) ELECTIVE PAYMENT OF CREDIT.—

(A) IN GENERAL.—Section 6417(b), as
amended by the preceding provisions of this
Act, is amended by adding at the end the fol-
lowing new paragraph:

“(8) So much of the credit for production of
clean hydrogen determined under section 45W as is
attributable to qualified clean hydrogen production
facilities which are originally placed in service after
December 31, 2011, and with respect to which an
election is made under subsection (c)(3).”.

(B) ELECTION.—Section 6417(c)(3), as
added by section 126104, is amended by adding
at the end the following new subparagraph:

“(D) CREDIT FOR PRODUCTION OF CLEAN
HYDROGEN.—In the case of the credit described
in subsection (b)(8), any election under this
subsection shall—

“(i) apply separately with respect to
each qualified clean hydrogen production
facility,

“(ii) be made for the taxable year in
which the facility is placed in service (or
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within 90 days of date of enactment of this
section in the case of facilities placed in
service before December 31, 2021), and
“(iii) shall apply to such taxable year
and all subsequent taxable years with re-
spect to such facility.”.

(3) CREDIT REDUCED FOR TAX-EXEMPT
BONDS.—Section 45W(d), as added by this section,
is amended by adding at the end the following new
paragraph:
“(3) CREDIT REDUCED FOR TAX-EXEMPT
BONDS.—Rules similar to the rule under section
45(b)(3) shall apply for purposes of this section.”.

(4) MODIFICATION OF EXISTING FACILITIES.—
Section 45W(d), as added and amended by the pre-
ceding provisions of this section, is amended by add-
ing at the end the following new paragraph:
“(4) MODIFICATION OF EXISTING FACILI-
ties.—For purposes of subsection (a)(2), in the
case of any facility which—
“(A) was originally placed in service before
January 1, 2022, and, prior to the modification
described in subparagraph (B), did not produce
qualified clean hydrogen, and
“(B) after the date such facility was originally placed in service, is modified to produce qualified clean hydrogen, such facility shall be deemed to have been originally placed in service as of the date that the property required to complete the modification described in subparagraph (B) is placed in service.”.

(5) CONFORMING AMENDMENTS.—

(A) Section 38(b), as amended by the preceding provisions of this Act, is amended—

(i) in paragraph (36), by striking “plus” at the end,

(ii) in paragraph (37), by striking the period at the end and inserting “, plus”, and

(iii) by adding at the end the following new paragraph:

“(38) the clean hydrogen production credit determined under section 45W(a).”.

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

“Sec. 45W. Credit for production of clean hydrogen.”.

(6) EFFECTIVE DATES.—

(A) IN GENERAL.—The amendments made by paragraphs (1), (2), and (5) of this sub-
section shall apply to hydrogen produced after December 31, 2021.

(B) Credit reduced for tax-exempt bonds.—The amendment made by paragraph (3) shall apply to facilities the construction of which begins after December 31, 2021.

(C) Modification of existing facilities.—The amendment made by paragraph (4) shall apply to modifications made after December 31, 2021.

(b) Credit for electricity produced from renewable resources allowed if electricity is used to produce clean hydrogen.—

(1) In general.—Section 45(e), as amended by the preceding provisions of this Act, is amended by adding at the end the following new paragraph:

“(13) Special rule for electricity used at a qualified clean hydrogen production facility.—Electricity produced by the taxpayer shall be treated as sold by such taxpayer to an unrelated person during the taxable year if such electricity is used during such taxable year by the taxpayer or a person related to the taxpayer at a qualified clean hydrogen production facility (as defined in section 45W(e)(3)) to produce qualified clean hydro-
gen (as defined in section 45W(c)(2)) during the 10-year period after such facility is placed in service. The Secretary shall issue such regulations or other guidance as the Secretary determines appropriate to carry out the purposes of this paragraph, including regulations or other guidance to require verification by unrelated third parties of the production and use of electricity to which this paragraph applies.”.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to electricity produced after December 31, 2021.

c) ELECTION TO TREAT CLEAN HYDROGEN PRODUCTION FACILITIES AS ENERGY PROPERTY.—

(1) IN GENERAL.—Section 48(a), as amended by the preceding provisions of this Act, is amended—

   (A) by redesignating paragraph (15) as paragraph (16), and

   (B) by inserting after paragraph (14) the following new paragraph:

   “(15) ELECTION TO TREAT CLEAN HYDROGEN PRODUCTION FACILITIES AS ENERGY PROPERTY.—

   “(A) IN GENERAL.—In the case of any qualified property (as defined in paragraph
(5)(D)) which is part of a specified clean hydrogen production facility—

“(i) such property shall be treated as energy property for purposes of this section, and

“(ii) the energy percentage with respect to such property is—

“(I) in the case of a facility which is designed and reasonably expected to produce qualified clean hydrogen which is described in a subparagraph (A) of section 45W(b)(2), 0.9 percent,

“(II) in the case of a facility which is designed and reasonably expected to produce qualified clean hydrogen which is described in a subparagraph (B) of such section, 1.2 percent,

“(III) in the case of a facility which is designed and reasonably expected to produce qualified clean hydrogen which is described in a subparagraph (C) of such section, 1.5 percent,
“(IV) in the case of a facility which is designed and reasonably expected to produce qualified clean hydrogen which is described in a subparagraph (D) of such section, 2 percent, and

“(V) in the case of a facility which is designed and reasonably expected to produce qualified clean hydrogen which is described in subparagraph (E) of such section, 6 percent.

“(B) DENIAL OF PRODUCTION CREDIT.—No credit shall be allowed under section 45W or section 45Q for any taxable year with respect to any specified clean hydrogen production facility or any carbon capture equipment included at such facility.

“(C) SPECIFIED CLEAN HYDROGEN PRODUCTION FACILITY.—For purposes of this paragraph, the term ‘specified clean hydrogen production facility’ means any qualified clean hydrogen production facility (as defined in section 45W(e)(3)) or any portion of such facility—

“(i) which is placed in service after December 31, 2021, and
“(ii) with respect to which—

“(I) no credit has been allowed under section 45W or 45Q, and

“(II) the taxpayer makes an ir-revocable election to have this paragraph apply.

“(D) QUALIFIED CLEAN HYDROGEN.—For purposes of this paragraph, the term ‘qualified clean hydrogen’ has the meaning given such term by section 45W(c)(2).

“(E) REGULATIONS.—The Secretary shall issue such regulations or other guidance as the Secretary determines necessary or appropriate to carry out the purposes of this section, includ-ing regulations or other guidance which—

“(i) requires verification by one or more unrelated third parties that the facility produces hydrogen which is consistent with the hydrogen that such facility was designed and expected to produce under subparagraph (A)(ii), and

“(ii) recaptures so much of any credit allowed under this section as exceeds the amount of the credit which would have been allowed if the expected production
were consistent with the actual verified
production (or all of the credit so allowed
in the absence of such verification).”.

(2) CONFORMING AMENDMENT.—Paragraph
(9)(A)(i) of section 48(a), as added by section
126102, is amended by inserting “and paragraph
(15)” after “paragraphs (1) through (8)”.

(3) EFFECTIVE DATE.—The amendments made
by this subsection shall apply to property placed in
service after December 31, 2021, and, for any prop-
erty the construction of which begins prior to Janu-
ary 1, 2022, only to the extent of the basis thereof
attributable to the construction, reconstruction, or
erection after December 31, 2021.

(d) TERMINATION OF EXCISE TAX CREDIT FOR HY-
DROGEN.—

(1) IN GENERAL.—Section 6426(d)(2) is
amended by striking subparagraph (D) and by re-
designating subparagraphs (E), (F), and (G) as sub-
paragraphs (D), (E), and (F), respectively.

(2) CONFORMING AMENDMENT.—Section
6426(e)(2) is amended by striking “(F)” and insert-
ing “(E)”.
(3) **Effective date.**—The amendments made by this subsection shall apply to fuel sold or used after December 31, 2021.

**PART 3—GREEN ENERGY AND EFFICIENCY**

**INCENTIVES FOR INDIVIDUALS**

**SEC. 126301. EXTENSION, INCREASE, AND MODIFICATIONS OF NONBUSINESS ENERGY PROPERTY CREDIT.**

(a) **Extension of credit.**—Section 25C(g)(2) is amended by striking “December 31, 2021” and inserting “December 31, 2031”.

(b) **Allowance of credit.**—Section 25C(a) is amended to read as follows:

“(a) **Allowance of credit.**—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 30 percent of the sum of—

“(1) the amount paid or incurred by the taxpayer for qualified energy efficiency improvements installed during such taxable year, and

“(2) the amount of the residential energy property expenditures paid or incurred by the taxpayer during such taxable year.”.
(c) APPLICATION OF ANNUAL LIMITATION IN LIEU OF LIFETIME LIMITATION.—Section 25C(b) is amended to read as follows:

“(b) LIMITATIONS.—

“(1) IN GENERAL.—The credit allowed under this section with respect to any taxpayer for any taxable year shall not exceed $1,200.

“(2) ENERGY PROPERTY.—The credit allowed under this section by reason of subsection (a) with respect to any taxpayer for any taxable year shall not exceed, with respect to any item of qualified energy property, $600.

“(3) WINDOWS.—The credit allowed under this section by reason of subsection (a)(1) with respect to any taxpayer for any taxable year shall not exceed, in the aggregate with respect to all exterior windows and skylights, $600.

“(4) DOORS.—The credit allowed under this section by reason of subsection (a)(1) with respect to any taxpayer for any taxable year shall not exceed—

“(A) $250 in the case of any exterior door, and

“(B) $500 in the aggregate with respect to all exterior doors.
“(5) Certain property excluded from limitation.—The limitations described in paragraphs (1) and (2) shall not apply to amounts paid or incurred for property described in—

“(A) clause (i) or (ii) of subsection (d)(2)(A), or

“(B) subsection (d)(2)(B).”.

(d) Modifications Related to Qualified Energy Efficiency Improvements.—

(1) Inclusion of Electric Load or Service Center Upgrades.—Section 25C(c) is amended—

(A) in paragraph (1)—

(i) by inserting “or any electric load or service center upgrade” after “energy efficient building envelope component”, and

(ii) by striking “such component” each place it appears and inserting “such component or upgrade”, and

(B) by adding at the end the following:

“(5) Electric load or service center upgrade.—The term ‘electric load or service center upgrade’ means an improvement to, or replacement of, a panelboard, sub-panelboard, branch circuits, or feeders which—
“(A) enable the installation and use of electric appliances, and
“(B) is installed in a manner consistent with the National Electric Code.”.

(2) Standards for energy efficient building envelope components.—Section 25C(c)(2) is amended by striking “meets—” and all that follows through the period at the end and inserting the following: “meets—

“(A) in the case of an exterior window or skylight, Energy Star most efficient certification requirements, and
“(B) in the case of any other component, the prescriptive criteria for such component established by the most recent International Energy Conservation Code standard in effect as of the beginning of the calendar year which is 2 years prior to the calendar year in which such component is placed in service.”.

(3) Roofs not treated as building envelope components.—Section 25C(c)(3) is amended by adding “and” at the end of subparagraph (B), by striking “, and” at the end of subparagraph (C) and inserting a period, and by striking subparagraph (D).
(4) Air sealing insulation added to definition of building envelope component.—Section 25C(e)(3)(A) is amended by inserting “, including air sealing material or system,” after “material or system”.

(e) Modification of residential energy property expenditures.—Section 25C(d) is amended to read as follows:

“(d) Residential energy property expenditures.—For purposes of this section—

“(1) In general.—The term ‘residential energy property expenditures’ means expenditures made by the taxpayer for qualified energy property which is—

“(A) installed on or in connection with a dwelling unit located in the United States and used as a residence by the taxpayer, and

“(B) originally placed in service by the taxpayer.

Such term includes expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the property.

“(2) Qualified energy property.—The term ‘qualified energy property’ means any of the following:
“(A) Any of the following which meet or exceed the highest efficiency tier (not including any advanced tier) established by the Consortium for Energy Efficiency which is in effect as of the beginning of the calendar year in which the property is placed in service:

“(i) An electric heat pump water heater.

“(ii) An electric heat pump.

“(iii) A central air conditioner.

“(iv) A natural gas, propane, or oil water heater.

“(v) A natural gas, propane, or oil furnace or hot water boiler.

“(B) A biomass stove which—

“(i) uses the burning of biomass fuel to heat a dwelling unit located in the United States and used as a residence by the taxpayer, or to heat water for use in such a dwelling unit, and

“(ii) has a thermal efficiency rating of at least 75 percent (measured by the higher heating value of the fuel).

“(C) Any oil furnace or hot water boiler which—
“(i) is placed in service after December 31, 2021, and before January 1, 2027, and—

“(I) meets or exceeds 2021 Energy Star efficiency criteria, and

“(II) is rated by the manufacturer for use with eligible fuel blends of 20 percent or more, or

“(ii) is placed in service after December 31, 2026, and—

“(I) achieves an annual fuel utilization efficiency rate of not less than 90, and

“(II) is rated by the manufacturer for use with eligible fuel blends of 50 percent or more.

“(3) ELIGIBLE FUEL.—For purposes of paragraph (2), the term ‘eligible fuel’ means biodiesel and renewable diesel (within the meaning of section 40A) and second generation biofuel (within the meaning of section 40).”.

(f) HOME ENERGY AUDITS.—

(1) IN GENERAL.—Section 25C(a), as amended by subsection (b), is amended by striking “and” at the end of paragraph (1), by striking the period at
the end of paragraph (2) and inserting “, and”, and by adding at the end the following new paragraph:

“(3) 30 percent of the amount paid or incurred by the taxpayer during the taxable year for home energy audits.”.

(2) LIMITATION.—Section 25C(b), as amended by subsection (e), is amended adding at the end the following new paragraph:

“(6) HOME ENERGY AUDITS.—

“(A) DOLLAR LIMITATION.—The amount of the credit allowed under this section by reason of subsection (a)(3) shall not exceed $150. 

“(B) SUBSTANTIATION REQUIREMENT.—No credit shall be allowed under this section by reason of subsection (a)(3) unless the taxpayer includes with the taxpayer’s return of tax such information or documentation as the Secretary may require.”.

(3) HOME ENERGY AUDITS.—

(A) IN GENERAL.—Section 25C is amended by redesignating subsections (e), (f), and (g), as subsections (f), (g), and (h), respectively, and by inserting after subsection (d) the following new subsection:
“(e) **Home Energy Audits.**—For purposes of this section, the term ‘home energy audit’ means an inspection and written report with respect to a dwelling unit located in the United States and owned or used by the taxpayer as the taxpayer’s principal residence (within the meaning of section 121) which—

“(1) identifies the most significant and cost-effective energy efficiency improvements with respect to such dwelling unit, including an estimate of the energy and cost savings with respect to each such improvement, and

“(2) is conducted and prepared by a home energy auditor that meets the certification or other requirements specified by the Secretary (not later than 365 days after the date of the enactment of this subsection) in regulations or other guidance.”.

(B) **Conforming Amendment.**—Section 1016(a)(33) is amended by striking “section 25C(f)” and inserting “section 25C(g)”.

(4) **Lack of substantiation treated as mathematical or clerical error.**—Section 6213(g)(2) is amended—

(A) in subparagraph (P), by striking “and” at the end,
(B) in subparagraph (Q), by striking the period at the end and inserting “, and”, and
(C) by adding at the end the following:
“(R) an omission of correct information or documentation required under section 25C(b)(6)(B) (relating to home energy audits) to be included on a return.”.

(g) IDENTIFICATION NUMBER REQUIREMENT.—

(1) IN GENERAL.—Section 25C, as amended by this section, is amended by redesignating subsection (h) as subsection (i) and by inserting after subsection (g) the following new subsection:

“(h) PRODUCT IDENTIFICATION NUMBER REQUIREMENT.—

“(1) IN GENERAL.—No credit shall be allowed under subsection (a) with respect to any item of specified property placed in service after December 31, 2023, unless—

“(A) such item is produced by a qualified manufacturer, and

“(B) the taxpayer includes the qualified product identification number of such item on the return of tax for the taxable year.

“(2) QUALIFIED PRODUCT IDENTIFICATION NUMBER.—For purposes of this section, the term
‘qualified product identification number’ means, with
respect to any item of specified property, the prod-
uct identification number assigned to such item by
the qualified manufacturer pursuant to the method-
ology referred to in paragraph (3).

“(3) QUALIFIED MANUFACTURER.—For pur-
poses of this section, the term ‘qualified manufac-
turer’ means any manufacturer of specified property
which enters into an agreement with the Secretary
which provides that such manufacturer will—

“(A) assign a product identification num-
ber to each item of specified property produced
by such manufacturer utilizing a methodology
that will ensure that such number (including
any alphanumeric) is unique to each such item
(by utilizing numbers or letters which are
unique to such manufacturer or by such other
method as the Secretary may provide),

“(B) label such item with such number in
such manner as the Secretary may provide, and

“(C) make periodic written reports to the
Secretary (at such times and in such manner as
the Secretary may provide) of the product iden-
tification numbers so assigned and including
such information as the Secretary may require
with respect to the item of specified property to which such number was so assigned.

“(4) Specified property.—For purposes of this subsection, the term ‘specified property’ means any qualified energy property and any property described in subparagraph (B) or (C) of subsection (e)(3).”.

(2) Omission of correct product identification number treated as mathematical or clerical error.—Section 6213(g)(2), as amended by the preceding provisions of this Act, is amended—

(A) in subparagraph (Q), by striking “and” at the end,

(B) in subparagraph (R), by striking the period at the end and inserting “, and”, and

(C) by adding at the end the following:

“(S) an omission of a correct product identification number required under section 25C(h) (relating to credit for nonbusiness energy property) to be included on a return.”.

(h) Energy Efficient Home Improvement Credit.—

(1) In general.—The heading for section 25C is amended by striking “Nonbusiness Energy
PROPERTY” and inserting “ENERGY EFFICIENT HOME IMPROVEMENT CREDIT”.

(2) CLERICAL AMENDMENT.—The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by striking the item relating to section 25C and inserting after the item relating to section 25B the following item:

“Sec. 25C. Energy efficient home improvement credit.”.

(i) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as otherwise provided by this subsection, the amendments made by this section shall apply to property placed in service after December 31, 2021.

(2) HOME ENERGY AUDITS.—The amendments made by subsection (f) shall apply to amounts paid or incurred after December 31, 2021.

(3) IDENTIFICATION NUMBER REQUIREMENT.—The amendments made by subsection (g) shall apply to property placed in service after December 31, 2023.

SEC. 126302. RESIDENTIAL CLEAN ENERGY CREDIT.

(a) EXTENSION OF CREDIT.—

(1) IN GENERAL.—Section 25D(h) is amended by striking “December 31, 2023” and inserting “December 31, 2033”.

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(2) APPLICATION OF PHASEOUT.—Section 25D(g) is amended—

(A) in paragraph (2), by striking “before January 1, 2023, 26 percent, and” and inserting “before January 1, 2022, 26 percent,”, and 

(B) by striking paragraph (3) and by inserting after paragraph (2) the following new paragraphs:

“(3) in the case of property placed in service after December 31, 2021, and before January 1, 2032, 30 percent,

“(4) in the case of property placed in service after December 31, 2031, and before January 1, 2033, 26 percent, and

“(5) in the case of property placed in service after December 31, 2032, and before January 1, 2034, 22 percent.”.

(b) RESIDENTIAL CLEAN ENERGY CREDIT FOR BATTERY STORAGE TECHNOLOGY; CERTAIN EXPENDITURES DISALLOWED.—

(1) ALLOWANCE OF CREDIT.—Paragraph (6) of section 25D(a) is amended to read as follows:

“(6) the qualified battery storage technology expenditures,”.
(2) Definition of qualified battery storage technology expenditure.—Paragraph (6) of section 25D(d) is amended to read as follows:

“(6) Qualified battery storage technology expenditure.—The term ‘qualified battery storage technology expenditure’ means an expenditure for battery storage technology which—

“(A) is installed in connection with a dwelling unit located in the United States and used as a residence by the taxpayer, and

“(B) has a capacity of not less than 3 kilowatt hours.”.

(e) Installer Requirements; Treatment of Certain Possessions.—Section 25D is amended by redesignating subsection (h) as subsection (j) and by inserting after subsection (g) the following new subsections:

“(h) Requirement for qualified installer.—

“(1) In general.—No credit shall be allowed under this section with respect to any property described in subsection (a) placed in service after December 31, 2022, unless—

“(A) such property is installed by a qualified installer, and

“(B) the taxpayer includes the qualified installation identification number described in
paragraph (3) on the return of tax for the taxable year.

“(2) QUALIFIED INSTALLER.—

“(A) IN GENERAL.—For purposes of this section, the term ‘qualified installer’ means an installer who enters into an agreement with the Secretary which provides that such installer will, with respect to expenditures described in subsection (a) in connection with the residence of a taxpayer—

“(i) provide the taxpayer with a qualified installation identification number and a written receipt of the purchase and installation of such property in a manner prescribed by the Secretary, and

“(ii) make periodic written reports to the Secretary (in such manner as the Secretary may provide) of installation identification numbers assigned by the installer corresponding to such expenditures, including such information as the Secretary may require with respect to such expenditures.

“(B) INSTALLER DEEMED TO MEET REQUIREMENT.—For purposes of subparagraph (A), to the extent provided by the Secretary, an
installer may be deemed to meet the require-
ment under clause (ii) of such subparagraph on
the basis of information available to the Sec-
retary which the Secretary determines is rea-
sonably reliable for purposes of determining the
amount of qualified expenditures under sub-
section (a) made by a taxpayer in connection
with a residence of such taxpayer.

“(3) Qualified installation identification number.—For purposes of this section, the
term ‘qualified installation identification number’
means a unique identification number with respect
to expenditures described in subsection (a) in con-
nection with a residence of a taxpayer that is in-
stalled by a qualified installer.

“(4) Registration.—The Secretary shall re-
quire such information or registration of a qualified
installer as the Secretary deems necessary or appro-
priate for purposes of preventing duplication, fraud,
or improper claims with respect to expenditures de-
scribed in subsection (a). Under regulations or other
guidance prescribed by the Secretary, the registra-
tion of any person under this section may be denied,
revoked, or suspended if the Secretary determines
that such denial, revocation, or suspension is nec-
necessary to prevent duplication, fraud, or improper
claims with respect to expenditures described in sub-
section (a).

“(i) Treatment of Certain Possessions.—

“(1) Payments to Possessions with Mirror
Code Tax Systems.—The Secretary shall pay to
each possession of the United States which has a
mirror code tax system amounts equal to the loss (if
any) to that possession by reason of the application
of the provisions of this section. Such amounts shall
be determined by the Secretary based on information
provided by the government of the respective posses-
sion.

“(2) Payments to Other Possessions.—The
Secretary shall pay to each possession of the United
States which does not have a mirror code tax system
amounts estimated by the Secretary as being equal
to the aggregate benefits (if any) that would have
been provided to residents of such possession by rea-
son of the provisions of this section if a mirror code
tax system had been in effect in such possession.
The preceding sentence shall not apply unless the re-
spective possession has a plan which has been ap-
proved by the Secretary under which such possession
will promptly distribute such payments to its resi-
dents.

“(3) **Mirror code tax system; treatment**
of payments.—Rules similar to the rules of para-
graphs (3), (4), and (5) of section 21(h) shall apply
for purposes of this section.”.

(d) **Credit made refundable.**—

(1) **Credit moved to subpart relating to**
refundable credits.—Part IV of subchapter A of
chapter 1 is amended—

(A) by redesignating section 25D, as
amended by the preceding provisions of this
section, as section 36C, and

(B) by moving section 36C (as so redesig-
nated) from subpart A of such part to the loca-
tion immediately before section 37 in subpart C
of such part.

(2) **Elimination of carryforward of un-
used credit.**—Section 36C, as so redesignated, is
amended—

(A) in subsection (b)(1), by striking “(de-
termined without regard to subsection (c))”,
and

(B) by striking subsection (c).

(3) **Conforming amendments.**—
(A) Section 23(c)(1) is amended by striking “and section 25D”.

(B) Section 25(c)(1)(C) is amended by striking “sections 23 and 25D” and inserting “section 23”.

(C) Subsection (f)(1) of section 25C, as redesignated by section 126301(f)(3)(A), is amended by striking “25D(e)” and inserting “36C(e)”.

(D) Section 45(d)(1) is amended by striking “section 25D” and inserting “section 36C”.

(E) Section 1016(a)(34) is amended—

   (i) by striking “in section 25D(f)” and inserting “in section 36C(f)”, and

   (ii) by striking “under section 25D” and inserting “under section 36C”.

(F) Section 6211(b)(4)(A) is amended by inserting “36C,” after “36B,”.

(G) Paragraph (2) of section 1324(b) of title 31, United States Code, is amended by inserting “36C,” after “36B,”.

(H) The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by striking the item relating to section 25D.
(I) The table of sections for subpart C of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 36B the following new item:

"Sec. 36C. Residential clean energy credit."

(c) CONFORMING AMENDMENTS.—

(1) The heading for section 36C, as redesignated and moved by subsection (d), is amended by striking "ENERGY EFFICIENT PROPERTY" and inserting "CLEAN ENERGY CREDIT".

(2) Section 6213(g)(2), as amended by the preceding provisions of this Act, is amended—

(A) in subparagraph (R), by striking "and" at the end,

(B) in subparagraph (S), by striking the period at the end and inserting "and", and

(C) by adding at the end the following:

“(T) an omission of a correct qualified installation identification number required under section 36C (relating to residential clean energy credit) to be included on a return.”.

(f) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), the amendments made by this section shall apply to expenditures made after December 31, 2021.
(2) Installer requirements; treatment of certain possessions.—The amendments made by subsection (c) shall apply to expenditures made after December 31, 2022.

(3) Refundability.—The amendments made by subsection (d) shall apply to taxable years beginning after December 31, 2022.

SEC. 126303. ENERGY EFFICIENT COMMERCIAL BUILDINGS DEDUCTION.

(a) Placed in service requirement.—

(1) In general.—Section 179D(e)(2) is amended by striking “the most recent” and inserting the following: “the more recent of—

“(A) Standard 90.1-2007 published by the American Society of Heating, Refrigerating, and Air Conditioning Engineers and the Illuminating Engineering Society of North America, or

“(B) the most recent”.

(2) Final determination; extension of period; placed in service deadline.—Subparagraph (B) of section 179D(e)(2), as amended by paragraph (1), is amended—
(A) by inserting “for which the Department of Energy has issued a final determination and” before “which has been affirmed”,

(B) by striking “2 years” and inserting “4 years”, and

(C) by striking “that construction of such property begins” and inserting “such property is placed in service”.

(b) Temporary Increase in Deduction, etc.—Section 179D is amended by adding at the end the following:

“(i) Temporary Rules.—

“(1) Period of Application.—The provisions of this subsection shall apply only to taxable years beginning after December 31, 2021, and before January 1, 2032.

“(2) Modification of Efficiency Standard.—Subsection (c)(1)(D) shall be applied by substituting ‘25’ for ‘50’.

“(3) Maximum Amount of Deduction.—

“(A) In General.—The deduction under subsection (a) with respect to any building for any taxable year shall not exceed the excess (if any) of—

“(i) the product of—
“(I) the applicable dollar value, and

“(II) the square footage of the building, over

“(ii) the aggregate amount of the deductions under subsection (a) and paragraph (8) with respect to the building for the 3 taxable years immediately preceding such taxable year (or, in the case of any such deduction allowable to a person other than the taxpayer, for any taxable year ending during the 4-taxable-year period ending with such taxable year).

“(B) APPLICABLE DOLLAR VALUE.—For purposes of paragraph (3)(A)(i), the applicable dollar value shall be an amount equal to $0.50 increased (but not above $1.00) by $0.02 for each percentage point by which the total annual energy and power costs for the building are certified to be reduced by a percentage greater than 25 percent.

“(C) APPLICATION OF INFLATION ADJUSTMENT.—Subsection (g) shall be applied—

“(i) by substituting ‘2022’ for ‘2020’,

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“(ii) by substituting ‘subsection (i)(3)(B)’ for ‘subsection (b) or subsection (d)(1)(A)’, and
“(iii) by substituting ‘2021’ for ‘2019’.
“(D) LIMITATION TO APPLY IN LIEU OF CURRENT LIMITATION AND PARTIAL ALLOWANCE.—Subsections (b) and (d)(1) shall not apply.
“(4) INCREASED CREDIT AMOUNT FOR CERTAIN PROPERTY.—
“(A) IN GENERAL.—In the case of any property which satisfies the requirements of subparagraph (B), paragraph (3)(B) shall be applied by substituting ‘$2.50’ for ‘$0.50’, ‘$.10’ for ‘$.02’, and ‘$5.00’ for ‘$1.00’.
“(B) PROPERTY REQUIREMENTS.—In the case of any energy efficient commercial building property, energy efficient retrofit building property, or property installed pursuant to a qualified retrofit plan, such property shall meet the requirements of this subparagraph if —
“(i) construction of such property begins prior to the date that is 60 days after the Secretary publishes guidance with re-
spect to the requirements of paragraphs (5)(A) and (6), or

“(ii) construction of such property satisfies the requirements of paragraphs (5)(A) and (6).

“(5) PREVAILING WAGE REQUIREMENTS.—

“(A) IN GENERAL.—The requirements described in this subparagraph with respect to any property are that the taxpayer shall ensure that any laborers and mechanics employed by contractors and subcontractors in the construction of any property shall be paid wages at rates not less than the prevailing rates for construction, alteration, or repair of a similar character in the locality as most recently determined by the Secretary of Labor, in accordance with subchapter IV of chapter 31 of title 40, United States Code.

“(B) CORRECTION AND PENALTY RELATED TO FAILURE TO SATISFY WAGE REQUIREMENTS.—Rules similar to the rules of section 45(b)(7)(B) shall apply.

“(6) APPRENTICESHIP REQUIREMENTS.—Rules similar to the rules of section 45(b)(8) shall apply.
“(7) ALLOCATION OF DEDUCTION BY CERTAIN TAX-EXEMPT ENTITIES.—

“(A) IN GENERAL.—A specified tax-exempt entity shall be treated in the same manner as a Federal, State, or local government for purposes of applying subsection (d)(4).

“(B) SPECIFIED TAX-EXEMPT ENTITY.—For purposes of this paragraph, the term ‘specified tax-exempt entity’ means—

“(i) the United States, any State or political subdivision thereof, any possession of the United States, or any agency or instrumentality of any of the foregoing,

“(ii) an Indian tribal government (as defined in section 48(e)(4)(F)(ii)) or Alaska Native Corporation (as defined in section 3 of the Alaska Native Claims Settlement Act (43 U.S.C. 1602(m)), and

“(iii) any organization exempt from tax imposed by this chapter.

“(8) ALTERNATIVE DEDUCTION FOR ENERGY EFFICIENT RETROFIT BUILDING PROPERTY.—

“(A) IN GENERAL.—In the case of a taxpayer which elects (at such time and in such manner as the Secretary may provide) the ap-
lication of this paragraph with respect to any qualified building, there shall be allowed as a deduction for the taxable year which includes the date of the qualifying final certification with respect to the qualified retrofit plan of such building, an amount equal to the lesser of—

“(i) the excess described in paragraph (3) (determined by substituting ‘energy usage intensity’ for ‘total annual energy and power costs’ in subparagraph (B) thereof), or

“(ii) the aggregate adjusted basis (determined after taking into account all adjustments with respect to such taxable year other than the reduction under subsection (e)) of energy efficient retrofit building property placed in service by the taxpayer pursuant to such qualified retrofit plan.

“(B) QUALIFIED RETROFIT PLAN.—For purposes of this paragraph, the term ‘qualified retrofit plan’ means a written plan prepared by a qualified professional which specifies modifications to a building which, in the aggregate, are expected to reduce such building’s energy usage intensity by 25 percent or more in com-
parison to the baseline energy usage intensity of such building. Such plan shall provide for a qualified professional to—

“(i) as of any date during the 1-year period ending on the date of the first certification described in clause (ii), certify the energy usage intensity of such building as of such date,

“(ii) certify the status of property installed pursuant to such plan as meeting the requirements of clauses (ii) and (iii) subparagraph (C), and

“(iii) as of any date that is more than 1 year after completion of the plan, certify the energy usage intensity of such building as of such date.

“(C) ENERGY EFFICIENT RETROFIT BUILDING PROPERTY.—For purposes of this paragraph, the term ‘energy efficient retrofit building property’ means property—

“(i) with respect to which depreciation (or amortization in lieu of depreciation) is allowable,

“(ii) which is installed on or in any qualified building,
“(iii) which is installed as part of—

“(I) the interior lighting systems,

“(II) the heating, cooling, ventilation, and hot water systems, or

“(III) the building envelope, and

“(iv) which is certified in accordance with subparagraph (B)(ii) as meeting the requirements of clauses (ii) and (iii).

“(D) **Qualifying Building.**—For purposes of this paragraph, the term ‘qualified building’ means any building which—

“(i) is located in the United States, and

“(ii) was originally placed in service not less than 5 years before the establishment of the qualified retrofit plan with respect to such building.

“(E) **Qualifying Final Certification.**—For purposes of this paragraph, the term ‘qualifying final certification’ means, with respect to any qualified retrofit plan, the certification described in subparagraph (B)(iii) if the energy usage intensity certified in such certification is not more than 75 percent of the baseline energy usage intensity of the building.
“(F) Baseline energy usage intensity.—

“(i) In general.—The term ‘baseline energy usage intensity’ means the energy usage intensity certified under subparagraph (B)(i), as adjusted to take into account weather as compared to the energy usage intensity determined under subparagraph (B)(iii).

“(ii) Determination of adjustment.—For purposes of clause (i), the adjustments described in such clause shall be determined in such manner as the Secretary may provide.

“(G) Other definitions.—For purposes of this paragraph—

“(i) Energy usage intensity.—The term ‘energy usage intensity’ means the annualized, measured site energy usage intensity determined in accordance with such regulations or other guidance as the Secretary may provide and measured in British thermal units.

“(ii) Qualified professional.—The term ‘qualified professional’ means an
individual who is a licensed architect or a
licenced engineer and meets such other re-
quirements as the Secretary may provide.

“(H) COORDINATION WITH DEDUCTION
OTHERWISE ALLOWED UNDER SUBSECTION
(a).—

“(i) IN GENERAL.—In the case of any
building with respect to which an election
is made under subparagraph (A), the term
‘energy efficient commercial building prop-
erty’ shall not include any energy efficient
retrofit building property with respect to
which a deduction is allowable under this
paragraph.

“(ii) CERTAIN RULES NOT APPLIC-
ABLE.—

“(I) IN GENERAL.—Except as
provided in subclause (II), subsection
(d) shall not apply for purposes of
this paragraph.

“(II) ALLOCATION OF DEDUC-
TION BY CERTAIN TAX-EXEMPT ENTI-
ties.—Rules similar to subsection
(d)(4) (determined after application of
paragraph (7)) shall apply for purposes of this paragraph.”.

(c) **APPLICATION TO REAL ESTATE INVESTMENT TRUST EARNINGS AND PROFITS.**—Section 312(k)(3)(B) is amended—

(1) by striking “For purposes of computing the earnings and profits of a corporation” and inserting the following:

“(i) **IN GENERAL.**—For purposes of computing the earnings and profits of a corporation, except as provided in clause (ii), and

(2) by adding at the end the following new clause:

“(ii) **SPECIAL RULE.**—In the case of a corporation that is a real estate investment trust, any amount deductible under section 179D shall be allowed in the year in which the property giving rise to such deduction is placed in service.”.

(d) **CONFORMING AMENDMENT.**—Section 179D(d)(2) is amended by striking “not later than the date that is 2 years before the date that construction of such property begins” and inserting “not later than the
date that is 4 years before the date such property is placed
in service’’.

(c) Effective Date.—

(1) In general.—Except as otherwise pro-
vided in this subsection, the amendments made by
this section shall apply to taxable years beginning
after December 31, 2021.

(2) Alternative deduction for energy ef-
ficient retrofit building property.—Para-
graph (8) of section 179D(i) of the Internal Revenue
Code of 1986 (as added by this section), and any
other provision of such section solely for purposes of
applying such paragraph, shall apply to property
placed in service after December 31, 2021 (in tax-
able years ending after such date) if such property
is placed in service pursuant to qualified retrofit
plan (within the meaning of such section) estab-
ished after such date.

SEC. 126304. EXTENSION, INCREASE, AND MODIFICATIONS
OF NEW ENERGY EFFICIENT HOME CREDIT.

(a) Extension of credit.—Section 45L(g) is
amended by striking “December 31, 2021” and inserting
“December 31, 2031”.

(b) Increase in credit amounts.—Section
45L(a)(2) is amended to read as follows:
“(2) APPLICABLE AMOUNT.—For purposes of paragraph (1), the applicable amount is an amount equal to—

“(A) in the case of a dwelling unit which is eligible to participate in the Energy Star Residential New Construction Program or the Energy Star Manufactured New Homes program—

“(i) which meets the requirements of subsection (c)(1)(A) (and which does not meet the requirements of subsection (c)(1)(B)), $2,500, and

“(ii) which meets the requirements of subsection (c)(1)(B), $5,000, and

“(B) in the case of a dwelling unit which is part of a building eligible to participate in the Energy Star Multifamily New Construction Program—

“(i) which meets the requirements of subsection (c)(1)(A) (and which does not meet the requirements of subsection (c)(1)(B)), $500, and

“(ii) which meets the requirements of subsection (c)(1)(B), $1,000.”.
Modification of Energy Saving Requirements.—Section 45L(c) is amended to read as follows:

"(c) Energy Saving Requirements.—

"(1) In general.—

"(A) In general.—A dwelling unit meets the requirements of this subparagraph if such dwelling unit meets the requirements of paragraph (2) or (3) (whichever is applicable).

"(B) Zero energy ready home program.—A dwelling unit meets the requirements of this subparagraph if such dwelling unit is certified as a zero energy ready home under the zero energy ready home program of the Department of Energy (or any successor program determined by the Secretary) as in effect on January 1, 2022.

"(2) Single-family home requirements.—A dwelling unit meets the requirements of this paragraph if—

"(A) such dwelling unit meets—

"(i) in the case of a dwelling unit acquired before January 1, 2025, the Energy Star Single-Family New Homes National Program Requirements 3.1, and
“(ii) in the case of a dwelling unit acquired after December 31, 2024, the Energy Star Single-Family New Homes National Program Requirements 3.2,

“(B) such dwelling unit meets the most recent Energy Star Single-Family New Homes Program Requirements applicable to the location of such dwelling unit (as in effect on the latter of January 1, 2022, or January 1 of two calendar years prior to the date the dwelling unit was acquired), or

“(C) such dwelling unit meets the most recent Energy Star Manufactured Home National program requirements as in effect on the latter of January 1, 2022, or January 1 of two calendar years prior to the date such dwelling unit is acquired.

“(3) MULTI-FAMILY HOME REQUIREMENTS.—A dwelling unit meets the requirements of this paragraph if—

“(A) such dwelling unit meets the most recent Energy Star Multifamily New Construction National Program Requirements (as in effect on either January 1, 2022, or January 1 of
three calendar years prior to the date the dwelling was acquired, whichever is later), and

“(B) such dwelling unit meets the most recent Energy Star Multifamily New Construction Regional Program Requirements applicable to the location of such dwelling unit (as in effect on either January 1, 2022, or January 1 of three calendar years prior to the date the dwelling was acquired, whichever is later).”.

(d) **Prevailing Wage Requirement.**—Section 45L is amended by redesignating subsection (g) as subsection (h) and by inserting after subsection (f) the following new subsection:

“(g) **Prevailing Wage Requirement.**—

“(1) **In General.**—In the case of a qualifying residence described in subsection (b)(2)(B) meeting the prevailing wage requirements of paragraph (2)(A), the credit amount allowed with respect to such residence shall be—

“(A) $2,500 in the case of a residence which meets the requirements of subparagraph (A) of subsection (c)(1) (and which does not meet the requirements of subparagraph (B) of such subsection), and
“(B) $5,000 in the case of a residence which meets the requirements of subsection (c)(1)(B).

“(2) PREVAILING WAGE REQUIREMENTS.—

“(A) IN GENERAL.—The requirements described in this subparagraph with respect to any qualified residence are that the taxpayer shall ensure that any laborers and mechanics employed by contractors and subcontractors in the construction of such residence shall be paid wages at rates not less than the prevailing rates for construction, alteration, or repair of a similar character in the locality as most recently determined by the Secretary of Labor, in accordance with subchapter IV of chapter 31 of title 40, United States Code.

“(B) CORRECTION AND PENALTY RELATED TO FAILURE TO SATISFY WAGE REQUIREMENTS.—Rules similar to the rules of section 45(b)(7)(B) shall apply.

“(3) REGULATIONS AND GUIDANCE.—The Secretary shall issue such regulations or other guidance as the Secretary determines necessary or appropriate to carry out the purposes of this subsection, including regulations or other guidance which provides for
requirements for recordkeeping or information re-
porting for purposes of administering the require-
ments of this subsection.”.

(c) Effective Dates.—The amendments made by
this section shall apply to dwelling units acquired after
December 31, 2021.

SEC. 126305. MODIFICATIONS TO INCOME EXCLUSION FOR
CONSERVATION SUBSIDIES.

(a) In General.—Section 136(a) is amended—

(1) by striking “any subsidy provided” and in-
serting “any subsidy—

“(1) provided”,

(2) by striking the period at the end and insert-
ing a comma, and

(3) by adding at the end the following new
paragraphs:

“(2) provided (directly or indirectly) by a public
utility to a customer, or by a State or local govern-
ment to a resident of such State or locality, for the
purchase or installation of any water conservation or
efficiency measure,

“(3) provided (directly or indirectly) by a storm
water management provider to a customer, or by a
State or local government to a resident of such State
or locality, for the purchase or installation of any
storm water management measure, or

“(4) provided (directly or indirectly) by a State
or local government to a resident of such State or
locality for the purchase or installation of any waste-
water management measure, but only if such meas-
ure is with respect to the taxpayer’s principal resi-
dence.”.

(b) CONFORMING AMENDMENTS.—

(1) DEFINITION OF WATER CONSERVATION OR
EFFICIENCY MEASURE AND STORM WATER MANAGE-
MENT MEASURE.—Section 136(c) is amended—

(A) by striking “ENERGY CONSERVATION
MEASURE” in the heading thereof and inserting
“DEFINITIONS”,

(B) by striking “IN GENERAL” in the
heading of paragraph (1) and inserting “EN-
ERGY CONSERVATION MEASURE”, and

(C) by redesignating paragraph (2) as
paragraph (5) and by inserting after paragraph
(1) the following:

“(2) WATER CONSERVATION OR EFFICIENCY
MEASURE.—For purposes of this section, the term
‘water conservation or efficiency measure’ means any
evaluation of water use, or any installation or modi-
ification of property, the primary purpose of which is to reduce consumption of water or to improve the management of water demand with respect to one or more dwelling units.

“(3) STORM WATER MANAGEMENT MEASURE.—For purposes of this section, the term ‘storm water management measure’ means any installation or modification of property primarily designed to reduce or manage amounts of storm water with respect to one or more dwelling units.

“(4) WASTEWATER MANAGEMENT MEASURE.—For purposes of this section, the term ‘wastewater management measure’ means any installation or modification of property primarily designed to manage wastewater (including septic tanks and cesspools) with respect to one or more dwelling units.”.

(2) DEFINITION OF PUBLIC UTILITY.—Section 136(e)(5) (as redesignated by paragraph (1)(C)) is amended by striking subparagraph (B) and inserting the following:

“(B) PUBLIC UTILITY.—The term ‘public utility’ means a person engaged in the sale of electricity, natural gas, or water to residential, commercial, or industrial customers for use by such customers.
“(C) Storm water management provider.—The term ‘storm water management provider’ means a person engaged in the provision of storm water management measures to the public.

“(D) Person.—For purposes of subparagraphs (B) and (C), the term ‘person’ includes the Federal Government, a State or local government or any political subdivision thereof, or any instrumentality of any of the foregoing.”.

(3) Clerical amendments.—

(A) The heading for section 136 is amended—

(i) by inserting “AND WATER” after “ENERGY”, and

(ii) by striking “PROVIDED BY PUBLIC UTILITIES”.

(B) The item relating to section 136 in the table of sections of part III of subchapter B of chapter 1 is amended—

(i) by inserting “and water” after “energy”, and

(ii) by striking “provided by public utilities”.
(c) **Effective Date.**—The amendments made by this section shall apply to amounts received after December 31, 2018.

(d) **No Inference.**—Nothing in this Act or the amendments made by this Act shall be construed to create any inference with respect to the proper tax treatment of any subsidy received directly or indirectly from a public utility, a storm water management provider, or a State or local government for any water conservation measure or storm water management measure before January 1, 2019.

**SEC. 126306. CREDIT FOR QUALIFIED WILDFIRE MITIGATION EXPENDITURES.**

(a) **In General.**—Subpart B of part IV of subchapter A of chapter 1 is amended by inserting after section 27 the following new section:

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“SEC. 28. QUALIFIED WILDFIRE MITIGATION EXPENDITURES.

“(a) **In General.**—There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 30 percent of the qualified wildfire mitigation expenditures paid or incurred by the taxpayer during such taxable year with respect to real property owned or leased by the taxpayer.
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“(b) Qualified Wildfire Mitigation Expenditures.—For purposes of this section—

“(1) In general.—The term ‘qualified wildfire mitigation expenditures’ means any specified wildfire mitigation expenditure made pursuant to a qualified State wildfire mitigation program of a State which requires expenditures for wildfire mitigation to be paid both by the taxpayer and such State. Such term shall not include any item of expenditure unless the ratio (expressed as a percentage) of the State’s expenditure for such item to the sum of the State’s and taxpayer’s expenditures for such item is not less than 25 percent.

“(2) Specified wildfire mitigation expenditure.—The term ‘specified wildfire mitigation expenditure’ means, with respect to any real property owned or leased by the taxpayer, any amount paid or incurred to reduce the risk of wildfire by removing accumulations of vegetation (including establishing, expanding, or maintaining fuel breaks to serve as fire breaks) on such real property.

“(3) Qualified State wildfire mitigation program.—The term ‘qualified State wildfire mitigation program’ means any program of a State the
primary purpose of which is to mitigate the risk of wildfires in such State.

“(4) Treatment of Reimbursements.—Any amount originally paid or incurred by the taxpayer which is reimbursed by a State under a qualified wildfire mitigation program of such State shall be treated as paid by such State (and not by such taxpayer).

“(e) Application With Other Credits.—

“(1) Business Credit Treated as Part of General Business Credit.—So much of the credit which would be allowed under subsection (a) for any taxable year (determined without regard to this subsection) that is attributable to expenditures made in the ordinary course of the taxpayer’s trade or business (or, in the case of expenditures made by a State, would have been expenditures made in the ordinary course of the taxpayer’s trade or business if made by the taxpayer) shall be treated as a credit listed in section 38(b) for taxable year (and not allowed under subsection (a)).

“(2) Personal Credit.—For purposes of this title, the credit allowed under subsection (a) for any taxable year (determined after application of para-
graph (1)) shall be treated as a credit allowable
under subpart A for such taxable year.

“(d) REDUCTION OF CREDIT PERCENTAGE WHERE
TAXPAYER EXPENDITURES LESS THAN 30 PERCENT.—

“(1) IN GENERAL.—If the expenditure percent-
age with respect to any item of any qualified wildfire
mitigation expenditure is less than 30 percent, sub-
section (a) shall be applied by substituting ‘the ex-
penditure percentage’ for ‘30 percent’ with respect
to such item of expenditure.

“(2) EXPENDITURE PERCENTAGE.—For pur-
poses of this section, the term ‘expenditure percent-
age’ means, with respect to any item of any qualified
wildfire mitigation expenditure any portion of which
is paid or incurred by a State, the ratio (expressed
as a percentage) of—

“(A) the taxpayer’s expenditure for such
item, divided by

“(B) the sum of the taxpayer’s and such
State’s expenditures for such item.

“(e) SPECIAL RULES.—

“(1) TREATMENT OF EXPENDITURES RELATED
TO MARKETABLE TIMBER.—An expenditure shall not
be taken into account for purposes of this section
(whether made by the taxpayer or a State pursuant
to a qualified State wildfire mitigation program of such State) if such expenditure is properly allocable to timber which is sold or exchanged by the taxpayer. The preceding sentence shall not apply to the extent that such amount exceeds the gain on such sale or exchange.

“(2) Basis reduction.—For purposes of this subtitle, if the basis of any property would (but for this paragraph) be determined by taking into account any qualified wildfire mitigation expenditure, the basis of such property shall be reduced by the amount of the credit allowed under subsection (a) with respect to such expenditure (determined without regard to subsection (c)).

“(3) Denial of double benefit.—The amount of any deduction or other credit allowable under this chapter for any expenditure for which a credit is allowable under subsection (a) shall be reduced by the amount of credit allowed under such subsection for such expenditure (determined without regard to subsection (c)).”.

(b) Conforming Amendments.—

(1) Section 38(b), as amended by the preceding provisions of this Act, is amended by striking “plus” at the end of paragraph (37), by striking the period
at the end of paragraph (38) and inserting “, plus”,
and by adding at the end the following new para-
graph:
“(39) the portion of the qualified wildfire miti-
gation expenditures credit to which section 28(c)(1)
applies.”.

(2) Section 1016(a) is amended by redesign-
nating paragraphs (35) through (38) as paragraphs
(36) through (39), respectively, and by inserting
after paragraph (34) the following new paragraph:
“(35) to the extent provided in section
28(e)(2),”.

(3) The table of sections for subpart B of part
IV of subchapter A of chapter 1 is amended by in-
serting after the item relating to section 27 the fol-
lowing new item:
“Sec. 28. Qualified wildfire mitigation expenditures.”.

(c) EFFECTIVE DATE.—The amendments made by
this section shall apply to expenditures paid or incurred
after the date of the enactment of this Act, in taxable
years ending after such date.
PART 4—GREENING THE FLEET AND
ALTERNATIVE VEHICLES

SEC. 126401. REFUNDABLE NEW QUALIFIED PLUG-IN ELECTRIC DRIVE MOTOR VEHICLE CREDIT FOR INDIVIDUALS.

(a) MAKING CREDIT REFUNDABLE.—

(1) CREDIT MOVED TO SUBPART RELATING TO REFUNDABLE CREDITS.—Part IV of subchapter A of chapter 1, as amended by the preceding provisions of this Act, is amended—

(A) by redesignating section 30D as section 36D, and

(B) by moving section 36D (as so redesignated) from subpart B of such part to the location immediately before section 37 in subpart C of such part.

(2) CONFORMING AMENDMENT.—Section 36D, as redesignated and moved by paragraph (1), is amended by striking subsection (c).

(b) ALLOWANCE OF CREDIT FOR INDIVIDUALS.—

Subsection (a) of section 36D, as redesignated and moved by subsection (a), is amended—

(1) by striking “There shall be allowed” and inserting “In the case of an individual, there shall be allowed”,

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(2) by striking “chapter” and inserting “sub-
title”,

(3) by striking “the sum of the credit amounts”
and inserting “the credit amount”, and

(4) by striking “each new” and inserting “a
new”.

c) CREDIT AMOUNT.—Section 36D, as redesignated
and moved by subsection (a), is amended by striking sub-
section (b) and inserting the following:

“(b) CREDIT AMOUNT.—

“(1) IN GENERAL.—The amount determined
under this subsection with respect to any new quali-
fied plug-in electric drive motor vehicle is the sum
of the amounts determined under paragraphs (2)
through (5) with respect to such vehicle (not to ex-
ceed 50 percent of the purchase price of such vehi-
icle).

“(2) BASE AMOUNT.—The amount determined
under this paragraph is $4,000.

“(3) BATTERY CAPACITY.—In the case of a new
qualified plug-in electric drive motor vehicle, the
amount determined under this paragraph is $3,500
if—

“(A) in the case of a vehicle placed in serv-
ice before January 1, 2027, such vehicle draws
propulsion energy from a battery with not less than 40 kilowatt hours of capacity and has a gasoline tank capacity not greater than 2.5 gallons, and

“(B) in the case of a vehicle placed in service after December 31, 2026, such vehicle draws propulsion energy from a battery with not less than 50 kilowatt hours of capacity and has a gasoline tank capacity not greater than 2.5 gallons.

“(4) DOMESTIC ASSEMBLY.—In the case of a new qualified plug-in electric drive motor vehicle which satisfies the domestic assembly qualifications, the amount determined under this paragraph is $4,500.

“(5) DOMESTIC CONTENT.—In the case of a new qualified plug-in electric drive motor vehicle which satisfies domestic content qualifications, the amount determined under this paragraph is $500.”.

(d) LIMITATIONS.—Section 36D, as redesignated, moved, and amended by subsection (a), is amended—

(1) by striking subsection (e),

(2) by redesignating subsections (d), (f), and (g) as subsection (f), (g), and (h), respectively, and
(3) by inserting after subsection (b) the following:

“(c) Vehicle Limitation.—The number of vehicles taken into account under subsection (a) shall not exceed 1 per taxpayer per taxable year.

“(d) Limitation Based on Modified Adjusted Gross Income.—

“(1) In General.—The amount of the credit allowable under subsection (a) for any taxable year shall be reduced (but not below zero) by $200 for each $1,000 (or fraction thereof) by which—

“(A) the lesser of—

“(i) the taxpayer’s modified adjusted gross income for such taxable year, or

“(ii) the taxpayer’s modified adjusted gross income for the preceding taxable year, exceeds

“(B) the threshold amount.

For purposes of the preceding sentence, the term ‘modified adjusted gross income’ means adjusted gross income increased by any amount excluded from gross income under section 911, 931, or 933.

“(2) Threshold Amount.—For purposes of paragraph (1), the term ‘threshold amount’ means—
“(A) $500,000 in the case of a joint return
or surviving spouse (half such amount in the
case of a married individual filing a separate re-
turn),

“(B) $375,000 in the case of a head of
household, and

“(C) $250,000 in any other case.

“(e) Manufacturer’s Suggested Retail Price
Limitation.—

“(1) In General.—No credit shall be allowed
under subsection (a) for a vehicle with a manufac-
turer’s suggested retail price in excess of the appli-
cable limitation.

“(2) Applicable Limitation.—For purposes
of paragraph (1), the applicable limitation for each
vehicle classification is as follows:

“(A) Vans.—In the case of a van, $80,000.

“(B) Sport Utility Vehicles.—In the case
of a sport utility vehicle, $80,000.

“(C) Pickup Trucks.—In the case of a
pickup truck, $80,000.

“(D) Other.—In the case of any other ve-
hicle, $55,000.
“(3) Regulations and Guidance.—For purposes of this subsection, the Secretary shall prescribe such regulations or other guidance as the Secretary determines necessary or appropriate for determining vehicle classifications using criteria similar to that employed by the Environmental Protection Agency and the Department of the Energy to determine size and class of vehicles.”.”

(e) Definition of New Qualified Plug-in Electric Drive Motor Vehicle.—Subsection (f) of section 36D, as redesignated by subsection (d), is amended—

(1) in paragraph (1)—

(A) in subparagraph (B), by striking “or lease”,

(B) in subparagraph (C), by inserting “qualified” before “manufacturer”,

(C) in subparagraph (E), by striking “and” at the end,

(D) in subparagraph (F)—

(i) in clause (i), by striking “4” and inserting “10”, and

(ii) in clause (ii), by striking the period at the end and inserting a comma, and

(E) by adding at the end the following:
“(G) with respect to which, in the case of a vehicle placed in service after December 31, 2026, final assembly is within the United States,

“(H) is not of a character subject to an allowance for depreciation, and

“(I) for which the person who sells any vehicle to the taxpayer furnishes a report to the taxpayer and to the Secretary, at such time and in such manner as the Secretary shall provide, containing—

“(i) the name and taxpayer identification number of the taxpayer,

“(ii) the vehicle identification number of the vehicle, unless, in accordance with any applicable rules promulgated by the Secretary of Transportation, the vehicle is not assigned such a number,

“(iii) the battery capacity of the vehicle,

“(iv) in the case of any new qualified plug-in electric drive motor vehicle, verification that original use of the vehicle commences with the taxpayer, and
“(v) the maximum credit under this section allowable to the taxpayer with respect to the vehicle.”, and

(2) in paragraph (3)—

(A) in the heading, by striking “MANUFACTURER” and inserting “QUALIFIED MANUFACTURER”,

(B) by striking “The term ‘manufacturer’ has the meaning given such term in” and inserting “The term ‘qualified manufacturer’ means any manufacturer (within the meaning of the”), and

(C) by inserting “) which enters into a written agreement with the Secretary under which such manufacturer agrees to make periodic written reports to the Secretary (at such times and in such manner as the Secretary may provide) providing vehicle identification numbers and such other information related to each vehicle manufactured by such manufacturer as the Secretary may require” before the period at the end.

(f) SPECIAL RULES.—Subsection (g) of section 36D, as redesignated by subsection (d), is amended—
(1) in paragraph (1), by striking “(determined
without regard to subsection (c))”,
(2) in paragraph (2), by striking “(determined
without regard to subsection (c))”,
(3) by striking paragraph (3),
(4) by redesignating paragraphs (4) through
(7) as paragraphs (3) through (6), respectively, and
(5) in paragraph (4), as so redesignated, by in-
serting “or other guidance” after “by regulations”.
(g) 2 AND 3-WHEELED PLUG-IN ELECTRIC VEHI-
CLES.—Subsection (h) of section 36D, as redesignated by
subsection (d), is amended—
(1) in paragraph (1)(A), by striking “chapter”
and inserting “subtitle”, and
(2) by striking paragraphs (2) and (3) and in-
serting the following:
“(2) APPLICABLE AMOUNT.—For purposes of
paragraph (1), the applicable amount is an amount
equal to the lesser of—
“(A) 30 percent of the cost of the qualified
2- or 3-wheeled plug-in electric vehicle, or
“(B) $7,500.
“(3) QUALIFIED 2- OR 3-WHEELED PLUG-IN
ELECTRIC VEHICLE.—The term ‘qualified 2- or 3-
wheeled plug-in electric vehicle’ means any vehicle
which—
“(A) has 2 or 3 wheels,
“(B) meets the requirements of—
“(i) subparagraphs (A), (B), (C), (E), (F), (G), and (H) of subsection (f)(1) (determined by substituting ‘2.5 kilowatt hours’ for ‘10 kilowatt hours’ in subparagraph (F)(i) of such subsection), and
“(ii) subparagraph (I) of such subsection, determined by substituting ‘qualified 2- or 3-wheeled plug-in electric vehicle’ for ‘new qualified plug-in electric drive motor vehicle’ in clause (iv) of such subparagraph,
“(C) is manufactured primarily for use on public streets, roads, and highways, and
“(D) is capable of achieving a speed of 45 miles per hour or greater.”.

(h) ADDITIONAL PROVISIONS.—Section 36D, as redesignated and moved by subsection (a), is amended by adding at the end the following:
“(i) VIN NUMBER REQUIREMENT.—No credit shall be allowed under this section with respect to any vehicle unless the taxpayer includes the vehicle identification

number of such vehicle on the return of tax for the taxable year.

“(j) TREATMENT OF CERTAIN POSSESSIONS.—

“(1) PAYMENTS TO POSSESSIONS WITH MIRROR CODE TAX SYSTEMS.—The Secretary shall pay to each possession of the United States which has a mirror code tax system amounts equal to the loss (if any) to that possession by reason of the application of the provisions of this section (determined without regard to this subsection). Such amounts shall be determined by the Secretary based on information provided by the government of the respective possession.

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

"(3) Mirror code tax system; treatment of payments.—Rules similar to the rules of paragraphs (3), (4), and (5) of section 21(h) shall apply for purposes of this section.

"(k) Assembly and content qualifications.—For purposes of this section—

"(1) Domestic assembly qualifications.—The term ‘domestic assembly qualifications’ means, with respect to any new qualified plug-in electric vehicle, that the final assembly of such vehicle occurs at a plant, factory, or other place which is located in the United States and operating under a collective bargaining agreement negotiated by an employee organization (as defined in section 412(c)(4)), determined in a manner consistent with section 7701(a)(46).

"(2) Domestic content qualifications.—The term ‘domestic content qualifications’ means, with respect to any model of a new qualified plug-in electric vehicle, that vehicles of that model are powered by battery cells which are manufactured in the United States, as certified by the manufacturer
at such time and in such form and manner as the Secretary may prescribe.

“(3) **Final Assembly.**—The term ‘final assembly’ means the process by which a manufacturer produces a new qualified plug-in electric drive motor vehicle at, or through the use of, a plant, factory, or other place from which the vehicle is delivered to a dealer or importer with all component parts necessary for the mechanical operation of the vehicle included with the vehicle, whether or not the component parts are permanently installed in or on the vehicle.

“(1) **Termination.**—No credit shall be allowed under this section with respect to any vehicle acquired after December 31, 2031.”

(i) **Transfer of Credit.**—

(1) **In general.**—Section 36D, as redesignated and moved by subsection (a), is amended by redesignating subsection (l) as subsection (m) and by inserting after subsection (k) following new subsection:

“(l) **Transfer of Credit.**—

“(1) **In general.**—Subject to such regulations or other guidance as the Secretary determines necessary or appropriate, if the taxpayer who acquires
a new plug-in electric drive motor vehicle or qualified
2- or 3-wheeled plug-in electric vehicle elects the ap-
plication of this subsection with respect to such vehi-
cle, the credit which would (but for this subsection)
be allowed to such taxpayer with respect to such ve-
hicle shall be allowed to the eligible entity specified
in such election (and not to such taxpayer).

“(2) ELIGIBLE ENTITY.—For purposes of this
subsection, the term ‘eligible entity’ means, with re-
spect to the vehicle for which the credit is allowed
under subsection (a), the dealer which sold such ve-
hicle to the taxpayer and has—

“(A) subject to paragraph (4), registered
with the Secretary for purposes of this para-
graph, at such time, and in such form and
manner, as the Secretary may prescribe,

“(B) prior to the election described in
paragraph (1) and not later than at the time of
such sale, disclosed to the taxpayer purchasing
such vehicle—

“(i) the manufacturer’s suggested re-
tail price,

“(ii) the value of the credit allowed or
other incentive available for the purchase
of such vehicle, and
“(iii) the amount provided by the dealer to such taxpayer as a condition of the election described in paragraph (1),

“(C) made payment to such taxpayer (whether in cash or in the form of a partial payment or down payment for the purchase of such vehicle) in an amount equal to the credit otherwise allowable to such taxpayer, and

“(D) with respect to any incentive other- wise available for the purchase of a vehicle for which a credit is allowed under this section, in- cluding any incentive in the form of a rebate or discount provided by the dealer or manufac- turer, ensured that—

“(i) the availability or use of such in- centive shall not limit the ability of a tax- payer to make an election described in paragraph (1), and

“(ii) such election shall not limit the value or use of such incentive.

“(3) TIMING.—An election described in para- graph (1) shall be made by the taxpayer not later than the date on which the vehicle for which the credit is allowed under subsection (a) is purchased.
“(4) Revocation of registration.—Upon determination by the Secretary that a dealer has failed to comply with the requirements described in paragraph (2), the Secretary may revoke the registration (as described in subparagraph (A) of such paragraph) of such dealer.

“(5) Tax treatment of payments.—With respect to any payment described in paragraph (2)(C), such payment—

“(A) shall not be includible in the gross income of the taxpayer, and

“(B) with respect to the dealer, shall not be deductible under this title.

“(6) Application of certain other requirements.—

“(A) In general.—In the case of any election under paragraph (1) with respect to any vehicle—

“(i) subject to subparagraph (B), the amount of the reduction under subsection (d) shall be determined with respect to the modified adjusted gross income of the taxpayer for the taxable year preceding the taxable year in which such vehicle was acquired (and not with respect to such in-
come for the taxable year in which such ve-
hicle was acquired),

“(ii) the requirements of paragraphs
(1) and (2) of subsection (g) shall apply to
the taxpayer who acquired the vehicle in
the same manner as if the credit deter-
mined under this section with respect to
such vehicle were allowed to such taxpayer,

“(iii) subsection (g)(5) shall not
apply, and

“(iv) the requirement of subsection (i)
shall be treated as satisfied if the eligible
entity provides the vehicle identification
number of such vehicle to the Secretary in
such manner as the Secretary may provide.

“(B) ALTERNATIVE METHOD.—For pur-
poses of subparagraph (A)(i), in the case of a
taxpayer who, at the time the vehicle was ac-
quired, has not filed a tax return for the tax-
able year described in such subparagraph, the
Secretary shall prescribe such regulations or
other guidance as the Secretary determines ap-
propriate for establishing an alternative method
for determining the modified adjusted gross in-
come of the taxpayer for purposes of the applic-
cation of subsection (d).

“(7) ADVANCE PAYMENT TO REGISTERED
DEALERS.—

“(A) IN GENERAL.—The Secretary shall
establish a program to make advance payments
to any eligible entity in an amount equal to the
cumulative amount of the credits allowed under
subsection (a) with respect to any vehicles sold
by such entity for which an election described
in paragraph (1) has been made.

“(B) EXCESSIVE PAYMENTS.—Rules simi-
lar to the rules of section 6417(c)(7) shall apply
for purposes of this paragraph.

“(8) DEALER.—For purposes of this sub-
section, the term ‘dealer’ means a person licensed by
a State, the District of Columbia, the Common-
wealth of Puerto Rico, any other territory or posses-
sion of the United States, an Indian tribal govern-
ment (as defined in section 48(e)(4)(F)(ii)), or any
Alaska Native Corporation (as defined in section 3
of the Alaska Native Claims Settlement Act (43
U.S.C. 1602(m)) to engage in the sale of vehicles.”.
(2) Conforming amendments.—Section 36D, as amended by the preceding provisions of this section, is amended—

(A) in subsection (c), by inserting “, including any vehicle with respect to which the taxpayer elects the application of subsection (l)” before the period at the end, and

(B) in subsection (f)(1)(I) of such section—

(i) in clause (iv), by striking “and” at the end,

(ii) in clause (v), by striking the period at the end and inserting “, and”, and

(iii) by adding at the end the following:

“(vi) in the case of a taxpayer who makes an election under subsection (l)(1)—

“(I) the modified adjusted gross income of such taxpayer in the previous taxable year, as described in subsection (l)(6)(A), and

“(II) any amount described in subsection (l)(2)(C) which has been provided to such taxpayer.”.
(j) CONFORMING AMENDMENTS.—

(1) Section 1016(a)(38), as redesignated by section 126306, is amended by striking “section 30D(f)(1)” and inserting “section 36D(g)(1)”.

(2) Section 6211(b)(4)(A), as amended by the preceding provisions of this Act, is amended by inserting “36D,” after “36C,”.

(3) Section 6213(g)(2), as amended by the preceding provisions of this Act, is amended—

(A) in subparagraph (S), by striking “and” at the end,

(B) in subparagraph (T), by striking the period at the end and inserting “, and”, and

(C) by adding at the end the following:

“(U) an omission of a correct vehicle identification number required under section 36D(i) (relating to credit for new qualified plug-in electric drive motor vehicles) to be included on a return.”.

(4) Section 6501(m) is amended by striking “30D(e)(4)” and inserting “36D(g)(5)”.

(5) Section 166(b)(5)(A)(ii) of title 23, United States Code, is amended by striking “section 30D(d)(1)” and inserting “section 36D(f)(1)”.

(6) Section 1324(b)(2) of title 31, United States Code, as amended by the preceding provisions of this Act, is amended by inserting “36D,” after “36C,”.

(7) The table of sections for subpart C of part IV of subchapter A of chapter 1, as amended by the preceding provisions of this Act, is amended by inserting after the item relating to section 36C the following new item:

“Sec. 36D. New qualified plug-in electric drive motor vehicles.”.

(k) GROSS-UP OF DIRECT SPENDING.—Beginning in fiscal year 2023 and each fiscal year thereafter, the portion of any credit allowed to an eligible entity (as defined in section 36D(l)(2) of the Internal Revenue Code of 1986) pursuant to an election made under section 36D(l) of the Internal Revenue Code of 1986 that is direct spending shall be increased by 6.0445 percent.

(l) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to vehicles acquired after December 31, 2021.

(2) LIMITATIONS; TRANSFER OF CREDIT.—The amendments made by subsections (d) and (i) shall apply to vehicles acquired after December 31, 2022.
SEC. 126402. CREDIT FOR PREVIOUSLY-OWNED QUALIFIED PLUG-IN ELECTRIC DRIVE MOTOR VEHICLES.

(a) IN GENERAL.—Subpart C of part IV of subchapter A of chapter 1, as amended by the preceding provisions of this Act, is amended by inserting after section 36D the following new section:

"SEC. 36E. PREVIOUSLY-OWNED QUALIFIED PLUG-IN ELECTRIC DRIVE MOTOR VEHICLES.

"(a) ALLOWANCE OF CREDIT.—In the case of a qualified buyer who during a taxable year places in service a previously-owned qualified plug-in electric drive motor vehicle, there shall be allowed as a credit against the tax imposed by this subtitle for the taxable year an amount equal to the sum of—

"(1) $2,000, plus

"(2) in the case of a vehicle which satisfies the requirements under subsection (b), $2,000.

"(b) SUPPLEMENTAL CREDIT REQUIREMENTS.—A previously-owned qualified plug-in electric drive motor vehicle satisfies the requirements of this subsection if—

"(1) in the case of a vehicle placed in service before January 1, 2027, such vehicle draws propulsion energy from a battery with not less than 40 kilowatt hours of capacity and has a gasoline tank capacity not greater than 2.5 gallons, and
“(2) in the case of a vehicle placed in service after December 31, 2026, such vehicle draws propulsion energy from a battery with not less than 50 kilowatt hours of capacity and has a gasoline tank capacity not greater than 2.5 gallons.

“(e) LIMITATIONS.—

“(1) SALE PRICE.—The credit allowed under subsection (a) with respect to the sale of a vehicle shall not exceed 50 percent of the sale price.

“(2) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—The amount which would (but for this paragraph) be allowed as a credit under subsection (a) shall be reduced (but not below zero) by $200 for each $1,000 (or fraction thereof) by which the lesser of—

“(A) the taxpayer’s modified adjusted gross income for such taxable year, or

“(B) the taxpayer’s modified adjusted gross income for the preceding taxable year, exceeds—

“(i) $150,000 in the case of a joint return or a surviving spouse (as defined in section 2(a)),
“(ii) $112,500 in the case of a head of household (as defined in section 2(b)), and
“(iii) $75,000 in the case of a taxpayer not described in paragraph (1) or (2).

“(d) Definitions.—For purposes of this section—
“(1) Previously-owned qualified plug-in electric drive motor vehicle.—The term ‘previously-owned qualified plug-in electric drive motor vehicle’ means, with respect to a taxpayer, a motor vehicle—
“(A) the model year of which is at least 2 years earlier than the calendar year in which the taxpayer acquires such vehicle,
“(B) the original use of which commences with a person other than the taxpayer,
“(C) which is acquired by the taxpayer in a qualified sale, and
“(D) which—
“(i) meets the requirements of subparagraphs (C), (D), (E), (F), (H), and (I) of section 36D(f)(1) (determined by substituting ‘previously-owned qualified plug-in electric drive motor vehicle’ for ‘new
qualified plug-in electric drive motor vehicle’), or

“(ii) is a motor vehicle which—

“(I) satisfies the requirements under subparagraphs (A) and (B) of section 30B(b)(3), and

“(II) has a gross vehicle weight rating of less than 14,000 pounds.

“(2) QUALIFIED SALE.—The term ‘qualified sale’ means a sale of a motor vehicle—

“(A) by a seller who holds such vehicle in inventory (within the meaning of section 471) for sale or lease,

“(B) for a sale price not to exceed $25,000, and

“(C) which is the first transfer since the date of the enactment of this section to a person other than the person with whom the original use of such vehicle commenced.

“(3) QUALIFIED BUYER.—The term ‘qualified buyer’ means, with respect to a sale of a motor vehicle, a taxpayer—

“(A) who is an individual,

“(B) who purchases such vehicle for use and not for resale,
“(C) with respect to whom no deduction is allowable with respect to another taxpayer under section 151, and

“(D) who has not been allowed a credit under this section for any sale during the 3-year period ending on the date of the sale of such vehicle.

“(4) Motor vehicle; capacity.—The terms 'motor vehicle' and 'capacity' have the meaning given such terms in paragraphs (2) and (4) of section 36D(f), respectively.

“(e) VIN number requirement.—No credit shall be allowed under subsection (a) with respect to any vehicle unless the taxpayer includes the vehicle identification number of such vehicle on the return of tax for the taxable year.

“(f) Application of certain rules.—For purposes of this section, rules similar to the rules of section 36D(g) shall apply for purposes of this section.

“(g) Treatment of certain possessions.—

“(1) Payments to possessions with mirror code tax systems.—The Secretary shall pay to each possession of the United States which has a mirror code tax system amounts equal to the loss (if any) to that possession by reason of the application
of the provisions of this section. Such amounts shall be determined by the Secretary based on information provided by the government of the respective possession.

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

“(3) Mirror code tax system; treatment of payments.—Rules similar to the rules of paragraphs (3), (4), and (5) of section 21(h) shall apply for purposes of this section.

“(h) Termination.—No credit shall be allowed under this section with respect to any vehicle acquired after December 31, 2031.”.
(b) **TRANSFER OF CREDIT.**—Section 36E, as added by subsection (a), is amended—

(1) by redesignating subsection (h) as subsection (i), and

(2) by inserting after subsection (g) the following:

“(h) **TRANSFER OF CREDIT.**—Rules similar to the rules of section 36D(l) shall apply.”.

(e) **CONFORMING AMENDMENTS.**—

(1) Section 6211(b)(4)(A), as amended by the preceding provisions of this Act, is amended by inserting “36E,” after “36D,”.

(2) Section 6213(g)(2), as amended by the preceding provisions of this Act, is amended—

(A) in subparagraph (T), by striking “and” at the end,

(B) in subparagraph (U), by striking the period at the end and inserting “, and”, and

(C) by adding at the end the following:

“(V) an omission of a correct vehicle identification number required under section 36E(e) (relating to credit for previously-owned qualified plug-in electric drive motor vehicles) to be included on a return.”.
(3) Paragraph (2) of section 1324(b) of title 31, United States Code, as amended by the preceding provisions of this Act, is amended by inserting “36E,” after “36D,”.

(d) GROSS-UP OF DIRECT SPENDING.—Beginning in fiscal year 2023 and each fiscal year thereafter, the portion of any credit allowed to a seller described in section 36E(d)(2)(A) of the Internal Revenue Code of 1986 pursuant to application of the rules under section 36E(h) of the Internal Revenue Code of 1986 that is direct spending shall be increased by 6.0445 percent.

(e) CLERICAL AMENDMENT.—The table of sections for subpart C of part IV of subchapter A of chapter 1, as amended by the preceding provisions of this Act, is amended by inserting after the item relating to section 36D the following new item:

“Sec. 36E. Previously-owned qualified plug-in electric drive motor vehicles.”.

(f) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to vehicles acquired after December 31, 2021.

(2) TRANSFER OF CREDIT.—The amendments made by subsection (b) shall apply to vehicles acquired after December 31, 2022.
SEC. 126403. QUALIFIED COMMERCIAL ELECTRIC VEHICLES.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1, as amended by the preceding provisions of this Act, is amended by adding at the end the following new section:

"SEC. 45X. CREDIT FOR QUALIFIED COMMERCIAL ELECTRIC VEHICLES.

“(a) IN GENERAL.—For purposes of section 38, the qualified commercial electric vehicle credit for any taxable year is an amount equal to the sum of the credit amounts determined under subsection (b) with respect to each qualified commercial electric vehicle placed in service by the taxpayer during the taxable year.

“(b) PER VEHICLE AMOUNT.—

“(1) IN GENERAL.—The amount determined under this subsection with respect to any qualified commercial electric vehicle shall be equal to the lesser of—

“(A) 15 percent of the basis of such vehicle (30 percent in the case of a vehicle not powered by a gasoline or diesel internal combustion engine), or

“(B) the incremental cost of such vehicle.

“(2) INCREMENTAL COST.—For purposes of paragraph (1)(B), the incremental cost of any quali—
fied commercial electric vehicle is an amount equal
to the excess of the purchase price for such vehicle
over such price of a comparable vehicle.

“(3) COMPARABLE VEHICLE.—For purposes of
this subsection, the term ‘comparable vehicle’ means,
with respect to any qualified commercial electric ve-
hicle, any vehicle which is powered solely by a gaso-
line or diesel internal combustion engine and which
is comparable in size and use to such vehicle.

“(4) VEHICLES FOR LEASE TO INDIVIDUALS.—

“(A) IN GENERAL.—In the case of a quali-
fied commercial electric vehicle which is ac-
quired by the taxpayer for the purpose of leas-
ing such vehicle to any individual, the amount
determined under this subsection with respect
to such vehicle shall, at the election of such tax-
payer, be equal to the amount of the credit that
would otherwise be allowed under section 36D
with respect to such vehicle, as determined as
if such vehicle—

“(i) is a new qualified plug-in electric
drive motor vehicle or qualified 2- or 3-
wheeled plug-in electric vehicle, and

“(ii) has been acquired and placed in
service by an individual.
“(B) ELECTION REQUIREMENTS.—

“(i) IN GENERAL.—An election under subparagraph (A) shall be made at such time and in such manner as the Secretary prescribes by regulations or other guidance.

“(ii) DISCLOSURE REQUIREMENT.—For purposes of any regulations or other guidance prescribed under clause (i), the Secretary shall require that, as a condition of an election under subparagraph (A), the taxpayer making such election shall be required to disclose to the lessee of the commercial electric vehicle the value of the credit allowed under this section.

“(c) QUALIFIED COMMERCIAL ELECTRIC VEHICLE.—For purposes of this section, the term ‘qualified commercial electric vehicle’ means any vehicle which—

“(1) meets the requirements of section 36D(f)(1)(C) and is acquired for use or lease by the taxpayer and not for resale,

“(2) either—

“(A) meets the requirements of subparagraph (D) of section 36D(f)(1) and is manufactured primarily for use on public streets, roads,
and highways (not including a vehicle operated exclusively on a rail or rails), or

“(B) is mobile machinery, as defined in section 4053(8) (including vehicles that are not designed to perform a function of transporting a load over the public highways),

“(3) either—

“(A) is propelled to a significant extent by an electric motor which draws electricity from a battery which has a capacity of not less than 15 kilowatt hours and is capable of being recharged from an external source of electricity, or

“(B) is a motor vehicle which satisfies the requirements under subparagraphs (A) and (B) of section 30B(b)(3), and

“(4) is of a character subject to the allowance for depreciation.

“(d) Special Rules.—

“(1) In General.—Subject to paragraph (2), rules similar to the rules under subsection (g) of section 36D shall apply for purposes of this section.

“(2) Recapitulation.—The Secretary shall, by regulations or other guidance, provide for recapturing the benefit of any credit allowed under subsection
(a) with respect to any property which ceases to be
property eligible for such credit, including regula-
tions or other guidance which, in the case of any
commercial electric vehicle for which an election was
made under subsection (b)(4)—

“(A) recaptures the credit allowed under
subsection (a) if—

“(i) such vehicle was not leased to an
individual, or

“(ii) the taxpayer failed to comply
with the requirements described in sub-
section (b)(4)(B)(ii), and

“(B) in the case of a commercial electric
vehicle which is leased by an individual whose
modified adjusted gross income exceeds the
threshold amount under section 36D(d)(2), re-
captures so much of the credit allowed under
subsection (a) as exceeds the amount of the
credit which would have otherwise been allow-
able under such subsection if, for purposes of
subsection (b)(4)(A), the amount of the credit
that would otherwise be allowed under section
36D(a) with respect to such vehicle had been
determined as if such vehicle was acquired and
placed in service by such individual and subject
to reduction under section 36D(d).

“(3) VEHICLES PLACED IN SERVICE BY TAX-
exempt entities.—Subsection (c)(4) shall not
apply to any vehicle which is not subject to a lease
and which is placed in service by a tax-exempt entity
described in clause (i), (ii), or (iv) of section
168(h)(2)(A).

“(e) VIN NUMBER REQUIREMENT.—No credit shall
be determined under subsection (a) with respect to any
vehicle unless the taxpayer includes the vehicle identifica-
tion number of such vehicle on the return of tax for the
taxable year.

“(f) TERMINATION.—No credit shall be determined
under this section with respect to any vehicle acquired
after December 31, 2031.”.

(b) ELECTIVE PAYMENT OF CREDIT IN CASE OF
CERTAIN TAX-EXEMPT ENTITIES.—Section 6417(b), as
amended by the preceding provisions of this Act, is amend-
ed by adding at the end the following new paragraph:

“(9) In the case of a tax-exempt entity de-
scribed in clause (i), (ii), or (iv) of section
168(h)(2)(A), the credit for qualified commercial ve-
hicles determined under section 45X by reason of
subsection (d)(3) thereof.”.
(c) CONFORMING AMENDMENTS.—

(1) Section 38(b) is amended by striking paragraph (30) and inserting the following:

“(30) the qualified commercial electric vehicle credit determined under section 45X,”.

(2) Section 6213(g)(2), as amended by the preceding provisions of this Act, is amended—

(A) in subparagraph (U), by striking “and” at the end,

(B) in subparagraph (V), by striking the period at the end and inserting “, and”, and

(C) by adding at the end the following:

“(W) an omission of a correct vehicle identification number required under section 45X(e) (relating to commercial electric vehicle credit) to be included on a return.”.

(3) The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by the preceding provisions of this Act, is amended by adding at the end the following new item:

“Sec. 45X. Qualified commercial electric vehicle credit.”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to vehicles acquired after December 31, 2021.
SEC. 126404. QUALIFIED FUEL CELL MOTOR VEHICLES.

(a) In General.—Section 30B(k)(1) is amended by striking “December 31, 2021” and inserting “December 31, 2031”.

(b) New Qualified Fuel Cell Motor Vehicle.—Section 30B(b)(3) is amended by striking “and” at the end of subparagraph (D), by striking the period at the end of subparagraph (E) and inserting “, and”, and by adding at the end the following new subparagraph:

“(F) which is not property of a character subject to an allowance for depreciation.”.

(c) Conforming Amendment.—Section 30B(g) is amended to read as follows:

“(g) Personal Credit.—For purposes of this title, the credit allowed under subsection (a) for any taxable year shall be treated as a credit allowable under subpart A for such taxable year.”.

(d) Effective Date.—The amendments made by this section shall apply to property placed in service after December 31, 2021.

SEC. 126405. ALTERNATIVE FUEL REFUELING PROPERTY CREDIT.

(a) In General.—Section 30C(g) is amended by striking “December 31, 2021” and inserting “December 31, 2031”.
(b) ADDITIONAL CREDIT FOR CERTAIN ELECTRIC CHARGING PROPERTY.—

(1) IN GENERAL.—Section 30C(a) is amended—

(A) by striking “equal to 30 percent” and inserting the following: “equal to the sum of—

“(1) 30 percent (6 percent in the case of property of a character subject to depreciation),

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

(C) by adding at the end the following new paragraph:

“(2) 4 percent of so much of such cost as exceeds the limitation under subsection (b)(1) that does not exceed the amount of cost attributable to qualified alternative fuel vehicle refueling property (determined without regard to subsection (c)(1) and as if only electricity, and fuel at least 85 percent of the volume of which consists of hydrogen, were treated as clean-burning fuels for purposes of section 179A(d)) which—

“(A) is intended for general public use with no associated fee or payment arrangement,

“(B) is intended for general public use and accepts payment via a credit card reader, in-
including a credit card reader that uses contactless technology, or

“(C) is intended for use exclusively by commercial or governmental vehicles.”.

(2) CONFORMING AMENDMENT.—Section 30C(b) is amended—

(A) by striking “The credit allowed under subsection (a)” and inserting “The amount of cost taken into account under subsection (a)(1)”,

(B) by striking “$30,000” and inserting “$100,000”, and

(C) by striking “$1,000” and inserting “$3,333.33”.

(3) BIDIRECTIONAL CHARGING EQUIPMENT INCLUDED AS QUALIFIED ALTERNATIVE FUEL VEHICLE REFUELING PROPERTY.—Section 30C(c) is amended to read as follows:

“(c) QUALIFIED ALTERNATIVE FUEL VEHICLE REFUELING PROPERTY.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified alternative fuel vehicle refueling property’ has the same meaning as the term ‘qualified clean-fuel vehicle refueling property’ would have under section 179A if—
“(A) paragraph (1) of section 179A(d) did not apply to property installed on property which is used as the principal residence (within the meaning of section 121) of the taxpayer, and

“(B) only the following were treated as clean-burning fuels for purposes of section 179A(d):

“(i) Any fuel at least 85 percent of the volume of which consists of one or more of the following: ethanol, natural gas, compressed natural gas, liquefied natural gas, liquefied petroleum gas, or hydrogen.

“(ii) Any mixture—

“(I) which consists of two or more of the following: biodiesel (as defined in section 40A(d)(1)), diesel fuel (as defined in section 4083(a)(3)), or kerosene, and

“(II) at least 20 percent of the volume of which consists of biodiesel (as so defined) determined without regard to any kerosene in such mixture.

“(iii) Electricity.
“(2) Bidirectional charging equipment.—

Property shall not fail to be treated as qualified alternative fuel vehicle refueling property solely because such property—

“(A) is capable of charging the battery of a motor vehicle propelled by electricity, and

“(B) allows discharging electricity from such battery to an electric load external to such motor vehicle.”.

(c) Certain electric charging stations included as qualified alternative fuel vehicle refueling property.—Section 30C is amended by redesignating subsections (f) and (g) as subsections (g) and (h), respectively, and by inserting after subsection (e) the following:

“(f) Special rule for electric charging stations for certain vehicles with 2 or 3 wheels.—

For purposes of this section—

“(1) In general.—The term ‘qualified alternative fuel vehicle refueling property’ includes any property described in subsection (c) for the recharging of a motor vehicle described in paragraph (2), but only if such property—

“(A) meets the requirements of subsection (a)(2), and
“(B) is of a character subject to depreciation.

“(2) Motor vehicle.—A motor vehicle is described in this paragraph if the motor vehicle—

“(A) is manufactured primarily for use on public streets, roads, or highways (not including a vehicle operated exclusively on a rail or rails),

“(B) has at least 2, but not more than 3, wheels, and

“(C) is propelled by electricity.”.

(d) Wage and Apprenticeship Requirements.—

Section 30C, as amended by this section, is further amended by redesignating subsections (g) and (h) as subsections (h) and (i) and by inserting after subsection (f) the following new subsection:

“(g) Wage and Apprenticeship Requirements.—

“(1) Increased credit amount.—

“(A) In general.—In the case of any qualified alternative fuel vehicle refueling project which satisfies the requirements of subparagraph (C), the amount of the credit determined under subsection (a) for any qualified alternative fuel vehicle refueling property of a character subject to an allowance for depreciation—
tion which is part of such project shall be equal
to such amount (determined without regard to
this sentence) multiplied by 5.

“(B) QUALIFIED ALTERNATIVE FUEL VE-
HICLE REFUELING PROJECT.—For purposes of
this subsection, the term ‘qualified alternative
fuel vehicle refueling project’ means a project
consisting of one or more properties that are
part of a single project.

“(C) PROJECT REQUIREMENTS.—A project
meets the requirements of this subparagraph if
it is one of the following:

“(i) A project the construction of
which begins prior to the date that is 60
days after the Secretary publishes guid-
ance with respect to the requirements of
paragraphs (2)(A) and (3).

“(ii) A project which satisfies the re-
quirements of paragraphs (2)(A) and (3).

“(2) PREVAILING WAGE REQUIREMENTS.—
“(A) IN GENERAL.—The requirements de-
scribed in this subparagraph with respect to
any qualified alternative fuel vehicle refueling
project are that the taxpayer shall ensure that
any laborers and mechanics employed by con-
tractors and subcontractors in the construction
of any qualified alternative fuel vehicle refueling
property which is part of such project shall be
paid wages at rates not less than the prevailing
rates for construction, alteration, or repair of a
similar character in the locality as most re-
cently determined by the Secretary of Labor, in
accordance with subchapter IV of chapter 31 of
title 40, United States Code.

“(B) CORRECTION AND PENALTY RELATED
to failure to satisfy wage require-
ments.—Rules similar to the rules of section
45(b)(7)(B) shall apply.

“(3) APPRENTICESHIP REQUIREMENTS.—Rules
similar to the rules of section 45(b)(8) shall apply.

“(4) REGULATIONS AND GUIDANCE.—The Sec-
retary shall issue such regulations or other guidance
as the Secretary determines necessary or appropriate
to carry out the purposes of this subsection, includ-
ing regulations or other guidance which provides for
requirements for recordkeeping or information re-
porting for purposes of administering the require-
ments of this subsection.”.
(c) Effective Date.—The amendment made by this section shall apply to property placed in service after December 31, 2021.

SEC. 126406. REINSTATEMENT AND EXPANSION OF EMPLOYER-PROVIDED FRINGE BENEFITS FOR BICYCLE COMMUTING.

(a) Repeal of Suspension of Exclusion for Qualified Bicycle Commuting Benefits.—Section 132(f) is amended by striking paragraph (8).

(b) Expansion of Bicycle Commuting Benefits.—Section 132(f)(5)(F) is amended to read as follows:

"(F) Definitions related to bicycle commuting benefits.—

"(i) Qualified bicycle commuting benefit.—The term ‘qualified bicycle commuting benefit’ means, with respect to any calendar year—

"(I) any employer reimbursement during the 15-month period beginning with the first day of such calendar year for reasonable expenses incurred by the employee during such calendar year for the purchase (including associated finance charges), lease, rental
including a bikeshare), improvement, repair, or storage of qualified commuting property, or

“(II) the direct or indirect provision by the employer to the employee during such calendar year of the use (including a bikeshare), improvement, repair, or storage of qualified commuting property,

if the employee regularly uses such qualified commuting property for travel between the employee’s residence, place of employment, a qualified parking facility, or a mass transit facility that connects the employee to their residence or place of employment.

“(ii) QUALIFIED COMMUTING PROPERTY.—The term ‘qualified commuting property’ means—

“(I) except as provided in subclause (II), any bicycle which is not equipped with a motor,

“(II) any electric bicycle which meets the requirements of section 36F(e)(5),
“(III) except as provided in sub-clause (IV), any 2- or 3-wheel scooter which is not equipped with a motor, and

“(IV) any 2- or 3-wheel scooter propelled by an electric motor if such motor does not provide assistance if the speed of such scooter exceeds 20 miler per hour (or if the speed of such scooter is not capable of exceeding 20 miles per hour) and the weight of such scooter does not exceed 100 pounds.

“(iii) Bikeshare.—The term ‘bikeshare’ means a rental operation at which qualified commuting property is made available to customers to pick up and drop off for point-to-point use within a defined geographic area.”.

(e) Limitation on Exclusion.—Section 132(f)(2)(C) is amended to read as follows:

“(C) 30 percent of the dollar amount in effect under subparagraph (B) per month in the case of any qualified bicycle commuting benefit.”.
(d) **No Constructive Receipt.**—Section 132(f)(4) is amended by striking “(other than a qualified bicycle commuting reimbursement)”.

(e) **Conforming Amendments.**—

(1) Section 132(f)(1)(D) is amended by striking “reimbursement” and inserting “benefit”.

(2) Section 274(l) is amended—

(A) by striking paragraph (2), and

(B) by striking “BENEFITS” and all that follows through “No deduction” and inserting “BENEFITS.—No deduction”.

(f) **Effective Date.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2021.

[SEC. 126407. Credit for Certain New Electric Bicycles.]

(a) **In General.**—Subpart C of part IV of subchapter A of chapter 1, as amended by the preceding provisions of this Act, is amended by inserting after section 36E the following new section:

“**SEC. 36F. Electric Bicycles.**

“(a) **Allowance of Credit.**—There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 30 percent of the
cost of each qualified electric bicycle placed in service by
the taxpayer during such taxable year.

“(b) LIMITATIONS.—

“(1) LIMITATION ON COST PER ELECTRIC BICYCLE TAKEN INTO ACCOUNT.—The amount taken
into account under subsection (a) as the cost of any
qualified electric bicycle shall not exceed $3,000.

“(2) BICYCLE LIMITATION WITH RESPECT TO CREDIT.—

“(A) LIMITATION ON NUMBER OF PERSONAL-USE BICYCLES.—In the case of any tax-
payer for any taxable year, the number of per-
sonal-use bicycles taken into account under sub-
section (a) shall not exceed the excess (if any)
of—

“(i) 1 (2 in the case of a joint return),
reduced by

“(ii) the aggregate number of bicycles
taken into account by the taxpayer under
subsection (a) for the 2 preceding taxable
years.

“(B) PHASEOUT BASED ON MODIFIED ADJUSTED GROSS INCOME.—The credit allowed
under subsection (a) shall be reduced by $200
for each $1,000 (or fraction thereof) by which
the taxpayer’s modified adjusted gross income exceeds—

“(i) $150,000 in the case of a joint return or a surviving spouse (as defined in section 2(a)),

“(ii) $112,500 in the case of a head of household (as defined in section 2(b)), and

“(iii) $75,000 in the case of a taxpayer not described in clause (i) or (ii).

“(C) Modified adjusted gross income.—For purposes of subparagraph (B), the term ‘modified adjusted gross income’ means adjusted gross income increased by any amount excluded from gross income under section 911, 931, or 933.

“(D) Special rule for modified adjusted gross income taken into account.—The modified adjusted gross income of the taxpayer that is taken into account for purposes of this paragraph shall be the lesser of—

“(i) the modified adjusted gross income for the taxable year in which the credit is claimed, or
“(ii) the modified adjusted gross income for the immediately preceding taxable year.

“(c) Qualified Electric Bicycle.—For purposes of this section, the term ‘qualified electric bicycle’ means a bicycle—

“(1) the original use of which commences with the taxpayer,

“(2) which is acquired for use by the taxpayer and not for resale,

“(3) which is made by a qualified manufacturer and is labeled with the qualified vehicle identification number assigned to such bicycle by such manufacturer,

“(4) with respect to which the aggregate amount paid for such acquisition does not exceed $4,000, and

“(5) which is equipped with—

“(A) fully operable pedals,

“(B) a saddle or seat for the rider, and

“(C) an electric motor of less than 750 watts which is designed to provided assistance in propelling the bicycle and—
“(i) does not provide such assistance if the bicycle is moving in excess of 20 miles per hour, or
“(ii) if such motor only provides such assistance when the rider is pedaling, does not provide such assistance if the bicycle is moving in excess of 28 miles per hour.

“(d) VIN Number Requirement.—
“(1) In general.—No credit shall be allowed under subsection (a) with respect to any qualified electric bicycle unless the taxpayer includes the qualified vehicle identification number of such bicycle on the return of tax for the taxable year.
“(2) Qualified Vehicle Identification Number.—For purposes of this section, the term ‘qualified vehicle identification number’ means, with respect to any bicycle, the vehicle identification number assigned to such bicycle by a qualified manufacturer pursuant to the methodology referred to in paragraph (3).
“(3) Qualified Manufacturer.—For purposes of this section, the term ‘qualified manufacturer’ means any manufacturer of qualified electric bicycles which enters into an agreement with the
Secretary which provides that such manufacturer will—

“(A) assign a vehicle identification number to each qualified electric bicycle produced by such manufacturer utilizing a methodology that will ensure that such number (including any alphanumeric) is unique to such bicycle (by utilizing numbers or letters which are unique to such manufacturer or by such other method as the Secretary may provide),

“(B) label such bicycle with such number in such manner as the Secretary may provide, and

“(C) make periodic written reports to the Secretary (at such times and in such manner as the Secretary may provide) of the vehicle identification numbers so assigned and including such information as the Secretary may require with respect to the qualified electric bicycle to which such number was so assigned.

“(e) Special Rules.—

“(1) Basis reduction.—For purposes of this subtitle, the basis of any property for which a credit is allowable under subsection (a) shall be reduced by the amount of such credit so allowed.
“(2) **No Double Benefit.**—The amount of any deduction or other credit allowable under this chapter for a qualified electric bicycle for which a credit is allowable under subsection (a) shall be reduced by the amount of credit allowed under such subsection for such bicycle.

“(3) **Property Used Outside United States Not Qualified.**—No credit shall be allowable under subsection (a) with respect to any property referred to in section 50(b)(1).

“(4) **Recapture.**—The Secretary shall, by regulations or other guidance, provide for recapturing the benefit of any credit allowable under subsection (a) with respect to any property which ceases to be property eligible for such credit.

“(5) **Election Not to Take Credit.**—No credit shall be allowed under subsection (a) for any bicycle if the taxpayer elects to not have this section apply to such bicycle.

“(f) **Treatment of Certain Possessions.**—

“(1) **Payments to Possessions with Mirror Code Tax Systems.**—The Secretary shall pay to each possession of the United States which has a mirror code tax system amounts equal to the loss (if any) to that possession by reason of the application
of the provisions of this section (determined without regard to this subsection). Such amounts shall be determined by the Secretary based on information provided by the government of the respective possession.

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

“(3) Mirror code tax system; treatment of payments.—Rules similar to the rules of paragraphs (3), (4), and (5) of section 21(h) shall apply for purposes of this section.

“(g) Termination.—This section shall not apply to bicycles placed in service after December 31, 2025.”.
(b) TRANSFER OF CREDIT.—Section 36F, as added by subsection (a), is amended—

(1) by redesignating subsection (g) as subsection (h), and

(2) by inserting after subsection (f) the following:

“(g) TRANSFER OF CREDIT.—

“(1) IN GENERAL.—Subject to such regulations or other guidance as the Secretary determines necessary or appropriate, if the taxpayer who acquires a qualified electric bicycle after December 31, 2022, elects the application of this subsection with respect to such qualified electric bicycle, the credit which would (but for this subsection) be allowed to such taxpayer with respect to such qualified electric bicycle shall be allowed to the eligible entity specified in such election (and not to such taxpayer).

“(2) ELIGIBLE ENTITY.—For purposes of this paragraph, the term ‘eligible entity’ means, with respect to the qualified electric bicycle for which the credit is allowed under subsection (a), the retailer which sold such qualified electric bicycle to the taxpayer and has—

“(A) subject to paragraph (4), registered with the Secretary for purposes of this para-
graph, at such time, and in such form and manner, as the Secretary may prescribe,

“(B) prior to the election described in paragraph (1) and no later than at the time of such sale, disclosed to the taxpayer purchasing such qualified electric bicycle—

“(i) the retail price,

“(ii) the value of the credit allowed or other incentive available for the purchase of such qualified electric bicycle, and

“(iii) the amount provided by the retailer to such taxpayer as a condition of the election described in paragraph (1),

“(C) made payment to such taxpayer (whether in cash or in the form of a partial payment or down payment for the purchase of such qualified electric bicycle) in an amount equal to the credit otherwise allowable to such taxpayer, and

“(D) with respect to any incentive otherwise available for the purchase of a qualified electric bicycle for which a credit is allowed under this section, including any incentive in the form of a rebate or discount provided by the retailer or manufacturer, ensured that—
“(i) the availability or use of such incentive shall not limit the ability of a taxpayer to make an election described in paragraph (1), and

“(ii) such election shall not limit the value or use of such incentive.

“(3) TIMING.—An election described in paragraph (1) shall be made by the taxpayer not later than the date on which the qualified electric bicycle for which the credit is allowed under subsection (a) is purchased.

“(4) REVOCATION OF REGISTRATION.—Upon determination by the Secretary that a retailer has failed to comply with the requirements described in paragraph (2), the Secretary may revoke the registration (as described in subparagraph (A) of such paragraph) of such retailer.

“(5) TAX TREATMENT OF PAYMENTS.—With respect to any payment described in paragraph (2)(C), such payment—

“(A) shall not be includible in the gross income of the taxpayer, and

“(B) with respect to the retailer, shall not be deductible under this title.
“(6) Application of certain other requirements.—

“(A) In general.—In the case of any election under paragraph (1) with respect to any qualified electric bicycle—

“(i) subject to subparagraph (B), the amount of the reduction under subsection (b) shall be determined with respect to the modified adjusted gross income of the taxpayer for the taxable year preceding the taxable year in which such qualified electric bicycle was acquired (and not with respect to such income for the taxable year in which such qualified electric bicycle was acquired),

“(ii) the requirements of paragraphs (1) and (2) of subsection (e) shall apply to the taxpayer who acquired the qualified electric bicycle in the same manner as if the credit determined under this section with respect to such qualified electric bicycle were allowed to such taxpayer, and

“(iii) subsection (e)(5) shall not apply.

“(B) Alternative method.—For purposes of subparagraph (A)(i), in the case of a
taxpayer who, at the time the qualified electric
bicycle was acquired, has not filed a tax return
for the taxable year described in such subpara-
dgraph, the Secretary shall prescribe such regu-
lations or other guidance as the Secretary de-
termines appropriate for establishing an alter-
native method for determining the modified ad-
justed gross income of the taxpayer for pur-
poses of the application of subsection (b).

“(7) ADVANCE PAYMENT TO REGISTERED RE-
tailers.—

“(A) IN GENERAL.—The Secretary shall
establish a program to make advance payments
to any eligible entity in an amount equal to the
cumulative amount of the credits allowed under
subsection (a) with respect to any qualified elec-
tric bicycles sold by such entity for which an
election described in paragraph (1) has been
made.

“(B) EXCESSIVE PAYMENTS.—Rules simi-
lar to the rules of section 6417(c)(7) shall apply
for purposes of this paragraph.

“(8) RETAILER.—For purposes of this sub-
section, the term ‘retailer’ means a person engaged
in the trade or business of selling qualified electric
bicycles in a State, the District of Columbia, the
Commonwealth of Puerto Rico, any other territory
or possession of the United States, an Indian tribal
government (as defined in section 48(e)(4)(F)(ii)),
or any Alaska Native Corporation (as defined in sec-
tion 3 of the Alaska Native Claims Settlement Act
(43 U.S.C. 1602(m)).”.

(c) CONFORMING AMENDMENTS.—

(1) Section 1016(a), as amended by the pre-
ceeding provisions of this Act, is amended by striking
“and” at the end of paragraph (38), by striking the
period at the end of paragraph (39) and inserting “, and”, and by adding at the end the following new
paragraph:

“(40) to the extent provided in section
36F(e)(1).”.

(2) Section 6211(b)(4)(A) of such Code, as
amended by the preceding provisions of this Act, is
amended by inserting “36F,” after “36E,”.

(3) Section 6213(g)(2), as amended by the pre-
ceding provisions of this Act, is amended—

(A) in subparagraph (V), by striking
“and” at the end,

(B) in subparagraph (W), by striking the
period at the end and inserting “, and”, and
(C) by adding at the end the following:

“(X) an omission of a correct vehicle identification number required under section 36F(d) (relating to electric bicycles credit) to be included on a return.”.

(4) Section 6501(m) is amended by inserting “36F(f)(5),” after “35(g)(11),”.

(5) Section 1324(b)(2) of title 31, United States Code, as amended by the preceding provisions of this Act, is amended by inserting “36F,” after “36E,“.

(d) GROSS-UP OF DIRECT SPENDING.—Beginning in fiscal year 2023 and each fiscal year thereafter, the portion of any credit allowed to an eligible entity (as defined in paragraph (2) of section 36F(g) of the Internal Revenue Code of 1986) pursuant to an election made under such section that is direct spending shall be increased by 6.0445 percent.

(e) CLERICAL AMENDMENT.—The table of sections for subpart C of part IV of subchapter A of chapter 1, as amended by the preceding provisions of this Act, is amended by adding at the end the following new item:

“Sec. 36F. Electric bicycles.”.

(f) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section...
shall apply to property placed in service after December 31, 2021, in taxable years ending after such date.

(2) **Transfer of Credit.**—The amendments made by subsection (b) shall apply to property placed in service after December 31, 2022, in taxable years ending after such date.

**PART 5—INVESTMENT IN THE GREEN WORKFORCE AND MANUFACTURING**

**SEC. 126501. EXTENSION OF THE ADVANCED ENERGY PROJECT CREDIT.**

(a) **Extension of Credit.**—Section 48C is amended by redesignating subsection (e) as subsection (f) and by inserting after subsection (d) the following new subsection:

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“(e) **Additional Allocations.**—

“(1) In general.—Not later than 270 days after the date of enactment of this subsection, the Secretary shall establish a program to consider and award certifications for qualified investments eligible for credits under this section to qualifying advanced energy project sponsors.

“(2) **Annual Limitation.**—

“(A) In general.—The amount of credits that may be allocated under this subsection
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during any calendar year shall not exceed the annual credit limitation with respect to such year.

“(B) Annual credit limitation.—

“(i) In general.—For purposes of this subsection, the term ‘annual credit limitation’ means $5,000,000,000 for each of calendar years 2022 through 2023, $1,875,000,000 for each of calendar years 2024 through 2031, and zero thereafter.

“(ii) Amount set aside for automotive communities.—

“(I) In general.—For purposes of clause (i), $800,000,000 of the annual credit limitation for each of calendar years 2022 through 2023 and $300,000,000 for each of calendar years 2024 through 2031 shall be allocated to qualified investments located within automotive communities.

“(II) Automotive communities.—For purposes of this clause, the term ‘automotive communities’ means a census tract and any directly adjoining census tract, including a no-
population census tract, that has experienced major job losses in the automotive manufacturing sector since January 1, 1994, as determined by the Secretary.

“(iii) Amount set aside for energy communities.—For purposes of clause (i), $800,000,000 of the annual credit limitation for each of calendar years 2022 through 2023 and $300,000,000 for each of calendar years 2024 through 2031 shall be allocated to qualified investments located within energy communities (as defined in section 45(b)(11)(B)).

“(C) Carryover of unused limitation.—

“(i) In general.—If the annual credit limitation for any calendar year exceeds the aggregate amount designated for such year under this subsection, such limitation for the succeeding calendar year shall be increased by the amount of such excess.

“(ii) Set asides do not apply to carryover.—For purposes of the amount
of any increase in the annual credit limita-
tion for any calendar year pursuant to
clause (i), clauses (ii) and (iii) of subpara-
graph (B) shall not apply with respect to
such amount.

“(D) TERMINATION.—Notwithstanding

subparagraph (C), the annual credit limitation

for any calendar year after 2036 shall be zero.

“(3) CERTIFICATIONS.—

“(A) APPLICATION REQUIREMENT.—Each

applicant for certification under this subsection

shall submit an application at such time and

containing such information as the Secretary

may require.

“(B) TIME TO MEET CRITERIA FOR CER-

IFICATION.—Each applicant for certification

shall have 2 years from the date of acceptance

by the Secretary of the application during

which to provide to the Secretary evidence that

the requirements of the certification have been

met.

“(C) PERIOD OF ISSUANCE.—An applicant

which receives a certification shall have 2 years

from the date of issuance of the certification in

order to place the project in service and to no-
tify the Secretary that such project has been so
placed in service, and if such project is not
placed in service (and the Secretary so notified)
by that time period, then the certification shall
no longer be valid. If any certification is re-
voked under this subparagraph, the amount of
the annual credit limitation under paragraph
(2) for the calendar year in which such certifi-
cation is revoked shall be increased by the
amount of the credit with respect to such re-
voked certification.

“(4) CREDIT RATE CONDITIONED UPON WAGE
AND APPRENTICESHIP REQUIREMENTS.—

“(A) BASE RATE.—For purposes of alloca-
tions under this subsection, the amount of the
credit determined under subsection (a) shall be
determined by substituting ‘6 percent’ for ‘30
percent’.

“(B) ALTERNATIVE RATE.—In the case of
any project which satisfies the requirements of
paragraphs (5)(A) and (6), subparagraph (A)
shall not apply.

“(5) PREVAILING WAGE REQUIREMENTS.—

“(A) IN GENERAL.—The requirements de-
scribed in this subparagraph with respect to a
project are that the taxpayer shall ensure that any laborers and mechanics employed by contractors and subcontractors in the re-equipping, expansion, or establishment of a manufacturing facility shall be paid wages at rates not less than the prevailing rates for construction, alteration, or repair of a similar character in the locality as most recently determined by the Secretary of Labor, in accordance with subchapter IV of chapter 31 of title 40, United States Code.

“(B) CORRECTION AND PENALTY RELATED TO FAILURE TO SATISFY WAGE REQUIREMENTS.—In the case of any taxpayer which fails to satisfy the requirement under paragraph (A) with respect to any project, rules similar to the rules of section 45(b)(7)(B) shall apply.

“(6) APPRENTICESHIP REQUIREMENTS.—Rules similar to the rules of section 45(b)(8) shall apply.”.

(b) MODIFICATION OF QUALIFYING ADVANCED ENERGY PROJECTS.—Section 48C(c)(1)(A) is amended—

(1) by inserting “, any portion of the qualified investment of which is certified by the Secretary
under subsection (d) as eligible for a credit under this section” after “means a project”,

(2) in clause (i)—

(A) by striking “a manufacturing facility for the production of” and inserting “an industrial or manufacturing facility for the production or recycling of”,

(B) in clause (I), by inserting “water,” after “sun,”,

(C) in clause (II), by striking “an energy storage system for use with electric or hybrid-electric motor vehicles” and inserting “energy storage systems and components”,

(D) in clause (III), by striking “grids to support the transmission of intermittent sources of renewable energy, including storage of such energy” and inserting “grid modernization equipment or components”,

(E) in subclause (IV), by striking “and sequester carbon dioxide emissions” and inserting “, remove, use, or sequester carbon oxide emissions”,

(F) by striking subclause (V) and inserting the following:
“(V) equipment designed to refine, electrolyze, or blend any fuel, chemical, or product which is—

“(aa) renewable, or

“(bb) low-carbon and low-emission,”,

(G) by striking subclause (VI),

(H) by redesignating subclause (VII) as subclause (IX),

(I) by inserting after subclause (V) the following new subclauses:

“(VI) property designed to produce energy conservation technologies (including residential, commercial, and industrial applications),

“(VII) light-, medium-, or heavy-duty electric or fuel cell vehicles, as well as—

“(aa) technologies, components, or materials for such vehicles, and

“(bb) associated charging or refueling infrastructure,

“(VIII) hybrid vehicles with a gross vehicle weight rating of not less
than 14,000 pounds, as well as technologies, components, or materials for such vehicles, or”, and
(J) in subclause (IX), as so redesignated, by striking “and” at the end and inserting “or”, and
(3) by striking clause (ii) and inserting the following:
“(ii) which re-equip an industrial or manufacturing facility with equipment designed to reduce greenhouse gas emissions by at least 20 percent, as determined by the Secretary.”.

(e) Denial of Double Benefit.—48C(f), as redesignated by this section, is amended by striking “or 48B” and inserting “48B, 48F, 45Q, or 45W”.

(d) Effective Date.—The amendments made by this section shall take effect on January 1, 2022.

SEC. 126502. LABOR COSTS OF INSTALLING MECHANICAL INSULATION PROPERTY.

(a) In General.—Subpart D of part IV of subchapter A of chapter 1, as amended by the preceding provisions of this Act, is further amended by adding at the end the following new section:
“SEC. 45Y. LABOR COSTS OF INSTALLING MECHANICAL INSULATION PROPERTY.

“(a) In General.—For purposes of section 38, the mechanical insulation labor costs credit determined under this section for any taxable year is an amount equal to 2 percent of the mechanical insulation labor costs paid or incurred by the taxpayer during such taxable year.

“(b) Mechanical Insulation Labor Costs.—For purposes of this section—

“(1) In General.—The term ‘mechanical insulation labor costs’ means the labor cost of installing mechanical insulation property with respect to a mechanical system referred to in paragraph (2)(A) which was originally placed in service not less than 1 year before the date on which such mechanical insulation property is installed.

“(2) Mechanical Insulation Property.—The term ‘mechanical insulation property’ means insulation materials, as well as facings and accessory products installed in connection to such insulation materials, which—

“(A) are placed in service in connection with a mechanical system which—

“(i) is located in the United States,

“(ii) is of a character subject to an allowance for depreciation, and
“(iii) meets the requirements of section 434.403 of title 10, Code of Federal Regulations (as in effect on the date of enactment of this section), and

“(B) result in a reduction in energy loss from the mechanical system which is greater than the expected reduction from the installation of insulation materials which meet the minimum requirements of Reference Standard 90.1 (as defined in section 179D(c)(2)).

“(c) Wage and Apprenticeship Requirements.—

“(1) In general.—In the case of any project which satisfies the requirements of paragraphs (2) and (3), the amount of credit determined under subsection (a) shall be equal to such amount (determined without regard to this subsection) multiplied by 5.

“(2) Wage requirements.—Rules similar to the rules of section 45(b)(7) shall apply.

“(3) Apprenticeship requirements.—Rules similar to the rules of section 45(b)(8) shall apply.

“(d) Termination.—This section shall not apply to mechanical insulation labor costs paid or incurred after December 31, 2025.”.
(b) Credit Allowed as Part of General Business Credit.—Section 38(b), as amended by the preceding provisions of this Act, is further amended by striking “plus” at the end of paragraph (38), by striking the period at the end of paragraph (39) and inserting “, plus”, and by adding at the end the following new paragraph:

“(40) the mechanical insulation labor costs credit determined under section 45Y(a).”.

(c) Conforming Amendments.—

(1) Section 280C is amended by adding at the end the following new subsection:

“(i) Mechanical Insulation Labor Costs Credit.—

“(1) In General.—No deduction shall be allowed for that portion of the mechanical insulation labor costs (as defined in section 45Y(b)) otherwise allowable as deduction for the taxable year which is equal to the amount of the credit determined for such taxable year under section 45Y(a).

“(2) Similar Rule Where Taxpayer Capitalizes Rather than Deducts Expenses.—If—

“(A) the amount of the credit determined for the taxable year under section 45Y(a), ex-
“(B) the amount of allowable as a deduction for such taxable year for mechanical insulation labor costs (determined without regard to paragraph (1)), the amount chargeable to capital account for the taxable year for such costs shall be reduced by the amount of such excess.”.

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by the preceding provisions of this Act, is further amended by adding at the end the following new item:

“Sec. 45Y. Labor costs of installing mechanical insulation property.”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred after December 31, 2021, in taxable years ending after such date.

SEC. 126503. ADVANCED MANUFACTURING INVESTMENT CREDIT.

(a) IN GENERAL.—Subpart E of part IV of subchapter A of chapter 1, as amended by the preceding provisions of this Act, is amended by inserting after section 48D the following new section:

“SEC. 48E. ADVANCED MANUFACTURING INVESTMENT CREDIT.

“(a) ESTABLISHMENT OF CREDIT.—
“(1) In general.—For purposes of section 46, the advanced manufacturing investment credit for any taxable year is an amount equal to the applicable percentage of the qualified investment for such taxable year with respect to any advanced manufacturing facility.

“(2) Applicable percentage.—

“(A) Base amount.—In the case of any qualified property which is part of an advanced manufacturing facility which does not satisfy the requirements described in clause (i) or (ii) of subparagraph (B), the applicable percentage shall be 5 percent.

“(B) Alternative amount.—In the case of any qualified property which is part of an advanced manufacturing facility—

“(i) the construction of which begins prior to the date that is 60 days after the Secretary publishes guidance with respect to the requirements of paragraphs (2)(A) and (3) of subsection (c), or

“(ii) which—

“(I) subject to subparagraph (B) of subsection (c)(2), satisfies the re-
requirements under subparagraph (A) of such subsection, and

“(II) with respect to the construction of such facility, satisfies the requirements under subsection (c)(3),

the applicable percentage shall be 25 percent.

“(b) QUALIFIED INVESTMENT.—

“(1) IN GENERAL.—For purposes of subsection (a)(1), the qualified investment with respect to any advanced manufacturing facility for any taxable year is the basis of any qualified property placed in service by the taxpayer during such taxable year which is part of an advanced manufacturing facility.

“(2) QUALIFIED PROPERTY.—

“(A) IN GENERAL.—For purposes of this subsection, the term ‘qualified property’ means property—

“(i) which is tangible property,

“(ii) with respect to which depreciation (or amortization in lieu of depreciation) is allowable,

“(iii) which is—

“(I) constructed, reconstructed, or erected by the taxpayer, or
“(II) acquired by the taxpayer if
the original use of such property com-
menses with the taxpayer, and
“(iv) which is integral to the operation
of the advanced manufacturing facility.
“(B) BUILDINGS AND STRUCTURAL COM-
PONENTS.—
“(i) IN GENERAL.—The term ‘quali-
fied property’ includes any building or its
structural components which otherwise sat-
isfy the requirements under subparagraph
(A).
“(ii) EXCEPTION.—Clause (i) shall
not apply with respect to a building or por-
tion of a building used for offices, adminis-
trative services, or other functions unre-
lated to manufacturing.
“(3) ADVANCED MANUFACTURING FACILITY.—
For purposes of this section, the term ‘advanced
manufacturing facility’ means a facility for which
the primary purpose is the manufacturing of semi-
conductors or semiconductor tooling equipment.
“(4) COORDINATION WITH REHABILITATION
CREDIT.—The qualified investment with respect to
any advanced manufacturing facility for any taxable
year shall not include that portion of the basis of any property which is attributable to qualified rehabilitation expenditures (as defined in section 47(e)(2)).

“(c) Special Rules.—

“(1) Certain progress expenditure rules made applicable.—Rules similar to the rules of subsections (c)(4) and (d) of section 46 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990) shall apply for purposes of subsection (a).

“(2) Wage requirements.—

“(A) In general.—The requirements described in this subparagraph with respect to any qualified property which is part of an advanced manufacturing facility are that the taxpayer shall ensure that any laborers and mechanics employed by contractors and subcontractors in—

“(i) the construction of such property,

and

“(ii) for any year during the 5-year period beginning on the date the property is originally placed in service, the alteration or repair of such property,
shall be paid wages at rates not less than the prevailing rates for construction, alteration, or repair of a similar character in the locality as most recently determined by the Secretary of Labor, in accordance with subchapter IV of chapter 31 of title 40, United States Code. Subject to subparagraph (C), for purposes of any determination under subsection (a)(2) for the taxable year in which the property is placed in service, the taxpayer shall be deemed to satisfy the requirement under clause (ii) at the time such property is placed in service.

“(B) CORRECTION AND PENALTY RELATED TO FAILURE TO SATISFY WAGE REQUIREMENTS.—Rules similar to the rules of section 45(b)(7)(B) shall apply.

“(C) RECAPTURE.—The Secretary shall, by regulations or other guidance, provide for recapturing the benefit of any increase in the credit allowed under paragraph (2)(B) of subsection (a), with respect to any qualified property which is part of an advanced manufacturing facility which does not satisfy the requirements under subparagraph (A) (after application of subparagraph (B)) for the period
described in clause (ii) of subparagraph (A) (but which does not cease to be investment credit property within the meaning of section 50(a)). The period and percentage of such re-capture shall be determined under rules similar to the rules of section 50(a).

“(3) APPRENTICESHIP REQUIREMENTS.—Rules similar to the rules of section 45(b)(8) shall apply.

“(4) REGULATIONS AND GUIDANCE.—The Secretary shall issue such regulations or other guidance as the Secretary determines necessary or appropriate to carry out the purposes of this section, including regulations or other guidance which provides for requirements for recordkeeping or information reporting for purposes of administering the requirements of this section.

“(d) TERMINATION OF CREDIT.—The credit allowed under this section shall not apply to property the construction of which begins after December 31, 2025.”.

(b) ELECTIVE PAYMENT OF CREDIT.—Section 6417(b), as amended by the preceding provisions of this Act, is amended by adding at the end the following new paragraph:

“(10) The advanced manufacturing investment credit determined under section 48E.”.
(c) CONFORMING AMENDMENTS.—

(1) Section 46, as amended by the preceding provisions of this Act, is amended—

(A) by striking “and” at the end of paragraph (5),

(B) by striking the period at the end of paragraph (6) and inserting “, and”, and

(C) by adding at the end the following new paragraph:

“(7) the advanced manufacturing investment credit.”.

(2) Section 49(a)(1)(C), as amended by the preceding provisions of this Act, is amended—

(A) by striking “and” at the end of clause (v),

(B) by striking the period at the end of clause (vi) and inserting “, and”, and

(C) by adding at the end the following new clause:

“(vii) the basis of any qualified property (as defined in section 48E(b)(2)) which is part of an advanced manufacturing facility.”.

(3) Section 50(a)(2)(E), as amended by the preceding provisions of this Act, is amended by
striking “or 48D(e)” and inserting “48D(e), or 48E(e)(1)”.

(4) The table of sections for subpart E of part IV of subchapter A of chapter 1, as amended by the preceding provisions of this Act, is amended by inserting after the item relating to section 48D the following new item:

“48E. Advanced manufacturing investment credit.”.

(d) Effective Date.—The amendments made by this section shall apply to property placed in service after December 31, 2021, and, for any property the construction of which begins prior to January 1, 2022, only to the extent of the basis thereof attributable to the construction, reconstruction, or erection after December 31, 2021.

SEC. 126504. ADVANCED MANUFACTURING PRODUCTION CREDIT.

(a) In General.—Subpart D of part IV of subchapter A of chapter 1, as amended by the preceding provisions of this Act, is amended by adding at the end the following new section:

"SEC. 45Z. ADVANCED MANUFACTURING PRODUCTION CREDIT.

“(a) In General.—

“(1) Allowance of Credit.—For purposes of section 38, the advanced manufacturing production credit for any taxable year is an amount equal to the
sum of the credit amounts determined under subsection (b) with respect to each eligible component which is—

“(A) produced by the taxpayer, and

“(B) during the taxable year, sold by such taxpayer to an unrelated person.

“(2) Production and sale must be in trade or business.—Any eligible component produced and sold by the taxpayer shall be taken into account only if the production and sale described in paragraph (1) is in a trade or business of the taxpayer.

“(3) Unrelated person.—For purposes of this subsection, a taxpayer shall be treated as selling components to an unrelated person if such component is sold to such person by a person related to the taxpayer.

“(b) Credit Amount.—

“(1) In general.—Subject to paragraph (3), the amount determined under this subsection with respect to any eligible component, including any eligible component it incorporates, shall be equal to—

“(A) in the case of a thin film photovoltaic cell or a crystalline photovoltaic cell, an amount equal to the product of—
“(i) 4 cents, multiplied by
“(ii) the capacity of such cell (expressed on a per direct current watt basis),
“(B) in the case of a photovoltaic wafer, $12 per square meter,
“(C) in the case of solar grade polysilicon, $3 per kilogram,
“(D) in the case of a solar module, an amount equal to the product of—
“(i) 7 cents, multiplied by
“(ii) the capacity of such module (expressed on a per direct current watt basis), and
“(E) in the case of a wind energy component—
“(i) if such component is a related offshore wind vessel, an amount equal to 10 percent of the sales price of such vessel, and
“(ii) if such component is not described in clause (i), an amount equal to the product of—
“(I) the applicable amount with respect to such component (as deter-
mined under paragraph (2)(A)), multiplied by

“(II) the total rated capacity (expressed on a per watt basis) of the completed wind turbine for which such component is designed,

“(F) in the case of a torque tube, 87 cents per kilogram,

“(G) in the case of a longitudinal purlin, 87 cents per kilogram,

“(H) in the case of a structural fastener, $2.28 per kilogram, and

“(I) in the case of an inverter, an amount equal to the product of—

“(i) the applicable amount with respect to such inverter (as determined under paragraph (2)(B)), multiplied by

“(ii) the capacity of such inverter (expressed on a per alternating current watt basis).

“(2) APPLICABLE AMOUNTS.—

“(A) WIND ENERGY COMPONENTS.—For purposes of paragraph (1)(E)(ii), the applicable amount with respect to any wind energy component shall be—
“(i) in the case of a blade, 2 cents,
“(ii) in the case of a nacelle, 5 cents,
“(iii) in the case of a tower, 3 cents,
and
“(iv) in the case of an offshore wind foundation—
“(I) which uses a fixed platform, 2 cents, or
“(II) which uses a floating platform, 4 cents.
“(B) INVERTERS.—For purposes of paragraph (1)(I), the applicable amount with respect to any inverter shall be—
“(i) in the case of a central inverter, 2.5 cents,
“(ii) in the case of a utility inverter, 1.5 cents,
“(iii) in the case of a commercial inverter, 2 cents,
“(iv) in the case of a residential inverter, 6.5 cents, and
“(v) in the case of a microinverter, 11 cents.
“(3) PHASE OUT.—
“(A) IN GENERAL.—In the case of any eligible component sold after December 31, 2028, the amount determined under this subsection with respect to such component shall be equal to the product of—

“(i) the amount determined under paragraph (1) with respect to such component, as determined without regard to this paragraph, multiplied by

“(ii) the phase out percentage under subparagraph (B).

“(B) PHASE OUT PERCENTAGE.—The phase out percentage under this subparagraph is equal to—

“(i) in the case of an eligible component sold during calendar year 2029, 75 percent,

“(ii) in the case of an eligible component sold during calendar year 2030, 50 percent,

“(iii) in the case of an eligible component sold during calendar year 2031, 25 percent,
“(iv) in the case of an eligible component sold after December 31, 2031, 0 percent.

“(c) DEFINITIONS.—For purposes of this section—

“(1) ELIGIBLE COMPONENT.—

“(A) IN GENERAL.—The term ‘eligible component’ means—

“(i) any solar energy component, and

“(ii) any wind energy component.

“(B) APPLICATION WITH OTHER CREDITS.—The term ‘eligible component’ shall not include any property which is produced at a facility if the basis of any property which is part of such facility is taken into account for purposes of the credit allowed under section 48C or 48E after the date of the enactment of this section.

“(2) SOLAR ENERGY COMPONENT.—

“(A) IN GENERAL.—The term ‘solar energy component’ means any of the following:

“(i) Solar modules.

“(ii) Photovoltaic cells.

“(iii) Photovoltaic wafers.

“(iv) Solar grade polysilicon.
“(v) Any inverter described in subclauses (II) through (VI) of subparagraph (B)(i).

“(vi) Torque tubes, longitudinal purlins, or structural fasteners.

“(B) ASSOCIATED DEFINITIONS.—

“(i) INVERTERS.—

“(I) IN GENERAL.—The term ‘inverter’ means an end product which is suitable to convert direct current electricity from 1 or more solar modules into alternating current electricity.

“(II) CENTRAL INVERTER.—The term ‘central inverter’ means an inverter which is suitable for large utility-scale systems and has a capacity which is greater than 1,000 kilowatts (expressed on a per alternating current watt basis).

“(III) COMMERCIAL INVERTER.—The term ‘commercial inverter’ means an inverter which—

“(aa) is suitable for commercial applications,
“(bb) has a rated output of
208, 480, or 600 volt three-phase
power, and
“(cc) has a capacity which is
not less than 20 kilowatts and
not greater than 170 kilowatts
(expressed on a per alternating
current watt basis).
“(IV) MICROINVERTER.—The
term ‘microinverter’ means an in-
verter which—
“(aa) is suitable to connect
with one solar module,
“(bb) has a rated output of
120 volt single-phase power, and
“(cc) has a capacity which is
not greater than 650 watts (ex-
pressed on a per alternating cur-
rent watt basis).
“(V) RESIDENTIAL INVERTER.—
The term ‘residential inverter’ means
an inverter which—
“(aa) is suitable for a resi-
dence,
“(bb) has a rated output of 120 volt single-phase power, and
“(cc) has a capacity which is not greater than 20 kilowatts (expressed on a per alternating current watt basis).

“(VI) UTILITY INVERTER.—The term ‘utility inverter’ means an inverter which—

“(aa) is suitable for large utility-scale systems,
“(bb) has a rated output of not less than 600 volt three-phase power, and
“(cc) has a capacity which is greater than 170 kilowatts and not greater than 1000 kilowatts (expressed on a per alternating current watt basis)

“(ii) PHOTOVOLTAIC CELL.—The term ‘photovoltaic cell’ means the smallest semiconductor element of a solar module which performs the immediate conversion of light into electricity.
“(iii) PHOTOVOLTAIC WAFER.—The term ‘photovoltaic wafer’ means a thin slice, sheet, or layer of semiconductor material of at least 240 square centimeters—

“(I) produced by a single manufacturer either—

“(aa) directly from molten or evaporated solar grade polysilicon or deposition of solar grade thin film semiconductor photon absorber layer, or

“(bb) through formation of an ingot from molten polysilicon and subsequent slicing, and

“(II) which comprises the substrate or absorber layer of one or more photovoltaic cells.

“(iv) SOLAR GRADE POLYSILICON.—The term ‘solar grade polysilicon’ means silicon which is—

“(I) suitable for use in photovoltaic manufacturing, and

“(II) purified to a minimum purity of 99.999999 percent silicon by mass.
“(v) SOLAR MODULE.—The term ‘solar module’ means the connection and lamination of photovoltaic cells into an environmentally protected final assembly which is—

“(I) suitable to generate electricity when exposed to sunlight, and

“(II) ready for installation without an additional manufacturing process.

“(vi) SOLAR TRACKER COMPONENTS.—

“(I) TORQUE TUBE.—The term ‘torque tube’ means a tubular structural steel support element which—

“(aa) is part of a solar tracker,

“(bb) is of any cross-sectional shape,

“(cc) may be assembled from individually manufactured segments, and

“(dd) spans longitudinally between foundation posts.
“(II) Longitudinal purlin.—
The term ‘longitudinal purlin’ means a structural steel support element—

“(aa) which satisfies the conditions described in items (aa) through (dd) of subclause (I), and

“(bb) on which solar panels are supported.

“(III) Structural fastener.—The term ‘structural fastener’ means a component which is used—

“(aa) to connect the mechanical and drive system components of a solar tracker to the foundation of such solar tracker, and

“(bb) to connect torque tubes to one another and to drive assemblies.

“(3) Wind energy component.—

“(A) In general.—The term ‘wind energy component’ means any of the following:

“(i) Blades.
“(ii) Nacelles.

“(iii) Towers.

“(iv) Offshore wind foundations.

“(v) Related offshore wind vessels.

“(B) ASSOCIATED DEFINITIONS.—

“(i) Blade.—The term ‘blade’ means an airfoil-shaped blade which is responsible for converting wind energy to low-speed rotational energy.

“(ii) Offshore wind foundation.—The term ‘offshore wind foundation’ means the component (including transition piece) which secures an offshore wind tower and any above-water turbine components to the seafloor using—

“(I) fixed platforms, such as offshore wind monopiles, jackets, or gravity-based foundations, or

“(II) floating platforms and associated mooring systems.

“(iii) Nacelle.—The term ‘nacelle’ means the assembly of the drivetrain and other tower-top components of a wind turbine (with the exception of the blades and the hub) within their cover housing.
“(iv) RELATED offshore wind vessel.—The term ‘related offshore wind vessel’ means any vessel which is purpose-built or retrofitted for purposes of the development, transport, installation, operation, or maintenance of offshore wind energy components.

“(v) Tower.—The term ‘tower’ means a tubular or lattice structure which supports the nacelle and rotor of a wind turbine.

“(d) SPECIAL RULES.—In this section—

“(1) RELATED persons.—Persons shall be treated as related to each other if such persons would be treated as a single employer under the regulations prescribed under section 52(b).

“(2) ONLY production in the united states taken into account.—Sales shall be taken into account under this section only with respect to eligible components the production of which is within—

“(A) the United States (within the meaning of section 638(1)), or

“(B) a possession of the United States (within the meaning of section 638(2)).
“(3) Pass-thru in the case of estates and trusts.—Under regulations prescribed by the Secretary, rules similar to the rules of subsection (d) of section 52 shall apply.

“(4) Credit equal to 10 percent of the credit amount for union facilities.—In the case of a facility operating under a collective bargaining agreement negotiated by an employee organization (as defined in section 412(e)(4)), determined in a manner consistent with section 7701(a)(46), for purposes of determining the amount of the credit under subsection (a) with respect to any eligible component produced by such facility, the amount determined under subsection (b) with respect to such component shall be increased by an amount equal to 10 percent of the amount otherwise in effect under such subsection.

“(5) Sale of integrated components.—For purposes of this section, a person shall be treated as having sold an eligible component to an unrelated person if such component is integrated, incorporated, or assembled into another eligible component which is sold to an unrelated person.”.

(b) Elective Payment of Credit.—Section 6417(b), as amended by the preceding provisions of this
Act, is amended by adding at the end the following new paragraph:

“(11) The credit for advanced manufacturing production under section 45Z.”.

(c) CONFORMING AMENDMENTS.—

(1) Section 38(b) of the Internal Revenue Code of 1986, as amended by the preceding provisions of this Act, is amended—

(A) in paragraph (39), by striking “plus” at the end,

(B) in paragraph (40), by striking the period at the end and inserting “, plus”, and

(C) by adding at the end the following new paragraph:

“(41) the advanced manufacturing production credit determined under section 45Z(a).”.

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by the preceding provisions of this Act, is amended by adding at the end the following new item:

“Sec. 45Z. Advanced manufacturing production credit.”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to components produced and sold after December 31, 2021.
PART 6—ENVIRONMENTAL JUSTICE

SEC. 126601. QUALIFIED ENVIRONMENTAL JUSTICE PROGRAM CREDIT.

(a) In General.—Subpart C of part IV of subchapter A of chapter 1, as amended by the preceding provisions of this Act, is amended by inserting after section 36F the following new section:

“SEC. 36G. QUALIFIED ENVIRONMENTAL JUSTICE PROGRAMS.

“(a) Allowance of Credit.—In the case of an eligible educational institution, there shall be allowed as a credit against the tax imposed by this subtitle for any taxable year an amount equal to the applicable percentage of the amounts paid or incurred by such taxpayer during such taxable year which are necessary for a qualified environmental justice program.

“(b) Qualified Environmental Justice Program.—For purposes of this section—

“(1) In General.—The term ‘qualified environmental justice program’ means a program conducted by one or more eligible educational institutions that is designed to address, or improve data about, qualified environmental stressors for the primary purpose of improving, or facilitating the improvement of, health and economic outcomes of individuals residing in low-income areas or areas that
experience, or are at risk of experiencing, multiple exposures to qualified environmental stressors.

“(2) QUALIFIED ENVIRONMENTAL STRESSOR.—The term ‘qualified environmental stressor’ means, with respect to an area, a contamination of the air, water, soil, or food with respect to such area or a change relative to historical norms of the weather conditions of such area, including—

“(A) toxic pollutants (such as lead, pesticides, or fine particulate matter) in air, soil, food, or water,

“(B) high rates of asthma prevalence and incidence, and

“(C) such other adverse human health or environmental effects as are identified by the Secretary.

“(c) ELIGIBLE EDUCATIONAL INSTITUTION.—For purposes of this section, the term ‘eligible educational institution’ means an institution of higher education (as such term is defined in section 101 or 102(c) of the Higher Education Act of 1965) that is eligible to participate in a program under title IV of such Act.

“(d) APPLICABLE PERCENTAGE.—For purposes of this section, the term ‘applicable percentage’ means—
“(1) in the case of a program involving material participation of faculty and students of an institution described in section 371(a) of the Higher Education Act of 1965, 30 percent, and

“(2) in all other cases, 20 percent.

“(e) CREDIT ALLOCATION.—

“(1) ALLOCATION.—The Secretary shall allocate credit dollar amounts under this section to eligible educational institutions, for qualified environmental justice programs, that submit applications at such time and in such manner as the Secretary may provide.

“(2) LIMITATIONS.—

“(A) IN GENERAL.—The amount of the credit determined under this section for any taxable year to any eligible educational institution for any qualified environmental justice program shall not exceed the excess of—

“(i) the credit dollar amount allocated to such institution for such program under this subsection, over

“(ii) the credits previously claimed by such institution for such program under this section.
“(B) Five-year limitation.—No amounts paid or incurred after the 5-year period beginning on the date a credit dollar amount is allocated to an eligible educational institution for a qualified environmental justice program shall be taken into account under subsection (a) with respect to such institution for such program.

“(C) Allocation limitation.—The total amount of credits that may be allocated under the program shall not exceed—

“(i) $1,000,000,000 for each of taxable years 2022 through 2031, and

“(ii) $0 for each subsequent year.

“(D) Carryover of unused limitation.—If the annual credit limitation for any calendar year exceeds the aggregate amount designated for such year under this subsection, such limitation for the succeeding calendar year shall be increased by the amount of such excess. No amount may be carried under the preceding sentence to any calendar year after 2036.”.

(b) Conforming Amendments.—
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(1) Section 6211(b)(4)(A), as amended by the preceding provisions of this Act, is amended by inserting “36G,” after “36F,”.

(2) Paragraph (2) of section 1324(b) of title 31, United States Code, as amended by the preceding provisions of this Act, is amended by inserting “36G,” after “36F,”.

(c) Gross-up of Direct Spending.—Beginning in fiscal year 2023 and each fiscal year thereafter, the portion of any credit allowed to an eligible educational institution (as defined in subsection (c) of section 36G of the Internal Revenue Code of 1986) under such section that is direct spending shall be increased by 6.0445 percent.

(d) Clerical Amendment.—The table of sections for subpart C of part IV of subchapter A of chapter 1, as amended by the preceding provisions of this Act, is amended by inserting after the item relating to section 36F the following new item:

“Sec. 36G. Qualified environmental justice programs.”.

(e) Effective Date.—The amendments made by this section shall take effect on January 1, 2022.

PART 7—SUPERFUND

SEC. 126701. REINSTATEMENT OF SUPERFUND.

(a) Hazardous Substance Superfund Financing Rate.—
(1) **Extension.**—Section 4611 is amended by striking subsection (e).

(2) **Adjustment for Inflation.**—

(A) Section 4611(c)(2)(A) is amended by striking “9.7 cents” and inserting “16.4 cents”.

(B) Section 4611(c) is amended by adding at the end the following:

“(3) **Adjustment for Inflation.**—

“(A) **In General.**—In the case of a year beginning after 2022, the amount in paragraph (2)(A) shall be increased by an amount equal to—

“(i) such amount, multiplied by

“(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year, determined by substituting ‘calendar year 2021’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

“(B) **Rounding.**—If any amount as adjusted under subparagraph (A) is not a multiple of $0.01, such amount shall be rounded to the next lowest multiple of $0.01.”.

(b) **Authority for Advances.**—Section 9507(d)(3)(B) is amended by striking “December 31, 1995” and inserting “December 31, 2031”.
(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on July 1, 2022.

PART 8—INCENTIVES FOR CLEAN ELECTRICITY AND CLEAN TRANSPORTATION

SEC. 126801. CLEAN ELECTRICITY PRODUCTION CREDIT.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1, as amended by the preceding provisions of this Act, is amended by adding at the end the following new section:

“SEC. 45AA. CLEAN ELECTRICITY PRODUCTION CREDIT.

“(a) AMOUNT OF CREDIT.—

“(1) IN GENERAL.—For purposes of section 38, the clean electricity production credit for any taxable year is an amount equal to the product of—

“(A) the kilowatt hours of electricity—

“(i) produced by the taxpayer at a qualified facility, and

“(ii)(I) sold by the taxpayer to an unrelated person during the taxable year, or

“(II) in the case of a qualified facility which is equipped with a metering device which is owned and operated by an unrelated person, sold, consumed, or stored by the taxpayer during the taxable year, multi-

multiplied by
“(B) the applicable amount with respect to such qualified facility.

“(2) APPLICABLE AMOUNT.—

“(A) BASE AMOUNT.—Subject to subsection (g)(7), in the case of any qualified facility which is not described in clause (i) of subparagraph (B) and does not satisfy the requirements described in clause (ii) of such subparagraph, the applicable amount shall be 0.3 cents.

“(B) ALTERNATIVE AMOUNT.—Subject to subsection (g)(7), in the case of any qualified facility—

“(i) with a maximum net output of less than 1 megawatt, or

“(ii) which—

“(I) satisfies the requirements under paragraph (9) of subsection (g), and

“(II) with respect to the construction of such facility, satisfies the requirements under paragraph (10) of subsection (g),

the applicable amount shall be 1.5 cents.

“(b) QUALIFIED FACILITY.—

“(1) IN GENERAL.—
“(A) DEFINITION.—Subject to subparagraphs (B), (C), and (D), the term ‘qualified facility’ means a facility owned by the taxpayer—

“(i) which is used for the generation of electricity,

“(ii) which is placed in service after December 31, 2026, and

“(iii) for which the greenhouse gas emissions rate (as determined under paragraph (2)) is not greater than zero.

“(B) 10-YEAR PRODUCTION CREDIT.—For purposes of this section, a facility shall only be treated as a qualified facility during the 10-year period beginning on the date the facility was originally placed in service.

“(C) EXPANSION OF FACILITY; INCREMENTAL PRODUCTION.—The term ‘qualified facility’ shall include either of the following in connection with a facility described in subparagraph (A) (without regard to clause (ii) of such subparagraph) which was placed in service before January 1, 2027, but only to the extent of the increased amount of electricity produced at the facility by reason of the following:
“(i) A new unit which is placed in service after December 31, 2026.

“(ii) Any additions of capacity which are placed in service after December 31, 2026.

“(D) COORDINATION WITH OTHER CREDITS.—The term ‘qualified facility’ shall not include any facility for which a credit determined under section 45, 45J, 45Q, 45V, 48, 48A, or 48F is allowed under section 38 for the taxable year or any prior taxable year.

“(2) GREENHOUSE GAS EMISSIONS RATE.—

“(A) IN GENERAL.—For purposes of this section, the term ‘greenhouse gas emissions rate’ means the amount of greenhouse gases emitted into the atmosphere by a facility in the production of electricity, expressed as grams of CO$_2$e per KWh.

“(B) FUEL COMBUSTION AND GASIFICATION.—In the case of a facility which produces electricity through combustion or gasification, the greenhouse gas emissions rate for such facility shall be equal to the net rate of greenhouse gases emitted into the atmosphere by such facility (taking into account lifecycle
greenhouse gas emissions, as described in section 211(o)(1)(H) of the Clean Air Act (42 U.S.C. 7545(o)(1)(H))) in the production of electricity, expressed as grams of CO$_2$e per KWh.

“(C) Establishment of emissions rates for facilities.—

“(i) Publishing emissions rates.—

The Secretary shall annually publish a table that sets forth the greenhouse gas emissions rates for types or categories of facilities, which a taxpayer shall use for purposes of this section.

“(ii) Provisional emissions rate.—In the case of any facility for which an emissions rate has not been established by the Secretary, a taxpayer which owns such facility may file a petition with the Secretary for determination of the emissions rate with respect to such facility.

“(D) Carbon capture and sequestration equipment.—For purposes of this subsection, the amount of greenhouse gases emitted into the atmosphere by a facility in the production of electricity shall not include any quali-
fied carbon dioxide that is captured by the taxpayer and—

“(i) pursuant to any regulations established under paragraph (2) of section 45Q(f), disposed of by the taxpayer in secure geological storage, or

“(ii) utilized by the taxpayer in a manner described in paragraph (5) of such section.

“(c) Inflation Adjustment.—

“(1) In general.—In the case of a calendar year beginning after 2026, the 0.3 cent amount in paragraph (2)(A) of subsection (a) and the 1.5 cent amount in paragraph (2)(B) of such subsection shall each be adjusted by multiplying such amount by the inflation adjustment factor for the calendar year in which the sale or use of the electricity occurs. If the 0.3 cent amount as increased under this paragraph is not a multiple of 0.05 cent, such amount shall be rounded to the nearest multiple of 0.05 cent. If the 1.5 cent amount as increased under this paragraph is not a multiple of 0.1 cent, such amount shall be rounded to the nearest multiple of 0.1 cent.

“(2) Annual computation.—The Secretary shall, not later than April 1 of each calendar year,
determine and publish in the Federal Register the inflation adjustment factor for such calendar year in accordance with this subsection.

“(3) INFLATION ADJUSTMENT FACTOR.—The term ‘inflation adjustment factor’ means, with respect to a calendar year, a fraction the numerator of which is the GDP implicit price deflator for the preceding calendar year and the denominator of which is the GDP implicit price deflator for the calendar year 1992. The term ‘GDP implicit price deflator’ means the most recent revision of the implicit price deflator for the gross domestic product as computed and published by the Department of Commerce before March 15 of the calendar year.

“(d) CREDIT PHASE-OUT.—

“(1) IN GENERAL.—The amount of the clean electricity production credit under subsection (a) for any qualified facility the construction of which begins during a calendar year described in paragraph (2) shall be equal to the product of—

“(A) the amount of the credit determined under subsection (a) without regard to this subsection, multiplied by

“(B) the phase-out percentage under paragraph (2).
“(2) Phase-out percentage.—The phase-out percentage under this paragraph is equal to—

“(A) for a facility the construction of which begins during the first calendar year following the applicable year, 100 percent,

“(B) for a facility the construction of which begins during the second calendar year following the applicable year, 75 percent,

“(C) for a facility the construction of which begins during the third calendar year following the applicable year, 50 percent, and

“(D) for a facility the construction of which begins during any calendar year subsequent to the calendar year described in sub-paragraph (C), 0 percent.

“(3) Applicable year.—For purposes of this subsection, the term ‘applicable year’ means the later of—

“(A) the calendar year in which the Secretary determines that the annual greenhouse gas emissions from the production of electricity in the United States are equal to or less than 25 percent of the annual greenhouse gas emissions from the production of electricity in the United States for calendar year 2021, or
“(e) DEFINITIONS.—For purposes of this section:

“(1) CO₂e per KWh.—The term ‘CO₂e per KWh’ means, with respect to any greenhouse gas, the equivalent carbon dioxide (as determined based on global warming potential) per kilowatt hour of electricity produced.

“(2) GREENHOUSE GAS.—The term ‘greenhouse gas’ has the same meaning given such term under section 211(o)(1)(G) of the Clean Air Act (42 U.S.C. 7545(o)(1)(G)), as in effect on the date of the enactment of this section.

“(3) QUALIFIED CARBON DIOXIDE.—The term ‘qualified carbon dioxide’ means carbon dioxide captured from an industrial source which—

“(A) would otherwise be released into the atmosphere as industrial emission of greenhouse gas,

“(B) is measured at the source of capture and verified at the point of disposal or utilization, and

“(C) is captured and disposed or utilized within the United States (within the meaning of section 638(1)) or a possession of the United States (within the meaning of section 638(2)).
“(f) GUIDANCE.—Not later than January 1, 2026, the Secretary shall issue guidance regarding implementation of this section, including calculation of greenhouse gas emission rates for qualified facilities and determination of clean electricity production credits under this section.

“(g) SPECIAL RULES.—

“(1) ONLY PRODUCTION IN THE UNITED STATES TAKEN INTO ACCOUNT.—Consumption or sales shall be taken into account under this section only with respect to electricity the production of which is within—

“(A) the United States (within the meaning of section 638(1)), or

“(B) a possession of the United States (within the meaning of section 638(2)).

“(2) COMBINED HEAT AND POWER SYSTEM PROPERTY.—

“(A) IN GENERAL.—For purposes of subsection (a)—

“(i) the kilowatt hours of electricity produced by a taxpayer at a qualified facility shall include any production in the form of useful thermal energy by any com-
combined heat and power system property within such facility, and

“(ii) the amount of greenhouse gases emitted into the atmosphere by such facility in the production of such useful thermal energy shall be included for purposes of determining the greenhouse gas emissions rate for such facility.

“(B) COMBINED HEAT AND POWER SYSTEM PROPERTY.—For purposes of this paragraph, the term ‘combined heat and power system property’ has the same meaning given such term by section 48(c)(3) (without regard to subparagraphs (A)(iv), (B), and (D) thereof).

“(C) CONVERSION FROM BTU TO KWH.—

“(i) IN GENERAL.—For purposes of subparagraph (A)(i), the amount of kilowatt hours of electricity produced in the form of useful thermal energy shall be equal to the quotient of—

“(I) the total useful thermal energy produced by the combined heat and power system property within the qualified facility, divided by

...
“(II) the heat rate for such facility.

“(ii) HEAT RATE.—For purposes of this subparagraph, the term ‘heat rate’ means the amount of energy used by the qualified facility to generate 1 kilowatt hour of electricity, expressed as British thermal units per net kilowatt hour generated.

“(3) PRODUCTION ATTRIBUTABLE TO THE TAX-PAYER.—In the case of a qualified facility in which more than 1 person has an ownership interest, except to the extent provided in regulations prescribed by the Secretary, production from the facility shall be allocated among such persons in proportion to their respective ownership interests in the gross sales from such facility.

“(4) RELATED PERSONS.—Persons shall be treated as related to each other if such persons would be treated as a single employer under the regulations prescribed under section 52(b). In the case of a corporation which is a member of an affiliated group of corporations filing a consolidated return, such corporation shall be treated as selling electricity
to an unrelated person if such electricity is sold to such a person by another member of such group.

“(5) Pass-thru in the case of estates and trusts.—Under regulations prescribed by the Secretary, rules similar to the rules of subsection (d) of section 52 shall apply.

“(6) Allocation of credit to patrons of agricultural cooperative.—

“(A) Election to allocate.—

“(i) In general.—In the case of an eligible cooperative organization, any portion of the credit determined under subsection (a) for the taxable year may, at the election of the organization, be apportioned among patrons of the organization on the basis of the amount of business done by the patrons during the taxable year.

“(ii) Form and effect of election.—An election under clause (i) for any taxable year shall be made on a timely filed return for such year. Such election, once made, shall be irrevocable for such taxable year. Such election shall not take effect unless the organization designates the apportionment as such in a written no-
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tice mailed to its patrons during the pay-
ment period described in section 1382(d).

“(B) TREATMENT OF ORGANIZATIONS AND
PATRONS.—The amount of the credit appor-
tioned to any patrons under subparagraph
(A)—

“(i) shall not be included in the
amount determined under subsection (a)
with respect to the organization for the
taxable year, and

“(ii) shall be included in the amount
determined under subsection (a) for the
first taxable year of each patron ending on
or after the last day of the payment period
(as defined in section 1382(d)) for the tax-
able year of the organization or, if earlier,
for the taxable year of each patron ending
on or after the date on which the patron
receives notice from the cooperative of the
apportionment.

“(C) SPECIAL RULES FOR DECREASE IN
CREDITS FOR TAXABLE YEAR.—If the amount
of the credit of a cooperative organization de-
termined under subsection (a) for a taxable
year is less than the amount of such credit
shown on the return of the cooperative organi-
ization for such year, an amount equal to the
excess of—

“(i) such reduction, over

“(ii) the amount not apportioned to

such patrons under subparagraph (A) for

the taxable year,

shall be treated as an increase in tax imposed
by this chapter on the organization. Such in-
crease shall not be treated as tax imposed by
this chapter for purposes of determining the
amount of any credit under this chapter.

“(D) ELIGIBLE COOPERATIVE DEFINED.—

For purposes of this section, the term ‘eligible
cooperative’ means a cooperative organization
described in section 1381(a) which is owned
more than 50 percent by agricultural producers
or by entities owned by agricultural producers.

For this purpose an entity owned by an agricul-
tural producer is one that is more than 50 per-
cent owned by agricultural producers.

“(7) INCREASE IN CREDIT IN CERTAIN

CASES.—

“(A) ENERGY COMMUNITIES.—In the case

of any qualified facility which is located in an
energy community (as defined in section 45(b)(11)(B)), for purposes of determining the amount of the credit under subsection (a) with respect to any electricity produced by the taxpayer at such facility during the taxable year, the applicable amount under paragraph (2) of such subsection shall be increased by an amount equal to 10 percent of the amount otherwise in effect under such paragraph (without application of subparagraph (B)).

“(B) DOMESTIC CONTENT.—Rules similar to the rules of section 45(b)(9) shall apply.

“(8) CREDIT REDUCED FOR TAX-EXEMPT BONDS.—Rules similar to the rules of section 45(b)(3) shall apply.

“(9) WAGE REQUIREMENTS.—Rules similar to the rules of section 45(b)(7) shall apply.

“(10) APPRENTICESHIP REQUIREMENTS.—Rules similar to the rules of section 45(b)(8) shall apply.

“(11) DOMESTIC CONTENT REQUIREMENT FOR ELECTIVE PAYMENT.—In the case of a taxpayer making an election under section 6417 with respect to a credit under this section, rules similar to the rules of section 45(b)(10) shall apply.”.
(b) ELECTIVE PAYMENT OF CREDIT.—Section 6417(b), as amended by preceding provisions of this Act, is amended by adding at the end the following new paragraph:

“(12) So much of the clean electricity production credit determined under section 45AA as is attributable to qualified facilities which are originally placed in service after December 31, 2026, and with respect to which an election is made under subsection (c)(3).”.

(c) ELECTION.—Section 6417(c)(3), as amended by the preceding provisions of this Act, is amended by adding at the end the following new subparagraph:

“(E) CLEAN ELECTRICITY PRODUCTION CREDIT.—In the case of the credit described in subsection (b)(12), any election under this subsection shall—

“(i) apply separately with respect to each qualified facility,

“(ii) be made for the taxable year in which such facility is placed in service, and

“(iii) shall apply to such taxable year and to any subsequent taxable year which is within the period described in subsection
(b)(1)(B) of section 45AA with respect to such facility.”.

(d) CONFORMING AMENDMENTS.—

(1) Section 38(b), as amended by the preceding provisions of this Act, is amended—

(A) in paragraph (40), by striking “plus” at the end,

(B) in paragraph (41), by striking the period at the end and inserting “, plus”, and

(C) by adding at the end the following new paragraph:

“(42) the clean electricity production credit determined under section 45AA(a).”.

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by the preceding provisions of this Act, is amended by adding at the end the following new item:

“Sec. 45AA. Clean electricity production credit.”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to facilities placed in service after December 31, 2026.

SEC. 126802. CLEAN ELECTRICITY INVESTMENT CREDIT.

(a) IN GENERAL.—Subpart E of part IV of subchapter A of chapter 1, as amended by the preceding provisions of this Act, is amended by inserting after section 48E the following new section:
“SEC. 48F. CLEAN ELECTRICITY INVESTMENT CREDIT.

“(a) Investment Credit for Qualified Property.—

“(1) In general.—For purposes of section 46, the clean electricity investment credit for any taxable year is an amount equal to the applicable percentage of the qualified investment for such taxable year with respect to—

“(A) any qualified facility, and

“(B) any energy storage technology.

“(2) Applicable Percentage.—

“(A) Qualified Facilities.—Subject to paragraph (3)—

“(i) Base rate.—In the case of any qualified facility which is not described in subclause (I) of clause (ii) and does not satisfy the requirements described in subclause (II) of such clause, the applicable percentage shall be 6 percent.

“(ii) Alternative rate.—In the case of any qualified facility—

“(I) with a maximum net output of less than 1 megawatt, or

“(II) which—

“(aa) satisfies the requirements of subsection (d)(3), and
“(bb) with respect to the construction of such facility, satisfies the requirements of subsection (d)(4),
the applicable percentage shall be 30 percent.

“(B) ENERGY STORAGE TECHNOLOGY.—

Subject to paragraph (3)—

“(i) BASE RATE.—In the case of any energy storage technology which is not described in subclause (I) of clause (ii) and does not satisfy the requirements described in subclause (II) of such clause, the applicable percentage shall be 6 percent.

“(ii) ALTERNATIVE RATE.—In the case of any energy storage technology—

“(I) with a capacity of less than 1 megawatt, or

“(II) which—

“(aa) satisfies the requirements of subsection (d)(3), and

“(bb) with respect to the construction of such property, satisfies rules similar to the rules of section 45(b)(8),
the applicable percentage shall be 30 per-
cent.

“(3) INCREASE IN CREDIT RATE IN CERTAIN CASES.—

“(A) ENERGY COMMUNITIES.—

“(i) IN GENERAL.—In the case of any qualified investment with respect to a qualified facility or with respect to energy storage technology which is placed in service within an energy community (as defined in section 45(b)(11)(B)), for purposes applying paragraph (2) with respect to such property or investment, the applicable percentage shall be increased by the applicable credit rate increase.

“(ii) APPLICABLE CREDIT RATE INCREASE.—For purposes of clause (i), the applicable credit rate increase shall be an amount equal to—

“(I) in the case of any qualified investment with respect to a qualified facility described in paragraph (2)(A)(i) or with respect to energy storage technology described in para-
graph (2)(B)(i), 2 percentage points, and

“(II) in the case of any qualified investment with respect to a qualified facility described in paragraph (2)(A)(ii) or with respect to energy storage technology described in paragraph (2)(B)(ii), 10 percentage points.

“(B) Domestic content.—Rules similar to the rules of section 48(a)(12) shall apply.

“(b) Qualified investment with respect to a qualified facility.—

“(1) In general.—For purposes of subsection (a), the qualified investment with respect to any qualified facility for any taxable year is the sum of—

“(A) the basis of any qualified property placed in service by the taxpayer during such taxable year which is part of a qualified facility, plus

“(B) the amount of any expenditures which are—

“(i) paid or incurred by the taxpayer for qualified interconnection property—
“(I) in connection with a qualified facility which has a maximum net output of not greater than 5 megawatts, and

“(II) placed in service during the taxable year of the taxpayer, and

“(ii) properly chargeable to capital account of the taxpayer.

“(2) QUALIFIED PROPERTY.—The term ‘qualified property’ means property—

“(A) which is—

“(i) tangible personal property, or

“(ii) other tangible property (not including a building or its structural components), but only if such property is used as an integral part of the qualified facility,

“(B) with respect to which depreciation (or amortization in lieu of depreciation) is allowable, and

“(C)(i) the construction, reconstruction, or erection of which is completed by the taxpayer, or

“(ii) which is acquired by the taxpayer if the original use of such property commences with the taxpayer.
“(3) QUALIFIED FACILITY.—

“(A) IN GENERAL.—For purposes of this section, the term ‘qualified facility’ means a facility—

“(i) which is used for the generation of electricity,

“(ii) which is placed in service after December 31, 2026, and

“(iii) for which the anticipated greenhouse gas emissions rate (as determined under subparagraph (B)(ii)) is not greater than zero.

“(B) ADDITIONAL RULES.—

“(i) EXPANSION OF FACILITY; INCREMENTAL PRODUCTION.—Rules similar to the rules of section 45AA(b)(1)(C) shall apply for purposes of this paragraph.

“(ii) GREENHOUSE GAS EMISSIONS RATE.—Rules similar to the rules of section 45AA(b)(2) shall apply for purposes of this paragraph.

“(C) EXCLUSION.—The term ‘qualified facility’ shall not include any facility for which—

“(i) a renewable electricity production credit determined under section 45,
“(ii) an advanced nuclear power facility production credit determined under section 45J,

“(iii) a carbon oxide sequestration credit determined under section 45Q,

“(iv) a zero-emission nuclear power production credit determined under section 45V,

“(v) a clean electricity production credit determined under section 45AA,

“(vi) an energy credit determined under section 48,

“(vii) a qualifying advanced coal project credit under section 48A, or

“(viii) a qualifying electric transmission property credit under section 48D, is allowed under section 38 for the taxable year or any prior taxable year.

“(4) Qualified interconnection property.—For purposes of this paragraph, the term ‘qualified interconnection property’ has the meaning given such term in section 48(a)(8)(B).

“(5) Coordination with rehabilitation credit.—The qualified investment with respect to any qualified facility for any taxable year shall not
include that portion of the basis of any property which is attributable to qualified rehabilitation expenditures (as defined in section 47(c)(2)).

“(6) Definitions.—For purposes of this subsection, the terms ‘CO2e per KWh’ and ‘greenhouse gas emissions rate’ have the same meaning given such terms under section 45AA(b).

“(c) Qualified Investment With Respect To Energy Storage Technology.—

“(1) Qualified Investment.—For purposes of subsection (a), the qualified investment with respect to energy storage technology for any taxable year is the basis of any energy storage technology placed in service by the taxpayer during such taxable year.

“(2) Energy Storage Technology.—For purposes of this section, the term ‘energy storage technology’ has the meaning given such term in section 48(c)(6).

“(d) Special Rules.—

“(1) Certain Progress Expenditure Rules Made Applicable.—Rules similar to the rules of subsections (c)(4) and (d) of section 46 (as in effect on the day before the date of the enactment of the
Revenue Reconciliation Act of 1990) shall apply for purposes of subsection (a).

“(2) Special rule for property financed by subsidized energy financing or private activity bonds.—Rules similar to the rules of section 45(b)(3) shall apply.

“(3) Prevailing wage requirements.—Rules similar to the rules of section 48(a)(10) shall apply.

“(4) Apprenticeship requirements.—Rules similar to the rules of section 45(b)(8) shall apply.

“(5) Domestic content requirement for elective payment.—In the case of a taxpayer making an election under section 6417 with respect to a credit under this section, rules similar to the rules of section 45(b)(10) shall apply.

“(e) Credit Phase-Out.—

“(1) In general.—The amount of the clean electricity investment credit under subsection (a) for any qualified investment with respect to any qualified facility or energy storage technology the construction of which begins during a calendar year described in paragraph (2) shall be equal to the product of—
“(A) the amount of the credit determined under subsection (a) without regard to this subsection, multiplied by

“(B) the phase-out percentage under paragraph (2).

“(2) Phase-out percentage.—The phase-out percentage under this paragraph is equal to—

“(A) for any qualified investment with respect to any qualified facility or energy storage technology the construction of which begins during the first calendar year following the applicable year, 100 percent,

“(B) for any qualified investment with respect to any qualified facility or energy storage technology the construction of which begins during the second calendar year following the applicable year, 75 percent,

“(C) for any qualified investment with respect to any qualified facility or energy storage technology the construction of which begins during the third calendar year following the applicable year, 50 percent, and

“(D) for any qualified investment with respect to any qualified facility or energy storage technology the construction of which begins
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during any calendar year subsequent to the cal-
endar year described in subparagraph (C), 0
percent.
“(3) APPLICABLE YEAR.—For purposes of this
subsection, the term ‘applicable year’ has the same
meaning given such term in section 45AA(d)(3).
“(f) GREENHOUSE GAS.—In this section, the term
‘greenhouse gas’ has the same meaning given such term
under section 45AA(e)(2).
“(g) RECAPTURE OF CREDIT.—For purposes of sec-
tion 50, if the Secretary determines that the greenhouse
gas emissions rate for a qualified facility is greater than
10 grams of CO$_2$e per KWh, any property for which a
credit was allowed under this section with respect to such
facility shall cease to be investment credit property in the
taxable year in which the determination is made.
“(h) GUIDANCE.—Not later than January 1, 2026,
the Secretary shall issue guidance regarding implementa-
tion of this section.”.
(b) ELECTIVE PAYMENT OF CREDIT.—Section
6417(b), as amended by preceding provisions of this Act,
is amended by adding at the end the following new para-
graph:
“(13) The clean electricity investment credit de-
termined under section 48F.”.
(c) Conforming Amendments.—

(1) Section 46, as amended by preceding provisions of this Act, is amended—

(A) by striking “and” at the end of paragraph (6),

(B) by striking the period at the end of paragraph (7) and inserting “, and”, and

(C) by adding at the end the following new paragraph:

“(8) the clean electricity investment credit.”.

(2) Section 49(a)(1)(C), as amended by preceding provisions of this Act, is amended—

(A) by striking “and” at the end of clause (vi),

(B) by striking the period at the end of clause (vii) and inserting a comma, and

(C) by adding at the end the following new clauses:

“(viii) the basis of any qualified property which is part of a qualified facility under section 48F, and

“(ix) the basis of any energy storage technology under section 48F.”.

(3) Section 50(a)(2)(E), as amended by preceding provisions of this Act, is amended by striking
“or 48E(c)(1)” and inserting “48E(c)(1), or 48F(e)”.

(4) Section 50(c)(3) is amended by inserting “or clean electricity investment credit” after “In the case of any energy credit”.

(5) The table of sections for subpart E of part IV of subchapter A of chapter 1, as amended by preceding provisions of this Act, is amended by inserting after the item relating to section 48E the following new item:

“48F. Clean electricity investment credit.”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 2026.

SEC. 126803. INCREASE IN CLEAN ELECTRICITY INVESTMENT CREDIT FOR FACILITIES PLACED IN SERVICE IN CONNECTION WITH LOW-INCOME COMMUNITIES.

(a) IN GENERAL.—Section 48F, as added by this Act, is amended by adding at the end the following new subsection:

“(i) SPECIAL RULES FOR CERTAIN FACILITIES PLACED IN SERVICE IN CONNECTION WITH LOW-INCOME COMMUNITIES.—

“(1) IN GENERAL.—In the case of any qualified facility with respect to which the Secretary makes an
allocation of environmental justice capacity limitation under paragraph (4)—

“(A) the applicable percentage otherwise determined under subsection (a)(2) with respect to any eligible property which is part of such facility shall be increased by—

“(i) in the case of a facility described in subclause (I) of paragraph (2)(A)(iii) and not described in subclause (II) of such paragraph, 10 percentage points, and

“(ii) in the case of a facility described in subclause (II) of paragraph (2)(A)(iii), 20 percentage points, and

“(B) the increase in the credit determined under subsection (a) by reason of this subsection for any taxable year with respect to all property which is part of such facility shall not exceed the amount which bears the same ratio to the amount of such increase (determined without regard to this subparagraph) as—

“(i) the environmental justice capacity limitation allocated to such facility, bears
“(ii) the total megawatt nameplate capacity of such facility, as measured in direct current.

“(2) QUALIFIED FACILITY.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘qualified facility’ means any facility—

“(i) which is described in subsection (b)(3)(A) and not described in section 45AA(b)(2)(B),

“(ii) which has a maximum net output of less than 5 megawatts, and

“(iii) which—

“(I) is located in a low-income community (as defined in section 45D(e)) or on Indian land (as defined in section 2601(2) of the Energy Policy Act of 1992 (25 U.S.C. 3501(2))), or

“(II) is part of a qualified low-income residential building project or a qualified low-income economic benefit project.

“(B) QUALIFIED LOW-INCOME RESIDENTIAL BUILDING PROJECT.—A facility shall be
treated as part of a qualified low-income residential building project if—

“(i) such facility is installed on a residential rental building which participates in a covered housing program (as defined in section 41411(a) of the Violence Against Women Act of 1994 (34 U.S.C. 12491(a)(3)), a housing assistance program administered by the Department of Agriculture under title V of the Housing Act of 1949, a housing program administered by a tribally designated housing entity (as defined in section 4(22) of the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4103(22))) or such other affordable housing programs as the Secretary may provide, and

“(ii) the financial benefits of the electricity produced by such facility are allocated equitably among the occupants of the dwelling units of such building.

“(C) QUALIFIED LOW-INCOME ECONOMIC BENEFIT PROJECT.—A facility shall be treated as part of a qualified low-income economic ben-
benefit project if at least 50 percent of the financial benefits of the electricity produced by such facility are provided to households with income of—

“(i) less than 200 percent of the poverty line applicable to a family of the size involved, or

“(ii) less than 80 percent of area median gross income (as determined under section 142(d)(2)(B)).

“(D) FINANCIAL BENEFIT.—For purposes of subparagraphs (B) and (C), electricity acquired at a below-market rate shall not fail to be taken into account as a financial benefit.

“(3) ELIGIBLE PROPERTY.—For purposes of this subsection, the term ‘eligible property’ means a qualified investment with respect to any qualified facility which is described in subsection (b).

“(4) ALLOCATIONS.—

“(A) IN GENERAL.—Not later than January 1, 2027, the Secretary shall establish a program to allocate amounts of environmental justice capacity limitation to qualified facilities.

“(B) LIMITATION.—The amount of environmental justice capacity limitation allocated
by the Secretary under subparagraph (A) during any calendar year shall not exceed the annual capacity limitation with respect to such year.

“(C) ANNUAL CAPACITY LIMITATION.—For purposes of this paragraph, the term ‘annual capacity limitation’ means 1.8 gigawatts of direct current capacity for each of calendar years 2027 through 2031, and zero thereafter.

“(D) CARRYOVER OF UNUSED LIMITATION.—

“(i) IN GENERAL.—If the annual capacity limitation for any calendar year exceeds the aggregate amount allocated for such year under this paragraph, such limitation for the succeeding calendar year shall be increased by the amount of such excess. No amount may be carried under the preceding sentence to any calendar year after 2033.

“(ii) CARRYOVER FROM SECTION 48 FOR CALENDAR YEAR 2027.—If the annual capacity limitation for calendar year 2026 under section 48(e)(4)(D) exceeds the aggregate amount allocated for such year
under such section, such excess amount
may be carried over and applied to the an-
nual capacity limitation under this sub-
section for calendar year 2027. The annual
capacity limitation for calendar year 2027
shall be increased by the amount of such
excess.

“(E) Placed in Service Deadline.—

“(i) In General.—Paragraph (1)
shall not apply with respect to any prop-
erty which is placed in service after the
date that is 4 years after the date of the
allocation with respect to the facility of
which such property is a part.

“(ii) Application of Carryover.—
Any amount of environmental justice ca-
pacity limitation which expires under
clause (i) during any calendar year shall be
taken into account as an excess described
in subparagraph (D)(i) (or as an increase
in such excess) for such calendar year,
subject to the limitation imposed by the
last sentence of such subparagraph.

“(5) Recapture.—The Secretary shall, by reg-
ulations or other guidance, provide for recapturing
the benefit of any increase in the credit allowed under subsection (a) by reason of this subsection with respect to any property which ceases to be property eligible for such increase (but which does not cease to be investment credit property within the meaning of section 50(a)). The period and percentage of such recapture shall be determined under rules similar to the rules of section 50(a). To the extent provided by the Secretary, such recapture may not apply with respect to any property if, within 12 months after the date the taxpayer becomes aware (or reasonably should have become aware) of such property ceasing to be property eligible for such increase, the eligibility of such property for such increase is restored. The preceding sentence shall not apply more than once with respect to any facility.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 2027.

SEC. 126804. COST RECOVERY FOR QUALIFIED FACILITIES, QUALIFIED PROPERTY, AND ENERGY STORAGE TECHNOLOGY.

(a) IN GENERAL.—Section 168(e)(3)(B) is amended—

(1) in clause (vi)(III), by striking “and” at the end,
(2) in clause (vii), by striking the period at the end and inserting ‘‘, and’’, and

(3) by inserting after clause (vii) the following:

‘‘(viii) any qualified facility (as defined in section 45AA(b)(1)(A)), any qualified property (as defined in subsection (b)(2) of section 48F) which is a qualified investment (as defined in subsection (b)(1) of such section), or any energy storage technology (as defined in subsection (c)(2) of such section).’’.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to facilities and property placed in service after December 31, 2026.

SEC. 126805. CLEAN FUEL PRODUCTION CREDIT.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1, as amended by the preceding provisions of this Act, is amended by adding at the end the following new section:

‘‘SEC. 45BB. CLEAN FUEL PRODUCTION CREDIT.

(a) AMOUNT OF CREDIT.—

‘‘(1) IN GENERAL.—For purposes of section 38, the clean fuel production credit for any taxable year is an amount equal to the product of—

"SEC. 45BB. CLEAN FUEL PRODUCTION CREDIT."
“(A) the applicable amount per gallon (or gallon equivalent) with respect to any transportation fuel which is—

“(i) produced by the taxpayer at a qualified facility, and

“(ii) sold by the taxpayer in a manner described in paragraph (4) during the taxable year, and

“(B) the emissions factor for such fuel (as determined under subsection (b)).

“(2) APPLICABLE AMOUNT.—

“(A) BASE AMOUNT.—In the case of any transportation fuel produced at a qualified facility which does not satisfy the requirements described in subparagraph (B), the applicable amount shall be 20 cents.

“(B) ALTERNATIVE AMOUNT.—In the case of any transportation fuel produced at a qualified facility which satisfies the requirements under paragraphs (6) and (7) of subsection (g), the applicable amount shall be $1.00.

“(3) SPECIAL RATE FOR SUSTAINABLE AVIATION FUEL.—
“(A) IN GENERAL.—In the case of a transportation fuel which is sustainable aviation fuel, paragraph (2) shall be applied—

“(i) in the case of a transportation fuel produced at a qualified facility described in paragraph (2)(A), by substituting ‘35 cents’ for ‘20 cents’, and

“(ii) in the case of a transportation fuel produced at a qualified facility described in paragraph (2)(B), by substituting ‘$1.75’ for ‘$1.00’.

“(B) SUSTAINABLE AVIATION FUEL.—For purposes of this subparagraph (A), the term ‘sustainable aviation fuel’ means liquid fuel which is sold for use in an aircraft and which—

“(i) meets the requirements of—

“(I) ASTM International Standard D7566-21, or

“(II) the Fischer Tropsch provisions of ASTM International Standard D1655-21, Annex A1, and

“(ii) is not derived from palm fatty acid distillates or petroleum.

“(4) SALE.—For purposes of paragraph (1), the transportation fuel is sold in a manner described
in this paragraph if such fuel is sold by the taxpayer to an unrelated person—

“(A) for use by such person in the production of a fuel mixture,

“(B) for use by such person in a trade or business, or

“(C) who sells such fuel at retail to another person and places such fuel in the fuel tank of such other person.

“(5) Rounding.—If any amount determined under paragraph (1) is not a multiple of 1 cent, such amount shall be rounded to the nearest cent.

“(b) Emissions Factors.—

“(1) Emissions factor.—

“(A) Calculation.—

“(i) In general.—The emissions factor of a transportation fuel shall be an amount equal to the quotient of—

“(I) an amount equal to—

“(aa) 50 kilograms of CO$_2$e per mmBTU, minus

“(bb) the emissions rate for such fuel, divided by

“(II) 50 kilograms of CO$_2$e per mmBTU.
“(B) Establishment of emissions rate.—

“(i) In general.—Subject to clauses (ii) and (iii), the Secretary shall annually publish a table which sets forth the emissions rate for similar types and categories of transportation fuels based on the amount of lifecycle greenhouse gas emissions (as described in section 211(o)(1)(H) of the Clean Air Act (42 U.S.C. 7545(o)(1)(H)), as in effect on the date of the enactment of this section) for such fuels, expressed as kilograms of CO$_2$e per mmBTU, which a taxpayer shall use for purposes of this section.

“(ii) Non-aviation fuel.—In the case of any transportation fuel which is not a sustainable aviation fuel, the lifecycle greenhouse gas emissions of such fuel shall be based on the most recent determinations under the Greenhouse gases, Regulated Emissions, and Energy use in Transportation model developed by Argonne National Laboratory, or a successor model (as determined by the Secretary).
“(iii) AVIATION FUEL.—In the case of any transportation fuel which is a sustainable aviation fuel, the lifecycle greenhouse gas emissions of such fuel shall be determined in accordance with—

“(I) the most recent Carbon Offsetting and Reduction Scheme for International Aviation which has been adopted by the International Civil Aviation Organization with the agreement of the United States, or

“(II) any equivalent methodology which satisfies the criteria under section 211(o)(1)(H) of the Clean Air Act (42 U.S.C. 7545(o)(1)(H)).

“(C) ROUNDING OF EMISSIONS RATE.—The Secretary may round the emissions rates under subparagraph (B) to the nearest multiple of 5 kilograms of CO$_2$e per mmBTU, except that, in the case of an emissions rate that is less than 2.5 kilograms of CO$_2$e per mmBTU, the Secretary may round such rate to zero.

“(D) PROVISIONAL EMISSIONS RATE.—In the case of any transportation fuel for which an emissions rate has not been established under
subparagraph (B), a taxpayer producing such fuel may file a petition with the Secretary for determination of the emissions rate with respect to such fuel.

“(2) Rounding.—If any amount determined under paragraph (1)(A) is not a multiple of 0.1, such amount shall be rounded to the nearest multiple of 0.1.

“(e) Inflation adjustment.—

“(1) In general.—In the case of calendar years beginning after 2026, the 20 cent amount in subsection (a)(2)(A), the $1.00 amount in subsection (a)(2)(B), the 35 cent amount in subsection (a)(3)(A)(i), and the $1.75 amount in subsection (a)(3)(A)(ii) shall each be adjusted by multiplying such amount by the inflation adjustment factor for the calendar year in which the sale of the transportation fuel occurs. If any amount as increased under the preceding sentence is not a multiple of 1 cent, such amount shall be rounded to the nearest multiple of 1 cent.

“(2) Inflation adjustment factor.—For purposes of paragraph (1), the inflation adjustment factor shall be the inflation adjustment factor determined and published by the Secretary pursuant to
section 45AA(c), determined by substituting ‘calendar year 2021’ for ‘calendar year 1992’ in paragraph (3) thereof.

“(d) CREDIT PHASE-OUT.—

“(1) IN GENERAL.—The amount of the clean fuel production credit under subsection (a) for any transportation fuel sold during a taxable year described in paragraph (2) shall be equal to the product of—

“(A) the amount of the credit determined under subsection (a) without regard to this subsection, multiplied by

“(B) the phase-out percentage under paragraph (2).

“(2) PHASE-OUT PERCENTAGE.—The phase-out percentage under this paragraph is equal to—

“(A) for any taxable year beginning in the first calendar year following the applicable year, 100 percent,

“(B) for any taxable year beginning in the second calendar year following the applicable year, 75 percent,

“(C) for any taxable year beginning in the third calendar year following the applicable year, 50 percent, and
“(D) for any taxable year beginning in any calendar year subsequent to the calendar year described in subparagraph (C), 0 percent.

“(3) APPLICABLE YEAR.—For purposes of this subsection, the term ‘applicable year’ means the later of—

“(A) the calendar year in which the Secretary determines that the greenhouse gas emissions from the transportation of persons and goods annually in the United States are equal to or less than 25 percent of the greenhouse gas emissions from the transportation of persons and goods in the United States during calendar year 2021, or

“(B) 2031.

“(e) DEFINITIONS.—In this section:

“(1) mmBTU.—The term ‘mmBTU’ means 1,000,000 British thermal units.

“(2) CO$_2$e.—The term ‘CO$_2$e’ means, with respect to any greenhouse gas, the equivalent carbon dioxide (as determined based on relative global warming potential).

“(3) GREENHOUSE GAS.—The term ‘greenhouse gas’ has the same meaning given that term under section 211(o)(1)(G) of the Clean Air Act (42
U.S.C. 7545(o)(1)(G)), as in effect on the date of
the enactment of this section.

“(4) QUALIFIED FACILITY.—The term ‘quali-
FIED FACILITY’—

“(A) means a facility used for the produc-
tion of transportation fuels, and

“(B) does not include any facility for
which one of the following credits is allowed
under section 38 for the taxable year:

“(i) The credit for production of clean
hydrogen under section 45W.

“(ii) The credit determined under sec-
tion 46 to the extent that such credit is at-
tributable to the energy credit determined
under section 48 with respect to any speci-
fied clean hydrogen production facility for
which an election is made under subsection
(a)(16) of such section.

“(iii) The credit for carbon oxide se-
questration under section 45Q.

“(5) TRANSPORTATION FUEL.—The term
‘transportation fuel’ means a fuel which—

“(A) is suitable for use as a fuel in a high-
way vehicle or aircraft,
“(B) has an emissions rate which is not greater than—

“(i) in the case of a fuel which is not a sustainable aviation fuel—

“(I) for any such fuel sold during calendar years 2027 through 2030, 50 kilograms of CO$_2$e per mmBTU, and

“(II) for any such fuel sold during any calendar year beginning after December 31, 2030, 25 kilograms of CO$_2$e per mmBTU, or

“(ii) in the case of a fuel which is a sustainable aviation fuel—

“(I) for any such fuel sold during any period before January 1, 2031, 35 kilograms of CO$_2$e per mmBTU, and

“(II) for any such fuel sold during any period after December 31, 2030, 25 kilograms of CO$_2$e per mmBTU,

“(C) is not hydrogen fuel, and

“(D) in the case of fuel which is not aviation fuel, is not derived from coprocessing biomass with a feedstock which is not biomass.
For purposes of this paragraph, the term ‘biomass’ has the meaning given such term in section 45K(c)(3).

“(f) GUIDANCE.—Not later than January 1, 2026, the Secretary shall issue guidance regarding implementation of this section, including calculation of emissions factors for transportation fuel, the table described in subsection (b)(1)(B)(i), and the determination of clean fuel production credits under this section.

“(g) SPECIAL RULES.—

“(1) ONLY REGISTERED PRODUCTION IN THE UNITED STATES TAKEN INTO ACCOUNT.—

“(A) IN GENERAL.—No clean fuel production credit shall be determined under subsection (a) with respect to any transportation fuel unless—

“(i) the taxpayer—

“(I) is registered as a producer of clean fuel under section 4101 at the time of production, and

“(II) in the case of any transportation fuel which is a sustainable aviation fuel, provides—

“(aa) certification (in such form and manner as the Sec-
retary shall prescribe) from an unrelated party demonstrating compliance with—

“(AA) any supply chain traceability and information transmission requirements under subclause (I) of subsection (b)(1)(B)(iii), or

“(BB) any methodology described in subclause (II) of such subsection, and

“(bb) such other information with respect to such fuel as the Secretary may require for purposes of carrying out this section, and

“(ii) such fuel is produced in the United States.

“(B) UNITED STATES.—For purposes of this paragraph, the term ‘United States’ includes any possession of the United States.

“(2) PRODUCTION ATTRIBUTABLE TO THE TAXPAYER.—In the case of a facility in which more than 1 person has an ownership interest, except to the extent provided in regulations prescribed by the Sec-
retary, production from the facility shall be allocated among such persons in proportion to their respective ownership interests in the gross sales from such facility.

“(3) RELATED PERSONS.—Persons shall be treated as related to each other if such persons would be treated as a single employer under the regulations prescribed under section 52(b). In the case of a corporation which is a member of an affiliated group of corporations filing a consolidated return, such corporation shall be treated as selling fuel to an unrelated person if such fuel is sold to such a person by another member of such group.

“(4) PASS-THRU IN THE CASE OF ESTATES AND TRUSTS.—Under regulations prescribed by the Secretary, rules similar to the rules of subsection (d) of section 52 shall apply.

“(5) ALLOCATION OF CREDIT TO PATRONS OF AGRICULTURAL COOPERATIVE.—

“(A) ELECTION TO ALLOCATE.—

“(i) IN GENERAL.—In the case of an eligible cooperative organization, any portion of the credit determined under subsection (a) for the taxable year may, at the election of the organization, be apportioned
among patrons of the organization on the basis of the amount of business done by the patrons during the taxable year.

“(ii) FORM AND EFFECT OF ELECTION.—An election under clause (i) for any taxable year shall be made on a timely filed return for such year. Such election, once made, shall be irrevocable for such taxable year. Such election shall not take effect unless the organization designates the apportionment as such in a written notice mailed to its patrons during the payment period described in section 1382(d).

“(B) TREATMENT OF ORGANIZATIONS AND PATRONS.—The amount of the credit apportioned to any patrons under subparagraph (A)—

“(i) shall not be included in the amount determined under subsection (a) with respect to the organization for the taxable year, and

“(ii) shall be included in the amount determined under subsection (a) for the first taxable year of each patron ending on or after the last day of the payment period
(as defined in section 1382(d)) for the taxable year of the organization or, if earlier, for the taxable year of each patron ending on or after the date on which the patron receives notice from the cooperative of the apportionment.

“(C) Special rules for decrease in credits for taxable year.—If the amount of the credit of a cooperative organization determined under subsection (a) for a taxable year is less than the amount of such credit shown on the return of the cooperative organization for such year, an amount equal to the excess of—

“(i) such reduction, over

“(ii) the amount not apportioned to such patrons under subparagraph (A) for the taxable year,

shall be treated as an increase in tax imposed by this chapter on the organization. Such increase shall not be treated as tax imposed by this chapter for purposes of determining the amount of any credit under this chapter.

“(D) Eligible cooperative defined.—For purposes of this section the term ‘eligible
cooperative’ means a cooperative organization described in section 1381(a) which is owned more than 50 percent by agricultural producers or by entities owned by agricultural producers. For this purpose an entity owned by an agricultural producer is one that is more than 50 percent owned by agricultural producers.

“(6) Prevailing Wage Requirements.—

“(A) In General.—Subject to subparagraph (B), rules similar to the rules of section 45(b)(7) shall apply.

“(B) Special Rule for Facilities Placed in Service Before January 1, 2027.—For purposes of subparagraph (A), in the case of any qualified facility placed in service before January 1, 2027—

“(i) clause (i) of section 45(b)(7)(A) shall not apply, and

“(ii) clause (ii) of such section shall be applied by substituting ‘with respect to any taxable year beginning after December 31, 2026, for which the credit is allowed under this section’ for ‘with respect to any taxable year, for any portion of such tax-
able year which is within the period described in subsection (a)(2)(A)(ii)’.

“(7) Apprenticeship requirements.—Rules similar to the rules of section 45(b)(8) shall apply.”.

(b) Elective Payment of Credit.—Section 6417(b), as amended by preceding provisions of this Act, is amended by adding at the end the following new paragraph:

“(14) The clean fuel production credit determined under section 45BB(a).”.

(c) Conforming Amendments.—

(1) Section 38(b), as amended by the preceding provisions of this Act, is amended—

(A) in paragraph (41), by striking “plus” at the end,

(B) in paragraph (42), by striking the period at the end and inserting “, plus”, and

(C) by adding at the end the following new paragraph:

“(43) the clean fuel production credit determined under section 45BB(a).”.

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by the preceding provisions of this Act, is amended by adding at the end the following new item:

“Sec. 45BB. Clean fuel production credit.”.
(3) Section 4101(a)(1), as amended by the preceding provisions of this Act, is amended by inserting “every person producing a fuel eligible for the clean fuel production credit (pursuant to section 45BB),” after “section 6426(k)(3),”.

(d) **Effective Date.**—The amendments made by this section shall apply to transportation fuel produced after December 31, 2026.

**PART 9—APPROPRIATIONS**

**SEC. 126901. APPROPRIATIONS.**

Immediately upon the enactment of this Act, in addition to amounts otherwise available, there are appropriated for fiscal year 2022, out of any money in the Treasury not otherwise appropriated, $4,073,433,000 to remain available until September 30, 2031, for necessary expenses for the Internal Revenue Service to carry out this subtitle (and the amendments made by this subtitle), which shall supplement and not supplant any other appropriations that may be available for this purpose.

**Subtitle G—Social Safety Net**

**SEC. 127001. AMENDMENT OF 1986 CODE.**

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

PART 1—CHILD TAX CREDIT

SEC. 127101. MODIFICATIONS APPLICABLE BEGINNING IN 2021.

(a) Safe Harbor Exception for Fraud and Intentional Disregard of Rules and Regulations.—

Section 24(j)(2)(B) is amended—

(1) by striking “qualified” each place it appears in clause (iv)(II) and inserting “qualifying”, and

(2) by adding at the end the following new clause:

“(v) Exception for fraud and intentional disregard of rules and regulations.—

“(I) In general.—For purposes of determining the safe harbor amount under clause (iv) with respect to any taxpayer, an individual shall not be treated as taken into account in determining the annual advance amount of such taxpayer if the Secretary determines that such individual was so taken into account due to fraud by the taxpayer or intentional
disregard of rules and regulations by
the taxpayer.

“(II) ARRANGEMENTS TO TAKE
INDIVIDUAL INTO ACCOUNT MORE
THAN ONCE.—For purposes of sub-
clause (I), a taxpayer shall not fail to
be treated as intentionally dis-
regarding rules and regulations with
respect to any individual taken into
account in determining the annual ad-
vance amount of such taxpayer if such
taxpayer entered into a plan or other
arrangement with, or expected, an-
other taxpayer to take such individual
into account in determining the credit
allowed under this section for the tax-
able year.”.

(b) RULES RELATING TO RECONCILIATION OF CRED-
IT AND ADVANCE CREDIT.—Section 24(j) is amended by
adding at the end the following new paragraphs:

“(3) JOINT RETURNS.—Except as otherwise
provided by the Secretary, in the case of an advance
payment made under section 7527A with respect to
a joint return, half of such payment shall be treated
as having been made to each individual filing such return.

“(4) COORDINATION WITH POSSESSIONS OF THE UNITED STATES.—For purposes of this subsection, payments made under section 7527A include payments made by any jurisdiction other than the United States under section 7527A of the income tax law of such jurisdiction, and advance payments made by American Samoa pursuant to a plan described in subsection (k)(3)(B). In carrying out this section, the Secretary shall coordinate with each possession of the United States to prevent any application of this paragraph that is inconsistent with the purposes of this subsection.”.

(c) ANNUAL ADVANCE AMOUNT.—Section 7527A(b) is amended—

(1) in paragraph (1)—

(A) in subparagraph (A), by inserting “or based on any other information known to the Secretary” after “reference taxable year”;

(B) in subparagraph (C), by inserting “unless determined by the Secretary based on any information known to the Secretary,” before “the only children”, and
(C) in subparagraph (D), by inserting “unless determined by the Secretary based on any information known to the Secretary,” before “the ages of”, and

(2) in paragraph (3)(A)(ii), by striking “provided by the taxpayer” and inserting “provided, or known,”.

(d) Disclosure of Information Relating to Joint Filers and Advance Payment of Child Tax Credit.—Section 6103(e) is amended by adding at the end the following new paragraph:

“(12) Disclosure of information relating to joint filers and advance payment of child tax credit.—In the case of an individual to whom the Secretary makes payments under section 7527A, if the reference taxable year (as defined in section 7527A(b)(2)) that the Secretary uses to calculate such payments is a year for which the individual filed an income tax return jointly with another individual, the Secretary may disclose to such individual any return information of such other individual which is relevant in determining the payment under section 7527A and the individual’s eligibility for such payment, including information regarding any of the following:
“(A) The number of specified children, including by reason of the birth of a child.

“(B) The name and TIN of specified children.

“(C) Marital status.

“(D) Modified adjusted gross income.

“(E) Whether the individual’s principal place of abode is in the United States for more than one-half of the taxable year or whether the individual is a bona fide resident of Puerto Rico.

“(F) Any other factor which the Secretary may provide pursuant to section 7527A(e).”.

(e) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable years beginning, and payments made, after December 31, 2020.

(2) DISCLOSURE OF INFORMATION RELATING TO JOINT FILERS AND ADVANCE PAYMENT OF CHILD TAX CREDIT.—The amendment made by subsection (d) shall take effect on the date of the enactment of this Act.
SEC. 127102. EXTENSIONS AND MODIFICATIONS APPLICABLE BEGINNING IN 2022.

(a) Extensions.—

(1) Extension of Child Tax Credit.—Section 24(i) is amended—

(A) by striking “January 1, 2022” in the matter preceding paragraph (1) and inserting “January 1, 2023”, and

(B) by inserting “AND 2022” after “2021” in the heading thereof.

(2) Extension of Provisions Related to Possessions of the United States.—

(A) Section 24(k)(2)(B) is amended—

(i) by striking “December 31, 2021” in the matter preceding clause (i) and inserting “December 31, 2022”, and

(ii) by striking “AFTER 2021” in the heading thereof and inserting “AFTER 2022”.

(B) Section 24(k)(3)(C)(ii) is amended—

(i) in subclause (I), by inserting “or 2022” after “2021”, and

(ii) in subclause (II), by striking “December 31, 2021” and inserting “December 31, 2022”.
(C) The heading of section 24(k)(2)(A) is amended by inserting “AND 2022” after “2021”.

(b) EXTENSION AND MODIFICATION OF ADVANCE PAYMENT.—

(1) IN GENERAL.—Section 7527A is amended—

(A) in subsection (b)(1), by striking “50 percent of”,

(B) in clauses (i) and (ii) of subsection (e)(4)(C), by inserting “or 2022” after “in 2021”, and

(C) in subsection (f), by striking “December 31, 2021” and inserting “December 31, 2022”.

(2) MONTHLY PAYMENTS.—

(A) IN GENERAL.—Section 7527A(a) is amended to read as follows:

“(a) IN GENERAL.—The Secretary shall establish a program for making monthly payments to taxpayers in amounts equal to 1/12 of the annual advance amount with respect to such taxpayer.”.

(B) MODIFICATIONS DURING CALENDAR YEAR.—Section 7527A(b)(3), as amended by
the preceding provisions of this Act, is amended—

(i) by amending subparagraph (A)(ii)

to read as follows:

“(ii) any other information provided,
or known, to the Secretary which allows
the Secretary to more accurately estimate
the amount treated as allowed under sub-
part C of part IV of subchapter A of chap-
ter 1 by reason of section 24(i)(1) with re-
spect to the taxpayer for the reference tax-
able year.”", and

(ii) in subparagraph (B), by striking
“periodic payment” both places it appears
and inserting “monthly payment”.

(C) CONFORMING AMENDMENT.—Section
7527A(c)(2) is amended by striking “subsection
(b)(3)(B)” and inserting “subsection (b)(3)”.

(3) ELIGIBILITY FOR ADVANCE PAYMENTS LIM-
ITED BASED ON MODIFIED ADJUSTED GROSS IN-
COME.—Section 7527A(b) is amended by adding at
the end the following new paragraph:

“(6) LIMITATION BASED ON MODIFIED AD-
JUSTED GROSS INCOME.—
“(A) In general.—If the modified adjusted gross income of the taxpayer for the reference taxable year exceeds the applicable threshold amount with respect to such taxpayer (as defined in section 24(i)(4)(B)), the annual advance amount with respect to such taxpayer shall be zero.

“(B) Exception for modifications made during the calendar year.—Subparagraph (A) shall not apply to a reference taxable year taken into account by reason of paragraph (3)(A)(i) or subsection (c) if the taxpayer received one or more payments under subsection (a) for months in the calendar year which precede the month for which such reference taxable year will be taken into account.”.

(4) Advance payments to Puerto Rico residents for 2022.—Section 7527A(e)(4) is amended—

(A) in subparagraph (A), by striking “The advance” and inserting “Except as provided in subparagraph (D), the advance”, and

(B) by adding at the end the following new subparagraph:
“(D) Advance payments to Puerto Rico residents for 2022.—For the period beginning on July 1, 2022, and ending on December 31, 2022, the Secretary may apply this section without regard to subparagraph (A)(i).”.

(c) Election to apply income phaseouts on basis of income from the preceding taxable year.—Section 24(i) is amended by adding at the end the following new paragraph:

“(5) Election to apply income phaseouts on basis of income from the preceding taxable year.—In the case of a taxpayer who elects (at such time and in such manner as the Secretary may provide) the application of this paragraph for any taxable year, paragraph (4) and subsection (b)(1) shall both be applied with respect to the modified adjusted gross income (as defined in subsection (b)) for the taxpayer’s preceding taxable year.”.

(d) Modification of recapture safe harbor for 2022.—Section 24(j)(2)(B)(iv), as amended by the preceding provisions of this Act, is amended to read as follows:

“(iv) Safe harbor amount.—For purposes of this subparagraph, the term
‘safe harbor amount’ means, with respect to any taxpayer for any taxable year, the sum of—

“(I) an amount equal to the product of $3,600 multiplied by the excess (if any) of the number of qualifying children who have not attained age 6 as of the close of the calendar year in which the taxable year of the taxpayer begins, and who are taken into account in determining the annual advance amount with respect to the taxpayer under section 7527A with respect to months beginning in such taxable year, over the number of such qualifying children taken into account in determining the credit allowed under this section for such taxable year, plus

“(II) an amount equal to the product of $3,000 multiplied by the excess (if any) of the number of qualifying children not described in clause (I), and who are taken into account in determining the annual advance
amount with respect to the taxpayer
under section 7527A with respect to
months beginning in such taxable
year, over the number of such quali-
fying children taken into account in
determining the credit allowed under
this section for such taxable year.”.

(c) Repeal of Social Security Number Re-

quirement.—

(1) In General.—Section 24(h) is amended by
striking paragraph (7).

(2) Conforming Amendments.—

(A) Section 24(h)(1) is amended by strik-
ing “paragraphs (2) through (7)” and inserting
“paragraphs (2) through (6)”.

(B) Section 24(h)(4) is amended by strik-
ing subparagraph (C).

(f) Effective Date.—The amendments made by
this section shall apply to taxable years beginning, and
payments made, after December 31, 2021.

SEC. 127103. REFUNDABLE CHILD TAX CREDIT AFTER 2022.

(a) In General.—Section 24 is amended by adding
at the end the following new subsection:

“(l) Refundable Credit After 2022.—In the
case of any taxable year beginning after December 31,
2022, if the taxpayer (in the case of a joint return, either spouse) has a principal place of abode in the United States (determined as provided in section 32) for more than one-half of the taxable year or is a bona fide resident of Puerto Rico (within the meaning of section 937(a)) for such taxable year—

“(1) subsection (d) shall not apply, and

“(2) so much of the credit determined under subsection (a) (after application of paragraph (1)) as does not exceed the amount of such credit which would be so determined without regard to subsection (h)(4) shall be allowed under subpart C (and not allowed under this subpart)”.

(b) Conforming Amendments Related to Possessions of the United States.—

(1) Puerto Rico.—Section 24(k)(2)(B), as amended by the preceding provisions of this Act, is amended to read as follows:

“(B) Application to taxable years after 2022.—For application of refundable credit to residents of Puerto Rico for taxable years after 2022, see subsection (l).”.

(2) American Samoa.—Section 24(k)(3)(C)(ii)(II), as amended by the preceding provisions of this Act, is amended to read as follows:
“(II) if such taxable year begins after December 31, 2022, subsection (l) shall be applied by substituting ‘Puerto Rico or American Samoa’ for ‘Puerto Rico’.”.

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

SEC. 127104. APPROPRIATIONS.

Immediately upon the enactment of this Act, in addition to amounts otherwise available, there are appropriated out of any money in the Treasury not otherwise appropriated:

(1) $3,963,300,000 to remain available until September 30, 2026, for necessary expenses for the Internal Revenue Service to administer the Child Tax Credit, and advance payments of the Child Tax Credit, including the costs of disbursing such payments, which shall supplement and not supplant any other appropriations that may be available for this purpose, and

(2) $1,000,000,000 is appropriated to the Department of the Treasury, to remain available until September 30, 2026, to support efforts to increase enrollment of eligible families in the Child Tax Cred-
it, for advance payments of the Child Tax Credit, and for other tax benefits, including but not limited to program outreach, costs of data sharing arrangements, systems changes, forms changes, and related efforts, and efforts to support the cross-enrollment of beneficiaries of other programs in the Child Tax Credit, and for advance payments of the Child Tax Credit, including by establishing intergovernmental cooperative agreements with states and local governments, the District of Columbia, tribal governments, and possessions of the United States: Provided, that such amount shall be available in addition to any amounts otherwise available: Provided further, that these funds may be awarded to state and local governments, the District of Columbia, tribal governments, and possessions of the United States, and private entities, including organizations dedicated to free tax return preparation and low income taxpayer clinics funded under section 7526 of the Internal Revenue Code of 1986.
PART 2—EARNED INCOME TAX CREDIT

SEC. 127201. CERTAIN IMPROVEMENTS TO THE EARNED INCOME TAX CREDIT EXTENDED THROUGH 2022.

(a) In General.—Section 32(n) is amended by striking “January 1, 2022” and inserting “January 1, 2023”.

(b) Inflation Adjustment.—Section 32(n)(4)(B) is amended to read as follows:

“(B) Inflation Adjustment.—In the case of any taxable year beginning after 2021, the $9,820 and $11,610 dollar amounts in subparagraph (A) shall be increased by an amount equal to—

“(i) such dollar amount, multiplied by

“(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2020’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.”.

(c) Election to Determine Earned Income Based on Prior Taxable Year.—Section 32, as amended by subsection (f), is amended by adding at the end the following new subsection:
“(o) Election to Determine Earned Income Based on Prior Taxable Year.—

“(1) In general.—In the case of a taxpayer whose earned income for any taxable year beginning after December 31, 2021, and before January 1, 2023, is less than the earned income of such taxpayer for the preceding taxable year, if such taxpayer elects (at such time and in such manner as the Secretary may provide) the application of this subsection for such taxable year, the earned income of such taxpayer for such taxable year shall be treated for purposes of this section as being equal to the earned income of such taxpayer for such preceding taxable year.

“(2) Joint returns.—For purposes of this subsection, in the case of a joint return, the earned income of the taxpayer for the preceding taxable year shall be the sum of the earned income of each spouse for the preceding taxable year.

“(3) Treatment as mathematical or clerical error.—In the case of a taxpayer described in paragraph (1) who makes the election described in such paragraph, the use on the return for purposes of this section of an amount of earned income for the preceding taxable year which differs from the
amount of such earned income as shown in the elec-
tronic files of the Internal Revenue Service shall be
treated as a mathematical or clerical error for pur-
poses of section 6213.

“(4) Treatment of references.—Any pro-
vision of this title which defines or determines
earned income by reference to this section shall be
applied without regard to this subsection unless such
provision specifically provides otherwise.”.

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

SEC. 127202. FUNDS FOR ADMINISTRATION OF EARNED IN-
COME TAX CREDITS IN THE TERRITORIES.

(a) Puerto Rico.—Section 7530(a)(1) is amended
by striking “plus” at the end of subparagraph (A), by
striking the period at the end of subparagraph (B) and
inserting “, plus”, and by adding at the end the following
new subparagraph:

“(C) reasonable administrative costs asso-
ciated with the provision of the earned income
tax credit not in excess of $4,000,000.”.

(b) Possessions with mirror code tax sys-
tems.—Section 7530(b)(1) is amended by striking “plus”
at the end of subparagraph (A), by striking the period
at the end of subparagraph (B) and inserting “, plus”,

and by adding at the end the following new subparagraph:

“(C) reasonable administrative costs associated with the provision of the earned income tax credit not in excess of $200,000.”.

(c) American Samoa.—Section 7530(c)(1) is amended by striking “plus” at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting “, plus”, and by adding at the end the following new subparagraph:

“(C) reasonable administrative costs associated with the provision of the earned income tax credit not in excess of $200,000.”.

(d) Effective Date.—The amendments made by this section shall apply to payments made for calendar years beginning after December 31, 2021.

PART 3—EXPANDING ACCESS TO HEALTH COVERAGE AND LOWERING COSTS

SEC. 127301. IMPROVE AFFORDABILITY AND REDUCE PREMIUM COSTS OF HEALTH INSURANCE FOR CONSUMERS.

(a) In General.—Section 36B(b)(3)(A) is amended—

(1) by striking clause (ii) and redesignating clause (iii) as clause (ii), and
(2) in clause (ii), as so redesignated, by striking all that precedes the table contained therein and inserting the following:

“(ii) **Determining Percentages for 2021 through 2026.**—

“(I) In general.—In the case of a taxable year beginning after December 31, 2020, and before January 1, 2026, the following table shall be applied in lieu of the table contained in clause (i):”.

(b) **Extension Through 2025 of Rule to Allow Credit to Taxpayers Whose Household Income Exceeds 400 Percent of the Poverty Line.**—Section 36B(c)(1)(E) is amended—

(1) by striking “in 2021 or 2022” and inserting “after December 31, 2020, and before January 1, 2026”, and

(2) by striking “and 2022” in the heading thereof and inserting “through 2025”.

(c) **Effective Date.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2021.
SEC. 127302. MODIFICATION OF EMPLOYER-SPONSORED COVERAGE AFFORDABILITY TEST IN HEALTH INSURANCE PREMIUM TAX CREDIT.

(a) In General.—Section 36B(c)(2)(C)(i)(II) is amended by inserting “(8.5 percent in the case of any taxable year beginning after December 31, 2021, and before January 1, 2026)” after “9.5 percent”.

(b) Qualified Small Employer Health Reimbursement Arrangements.—Section 36B(c)(4)(C)(ii) is amended by inserting “(8.5 percent in the case of any taxable year beginning after December 31, 2021, and before January 1, 2026)” after “9.5 percent”.

(c) Percentages Determined Without Regard to Adjustments.—

(1) Section 36B(c)(2)(C) is amended by striking clause (iv).

(2) Section 36B(c)(4) is amended by striking subparagraph (F).

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

SEC. 127303. TREATMENT OF LUMP-SUM SOCIAL SECURITY BENEFITS IN DETERMINING HOUSEHOLD INCOME.

(a) In General.—Section 36B(d)(2) is amended by adding at the end the following new subparagraph:
“(C) Exclusion of portion of lump-sum social security benefits.—

“(i) In general.—The term ‘modified adjusted gross income’ shall not include so much of any lump-sum social security benefit payment as is attributable to months ending before the beginning of the taxable year.

“(ii) Lump-sum social security benefit payment.—For purposes of this subparagraph, the term ‘lump-sum social security benefit payment’ means any payment of social security benefits (as defined in section 86(d)(1)) which constitutes more than 1 month of such benefits.

“(iii) Election to include excludable amount.—With respect to any taxable year beginning after December 31, 2025, a taxpayer may elect (at such time and in such manner as the Secretary may provide) to have this subparagraph not apply for such taxable year.”.

(b) Effective date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2021.
SEC. 127304. TEMPORARY EXPANSION OF HEALTH INSURANCE PREMIUM TAX CREDITS FOR CERTAIN LOW-INCOME POPULATIONS.

(a) In General.—Section 36B is amended by redesignating subsection (h) as subsection (i) and by inserting after subsection (g) the following new subsection:

“(h) Certain Temporary Rules Beginning in 2022.—With respect to any taxable year beginning after December 31, 2021, and before January 1, 2026—

“(1) Eligibility for Credit Not Limited Based on Income.—Section 36B(c)(1)(A) shall be disregarded in determining whether a taxpayer is an applicable taxpayer.

“(2) Credit Allowed to Certain Low-Income Employees Offered Employer-Provided Coverage.—Subclause (II) of subsection (e)(2)(C)(i) shall not apply if the taxpayer’s household income does not exceed 138 percent of the poverty line for a family of the size involved. Subclause (II) of subsection (c)(2)(C)(i) shall also not apply to an individual described in the last sentence of such subsection if the taxpayer’s household income does not exceed 138 percent of the poverty line for a family of the size involved.

“(3) Credit Allowed to Certain Low-Income Employees Offered Qualified Small Em-
PLOYER HEALTH REIMBURSEMENT ARRANGE-
MENTS.—A qualified small employer health reim-
bursement arrangement shall not be treated as con-
stituting affordable coverage for an employee (or any
spouse or dependent of such employee) for any
months of a taxable year if the employee’s household
income for such taxable year does not exceed 138
percent of the poverty line for a family of the size
involved.

“(4) LIMITATIONS ON RECAPTURE.—

“(A) IN GENERAL.—In the case of a tax-
payer whose household income is less than 200
percent of the poverty line for the size of the
family involved for the taxable year, the amount
of the increase under subsection (f)(2)(A) shall
in no event exceed $300 (one-half of such
amount in the case of a taxpayer whose tax is
determined under section 1(c) for the taxable
year).

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

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

“(ii) such taxpayer’s household income for such taxable year is projected to not exceed 138 percent of the poverty line for a family of the size involved,

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

“(C) INFORMATION PROVIDED BY EXCHANGE.—The information required to be provided by an Exchange to the Secretary and to the taxpayer under subsection (f)(3) shall include such information as is necessary to determine whether such Exchange has made the determinations described in clauses (i) and (ii) of subparagraph (B) with respect to such taxpayer.”.

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

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

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

“(A) IN GENERAL.—The term ‘applicable premium tax credit and cost-sharing reduction’ means—

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

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

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

“(B) EXCEPTION WITH RESPECT TO CERTAIN LOW-INCOME TAXPAYERS.—Such term shall not include any premium tax credit, cost-sharing reduction, or advance payment otherwise described in subparagraph (A) if such credit, reduction, or payment is allowed or paid for a taxable year of an employee (beginning after December 31, 2021, and before January 1, 2026) with respect to which—
“(i) an Exchange established under title I of the Patient Protection and Affordable Care Act has determined that such employee’s household income for such taxable year is projected to not exceed 138 percent of the poverty line for a family of the size involved, or

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

(c) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2021.

SEC. 127305. SPECIAL RULE FOR INDIVIDUALS RECEIVING UNEMPLOYMENT COMPENSATION.

(a) Extension.—Section 36B(g)(1) is amended by striking “during 2021,” and inserting “after December 31, 2020, and before January 1, 2023,”.

(b) Modification of Income Not Taken Into Account.—Section 36B(g)(1)(B) is amended by striking “133 percent” and inserting “150 percent (133 percent in the case of any week beginning during 2021)”.
(c) **CONFORMING AMENDMENT.**—Section 36B(g) is amended by inserting “THROUGH 2022” after “2021” in the heading thereof.

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

**SEC. 127306. PERMANENT CREDIT FOR HEALTH INSURANCE COSTS.**

(a) **IN GENERAL.**—Subparagraph (B) of section 35(b)(1) is amended by striking “, and before January 1, 2022”.

(b) **INCREASE IN CREDIT PERCENTAGE.**—Subsection (a) of section 35 is amended by striking “72.5 percent” and inserting “80 percent”.

(c) **CONFORMING AMENDMENTS.**—Subsections (b) and (e)(1) of section 7527 are each amended by striking “72.5 percent” and inserting “80 percent”.

(d) **EFFECTIVE DATE.**—The amendments made by this section shall apply to coverage months beginning after December 31, 2021.

**SEC. 127307. EXCLUSION OF CERTAIN DEPENDENT INCOME FOR PURPOSES OF PREMIUM TAX CREDIT.**

(a) **IN GENERAL.**—Paragraph (2) of section 36B(d), as amended by this Act, is further amended by adding at the end the following new subparagraph:
“(D) Exception for certain dependent income.—

“(i) In general.—Solely for purposes of determining the credit under this section and eligibility for cost sharing reductions under section 1402 of the Patient Protection and Affordable Care Act, and not for any other purpose (including any determination of income for purposes of the programs established under titles XIX and XXI of the Social Security Act and section 1331 of the Patient Protection and Affordable Care Act), there shall not be taken into account under subparagraph (A)(ii) the modified adjusted gross income of any dependent of the taxpayer who has not attained age 24 as of the last day of the calendar year in which the taxable year of the taxpayer begins.

“(ii) Limitation.—Clause (i) shall not apply to so much of the aggregate of the modified adjusted gross income of all dependents of the taxpayer who have not attained the age described in such clause as exceeds $3,500.
“(iii) Election to have subparagraph not apply.—In the case of any taxable year beginning after December 31, 2025, a taxpayer may elect (at such time and in such manner as the Secretary may provide) to have this subparagraph not apply with respect to the income of any dependent of the taxpayer for such taxable year.

“(iv) Adjustment for inflation.—In the case of any taxable year beginning after December 31, 2023, the $3,500 amount in clause (ii) shall be increased by an amount equal to—

“(I) such amount, multiplied by

“(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2022’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

If any increase determined under the preceding sentence is not a multiple of $100,
700

such increase shall be rounded to the next
lowest multiple of $100.

“(v) TERMINATION.—This subpara-
graph shall not apply to taxable years be-

ginning after December 31, 2026.”.

(b) CONFORMING AMENDMENTS.—

(1) Clause (ii) of section 36B(d)(2)(A) is
amended by inserting “, except as provided in sub-
paragraph (D),” after “individuals”.

(2) Paragraph (3) of section 1411(b) of the Pa-
tient Protection and Affordable Care Act (42 U.S.C.
18081) is amended by adding at the end the fol-
lowing new subparagraph:

“(D) INFORMATION REGARDING CERTAIN
DEPENDENTS.—In the case of taxable years be-

ginning before January 1, 2027, information
regarding whether section 36B(d)(2)(D) will
apply to any individuals taken into account as
members of the household of the enrollee, and
the amount of income of each such individual
for the taxable year described in subparagraph
(A).”.

(e) EFFECTIVE DATE.—The amendments made by
this section shall apply to taxable years beginning after
December 31, 2022.
SEC. 127308. FUNDING TO SUPPORT STATE APPLICATIONS FOR SECTION 1332 WAIVERS AND ADMINISTRATION.

Section 1332 of the Patient Protection and Affordable Care Act (42 U.S.C. 18052) is amended by adding at the end the following:

“(f) Administration and Planning Grants.—

“(1) Appropriation.—In addition to any other amounts made available, there is appropriated to the Secretary of Health and Human Services for fiscal year 2022, out of any amounts in the Treasury not otherwise appropriated, $50,000,000, to remain available until expended, for purposes of implementing the grant program under paragraph (2) and awarding grants under such paragraph.

“(2) Grants.—From the amount appropriated under paragraph (1), the Secretary of Health and Human Services shall award grants to States for purposes of developing a new waiver application, preparing an application for a waiver extension or amendment, or implementing a State plan under this section. The amount of a grant awarded to a State under this subsection shall remain available until expended.
“(3) LIMITATION.—Each grant awarded to a State under this subsection shall be in an amount not to exceed $5,000,000.”.

PART 4—PATHWAY TO PRACTICE TRAINING

PROGRAMS

SEC. 127401. ADMINISTRATIVE FUNDING OF THE RURAL AND UNDERSERVED PATHWAY TO PRACTICE TRAINING PROGRAMS FOR POST-BACCALAUREATE STUDENTS, MEDICAL STUDENTS, AND MEDICAL RESIDENTS.

In addition to amounts otherwise available, there is appropriated to the Secretary for fiscal year 2022, out of any money in the Treasury not otherwise appropriated, $6,000,000 to remain available until September 30, 2031, in addition to amounts otherwise available, to carry out the administration of the Rural and Underserved Pathway to Practice Training Program for Post-Baccalaureate and Medical Students under section 1899C of such Act (42 U.S.C. 1395mmm) and the Rural and Underserved Pathway to Practice Training Programs for Medical Residents under section 1886(h)(4)(H)(vii) of such Act (42 U.S.C. 1395ww(h)(4)(H)(vii)). Amounts transferred under the preceding sentence shall remain available until expended.
SEC. 127402. ESTABLISHING RURAL AND UNDERSERVED PATHWAY TO PRACTICE TRAINING PROGRAMS FOR POST-BACCALAUREATE STUDENTS AND MEDICAL STUDENTS.

(a) Program.—

(1) In general.—Title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) is amended by adding at the end the following new section:

“SEC. 1899C. RURAL AND UNDERSERVED PATHWAY TO PRACTICE TRAINING PROGRAM FOR POST-BACCALAUREATE AND MEDICAL STUDENTS.

“(a) In general.—Not later than October 1, 2023, the Secretary shall, subject to the succeeding provisions of this section, carry out the ‘Rural and Underserved Pathway to Practice Training Program for Post-Baccalaureate and Medical Students’ (in this section, referred to as the ‘Program’) under which the Secretary awards Pathway to Practice medical scholarship vouchers to qualifying students described in subsection (b) for the purpose of increasing the number of physicians practicing in rural and underserved communities.

“(b) Qualifying student described.—For purposes of this section, a qualifying student described in this subsection is an individual who—

“(1) attests he or she—
“(A) is or will be a first-generation student of a 4-year college, graduate school, or professional school;

“(B) was a Pell Grant recipient; or

“(C) lived in a medically underserved area, rural area, or health professional shortage area for a period of 4 or more years prior to attending an undergraduate program;

“(2) has accepted enrollment in—

“(A) a post-baccalaureate program that is not more than 2 years and intends to enroll in a qualifying medical school within 2 years after completion of such program; or

“(B) a qualifying medical school;

“(3) will practice medicine in a health professional shortage area, medically underserved area, public hospital, rural area, or as required under subsection (d)(5); and

“(4) submits an application and a signed copy of the agreement described under subsection (c).

“(c) APPLICATIONS.—

“(1) IN GENERAL.—To be eligible to receive a Pathway to Practice medical scholarship voucher under this section, a qualifying student described in subsection (b) shall submit to the Secretary an ap-
application at such time, in such manner, and containing such information as the Secretary may require.

“(2) Information to be included.—As a part of the application described in paragraph (1), the Secretary shall include a notice of the items which are required to be agreed to under subsection (d)(5) for the purpose of notifying the qualifying student of the terms of the Rural and Underserved Pathway to Practice Training Program for Post-Baccalaureate and Medical Students.

“(d) Pathway to Practice Medical Scholarship Voucher Details.—

“(1) Number.—On an annual basis, the Secretary shall award a Pathway to Practice medical scholarship voucher under the Program to 1,000 qualifying students described in subsection (b).

“(2) Selection of qualifying students.—In determining whether to award a Pathway to Practice medical scholarship voucher under the Program to qualifying students described in subsection (b), the Secretary shall consider whether such student attests that he or she—

“(A) was a participant in the Health Resources and Services Administration Health Ca-
(A) is a disadvantaged student (as defined by the National Health Service Corps of the Health Resources & Services Administration of the Department of Health and Human Services); or

(C) attended a historically black college or other minority serving institution (as defined in section 1067q of title 20, United States Code).

“(3) DURATION.—Each Pathway to Practice medical scholarship voucher awarded to a qualifying student pursuant to paragraph (1) shall be so awarded to such a student on an annual basis for each year of enrollment in a post-baccalaureate program and a qualifying medical school (as appropriate).

“(4) AMOUNT.—Subject to paragraph (5), each Pathway to Practice medical scholarship voucher awarded under the Program shall include amounts for—

(A) tuition;
“(B) academic fees (as determined by the qualifying medical school);

“(C) required textbooks and equipment;

“(D) a monthly stipend equal to the amount provided for individuals under the health professions scholarship and financial assistance program for active service stipend monthly rate; and

“(E) any other educational expenses normally incurred by students at the post-baccalaureate program or qualifying medical school (as appropriate).

“(5) REQUIRED AGREEMENT.—No amounts under paragraph (4) may be provided to a qualifying student awarded a Pathway to Practice medical scholarship voucher under the Program unless the qualifying student submits to the Secretary an agreement to—

“(A) complete a post-baccalaureate program that is not more than 2 years (if applicable pursuant to the option under subsection (b)(2)(A));

“(B) graduate from a qualifying medical school;
“(C) complete a residency program in an approved residency training program (as defined in section 1886(h)(5)(A));

“(D) complete an initial residency period or the period of board eligibility;

“(E) practice medicine for at least the number of years of the Pathway to Practice medical scholarship voucher awarded under paragraph (2) after a residency program in a health professional shortage area, a medically underserved area, a public hospital, or a rural area, and during such period annually submit documentation with respect to whether the qualifying student practices medicine in such an area and where;

“(F) for the purpose of determining compliance with subparagraph (E), not later than 180 days after the date on which qualifying student completes a residency program, provide to the Secretary information with respect to where the qualifying student is practicing medicine following the period described in such subparagraph;

“(G) except in the case of a waiver for hardship pursuant to section 1892(f)(3), be lia-
709

ble to the United States pursuant to section
1892 for any amounts received under this Pro-
gram that is determined a past-due obligation
under subsection (b)(3) of such section in the
case qualifying student fails to complete all of
the requirements of this agreement under this
subsection; and

“(H) for the purpose of determining the
amount of Pathway to Practice medical scholar-
ship vouchers paid or incurred by a qualifying
medical school or any provider of a post-bacca-
laureate program referred to in subsection
(b)(2)(A) for the costs of each item specified
under paragraph (4), consent to any personally
identifying information being shared with the
Secretary of the Treasury.

“(6) Responsibilities of participating
educational institutions.—Each annual award
of an amount of Pathway to Practice medical schol-
arship voucher under paragraph (2) shall be made
with respect to a specific qualifying medical school
or to a post-baccalaureate program that is not more
than 2 years and such school or program shall (as
a condition of, and prior to, such award being made
with respect to such school or program)—
“(A) submit to the Secretary such infor-
mation as the Secretary may require to deter-
mine the amount of such award on the basis of
the costs of the items specified under paragraph
(4) (except for subparagraph (D)) with respect
to such school or program, and

“(B) enter into an agreement with the Sec-
retary under which such school or program will
verify (in such manner as the Secretary may
provide) that amounts paid by such school or
program to the qualifying student are used for
such costs.

“(e) DEFINITIONS.—In this section:

“(1) HEALTH PROFESSIONAL SHORTAGE
AREA.—The team ‘health professional shortage area’
has the meaning given such term in subparagraphs
(A) or (B) of section 332(a)(1) of the Public Health
Service Act.

“(2) INITIAL RESIDENCY PERIOD.—The term
‘initial residency period’ has the meaning given such
term in section 1886(h)(5)(F).

“(3) MEDICALLY UNDERSERVED AREA.—The
term ‘medically underserved area’ means an area
designated pursuant to section 330(b)(3)(A) of the
Public Health Service Act.
“(4) Pell Grant Recipient.—The term ‘Pell Grant recipient’ has the meaning given such term in section 322(3) of the Higher Education Act of 1965.

“(5) Period of Board Eligibility.—The term ‘period of board eligibility’ has the meaning given such term in section 1886(h)(5)(G).

“(6) Qualifying Medical School.—The term ‘qualifying medical school’ means a school of medicine accredited by the Liaison Committee on Medical Education of the American Medical Association and the Association of American Medical Colleges (or approved by such Committee as meeting the standards necessary for such accreditation) or a school of osteopathy accredited by the American Osteopathic Association, or approved by such Association as meeting the standards necessary for such accreditation which—

“(A) for each academic year, enrolls at least 10 qualifying students who are in enrolled in such a school;

“(B) requires qualifying students to enroll in didactic coursework and clinical experience applicable to practicing medicine in health professional shortage areas, medically underserved areas, or rural areas, including—
“(i) clinical rotations in such areas in applicable specialties (as applicable and as available);

“(ii) coursework or training experiences focused on effectively providing care for populations belonging to diverse cultural, social, and economic backgrounds;

and

“(C) is located in a State (as defined in section 210(h)).

“(7) RURAL AREA.—The term ‘rural area’ has the meaning given such term in section 1886(d)(2)(D).

“(f) PENALTY FOR FALSE INFORMATION.—Any person who knowingly and willfully obtains by fraud, false statement, or forgery, or fails to refund any funds, assets, or property provided under this section or attempts to so obtain by fraud, false statement or forgery, or fail to refund any funds, assets, or property, received pursuant to this section shall be fined not more than $20,000 or imprisoned for not more than 5 years, or both.”.

(2) AGREEMENTS.—Section 1892 of the Social Security Act (42 U.S.C. 1395eee) is amended—

(A) in subsection (a)(1)(A)—
(i) by striking “, or the” and inserting “, the”; and

(ii) by inserting “or the Rural and Underserved Pathway to Practice Training Program for Post- Baccalaureate and Medical Students under section 1899C” before “, owes a past-due obligation”;

(B) in subsection (b)—

(i) in paragraph (1), by striking at the end “or”;

(ii) in paragraph (2), by striking the period at the end and inserting “; or”; and

(iii) by adding the end the following new paragraph:

“(3) subject to subsection (f), owed by an individual to the United States by breach of an agreement under section 1899C(c) and which payment has not been paid by the individual for any amounts received under the Rural and Underserved Pathway to Practice Training Program for Post-Baccalaureate and Medical Students (and accrued interest determined in accordance with subsection (f)(4)) in the case such individual fails to complete the requirements of such agreement.”; and
(C) by adding at the end the following new subsection:

“(f) **AUTHORITIES WITH RESPECT TO THE COLLECTION UNDER THE PATHWAY TO PRACTICE TRAINING PROGRAM.**—The Secretary—

“(1) shall require payment to the United States for any amount of damages that the United States is entitled to recover under subsection (b)(3), within the 5-year period beginning on the date an eligible individual fails to complete the requirements of such agreement under section 1899C(d)(5) (or such longer period beginning on such date as specified by the Secretary), and any such amounts not paid within such period shall be subject to collection through deductions in Medicare payments pursuant to subsection (e);

“(2) shall allow payments described in paragraph (1) to be paid in installments over such 5-year period, which shall accrue interest in an amount determined pursuant to paragraph (5);

“(3) shall waive the requirement for an individual to pay a past-due obligation under subsection (b)(3) in the case of hardship (as determined by the Secretary);
“(4) shall not disclose any past-due obligation under subsection (b)(3) that is owed to the United States to any credit reporting agency that the United States entitled to be recovered the United States under this section; and

“(5) shall make a final determination of whether the amount of payment under section 1899C made to a qualifying student (as described in subsection (b) of such section) was in excess of or less than the amount of payment that is due, and payment of such excess or deficit is not made (or effected by offset) within 90 days of the date of the determination, and interest shall accrue on the balance of such excess or deficit not paid or offset (to the extent that the balance is owed by or owing to the provider) at a rate determined in accordance with the regulations of the Secretary of the Treasury applicable to charges for late payments.”.

SEC. 127403. FUNDING FOR THE RURAL AND UNDERSERVED PATHWAY TO PRACTICE TRAINING PROGRAMS FOR POST-BACCALAUREATE STUDENTS AND MEDICAL STUDENTS.

(a) IN GENERAL.—Subpart C of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986, as amended by the preceding provisions of this Act,
is amended by inserting after section 36F the following new section:

“SEC. 36G. PATHWAY TO PRACTICE MEDICAL SCHOLARSHIP VOUCHER CREDIT.

“(a) IN GENERAL.—In the case of a qualified educational institution, there shall be allowed as a credit against the tax imposed by this subtitle for any taxable year an amount equal to the aggregate amount paid or incurred by such institution during such taxable year pursuant to any Pathway to Practice medical scholarship voucher awarded to a qualifying student with respect to such institution.

“(b) DETERMINATION OF AMOUNTS PAID PURSUANT TO QUALIFIED SCHOLARSHIP VOUCHERS, ET C.—For purposes of this section—

“(1) an amount shall be treated as paid or incurred pursuant to an annual award of a Pathway to Practice medical scholarship voucher only if such amount is paid or incurred in reimbursement, or anticipation of, an expense described in subparagraphs (A) through (E) of paragraph (4) of section 1899C(d) of the Social Security Act and is subject to verification in such manner as the Secretary of Health and Human Services may provide under paragraph (6) of such section, and
“(2) in the case of any amount credited by a qualified educational institution against a liability owed by the qualifying student to such institution, such amount shall be treated as paid by such institution to such student as of the date that such liability would otherwise be due.

“(c) DEFINITIONS.—For purposes of this section—

“(1) QUALIFIED EDUCATIONAL INSTITUTION.—

The term ‘qualified educational institution’ means, with respect to any annual award of a Pathway to Practice medical scholarship voucher—

“(A) any qualifying medical school (as defined in subsection (e)(6) of section 1899C of the Social Security Act), and

“(B) any provider of a post-baccalaureate program referred to in subsection (b)(2)(A) of such section,

which meets the requirements of subsection (d)(6) of such section.

“(2) QUALIFYING STUDENT.—The term ‘qualifying student’ means any student to whom the Secretary of Health and Human Services has made an annual award of a Pathway to Practice medical scholarship voucher under section 1899C of the Social Security Act.
“(3) Annual award of a pathway to practice medical scholarship voucher.—The term ‘annual award of a Pathway to Practice medical scholarship voucher’ means the annual award of a Pathway to Practice medical scholarship voucher referred to in section 1899C(d)(3) of the Social Security Act.

“(d) Coordination of Academic and Taxable Years.—The credit allowed under subsection (a) with respect to any Pathway to Practice medical scholarship voucher shall not exceed the amount of such voucher which is for expenses described in subparagraphs (A) through (E) of section 1899C(d)(4) of the Social Security Act, reduced by any amount of such voucher with respect to which credit was allowed under this section for any prior taxable year.

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

(b) Conforming Amendments.—

(1) Section 6211(b)(4)(A), as amended by the preceding provisions of this Act, is amended by inserting “36G,” after “36F,”.

(2) Paragraph (2) of section 1324(b) of title 31, United States Code, as amended by the pre-
ceeding provisions of this Act, is amended by inserting “36G,” after “36F,”.

(3) The table of sections for subpart C of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986, and amended by the preceding provisions of this Act, is amended by inserting after the item relating to section 36F the following new item:

“Sec. 36G. Pathway to Practice medical scholarship voucher credit.”.

(e) INFORMATION SHARING.—The Secretary of Health and Human Services shall annually provide the Secretary of the Treasury such information regarding the program under section 1899C of the Social Security Act as the Secretary of the Treasury may require to admin-ister the tax credits determined under section 36G of the Internal Revenue Code of 1986, including information to identify qualifying students, the qualified educational in-stitutions at which such students are enrolled, and the amount of the annual award of the Pathway to Practice medical scholarship voucher awarded to each such student with respect to each such institution. Terms used in this subparagraph shall have the same meaning as when used in such section 36G.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.
SEC. 127404. ESTABLISHING RURAL AND UNDERSERVED PATHWAY TO PRACTICE PROGRAM FOR MEDICAL RESIDENTS.

Section 1886 of the Social Security Act (42 U.S.C. 1395ww) is amended—

(1) in subsection (d)(5)(B)(v), by inserting “(h)(4)(H)(vii),” after “The provisions of subsections (h)(4)(H)(vi),”; and

(2) in subsection (h)(4)(H), by adding at the end the following new clause:

“(vii) EXCLUSION FROM FULL-TIME EQUIVALENT LIMITATION FOR HOSPITALS IMPLEMENTING RURAL AND UNDERSERVED PATHWAY TO PRACTICE PROGRAM.—

“(I) IN GENERAL.—For cost reporting periods beginning on or after October 1, 2026, during which a qualifying resident (as defined in subclause (II)) trains in an applicable hospital (as defined in subclause (III)), the Secretary shall, for such cost reporting period by the number of full-time equivalent residents so trained within the applicable hospital during such period, exclude from the limitation under subparagraph (F).
“(II) Qualifying resident.— For purposes of this clause, the term ‘qualifying resident’ means a full-time equivalent resident who—

“(aa) was a qualifying student awarded a Pathway to Practice medical scholarship voucher under section 1899C; and

“(bb) graduated from a qualifying medical school.

“(III) Applicable hospital.—

“(aa) In general.—For purposes of this clause, the term ‘applicable hospital’ means any hospital that—

“(AA) meets the requirements of item (bb);

“(BB) agrees to provide data to the Secretary with respect to where qualifying residents (as defined in subclause (II)) practice medicine or participate in fellowships immediately following their residencies; and
“(CC) agrees to promote community-based training of qualifying residents (as defined in sub-clause (II)), as appropriate.

“(bb) OTHER REQUIREMENTS.—For the purpose of item (aa)(AA), an applicable hospital shall also be a subsection (d) hospital that has been recognized by the Accreditation Council for Graduate Medical Education as meeting the following requirements:

“(AA) Such hospital provides mentorships for residents.

“(BB) Such hospital includes training for residents on how to effectively provide care for populations belonging to diverse cultural, social, and economic backgrounds.
“(CC) The hospital has a demonstrated record of training medical residents in health professional shortage areas, medically underserved areas, public hospitals, or rural areas.

“(IV) OTHER DEFINITIONS.—

“(aa) HEALTH PROFESSIONAL SHORTAGE AREA.—The term ‘health professional shortage area’ has the meaning given such term in subparagraphs (A) or (B) of section 332(a)(1) of the Public Health Service Act.

“(bb) MEDICALLY UNDERSERVED AREA.—The term ‘medically underserved area’ means an area designated pursuant to section 330(b)(3)(A) of the Public Health Service Act.

“(cc) QUALIFYING MEDICAL SCHOOL.—The term ‘qualifying medical school’ has the meaning
given such term in section 1899C(e)(6).

“(dd) QUALIFYING MEDICAL STUDENT.—The term ‘qualifying medical student’ has the meaning given such term in section 1899C(b).

“(ee) RURAL AREA.—The term ‘rural area’ has the meaning given such term in section 1886(d)(2)(D).”.

SEC. 127405. DISTRIBUTION OF ADDITIONAL RESIDENCY POSITIONS.

(a) In General.—Section 1886(h) of the Social Security Act (42 U.S.C. 1395ww(h)) is amended—

(1) in paragraph (4)(F)(i), by striking “and (9)” and inserting “(9), and (10)”;

(2) in paragraph (4)(H)(i), by striking “and (9)” and inserting “(9), and (10)”;

(3) by adding at the end the following new paragraph:

“(10) DISTRIBUTION OF ADDITIONAL RESIDENCY POSITIONS.—

“(A) ADDITIONAL RESIDENCY POSITIONS.—
“(i) In general.—For fiscal years 2025 and 2026, and for each succeeding fiscal year until the aggregate number of full-time equivalent residency positions distributed under this paragraph is equal to the aggregate number of such positions made available (as specified in clause (ii)), the Secretary shall, subject to the succeeding provisions of this paragraph, increase the otherwise applicable resident limit for each qualifying hospital (as defined in subparagraph (F)) that submits a timely application under this subparagraph by such number as the Secretary may approve effective beginning July 1 of the fiscal year of the increase.

“(ii) Number available for distribution.—

“(I) Total number available.—The aggregate number of such positions made available under this paragraph shall be equal to 4,000.

“(II) Annual limit.—The aggregate number of such positions so
made available shall not exceed 2,000 for a fiscal year.

“(iii) Rounds of Applications.—
The Secretary shall initiate a separate round of applications for an increase under clause (i) for each fiscal year for which such an increase is to be provided.

“(iv) Distribution for Primary Care, Psychiatry, and Other Residencies.—

“(I) In General.—Except as provided under subclause (II), of the positions made available under this paragraph—

“(aa) not less than 25 percent shall be in a primary care residency (as defined in subparagraph (F)) or obstetrics and gynecology residency; and

“(bb) not less than 15 percent shall be in a psychiatry residency (as defined in such subparagraph).

“(II) Distribution for Other Residencies.—The requirement
under subclause (I) shall not apply with respect to any positions made available under this paragraph that are not distributed to a qualifying hospital by July 1, 2027, and such positions shall be distributed to hospitals in accordance with subparagraph (B), without regard to specialty.

“(v) Clarification regarding availability of other increase.—A qualifying hospital may apply for, and receive, an increase under this paragraph and paragraph (9) for a fiscal year.

“(B) Distribution.—For purposes of providing an increase in the otherwise applicable resident limit under subparagraph (A), the following shall apply:

“(i) Eligible hospitals.—With respect to the aggregate number of such positions available for distribution under this paragraph, the Secretary shall distribute 30 percent of such aggregate number to the category of hospitals described in subclause (II) of clause (ii), 20 percent of
such aggregate number to each of the categories of hospitals described in subclauses (I), (III), and (IV) of such clause, and 10 percent of such aggregate number to the category of hospitals described in subclause (V) of such clause, subject to clauses (iii) and (iv).

“(ii) CATEGORIES OF HOSPITALS DESCRIBED.—The following categories of hospitals are described in this clause:

“(I) Hospitals that are located in a rural area (as defined in subsection (d)(2)(D)) or are treated as being located in a rural area pursuant to subsection (d)(8)(E), hospitals that are located in a census tract assigned a rural-urban commuting area code of 4 or greater, and hospitals that are a sole community hospital (as defined in subsection (d)(5)(D)(iii)).

“(II) Hospitals in which the reference resident level of the hospital (as specified in subparagraph (F)(v)) is greater than the otherwise applicable resident limit.
“(III) Hospitals in States with—

“(aa) a new medical school that received ‘Candidate School’ status from the Liaison Committee on Medical Education or ‘Pre-Accreditation’ status from the American Osteopathic Association Commission on Osteopathic College Accreditation on or after January 1, 2000, and achieved or continued to progress toward ‘Full Accreditation’ status (as such term is defined by the Liaison Committee on Medical Education) or toward ‘Accreditation’ status (as such term is defined by the American Osteopathic Association Commission on Osteopathic College Accreditation); or

“(bb) an additional location or branch campus established on or after January 1, 2000, by a medical school with ‘Full Accreditation’ status (as such term is
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defined by the Liaison Committee
on Medical Education) or ‘Ac-
creditation’ status (as such term
is defined by the American Os-
teopathic Association Commission
on Osteopathic College Accredita-
tion).

“(IV) Hospitals that are located
in or serve an area designated as a
health professional shortage area
under section 332(a)(1)(A) of the
Public Health Service Act or serve a
population group designated under
section 332(a)(1)(B) of such Act, as
determined by the Secretary.

“(V) Hospitals located in States
in the lowest quartile for resident-to-
population ratios, as defined by the
Secretary.

“(iii) DISTRIBUTION TO OTHER HOS-
PITALS.—Any positions made available
under this paragraph that are not distrib-
uted to a qualifying hospital in accordance
with clause (i) by July 1, 2027, shall be
distributed to other hospitals, subject to
the requirement under clause (iv). In carrying out the preceding sentence, the Secretary shall ensure that such positions are first offered to qualifying hospitals in categories described in clause (ii) before being distributed to other hospitals.

"(iv) Requirement.—A hospital shall only be eligible to receive positions made available under this paragraph if the hospital demonstrates to the Secretary that the hospital is likely to—

"(I) fill such positions within the first 5 training years beginning after the date the increase would be effective, as determined by the Secretary; and

"(II) use some portion (as specified by the Secretary) of such positions for the residencies described in (A)(iv).

"(C) Conditions of distribution.—

"(i) In general.—Subject to clause (iv), a hospital that receives an increase in the otherwise applicable resident limit under this paragraph shall ensure, during
the 5-year period beginning on the date of such increase, that the numbers of full-time equivalent residents in a primary care or psychiatry residency (as those terms are defined in subparagraph (F)), excluding any additional positions attributable to an increase under this paragraph, are not less than the average numbers of full-time equivalent residents in a primary care or psychiatry residency (as so defined) during the 3 most recent cost reporting periods ending prior to the date of enactment of this paragraph.

“(ii) Reporting requirements.—Subject to clause (iv), a hospital that receives an increase in the otherwise applicable resident limit under this paragraph shall, after making a good faith attempt to collect information from former residents, report to the Secretary in a time and manner specified by the Secretary the following information for each year (beginning with the first year for which the hospital receives an increase in the otherwise applica-
ble resident limit under this paragraph), as applicable:

“(I) Race and ethnicity of residents.

“(II) The practice patterns of residents one and two years after completion of their residency, including the number and percent of residents who—

“(aa) practice in a primary care, psychiatry, or other specialty;

“(bb) primarily serve or are located in a health professional shortage area with a designation in effect under section 332 of the Public Health Service Act; or

“(cc) primarily serve or are located in a rural area (as defined in subsection (d)(2)(D)).

“(iii) Requirement for rural hospitals to expand existing programs.—Subject to clause (iv), if a hospital that receives an increase in the otherwise applicable resident limit under this
paragraph would be eligible for an adjustment to the otherwise applicable resident limit for participation in a new medical residency training program under section 413.79(e)(3) of title 42, Code of Federal Regulations (or any successor regulation), the hospital shall ensure that any positions made available under this paragraph are used to expand an existing program of the hospital, and not for participation in a new medical residency training program.

“(iv) REDISTRIBUTION OF POSITIONS IF HOSPITAL NO LONGER MEETS CERTAIN REQUIREMENTS.—In the case where the Secretary determines that a hospital that receives an increase in the otherwise applicable resident limit under this paragraph does not meet either of the requirements under clause (i), the reporting requirements under clause (ii), or, if applicable, the requirement under clause (iii), the Secretary shall—

“(I) reduce the otherwise applicable resident limit of the hospital by
the amount by which such limit was
increased under this paragraph; and

“(II) provide for the distribution
of positions attributable to such re-
duction to other qualifying hospitals
in accordance with the requirements
of this paragraph.

“(v) LIMITATION.—A hospital may
not receive more than 25 additional full-
time equivalent residency positions under
this paragraph.

“(D) APPLICATION OF PER RESIDENT
AMOUNTS FOR PRIMARY CARE AND NONPRI-
MARY CARE.—With respect to additional resi-
dency positions in a hospital attributable to the
increase provided under this paragraph, the ap-
proved FTE per resident amounts are deemed
to be equal to the hospital per resident amounts
for primary care and nonprimary care com-
puted under paragraph (2)(D) for that hospital.

“(E) PERMITTING FACILITIES TO APPLY
AGGREGATION RULES.—The Secretary shall
permit hospitals receiving additional residency
positions attributable to the increase provided
under this paragraph to, beginning in the fifth
year after the effective date of such increase, apply such positions to the limitation amount under paragraph (4)(F) that may be aggregated pursuant to paragraph (4)(H) among members of the same affiliated group.

“(F) DEFINITIONS.—In this paragraph:

“(i) OTHERWISE APPLICABLE RESIDENT LIMIT.—The term ‘otherwise applicable resident limit’ means, with respect to a hospital, the limit otherwise applicable under subparagraphs (F)(i) and (H) of paragraph (4) on the resident level for the hospital determined without regard to this paragraph but taking into account paragraphs (7)(A), (7)(B), (8)(A), (8)(B), or (9)(A).

“(ii) PRIMARY CARE RESIDENCY.—The term ‘primary care residency’ means a residency training program described in paragraph (5)(H).

“(iii) PSYCHIATRY RESIDENCY.—The term ‘psychiatry residency’ means a residency in psychiatry, addiction medicine, addiction psychiatry, pain medicine, child and adolescent psychiatry, consultation-li-
aison psychiatry, geriatric psychiatry, brain injury medicine, forensic psychiatry, hospice and palliative medicine, and sleep medicine. Such term includes a residency in a program that is a prerequisite (as determined by the Secretary) for a residency described in the preceding sentence.

“(iv) QUALIFYING HOSPITAL.—The term ‘qualifying hospital’ means a hospital described in any of subclauses (I) through (V) of subparagraph (B)(ii).

“(v) REFERENCE RESIDENT LEVEL.—The term ‘reference resident level’ means, with respect to a hospital, the resident level for the most recent cost reporting period of the hospital ending on or before the date of enactment of this paragraph, for which a cost report has been settled (or, if not, submitted (subject to audit)), as determined by the Secretary.

“(vi) RESIDENT LEVEL.—The term ‘resident level’ has the meaning given such term in paragraph (7)(C)(i).

“(G) FUNDING.—There is appropriated to the Secretary, out of any amounts in the Treas-
ury not otherwise appropriated, $10,000,000, to
remain available until expended, for purposes of
carrying out this paragraph and subsection
(d)(5)(B)(xiii).”.

(b) IME.—Section 1886(d)(5)(B) of the Social Secu-

rity Act (42 U.S.C. 1395ww(d)(5)(B)) is amended—

(1) in clause (v), in the third sentence, by strik-
ing “and (h)(9)” and inserting “(h)(9), and
(h)(10)”;

(2) by adding at the end the following new
clause:

“(xiii) For discharges occurring on or after
July 1, 2024, insofar as an additional payment
amount under this subparagraph is attributable to
resident positions distributed to a hospital under
subsection (h)(10), the indirect teaching adjustment
factor shall be computed in the same manner as pro-
vided under clause (ii) with respect to such resident
positions.”.

PART 5—HIGHER EDUCATION

SEC. 127501. CREDIT FOR PUBLIC UNIVERSITY RESEARCH
INFRASTRUCTURE.

(a) In General.—Subpart D of part IV of sub-
chapter A of chapter 1, as amended by the preceding pro-
visions of this Act, is amended by adding at the end the following new section:

"SEC. 45CC. PUBLIC UNIVERSITY RESEARCH INFRASTRUCTURE CREDIT.

"(a) ALLOWANCE OF CREDIT.—For purposes of section 38, the public university research infrastructure credit determined under this section for a taxable year is an amount equal to 40 percent of the qualified cash contributions made by a taxpayer during such taxable year.

"(b) QUALIFIED CASH CONTRIBUTION.—

"(1) IN GENERAL.—

"(A) DEFINED.—For purposes of subsection (a), the qualified cash contribution for any taxable year is the aggregate amount contributed in cash by a taxpayer during such taxable year to a certified educational institution in connection with a qualifying project that, but for this section, would be treated as a charitable contribution for purposes of section 170(c).

"(B) QUALIFIED CASH CONTRIBUTIONS TAKEN INTO ACCOUNT FOR PURPOSES OF CHARITABLE CONTRIBUTION LIMITATIONS.— Any qualified cash contributions made by a taxpayer under this section shall be taken into ac-
count for purposes of determining the percentage limitations under section 170(b).

“(2) DESIGNATION REQUIRED.—A contribution shall only be treated as a qualified cash contribution to the extent that it is designated as such by a certified educational institution under subsection (d).

“(c) DEFINITIONS.—For purposes of this section—

“(1) QUALIFYING PROJECT.—The term ‘qualifying project’ means a project to purchase, construct, or improve research infrastructure property.

“(2) RESEARCH INFRASTRUCTURE PROPERTY.—The term ‘research infrastructure property’ means any portion of a property, building, or structure of an eligible educational institution, or any land associated with such property, building, or structure, that is used for research.

“(3) ELIGIBLE EDUCATIONAL INSTITUTION.—The term ‘eligible educational institution’ means—

“(A) an institution of higher education (as such term is defined in section 101 or 102(c) of the Higher Education Act of 1965) that is a college or university described in section 511(a)(2)(B), or

“(B) an organization described in section 170(b)(1)(A)(iv), section 170(b)(1)(A)(vi), or
section 509(a)(3) to which authority has been
delegated by an institution described in sub-
paragraph (A) for purposes of applying for or
administering credit amounts on behalf of such
institution.

“(4) Certified educational institution.—
The term ‘certified educational institution’ means an
eligible educational institution which has been allo-
cated a credit amount for a qualifying project and—

“(A) has received a certification for such
project by submitting an application as required
under subsection (d)(2), and

“(B) designates credit amounts to tax-
payers for qualifying cash contributions toward
such project under subsection (d)(4).

“(d) Qualifying University Research Infra-
structure Program.—

“(1) Establishment.—

“(A) In general.—Not later than 180
days after the date of the enactment of this sec-
tion, the Secretary shall establish a program
to—

“(i) certify and allocate credit
amounts for qualifying projects to eligible
educational institutions, and
“(ii) allow certified educational institutions to designate cash contributions for qualifying projects of such certified educational institutions as qualified cash contributions.

“(B) LIMITATIONS.—

“(i) ALLOCATION LIMITATION PER INSTITUTION.—The credit amounts allocated to a certified educational institution under subparagraph (A)(i) for all projects shall not exceed $50,000,000 per calendar year.

“(ii) OVERALL ALLOCATION LIMITATION.—

“(I) IN GENERAL.—The total amount of qualifying project credit amounts that may be allocated under subparagraph (A)(i) shall not exceed—

“(aa) $500,000,000 for each of calendar years 2022, 2023, 2024, 2025, and 2026, and

“(bb) $0 for each subsequent year.

“(II) ROLLOVER OF UNALLOCATED CREDIT AMOUNTS.—
Any credit amounts described in sub-clause (I) that are unallocated during a calendar year shall be carried to the succeeding calendar year and added to the limitation allowable under such subclause for such succeeding calendar year.

“(iii) Designation limitation.—

The aggregate amount of cash contributions which are designated by a certified educational institution as qualifying cash contributions with respect to any qualifying project shall not exceed 250 percent of the credit amount allocated to such certified educational institution for a qualifying project under subparagraph (A)(i).

“(2) Certification application.—Each eligible educational institution which applies for certification of a project under this paragraph shall submit an application in such time, form, and manner as the Secretary may require.

“(3) Selection criteria for allocations to eligible educational institutions.—The Secretary shall select applications from eligible educational institutions—
“(A) based on the extent of the expected expansion of an eligible educational institution’s targeted research within disciplines in science, mathematics, engineering, and technology, and

“(B) in a manner that ensures consideration is given to eligible educational institutions with full-time student populations of less than 12,000.

“(4) DESIGNATION OF QUALIFIED CASH CONTRIBUTIONS TO TAXPAYERS.—The Secretary shall establish a process by which certified educational institutions shall designate cash contributions to such institutions as qualified cash contributions.

“(e) REGULATIONS AND GUIDANCE.—The Secretary shall prescribe such regulations and guidance as may be necessary or appropriate to carry out the purposes of this section, including regulations or other guidance for—

“(1) prevention of abuse,

“(2) establishment of reporting requirements,

and

“(3) establishment of selection criteria for applications.

“(f) PENALTY FOR NONCOMPLIANCE.—

“(1) IN GENERAL.—If at any time during the 5-year period beginning on the date of the allocation
of credit amounts to a certified educational institution under subsection (d)(1)(A)(i) there is a non-compliance event with respect to such credit amounts, then the following rules shall apply:

“(A) GENERAL RULE.—Any cash contribution designated as a qualifying cash contribution with respect to a qualifying project for which such credit amounts were allocated under subsection (d)(1)(A)(ii) shall be treated as unrelated business taxable income (as defined in section 512) of such certified educational institution.

“(B) RULE FOR UNUSED CREDIT AMOUNTS.—In the case of credit amounts described under paragraph (2)(A) which are unused and identified pursuant to subsection (g), the Secretary shall reallocate any portion of such credit amounts that are unused to certified educational institutions in lieu of imposing the general rule under subparagraph (A).

“(2) NONCOMPLIANCE EVENT.—For purposes of this subsection, the term ‘noncompliance event’ means, with respect to a credit amount allocated to a certified educational institution—
“(A) cash contributions equaling the amount of such credit amount are not designated as qualifying cash contributions within 2 years after December 31 of the year such credit amount is allocated,

“(B) a qualifying project with respect to which such credit amount was allocated is not placed in service within either—

“(i) 4 years after December 31 of the year such credit amount is allocated, or

“(ii) a period of time that the Secretary determines is appropriate, or

“(C) the research infrastructure property placed in service as part of a qualifying project with respect to which such credit amount was allocated ceases to be used for research within five years after such property is placed in service.

“(g) Review and Reallocation of Credit Amounts.—

“(1) Review.—Not later than 5 years after the date of enactment of this section, the Secretary shall review the credit amounts allocated under this section as of such date.

“(2) Reallocation.—
“(A) IN GENERAL.—The Secretary shall reallocate credit amounts allocated under this section, as appropriate, if the Secretary determines, as of the date of the review in paragraph (1), that such credit amounts are subject to a noncompliance event.

“(B) ADDITIONAL PROGRAM.—If the Secretary determines that credits under this section are available for reallocation pursuant to the requirements set forth in subparagraph (A), the Secretary is authorized to conduct an additional program for applications for certification.

“(C) DEADLINE FOR REALLOCATION.—The Secretary shall not certify any project, or reallocate any credit amount, pursuant to this paragraph after December 31, 2031.

“(h) DENIAL OF DOUBLE BENEFIT.—No credit or deduction shall be allowed under any other provision of this chapter for any qualified cash contribution for which a credit is allowed under this section.

“(i) RULE FOR TRUSTS AND ESTATES.—For purposes of this section, rules similar to the rules of subsection (d) of section 52 shall apply.
“(j) TERMINATION.—This section shall not apply to qualified cash contributions made after December 31, 2033.”.

(b) CREDIT MADE PART OF GENERAL BUSINESS CREDIT.—Section 38(b), as amended by the preceding provisions of this Act, is amended by striking “plus” at the end of paragraph (42), by striking the period at the end of paragraph (43) and inserting “, plus”, and by adding at the end the following new paragraph:

“(44) the public university research infrastructure credit determined under section 45CC.”.

(c) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by the preceding provisions of this Act, is amended by adding at the end the following new item:

“Sec. 45CC. Public university research infrastructure credit.”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to qualified cash contributions made after December 31, 2021.

SEC. 127502. TREATMENT OF FEDERAL PELL GRANTS FOR INCOME TAX PURPOSES.

(a) EXCLUSION FROM GROSS INCOME.—Section 117(b)(1) is amended by striking “means any amount” and all that follows and inserting “means—

“(A) any amount received by an individual as a scholarship or fellowship grant to the ex-
tent the individual establishes that, in accordance with the conditions of the grant, such amount was used for qualified tuition and related expenses, and

“(B) any amount received by an individual after December 31, 2021, and before January 1, 2026, as a Federal Pell Grant under section 401 of the Higher Education Act of 1965.”.

(b) Treatment for Purposes of American Opportunity Tax Credit and Lifetime Learning Credit.—Section 25A(g)(2) is amended—

(1) in subparagraph (A), by inserting “described in section 117(b)(1)(A)” after “a qualified scholarship”, and

(2) in subparagraph (C), by inserting “or amount described in section 117(b)(1)(B)” after “within the meaning of section 102(a)”.

(c) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2021.

SEC. 127503. REPEAL OF DENIAL OF AMERICAN OPPORTUNITY TAX CREDIT ON BASIS OF FELONY DRUG CONVICTION.

(a) In General.—Section 25A(b)(2) is amended by striking subparagraph (D).
(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2021.

PART 6—DEDUCTION FOR STATE AND LOCAL TAXES, ETC.

SEC. 127601. [PLACEHOLDER FOR COMPROMISE ON DEDUCTION FOR STATE AND LOCAL TAXES].

Subtitle H—Responsibly Funding Our Priorities

SEC. 128001. AMENDMENT OF 1986 CODE.

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

PART 1—CORPORATE AND INTERNATIONAL TAX REFORMS

Subpart A—Corporate Provisions

SEC. 128101. CORPORATE ALTERNATIVE MINIMUM TAX.

(a) Imposition of Tax.—

(1) In general.—Paragraph (2) of section 55(b) is amended to read as follows:

“(2) Corporations.—
“(A) APPLICABLE CORPORATIONS.—In the case of an applicable corporation, the tentative minimum tax for the taxable year shall be the excess of—

“(i) 15 percent of the adjusted financial statement income for the taxable year (as determined under section 56A), over

“(ii) the corporate AMT foreign tax credit for the taxable year.

“(B) OTHER CORPORATIONS.—In the case of any corporation which is not an applicable corporation, the tentative minimum tax for the taxable year shall be zero.”.

(2) APPLICABLE CORPORATION.—Section 59 is amended by adding at the end the following new subsection:

“(k) APPLICABLE CORPORATION.—For purposes of this part—

“(1) APPLICABLE CORPORATION DEFINED.—

“(A) IN GENERAL.—The term ‘applicable corporation’ means, with respect to any taxable year, any corporation (other than an S corporation, a regulated investment company, or a real estate investment trust) which meets the average annual adjusted financial statement income
test of subparagraph (B) for one or more taxable years which—

“(i) are prior to such taxable year, and

“(ii) end after December 31, 2021.

“(B) AVERAGE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME TEST.—For purposes of this subsection—

“(i) a corporation meets the average annual adjusted financial statement income test for a taxable year if the average annual adjusted financial statement income of such corporation for the 3-taxable-year period ending with such taxable year exceeds $1,000,000,000, and

“(ii) in the case of a corporation described in paragraph (2), such corporation meets the average annual adjusted financial statement income test for a taxable year if—

“(I) the corporation meets the requirements of clause (i) for such taxable year (determined after the application of paragraph (2)), and
“(II) the average annual adjusted financial statement income of such corporation (determined without regard to the application of paragraph (2)) for the 3-taxable-year-period ending with such taxable year is $100,000,000 or more.

“(C) EXCEPTION.—Notwithstanding subparagraph (A), the term ‘applicable corporation’ shall not include any corporation which otherwise meets the requirements of subparagraph (A) if—

“(i) such corporation—

“(I) has a change in ownership, or

“(II) has a specified number (to be determined by the Secretary and which shall, as appropriate, take into account the facts and circumstances of the taxpayer) of consecutive taxable years, including the most recent taxable year, in which the corporation does not meet the average annual adjusted financial statement income test of subparagraph (B), and
“(ii) the Secretary determines that it would not be appropriate to continue to treat such corporation as an applicable corporation.

The preceding sentence shall not apply to any corporation if, after the Secretary makes the determination described in clause (ii), such corporation meets the average annual adjusted financial statement income test of subparagraph (B) for any taxable year beginning after the first taxable year for which such determination applies.

“(D) Special rules for determining applicable corporation status.—Solely for purposes of determining whether a corporation is an applicable corporation under paragraph (1), all adjusted financial statement income of persons treated as a single employer with such corporation under subsection (a) or (b) of section 52 shall be treated as adjusted financial statement of income of such corporation, and adjusted financial statement income of such corporation shall be determined without regard to paragraphs (2)(D)(i) and (11) of section 56A(c).
“(E) Other special rules.—

“(i) Corporations in existence for less than 3 years.—If the corporation was in existence for less than 3 taxable years, subparagraph (B) shall be applied on the basis of the period during which such corporation was in existence.

“(ii) Short taxable years.—Adjusted financial statement income for any taxable year of less than 12 months shall be annualized by multiplying the adjusted financial statement income for the short period by 12 and dividing the result by the number of months in the short period.

“(iii) Treatment of predecessors.—Any reference in this subparagraph to a corporation shall include a reference to any predecessor of such corporation.

“(2) Special rule for foreign-parented corporations.—

“(A) In general.—Solely for purposes of determining whether a corporation meets the average annual adjusted financial statement income test under paragraph (1)(B)(ii)(I), in the
case of any corporation which for any taxable year is a member of an international financial reporting group the common parent of which is a foreign corporation, such corporation shall include in the adjusted financial statement income of such corporation for such taxable year the adjusted financial statement income of all foreign members of such group. Solely for purposes of this subparagraph, adjusted financial statement income shall be determined without regard to paragraphs (2)(D)(i), (3), (4), and (11) of section 56A(e).

“(B) INTERNATIONAL FINANCIAL REPORTING GROUP.—For purposes of subparagraph (A), the term ‘international financial reporting group’ shall have the meaning given such term by section 163(n)(3).

“(C) COMMON PARENT.—For purposes of subparagraph (A), the term ‘common parent’ has the meaning given such term under section 163(n)(5).

“(3) REGULATIONS OR OTHER GUIDANCE.—The Secretary shall provide regulations or other guidance for the purposes of carrying out this subsection, including regulations or other guidance—
“(A) providing a simplified method for determining whether a corporation meets the requirements of paragraph (1), and

‘’(B) addressing the application of this subsection to a corporation that experiences a change in ownership.’’.

(3) REDUCTION FOR BASE EROSION AND ANTI-ABUSE TAX.—Section 55(a)(2) is amended by inserting “plus, in the case of an applicable corporation, the tax imposed by section 59A” before the period at the end.

(4) CONFORMING AMENDMENTS.—

(A) Section 55(a) is amended by striking “In the case of a taxpayer other than a corporation, there” and inserting “There”.

(B)(i) Section 55(b)(1) is amended—

(I) by striking so much as precedes subparagraph (A) and inserting the following:

“(1) NONCORPORATE TAXPAYERS.—In the case of a taxpayer other than a corporation—”, and

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

“(D) ALTERNATIVE MINIMUM TAXABLE INCOME.—The term ‘alternative minimum taxable
income' means the taxable income of the taxpayer for the taxable year—

“(i) determined with the adjustments provided in section 56 and section 58, and

“(ii) increased by the amount of the items of tax preference described in section 57.

If a taxpayer is subject to the regular tax, such taxpayer shall be subject to the tax imposed by this section (and, if the regular tax is determined by reference to an amount other than taxable income, such amount shall be treated as the taxable income of such taxpayer for purposes of the preceding sentence).”.

(ii) Section 860E(a)(4) is amended by striking “55(b)(2)” and inserting “55(b)(1)(D)”.

(iii) Section 897(a)(2)(A)(i) is amended by striking “55(b)(2)” and inserting “55(b)(1)(D)”.

(C) Section 11(d) is amended by striking “the tax imposed by subsection (a)” and inserting “the taxes imposed by subsection (a) and section 55”.
(D) Section 12 is amended by adding at the end the following new paragraph:

“(5) For alternative minimum tax, see section 55.”.

(E) Section 882(a)(1) is amended by inserting “, 55,” after “section 11”.

(F) Section 6425(e)(1)(A) is amended to read as follows:

“(A) the sum of—

“(i) the tax imposed by section 11 or subchapter L of chapter 1, whichever is applicable, plus

“(ii) the tax imposed by section 55, plus

“(iii) the tax imposed by section 59A, over”.

(G) Section 6655(e)(2) is amended by inserting “, adjusted financial statement income (as defined in section 56A),” before “and modified taxable income” each place it appears in subparagraphs (A)(i) and (B)(i).

(H) Section 6655(g)(1)(A) is amended by redesignating clauses (ii) and (iii) as clauses (iii) and (iv), respectively, and by inserting after clause (i) the following new clause:
“(ii) the tax imposed by section 55,”.

(b) Adjusted Financial Statement Income.—

(1) In general.—Part VI of subchapter A of chapter 1 is amended by inserting after section 56 the following new section:

“SEC. 56A. ADJUSTED FINANCIAL STATEMENT INCOME.

“(a) In general.—For purposes of this part, the term ‘adjusted financial statement income’ means, with respect to any corporation for any taxable year, the net income or loss of the taxpayer set forth on the taxpayer’s applicable financial statement for such taxable year, adjusted as provided in this section.

“(b) Applicable Financial Statement.—For purposes of this section, the term ‘applicable financial statement’ means, with respect to any taxable year, an applicable financial statement (as defined in section 451(b)(3) or as specified by the Secretary in regulations or other guidance) which covers such taxable year.

“(c) General Adjustments.—

“(1) Statements covering different taxable years.—Appropriate adjustments shall be made in adjusted financial statement income in any case in which an applicable financial statement covers a period other than the taxable year.
“(2) Special rules for related entities.—

“(A) CONSOLIDATED FINANCIAL STATEMENTS.—If the financial results of a taxpayer are reported on the applicable financial statement for a group of entities, rules similar to the rules of section 451(b)(5) shall apply.

“(B) CONSOLIDATED RETURNS.—Except as provided in regulations prescribed by the Secretary, if the taxpayer is part of an affiliated group of corporations filing a consolidated return for any taxable year, adjusted financial statement income for such group for such taxable year shall take into account items on the group’s applicable financial statement which are properly allocable to members of such group.

“(C) TREATMENT OF DIVIDENDS AND OTHER AMOUNTS.—In the case of any corporation which is not included on a consolidated return with the taxpayer, adjusted financial statement income of the taxpayer shall take into account the earnings of such other corporation only to the extent of the sum of the dividends received from such other corporation (reduced to the extent provided by the Secretary in regu-
lations or other guidance) and other amounts required to be included in gross income under this chapter (other than amounts required to be included under sections 951 and 951A) in respect of the earnings of such other corporation.

“(D) TREATMENT OF PARTNERSHIPS.—

“(i) IN GENERAL.—Except as provided by the Secretary, if the taxpayer is a partner in a partnership, adjusted financial statement income of the taxpayer shall be adjusted to only take into account the taxpayer’s distributive share of adjusted financial statement income of such partnership.

“(ii) ADJUSTED FINANCIAL STATEMENT INCOME OF PARTNERSHIPS.—For the purposes of this part, the adjusted financial statement income of a partnership shall be the partnership’s net income or loss set forth on such partnership’s applicable financial statement (adjusted under rules similar to the rules of this section).

“(3) ADJUSTMENTS TO TAKE INTO ACCOUNT CERTAIN ITEMS OF FOREIGN INCOME.—
“(A) IN GENERAL.—If, for any taxable year, a taxpayer is a United States shareholder of one or more controlled foreign corporations, the adjusted financial statement income of such taxpayer shall be adjusted to take into account such taxpayer’s pro rata share (determined under rules similar to the rules under section 951(a)(2)) of items taken into account in computing the net income or loss set forth on the applicable financial statement (as adjusted under rules similar to those that apply in determining adjusted financial statement income) of each such controlled foreign corporation with respect to which such taxpayer is a United States shareholder.

“(B) NEGATIVE ADJUSTMENTS.—In any case in which the adjustment determined under subparagraph (A) would result in a negative adjustment for such taxable year—

“(i) no adjustment shall be made under this paragraph for such taxable year, and

“(ii) the amount of the adjustment determined under this paragraph for the succeeding taxable year (determined with-
out regard to this paragraph) shall be re-
duced by an amount equal to the negative
adjustment for such taxable year.

“(4) Effectively Connected Income.—In
the case of a foreign corporation, to determine ad-
justed financial statement income, the principles of
section 882 shall apply.

“(5) Adjustments for Certain Taxes.—Ad-
justed financial statement income shall be appro-
priately adjusted to disregard any Federal income
taxes, or income, war profits, or excess profits taxes
(within the meaning of section 901) with respect to
a foreign country or possession of the United States,
which are taken into account on the taxpayer’s ap-
plicable financial statement. To the extent provided
by the Secretary, the preceding sentence shall not
apply to income, war profits, or excess profits taxes
(within the meaning of section 901) that are im-
posed by a foreign country or possession of the
United States and taken into account on the tax-
payer’s applicable financial statement if the taxpayer
does not choose to have the benefits of subpart A of
part III of subchapter N for the taxable year. The
Secretary shall prescribe such regulations or other
guidance as may be necessary and appropriate to
provide for the proper treatment of current and deferred taxes for purposes of this paragraph, including the time at which such taxes are properly taken into account.

“(6) Adjustment with respect to disregarded entities.—Adjusted financial statement income shall be adjusted to take into account any adjusted financial statement income of a disregarded entity owned by the taxpayer.

“(7) Special rule for cooperatives.—In the case of a cooperative to which section 1381 applies, the adjusted financial statement income (determined without regard to this paragraph) shall be reduced by the amounts referred to in section 1382(b) (relating to patronage dividends and per-unit retain allocations) to the extent such amounts were not otherwise taken into account in determining adjusted financial statement income.

“(8) Rules for Alaska Native Corporations.—Adjusted financial statement income shall be appropriately adjusted to allow—

“(A) cost recovery and depletion attributable to property the basis of which is determined under section 21(e) of the Alaska Native
Claims Settlement Act (43 U.S.C. 1620(c)), and

“(B) deductions for amounts payable made pursuant to section 7(i) or section 7(j) of such Act (43 U.S.C. 1606(i) and 1606(j)) only at such time as the deductions are allowed for tax purposes.

“(9) Amounts attributable to elections for direct payment of certain credits.—Adjusted financial statement income shall be appropriately adjusted to disregard any amount treated as a payment against the tax imposed by subtitle A pursuant to an election under section 6417, to the extent such amount was not otherwise taken into account under paragraph (5).

“(10) Consistent treatment of mortgage servicing income of taxpayer other than a regulated investment company.—

“(A) In general.—Adjusted financial statement income shall be adjusted so as not to include any item of income in connection with a mortgage servicing contract any earlier than when such income is included in gross income under any other provision of this chapter.
“(B) Rules for amounts not representing reasonable compensation.—

The Secretary shall provide regulations to prevent the avoidance of taxes imposed by this chapter with respect to amounts not representing reasonable compensation (as determined by the Secretary) with respect to a mortgage servicing contract.

“(11) Adjustment with respect to defined benefit pensions.—

“(A) In general.—Except as otherwise provided in rules prescribed by the Secretary in regulations or other guidance, adjusted financial statement income shall be—

“(i) adjusted to disregard any amount of income, cost, or expense that would otherwise be included on the applicable financial statement in connection with any covered benefit plan,

“(ii) increased by any amount of income in connection with any such covered benefit plan that is included in the gross income of the corporation under any other provision of this chapter, and
“(iii) reduced by deductions allowed under any other provision of this chapter with respect to any such covered benefit plan.

“(B) COVERED BENEFIT PLAN.—For purposes of this paragraph, the term ‘covered benefit plan’ means—

“(i) a defined benefit plan (other than a multiemployer plan described in section 414(f)) if the trust which is part of such plan is an employees’ trust described in section 401(a) which is exempt from tax under section 501(a),

“(ii) any qualified foreign plan (as defined in section 404A(e)), or

“(iii) any other defined benefit plan which provides post-employment benefits other than pension benefits.

“(12) TAX-EXEMPT ENTITIES.—In the case of an organization subject to tax under section 511, adjusted financial statement income shall be appropriately adjusted to only take into account any adjusted financial statement income—

“(A) of an unrelated trade or business (as defined in section 513) of such organization, or
“(B) derived from debt-financed property (as defined in section 514) to the extent that income from such property is treated as unrelated business taxable income.

“(13) Secretarial authority to adjust items.—The Secretary shall issue regulations or other guidance to provide for such adjustments to adjusted financial statement income as the Secretary determines necessary to carry out the purposes of this section, including adjustments—

“(A) to prevent the omission or duplication of any item, and

“(B) to carry out the principles of part II of subchapter C of this chapter (relating to corporate liquidations), part III of subchapter C of this chapter (relating to corporate organizations and reorganizations), and part II of subchapter K of this chapter (relating to partnership contributions and distributions).

“(d) Deduction for Financial Statement Net Operating Loss.—

“(1) In general.—Adjusted financial statement income (determined after application of subsection (e) and without regard to this subsection)
shall be reduced by an amount equal to the lesser of—

“(A) the aggregate amount of financial statement net operating loss carryovers to the taxable year, or

“(B) 80 percent of adjusted financial statement income computed without regard to the deduction allowable under this subsection.

“(2) Financial statement net operating loss carryover.—A financial statement net operating loss for any taxable year shall be a financial statement net operating loss carryover to each taxable year following the taxable year of the loss. The portion of such loss which shall be carried to subsequent taxable years shall be the amount of such loss remaining (if any) after the application of paragraph (1).

“(3) Financial statement net operating loss defined.—For purposes of this subsection, the term ‘financial statement net operating loss’ means the amount of the net loss (if any) set forth on the corporation’s applicable financial statement (determined after application of subsection (c) and without regard to this subsection) for taxable years ending after December 31, 2019.
“(e) REGULATIONS AND OTHER GUIDANCE.—The Secretary shall provide for such regulations and other guidance as necessary to carry out the purposes of this section, including regulations and other guidance relating to the effect of the rules of this section on partnerships with income taken into account by an applicable corporation.”.

(2) CLERICAL AMENDMENT.—The table of sections for part VI of subchapter A of chapter 1 is amended by inserting after the item relating to section 56 the following new item:

“Sec. 56A. Adjusted financial statement income.”.

(c) CORPORATE AMT FOREIGN TAX CREDIT.—Section 59, as amended by this section, is amended by adding at the end the following new subsection:

“(1) CORPORATE AMT FOREIGN TAX CREDIT.—

“(1) IN GENERAL.—For purposes of this part, if an applicable corporation chooses to have the benefits of subpart A of part III of subchapter N for any taxable year, the corporate AMT foreign tax credit for the taxable year of the applicable corporation is an amount equal to sum of—

“(A) the lesser of—

“(i) the aggregate of the applicable corporation’s pro rata share (as determined under section 56A(e)(3)) of the
amount of income, war profits, and excess
profits taxes (within the meaning of sec-
tion 901) imposed by any foreign country
or possession of the United States which
are—

“(I) taken into account on the
applicable financial statement of each
controlled foreign corporation with re-
spect to which the applicable corpora-
tion is a United States shareholder,
and

“(II) paid or accrued (for Fed-
eral income tax purposes) by each
such controlled foreign corporation, or

“(ii) the product of the amount of the
adjustment under section 56A(e)(3) and
the percentage specified in section
55(b)(2)(A)(i), and

“(B) in the case of an applicable corpora-
tion that is a domestic corporation, the amount
of income, war profits, and excess profits taxes
(within the meaning of section 901) imposed by
any foreign country or possession of the United
States to the extent such taxes are—
“(i) taken into account on the applicable corporation’s applicable financial statement, and

“(ii) paid or accrued (for Federal income tax purposes) by the applicable corporation.

“(2) Carryover of excess tax paid.—For any taxable year for which an applicable corporation chooses to have the benefits of subpart A of part III of subchapter N, the excess of the amount described in paragraph (1)(A)(i) over the amount described in paragraph (1)(A)(ii) shall increase the amount described in paragraph (1)(A)(i) in any of the first 5 succeeding taxable years to the extent not taken into account in a prior taxable year.

“(3) Regulations or other guidance.— The Secretary shall provide for such regulations or other guidance as is necessary to carry out the purposes of this subsection.”.

(d) Treatment of General Business Credit.—

Section 38(c)(6)(E) is amended to read as follows:

“(E) Corporations.—In the case of a corporation—

“(i) the first sentence of paragraph (1) shall be applied by substituting ‘25
percent of the taxpayer’s net income tax as exceeds $25,000’ for ‘the greater of’ and all that follows,

“(ii) paragraph (2)(A) shall be applied without regard to clause (ii)(I) thereof, and

“(iii) paragraph (4)(A) shall be applied without regard to clause (ii)(I) thereof.”.

(e) **Credit for Prior Year Minimum Tax Liability.**—

(1) **In General.**—Section 53(e) is amended to read as follows:

“(e) **Application to Applicable Corporations.**—In the case of a corporation—

“(1) subsection (b)(1) shall be applied by substituting ‘the net minimum tax for all prior taxable years beginning after 2022’ for ‘the adjusted net minimum tax imposed for all prior taxable years beginning after 1986’, and

“(2) the amount determined under subsection (c)(1) shall be increased by the amount of tax imposed under section 59A for the taxable year.”.

(2) **Conforming Amendments.**—Section 53(d) is amended—
(A) in paragraph (2), by striking “, except that in the case” and all that follows through “treated as zero”, and

(B) by striking paragraph (3).

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

SEC. 128102. EXCISE TAX ON REPURCHASE OF CORPORATE STOCK.

(a) IN GENERAL.—Subtitle D is amended by inserting after chapter 36 the following new chapter:

“CHAPTER 37—REPURCHASE OF CORPORATE STOCK

“Sec. 4501. Repurchase of corporate stock.

“SEC. 4501. REPURCHASE OF CORPORATE STOCK.

“(a) GENERAL RULE.—There is hereby imposed on each covered corporation a tax equal to 1 percent of the fair market value of any stock of the corporation which is repurchased by such corporation during the taxable year.

“(b) COVERED CORPORATION.—For purposes of this section, the term ‘covered corporation' means any domestic corporation the stock of which is traded on an established securities market (within the meaning of section 7704(b)(1)).
“(c) Repurchase.—For purposes of this section—

“(1) In general.—The term ‘repurchase’ means—

“(A) a redemption within the meaning of section 317(b) with regard to the stock of a covered corporation, and

“(B) any transaction determined by the Secretary to be economically similar to a transaction described in subparagraph (A).

“(2) Treatment of purchases by specified affiliates.—

“(A) In general.—The acquisition of stock of a covered corporation by a specified affiliate of such covered corporation, from a person who is not the covered corporation or a specified affiliate of such covered corporation, shall be treated as a repurchase of the stock of the covered corporation by such covered corporation.

“(B) Specified affiliate.—For purposes of this section, the term ‘specified affiliate’ means, with respect to any corporation—

“(i) any corporation more than 50 percent of the stock of which is owned (by
vote or by value), directly or indirectly, by such corporation, and

“(ii) any partnership more than 50 percent of the capital interests or profits interests of which is held, directly or indirectly, by such corporation.

“(3) Adjustment.—The amount taken into account under subsection (a) with respect to any stock repurchased by a covered corporation shall be reduced by the fair market value of any stock issued by the covered corporation during the taxable year, including the fair market value of any stock issued or provided to employees of such covered corporation or a specified affiliate of such covered corporation during the taxable year, whether or not such stock is issued or provided in response to the exercise of an option to purchase such stock.

“(d) Special Rules for Acquisition of Stock of Certain Foreign Corporations.—

“(1) In general.—In the case of an acquisition of stock of an applicable foreign corporation by a specified affiliate of such corporation (other than a foreign corporation or a foreign partnership (unless such partnership has a domestic entity as a direct or indirect partner)) from a person who is not
the applicable foreign corporation or a specified affiliate of such applicable foreign corporation, for purposes of this section—

“(A) such specified affiliate shall be treated as a covered corporation with respect to such acquisition,

“(B) such acquisition shall be treated as a repurchase of stock of a covered corporation by such covered corporation, and

“(C) the adjustment under subsection (e)(3) shall be determined only with respect to stock issued or provided by such specified affiliate to employees of the specified affiliate.

“(2) Surrogate foreign corporations.—In the case of a repurchase of stock of a covered surrogate foreign corporation by such covered surrogate foreign corporation, or an acquisition of stock of a covered surrogate foreign corporation by a specified affiliate of such corporation, for purposes of this section—

“(A) the expatriated entity with respect to such covered surrogate foreign corporation shall be treated as a covered corporation with respect to such repurchase or acquisition,
“(B) such repurchase or acquisition shall be treated as a repurchase of stock of a covered corporation by such covered corporation, and

“(C) the adjustment under subsection (c)(3) shall be determined only with respect to stock issued or provided by such expatriated entity to employees of the expatriated entity.

“(3) DEFINITIONS.—For purposes of this subsection—

“(A) APPLICABLE FOREIGN CORPORATION.—The term ‘applicable foreign corporation’ means any foreign corporation the stock of which is traded on an established securities market (within the meaning of section 7704(b)(1)).

“(B) COVERED SURROGATE FOREIGN CORPORATION.—The term ‘covered surrogate foreign corporation’ means any surrogate foreign corporation (as determined under section 7874(a)(2)(B) by substituting ‘September 20, 2021’ for ‘March 4, 2003’ each place it appears) the stock of which is traded on an established securities market (within the meaning of section 7704(b)(1)), but only with respect to taxable years which include any portion of the
applicable period with respect to such corporation under section 7874(d)(1).

“(C) EXPATRIATED ENTITY.—The term ‘expatriated entity’ has the meaning given such term by section 7874(a)(2)(A).

“(e) EXCEPTIONS.—Subsection (a) shall not apply—

“(1) to the extent that the repurchase is part of a reorganization (within the meaning of section 368(a)) and no gain or loss is recognized on such repurchase by the shareholder under chapter 1 by reason of such reorganization,

“(2) in any case in which the stock repurchased is, or an amount of stock equal to the value of the stock repurchased is, contributed to an employer-sponsored retirement plan, employee stock ownership plan, or similar plan,

“(3) in any case in which the total value of the stock repurchased during the taxable year does not exceed $1,000,000,

“(4) under regulations prescribed by the Secretary, in cases in which the repurchase is by a dealer in securities in the ordinary course of business,

“(5) to repurchases by a regulated investment company (as defined in section 851) or a real estate investment trust, or
“(6) to the extent that the repurchase is treated as a dividend for purposes of this title.

“(f) REGULATIONS AND GUIDANCE.—The Secretary shall prescribe such regulations and other guidance as are necessary or appropriate to administer and to prevent the avoidance of the purposes of this section, including regulations and other guidance—

“(1) to prevent the abuse of the exceptions provided by subsection (e),

“(2) to address special classes of stock and preferred stock, and

“(3) for the application of the rules under subsection (d).”.

(b) TAX NOT DEDUCTIBLE.—Paragraph (6) of section 275(a) is amended by inserting “37,” before “41”.

(e) CLERICAL AMENDMENT.—The table of chapters for subtitle D is amended by inserting after the item relating to chapter 36 the following new item:

“Chapter 37—Repurchase of Corporate Stock”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to repurchases (within the meaning of section 4501(c) of the Internal Revenue Code of 1986, as added by this section) of stock after December 31, 2021.
Subpart B—Limitations on Deduction for Interest Expense

SEC. 128111. LIMITATIONS ON DEDUCTION FOR INTEREST EXPENSE.

(a) Interest Expense of Certain Members of International Financial Reporting Groups.—Section 163 is amended by redesignating subsection (n) as subsection (p) and by inserting after subsection (m) the following new subsection:

“(n) Limitation on Deduction of Interest by Certain Members of International Financial Reporting Groups.—

“(1) In General.—In the case of any specified domestic corporation which is a member of any international financial reporting group, the deduction under this chapter for interest paid or accrued during the taxable year in excess of the amount of interest includible in the gross income of such corporation shall not exceed the allowable percentage of 110 percent of such excess.

“(2) Specified Domestic Corporation.—For purposes of this subsection—

“(A) In General.—The term ‘specified domestic corporation’ means any domestic corporation other than—

“(i) any corporation if the excess of—
“(I) the average amount of interest paid or accrued by such corporation during the 3-taxable-year period ending with the taxable year to which paragraph (1) applies, over

“(II) the average amount of interest includible in the gross income of such corporation for such 3-taxable-year period, does not exceed $12,000,000,

“(ii) any corporation to which paragraph (1) of section 163(j) does not apply by reason of paragraph (3) of such section (determined without regard to paragraph (4)(B) of such section), and

“(iii) any S corporation, real estate investment trust, or regulated investment company.

“(B) AGGREGATION RULE.—For purposes of clauses (i) and (ii) of subparagraph (A), all domestic corporations which are members of the same international financial reporting group shall be treated as a single corporation.

“(C) FOREIGN CORPORATIONS ENGAGED IN TRADE OR BUSINESS WITHIN THE UNITED
If a foreign corporation is engaged in a trade or business within the United States, such foreign corporation shall be treated as a domestic corporation with respect to the items that are effectively connected with such trade or business.

“(3) INTERNATIONAL FINANCIAL REPORTING GROUP.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘international financial reporting group’ means, with respect to any reporting year, two or more entities if—

“(i) either—

“(I) at least one entity is a foreign corporation engaged in a trade or business within the United States, or

“(II) at least one entity is a domestic corporation and another entity is a foreign corporation, and

“(ii) such entities are included in the same applicable financial statement with respect to such year.

“(B) ELECTION TO INCLUDE ELIGIBLE CORPORATIONS IN GROUP.—
“(i) IN GENERAL.—To the extent provided by the Secretary in regulations or other guidance, an international financial reporting group may elect (at such time and in such manner as the Secretary may provide) to treat all eligible corporations with respect to such group as members of such group for purposes of this subsection. As a condition of such election, all such eligible corporations must maintain (and provide access to) such books and records as the Secretary determines are satisfactory to allow for the application of this subsection with respect to such eligible corporations. Such election may be revoked only with the consent of the Secretary.

“(ii) ELIGIBLE CORPORATION.—The term ‘eligible corporation’ means, with respect to any international financial reporting group, any corporation if at least 20 percent of the stock of such corporation (determined by vote and value) is held (directly or indirectly) by members of such international financial reporting group (de-
determined without regard to this subpara-

graph).

“(4) ALLOWABLE PERCENTAGE.—For purposes

of this subsection—

“(A) IN GENERAL.—The term ‘allowable

percentage’ means, with respect to any specified
domestic corporation for any taxable year, the
ratio (expressed as a percentage and not great-
er than 100 percent) of—

“(i) such corporation’s allocable share

of the international financial reporting
group’s reported net interest expense for
the reporting year of such group which
ends in or with such taxable year of such
corporation, over

“(ii) such corporation’s reported net

interest expense for such reporting year of
such group.

“(B) REPORTED NET INTEREST EX-

PENSE.—The term ‘reported net interest ex-

pense’ means—

“(i) with respect to any international

financial reporting group for any reporting
year, the excess of—
“(I) the aggregate amount of interest expense reported in such group’s applicable financial statements for such taxable year, over

“(II) the aggregate amount of interest income reported in such group’s applicable financial statements for such taxable year, and

“(ii) with respect to any specified domestic corporation for any reporting year, the excess of—

“(I) the amount of interest expense of such corporation reported in the books and records of the international financial reporting group which are used in preparing such group’s applicable financial statements for such taxable year, over

“(II) the amount of interest income of such corporation reported in such books and records.

“(C) ALLOCABLE SHARE OF REPORTED NET INTEREST EXPENSE.—With respect to any specified domestic corporation which is a member of any international financial reporting
group, such corporation’s allocable share of such group’s reported net interest expense for any reporting year is the portion of such expense which bears the same ratio to such expense as—

“(i) the EBITDA of such corporation for such reporting year, bears to

“(ii) the EBITDA of such group for such reporting year.

“(D) EBITDA.—

“(i) In general.—The term ‘EBITDA’ means, with respect to any reporting year, earnings before interest income and interest expense, taxes, depreciation, depletion, and amortization—

“(I) as determined in the international financial reporting group’s applicable financial statements for such year, or

“(II) as determined in the books and records of the international financial reporting group which are used in preparing such statements if not determined in such statements.
“(ii) Determination of EBITDA of a specified domestic corporation.—
The EBITDA of any specified domestic corporation shall be determined without regard to any distribution received by such corporation from any other member of the international financial reporting group.

“(E) Special rules for non-positive EBITDA.—

“(i) Non-positive group EBITDA.—
In the case of any international financial reporting group the EBITDA of which is zero or less, paragraph (1) shall not apply to any specified domestic corporation which is a member of such group.

“(ii) Non-positive entity EBITDA.—In the case of any specified domestic corporation the EBITDA of which is zero or less, the allowable percentage shall be 0 percent.

“(5) Election for use of alternative calculation of reported net interest expense.—

“(A) In general.—
“(i) **Use of Adjusted Bases of Assets.**—Under rules prescribed by the Secretary, if an election is in effect under this paragraph with respect to an international financial reporting group, paragraph (4)(C) shall be applied by substituting ‘aggregate adjusted bases of the assets’ for ‘EBITDA’ in clauses (i) and (ii) thereof.

“(ii) **Election.**—An election, or termination of an election, under this paragraph—

“(I) shall be made by the common parent of the international financial reporting group (or such specified domestic corporation of such group as determined by the Secretary),

“(II) shall be made at such time and in such manner as the Secretary shall prescribe, and

“(III) shall apply to all members of the international financial reporting group.

“(iii) **Other Rules.**—An election under this paragraph shall—
“(I) be made before the due date
(including extensions) for the return
of tax for the first taxable year to
which such election applies, and
“(II) once made, may not be ter-
ninated before such election has been
in effect for 5 taxable years.

If an election under this paragraph with
respect to an international financial report-
ing group is terminated, no subsequent
election may be made under this paragraph
with respect to such group (or any suc-
cessor) before the sixth taxable year fol-
lowing the first taxable year to which the
termination first applies.

“(B) Determination of Adjusted
Bases.—

“(i) In general.—Except as pro-
vided in clause (ii), the aggregate adjusted
bases of assets of any specified domestic
corporation and international financial re-
porting group of which it is a member
shall be determined in the same manner as
such determination is made for purposes of
this chapter.
“(ii) Groups with foreign common parent.—If the election under subparagraph (A)(ii) is made with respect to an international financial reporting group and the common parent of such group is a foreign corporation, the adjusted bases of assets for all members of such group shall be determined on the basis of the amounts reported in such group’s applicable financial statement for such year.

“(iii) Certain assets not taken into account.—In determining the aggregate adjusted bases of assets of any specified domestic corporation and international financial reporting group of which it is a member, there shall not be taken into account any asset held by any member of such group which consists of stock in a member of such group (or, in the case of a member of such group which is a partnership, any interest in such partnership).

“(C) Treatment of research and experimental expenditures and depreciation.—Solely for purposes of applying subparagraph (B)(i) for purposes of this subsection—
“(i) research and experimental expenditures under section 174 shall be treated as creating an intangible asset that is amortizable ratably over the 5-year period beginning with the mid-point of the taxable year during which such expenditures are paid or incurred, and

“(ii) the adjusted basis of any tangible property of a character subject to an allowance for depreciation under section 167 shall be determined by using section 168(g).

“(D) COMMON PARENT.— The Secretary shall provide rules for the determination of the common parent of an international financial reporting group for purposes of this paragraph.

“(6) APPLICABLE FINANCIAL STATEMENT.— For purposes of this subsection, the term ‘applicable financial statement’ means, with respect to any reporting year, an applicable financial statement (as defined in section 451(b)(3) or as specified by the Secretary in regulations or other guidance) which covers such reporting year.

“(7) REPORTING YEAR.—For purposes of this subsection, the term ‘reporting year’ means any year
for which an applicable financial statement is pre-
pared or required to be prepared.

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

“(A) allows or requires the adjustment of
amounts reported on applicable financial state-
ments,

“(B) allows or requires any corporation to
be included or excluded as a member of any
international financial reporting group for pur-
poses of any determination or calculation under
this subsection,

“(C) treats interest income of a controlled
foreign corporation which is subpart F income,
and any interest expense of such corporation
which is related to subpart F income, as inter-
est income and interest expense, respectively, of
a specified domestic corporation for purposes of
this subsection,

“(D) prevents the omission, inclusion, or
duplication of any item or amount of interest
income or interest expense,
“(E) provides rules to carry out the purposes of paragraph (5), including regulations or other guidance for determining the adjusted basis of an asset, determining whether an asset is taken into account, and determining whether an asset is that of a specified domestic corporation or another member of an international financial reporting group, and

“(F) provides rules for the application of this subsection with respect to—

“(i) a domestic corporation that is a partner (directly or indirectly) in a partnership,

“(ii) a domestic corporation that owns (directly or indirectly) an interest in an entity that is fiscally transparent in one or more jurisdictions, and

“(iii) a foreign corporation to which this subsection applies by reason of paragraph (2)(C).”.

(b) Modification of Application of Limitation on Business Interest to Partnerships and S Corporations.—

(1) In general.—Section 163(j)(4) is amended to read as follows:
“(4) Application to partnerships and S corporations.—

“(A) In general.—In the case of any partnership or S corporation, this subsection shall be applied at the partner or shareholder level, respectively.

“(B) Application of exemption for certain small businesses.—In the case of any partnership or S corporation which does not meet the gross receipts test of section 448(c) for any taxable year, paragraph (3) shall not apply with respect to any distributive, or pro rata, share of business interest and other items under this subsection of such partnership or S corporation.

“(C) Regulations.—The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this section, including regulations or other guidance—

“(i) for requiring or restricting the allocation of business interest and other items under this subsection,
“(ii) to provide for such reporting requirements as the Secretary determines appropriate, and
“(iii) for the application of this subsection in the case of tiered structures or trades or businesses described in paragraph (7).”.

(2) CONFORMING AMENDMENT.—Section 163(j)(3) is amended by inserting “except to the extent provided in paragraph (4)(B)” after “to such taxpayer for such taxable year”.

(c) CARRYFORWARD OF DISALLOWED INTEREST.—

(1) IN GENERAL.—Section 163 is amended by inserting after subsection (n), as added by subsection (a), the following new subsection:

“(o) CARRYFORWARD OF CERTAIN DISALLOWED INTEREST.—The amount of any interest not allowed as a deduction for any taxable year by reason of subsection (j) or (n)(1) (whichever imposes the lower limitation with respect to such taxable year) shall be treated as interest (and as business interest for purposes of subsection (j) to the extent such amount is properly attributable to a trade or business as defined in subsection (j)(7)) paid or accrued in the succeeding taxable year.”.

(2) CONFORMING AMENDMENTS.—
(A) Section 163(j)(2) is amended to read as follows:

“(2) CARRYFORWARD CROSS-REFERENCE.—For carryforward treatment, see subsection (o).”.

(B) Section 381(e)(20) is amended to read as follows:

“(20) CARRYFORWARD OF DISALLOWED INTEREST.—The carryover of disallowed interest described in section 163(o) to taxable years ending after the date of distribution or transfer.”.

(C) Section 382(d)(3) is amended to read as follows:

“(3) APPLICATION TO CARRYFORWARD OF DISALLOWED INTEREST.—The term ‘pre-change loss’ shall include any carryover of disallowed interest described in section 163(o) under rules similar to the rules of paragraph (1).”.

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

(e) TRANSITION RULE.—In the case of a partner’s first succeeding taxable year described in subclause (II) of section 163(j)(4)(B)(ii) of the Internal Revenue Code of 1986 (as in effect before the amendment made by subsection (b)) which begins after December 31, 2022, the
amount of excess business interest which would (but for such amendment) be carried to such taxable year under such subclause shall be treated as interest (and as business interest for purposes of section 163(j) of such Code, as amended by this section) paid or accrued in such taxable year. A rule similar to the rule in the preceding sentence shall apply in the case of an S corporation and its shareholders. For carryover of any such interest disallowed for such taxable year, see section 163(o) of such Code, as amended by this section.

Subpart C—Outbound International Provisions

SEC. 128121. MODIFICATIONS TO DEDUCTION FOR FOREIGN-DERIVED INTANGIBLE INCOME AND GLOBAL INTANGIBLE LOW-TAXED INCOME.

(a) In General.—Section 250(a) is amended to read as follows:

“(a) In General.—In the case of a domestic corporation for any taxable year, there shall be allowed as a deduction an amount equal to the sum of—

“(1) 24.8 percent of the foreign-derived intangible income of such domestic corporation for such taxable year, plus

“(2) 28.5 percent of—

“(A) the global intangible low-taxed income (if any) which is included in the gross income
of such domestic corporation under section 951A for such taxable year, and

“(B) the amount treated as a dividend received by such corporation under section 78 which is attributable to the amount described in subparagraph (A).”.

(b) **Deduction Taken Into Account in Determining Net Operating Loss Deduction.**—Section 172(d) is amended by striking paragraph (9).

(c) **Certain Other Modifications.**—

(1) Section 250(b)(3) is amended—

(A) in subparagraph (A)(i)—

(i) by striking “and” at the end of subclause (V),

(ii) by striking “over” at the end of subclause (VI), and

(iii) by adding at the end the following new subclauses:

“(VII) any income described in clause (i) or (ii) of section 904(d)(2)(B), determined without regard to clause (iii)(II) thereof,

“(VIII) except as otherwise provided by the Secretary, any income and gain from the sale or other dis-
position (including the deemed sale or
other deemed disposition) of property
giving rise to rents or royalties de-
derived in the active conduct of a trade
or business, and

“(IX) any disqualified extraterritorial income, over”, and

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

“(C) DISQUALIFIED EXTRATERRITORIAL
INCOME.—

“(i) IN GENERAL.—For purposes of
subparagraph (A)(i)(IX), the term ‘dis-
qualified extraterritorial income’ means
any amount included in the gross income
of the corporation with respect to any
transaction for any taxable year if any
amount could (determined after application
of clause (ii) but without regard to any
election under section 942(a)(3) as in ef-
effect before its repeal) be excluded from the
gross income of the corporation with re-
spect to such transaction for such taxable
year by reason of section 114 pursuant to
the application of subsection (d) or (f) of

“(ii) **Election out of Extraterritorial Income Benefits.**—

“(I) **In general.**—Except as provided in subclause (II), the corporation referred to in clause (i) may make an irrevocable election (at such time and in such form and manner as the Secretary may provide) to have subsections (d) and (f) of section 101 of the American Jobs Creation Act of 2004 not apply with respect to such corporation for the taxable year for which such election is made and all succeeding taxable years (applicable with respect to all transactions, including transactions occurring before such taxable year).

“(II) **Expanded Affiliated Groups.**—In the case of any corporation which is a member of an expanded affiliated group, the election described in subclause (I) may be made only by the common parent of
such group (or, in the case of a com-
mon parent which is not required to
file a return of tax under this chapter,
the delegate of such common parent)
and shall apply with respect to all
members of such group. For purposes
of the preceding sentence, the term
‘expanded affiliated group’ means an
affiliated group as defined in section
1504(a), determined without regard to
section 1504(b)(3) and by sub-
stituting ‘more than 50 percent’ for
‘at least 80 percent’ each place it ap-
ppears.”.

(C) Section 250(b)(5)(E) is amended by
inserting “(other than paragraph
(3)(A)(i)(VIII))” after “For purposes of this
subsection”.

(2) Section 613A(d)(1) is amended by striking
“and” at the end of subparagraph (D), by striking
the period at the end of subparagraph (E) and in-
serting “, and”, and by inserting after subparagraph
(E) the following new subparagraph:
“(F) any deduction allowable under section
250.”.
(d) Effective Date.—

(1) In general.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 2022.

(2) Certain modifications.—The amendments made by subsection (c) shall apply to taxable years beginning after the date of the enactment of this Act.

(e) No Inference Regarding Certain Modifications.—The amendments made by subsection (c) shall not be construed to create any inference with respect to the proper application of any provision of the Internal Revenue Code of 1986 with respect to any taxable year beginning before the taxable years to which such amendments apply.

(f) Transition Rule for Accelerated Percentage Reduction.—

(1) In general.—In the case of any taxable year which includes December 31, 2022 (other than a taxable year with respect to which such date is the last day of such taxable year)—

(A) the percentage in effect under section 250(a)(1)(A) of the Internal Revenue Code of
1986 shall be treated as being equal to the sum of—

(i) the pre-effective date percentage of 37.5 percent, plus

(ii) the post-effective date percentage of 24.8 percent, and

(B) the percentage in effect under section 250(a)(1)(B) of such Code shall be treated as being equal to the sum of—

(i) the pre-effective date percentage of 50 percent, plus

(ii) the post-effective date percentage of 28.5 percent.

(2) PRE- AND POST-EFFECTIVE DATE PERCENTAGES.—For purposes of this subsection, with respect to any taxable year—

(A) the term “pre-effective date percentage” means the ratio that the number of days in such taxable year which are before January 1, 2023, bears to the number of days in such taxable year, and

(B) the term “post-effective date percentage” means the ratio that the number of days in such taxable year which are after December
31, 2022, bears to the number of days in such taxable year.

SEC. 128122. REPEAL OF ELECTION FOR 1-MONTH DEFERRAL IN DETERMINATION OF TAXABLE YEAR OF SPECIFIED FOREIGN CORPORATIONS.

(a) In General.—Section 898(c) is amended by striking paragraph (2) and redesignating paragraph (3) as paragraph (2).

(b) Effective Date.—The amendments made by this section shall apply to taxable years of specified foreign corporations beginning after November 30, 2022.

(c) Transition Rule.—In the case of a corporation that is a specified foreign corporation as of November 30, 2022, such corporation’s first taxable year beginning after such date shall end at the same time as the first required year (within the meaning of section 898(c)(1) of the Internal Revenue Code of 1986) ending after such date. If any specified foreign corporation is required by this section (or the amendments made by this section) to change its taxable year for its first taxable year beginning after November 30, 2022—

1. such change shall be treated as initiated by such corporation,

2. such change shall be treated as having been made with the consent of the Secretary, and
(3) the Secretary (including the Secretary’s delegate in the case of any reference to the Secretary in this paragraph) shall issue regulations or other guidance for allocating foreign taxes that accrue in such first taxable year between such taxable year and the prior taxable year, including such adjustments as the Secretary determines are necessary or appropriate to carry out the purposes of this section.

SEC. 128123. MODIFICATIONS OF FOREIGN TAX CREDIT RULES APPLICABLE TO CERTAIN TAXPAYERS RECEIVING SPECIFIC ECONOMIC BENEFITS.

(a) In general.—Section 901 is amended by redesignating subsection (n) as subsection (o) and by inserting after subsection (m) the following new subsection:

“(n) Special Rules Relating to Dual Capacity Taxpayers.—

“(1) General rule.—Notwithstanding any other provision of this chapter, any amount paid or accrued by a dual capacity taxpayer to a foreign country or possession of the United States for any period shall not be considered a tax—

“(A) if, for such period, the foreign country or possession does not impose a generally applicable income tax, or
“(B) to the extent such amount exceeds the amount which would be paid or accrued by such dual capacity taxpayer under the generally applicable income tax imposed by such country or possession if such taxpayer were not a dual capacity taxpayer.

Nothing in this paragraph shall be construed to imply the proper treatment of any such amount not in excess of the amount determined under subparagraph (B).

“(2) Dual capacity taxpayer.—For purposes of this subsection, the term ‘dual capacity taxpayer’ means, with respect to any foreign country or possession of the United States, a person who—

“(A) is subject to a levy of such country or possession, and

“(B) receives (or will receive) directly or indirectly a specific economic benefit from such country or possession (or any political subdivision, agency, or instrumentality thereof).

“(3) Generally applicable income tax.—For purposes of this subsection, the term ‘generally applicable income tax’ means an income tax (or a series of income taxes) which is generally imposed under the laws of a foreign country or possession of
the United States on residents of such foreign country or possession that are not dual capacity taxpayers.”.

(b) Effective Date.—The amendments made by this section shall apply to amounts paid or accrued after December 31, 2021.

SEC. 128124. MODIFICATIONS TO FOREIGN TAX CREDIT LIMITATIONS.

(a) Country-by-country Application of Limitation on Foreign Tax Credit Based on Taxable Units.—

(1) In general.—Section 904 is amended by inserting after subsection (d) the following new subsection:

“(e) Country-by-country Application Based on Taxable Units.—

“(1) In general.—Subsection (d) (and the provisions of this title referred to in paragraph (1) of such subsection) shall be applied separately with respect to each country by taking into account the aggregate income properly attributable or otherwise allocable to a taxable unit of the taxpayer which is a tax resident of (or, in the case of a branch, is located in) such country.

“(2) Taxable units.—
“(A) IN GENERAL.—Except as otherwise provided by the Secretary, each item shall be attributable or otherwise allocable to exactly one taxable unit of the taxpayer.

“(B) DETERMINATION OF TAXABLE UNITS.—Except as otherwise provided by the Secretary, the taxable units of a taxpayer are as follows:

“(i) GENERAL TAXABLE UNIT.—The person that is the taxpayer and that is not otherwise described in a separate clause of this subparagraph.

“(ii) CERTAIN FOREIGN CORPORATIONS.—Each foreign corporation with respect to which the taxpayer is a United States shareholder.

“(iii) INTERESTS IN PASS-THROUGH ENTITIES.—Each interest held (directly or indirectly) by the taxpayer or any foreign corporation referred to in clause (ii) in a pass-through entity if such pass-through entity is a tax resident of a country other than the country with respect to which such taxpayer or foreign corporation (as the case may be) is a tax resident.
“(iv) Branches.—Each branch (or portion thereof) the activities of which are directly or indirectly carried on by the taxpayer or any foreign corporation referred to in clause (ii) and which give rise to a taxable presence in a country other than the country with respect to which such taxpayer or foreign corporation (as the case may be) is a tax resident.

“(3) Definitions and special rules.—For purposes of this subsection—

“(A) Tax resident.—Except as otherwise provided by the Secretary, the term ‘tax resident’ means a person or entity subject to tax under the tax law of a country as a resident. If an entity is organized under the law of a country, or resident in a country, that does not impose an income tax with respect to such entities, such entity shall, except as provided by the Secretary, be treated as subject to tax under the tax law of such country for the purposes of the preceding sentence.

“(B) Pass-through entity.—Except as otherwise provided by the Secretary, the term ‘pass-through entity’ includes any partnership
or other entity to the extent that income, gain, deduction, or loss of the entity is taken into account in determining the income or loss of a person that owns (directly or indirectly) an interest in such entity.

“(C) Branch.—Except as otherwise provided by the Secretary, the term ‘branch’ means a taxable presence of a tax resident in a country other than its country of residence as determined under such other country’s tax law. The Secretary shall provide regulations or other guidance applying such term to activities in a country that do not give rise to a taxable presence.

“(D) Treatment of fiscally autonomous jurisdictions.—Any fiscally autonomous jurisdiction shall be treated as a separate country. Any possession of the United States shall also be treated as a separate country.

“(E) Possession of the United States.—The term ‘possession of the United States’ means each of American Samoa, the Commonwealth of the Northern Mariana Islands, the Commonwealth of Puerto Rico, Guam, and the Virgin Islands.
“(4) REGULATIONS.—The Secretary shall issue such regulations or other guidance as may be necessary or appropriate to carry out, or prevent avoidance of, the purposes of this subsection, including regulations or other guidance—

“(A) providing for the application of this subsection to an entity or arrangement that is considered a tax resident of more than one country or of no country,

“(B) providing for the application of this subsection to hybrid entities or hybrid transactions (as such terms are used for purposes of section 267A), pass-through entities, passive foreign investment companies, trusts, and other entities or arrangements not otherwise described in this subsection, and

“(C) providing for the assignment of any item (including foreign taxes and deductions) to taxable units, including in the case of amounts not otherwise taken into account in determining taxable income under this chapter.”.

(2) APPLICATION OF SEPARATE LIMITATION LOSSES WITH RESPECT TO GLOBAL INTANGIBLE LOW-TAXED INCOME.—
(A) IN GENERAL.—Section 904(f)(5)(B) is amended to read as follows:

“(B) ALLOCATION OF LOSSES.—Except as otherwise provided in this subparagraph, the separate limitation losses for any taxable year (to the extent such losses do not exceed the separate limitation incomes for such year) shall be allocated among (and operate to reduce) such incomes on a proportionate basis. In the case of a separate limitation loss for any taxable year in any category other than subparagraph (d)(1)(A), the amount of such separate limitation loss shall be allocated among (and operate to reduce) separate limitation income in any category other than income described in subparagraph (d)(1)(A) on a proportionate basis (without regard to income described in subparagraph (d)(1)(A)). The remaining separate limitation losses may reduce separate limitation income described in subparagraph (d)(1)(A) only to the extent that the aggregate amount of such losses exceeds the aggregate amount of separate limitation incomes (other than income described in subparagraph (d)(1)(A)) for such taxable year.”.
(B) **INCOME CATEGORY.**—Section 904(f)(5)(E)(i) is amended to read as follows:

“(i) **INCOME CATEGORY.**—The term ‘income category’ means each category of income with respect to which this section is required to be applied separately by reason of any provision of this title.”.

(C) **SEPARATE LIMITATION LOSS.**—Section 904(f)(5)(E)(iii) is amended to read as follows:

“(iii) **SEPARATE LIMITATION LOSS.**—The term ‘separate limitation loss’ means, with respect to any income category, the amount by which the gross income from sources outside the United States is exceeded by the sum of the deductions properly allocated and apportioned thereto.”.

(3) **TREATMENT OF INADEQUATE SUBSTANTIATION.**—Section 904(d)(4)(C)(ii) is amended by striking “paragraph (1)(A)” and inserting “paragraph (1)(C)”.

(b) **REPEAL OF SEPARATE APPLICATION TO FOREIGN BRANCH INCOME.**—

(1) **IN GENERAL.**—Section 904(d)(1) is amended by striking subparagraph (B) and redesignating
subparagraphs (C) and (D) as subparagraph (B) and (C).

(2) COORDINATION WITH DEDUCTION FOR FOREIGN-DERIVED INTANGIBLE INCOME.—Section 250(b)(3)(A), as amended by the preceding provisions of this Act, is amended—

(A) by striking subclause (VI) of clause (i) and inserting the following new subclause:

“(VI) the income which is attributable to 1 or more branches (within the meaning of section 904(e)(3)(C)) or pass-through entities (within the meaning of section 904(e)(3)(B)) in 1 or more foreign countries,”, and

(B) by adding at the end the following flush sentence:

“For purposes of clause (i)(VI), the amount of income attributable to a branch or pass-through entity shall be determined under rules established by the Secretary.”.

(3) AMENDMENTS.—

(A) Section 904(d)(2)(A)(ii) is amended by striking “, foreign branch income,”.

(B) Section 904(d)(2)(H) is amended to read as follows:
“(H) Treatment of income tax base differences.—The Secretary shall issue regulations or other guidance assigning to the proper category of income any tax imposed under the law of a foreign country or possession of the United States on an amount which does not constitute income under United States tax principles.”.

(C) Section 904(d)(2) is amended by striking subparagraph (J).

(D) Section 904(d)(4)(C)(ii), as amended by the preceding provisions of this Act, is amended by striking “paragraph (1)(C)” and inserting “paragraph (1)(B)”.

(c) Modification of foreign tax credit carryback and carryforward.—

(1) Repeal of carryback.—Section 904(c) is amended—

(A) by striking “in the first preceding taxable year, and”,

(B) by striking “preceding or” each place it appears, and

(C) by striking “CARRYBACK AND” in the heading thereof.
(2) Application to limitation on foreign oil and gas taxes.—Section 907(f) is amended—

(A) in paragraph (1), by striking “in the first preceding taxable year and”,

(B) in paragraph (2), by striking “preceding or” in the matter preceding subparagraph (A),

(C) in paragraph (3)(B)—

(i) by striking “in a preceding or succeeding” and inserting “in a succeeding”, and

(ii) by striking “in such preceding or succeeding” both places it appears and inserting “in such succeeding”, and

(D) in the heading, by striking “CARRYBACK AND”.

(3) Application of carryforward to taxes on global intangible low-taxed income.—

(A) In general.—Section 904(c) is amended by striking the last sentence.

(B) Temporary limitation of carryforward to 5 taxable years.—Section 904(c), as amended by the preceding provisions of this Act, is amended—
(i) by striking “Any amount by which all taxes” and all that precedes it and inserting the following:

“(c) Carryback and Carryover of Excess Tax Paid.—

“(1) In general.—Any amount by which all taxes”, and

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

“(2) Temporary limitation on carryforward of taxes on global intangible low-taxed income.—

“(A) In general.—In the case of taxes paid or accrued with respect to amounts described in subsection (d)(1)(A), paragraph (1) shall be applied by substituting ‘5 succeeding taxable years’ for ‘10 succeeding taxable years’.

“(B) Termination.—Subparagraph (A) shall not apply to any tax paid or accrued in a taxable year beginning after December 31, 2030.”.

(d) Treatment of Certain Tax-exempt Dividends.—

(1) Certain tax-exempt dividends taken into account in applying limitations on for-
EIGN TAX CREDITS.—Section 904(b) is amended by striking paragraph (4).

(2) CERTAIN TAX-EXEMPT DIVIDENDS NOT TAKEN INTO ACCOUNT IN ALLOCATING INTEREST EXPENSE.—Section 864(e)(3) is amended by striking “or 245(a)” and inserting “, 245(a), or 245A”.

(e) RULES FOR ALLOCATION OF CERTAIN DEDUCTIONS TO FOREIGN SOURCE GLOBAL INTANGIBLE LOW-TAXED INCOME FOR PURPOSES OF FOREIGN TAX CREDIT LIMITATION.—Section 904(b), as amended by the preceding provisions of this Act, is amended by adding at the end the following new paragraph:

“(4) DEDUCTIONS TREATED AS ALLOCABLE TO FOREIGN SOURCE GLOBAL INTANGIBLE LOW-TAXED INCOME.—In the case of a domestic corporation and solely for purposes of the application of subsection (a) with respect to amounts described in subsection (d)(1)(A), the taxpayer’s taxable income from sources without the United States shall be determined—

“(A) by allocating and apportioning any deduction allowed under section 250(a)(2) (and any deduction allowed under section 164(a)(3) for taxes imposed on amounts described in section 250(a)(2)) to such income, and
“(B) by allocating and apportioning any other deduction to such income only if the Secretary determines that such deduction is directly allocable to such income.

Any deduction which would (but for subparagraph (B)) have been allocated or apportioned to such income shall only be allocated or apportioned to income which is from sources within the United States.”.

(f) Treatment of Certain Asset Dispositions.—Section 904(b), as amended by the preceding provisions of this Act, is amended by adding at the end the following new paragraph:

“(5) Treatment of Certain Asset Dispositions.—

“(A) In General.—Except as otherwise provided by the Secretary, in the case of any covered asset disposition, the principles of section 338(h)(16) shall apply in determining the source and character of any item for purposes of this subpart.

“(B) Covered Asset Disposition.—For purposes of this paragraph, the term ‘covered asset disposition’ means any transaction which—
“(i) is treated as a disposition of assets under subchapter N of this chapter, and

“(ii) is treated as a disposition of stock of a corporation (or is disregarded) for purposes of the tax laws of a relevant foreign country or possession of the United States.

“(C) Regulations.—The Secretary shall issue such regulations or other guidance as is necessary or appropriate to carry out, or to prevent the avoidance of, the purposes of this paragraph.”.

(g) Redetermination of Foreign Taxes and Related Claims.—

(1) In general.—Section 905(c) is amended—

(A) in paragraph (1), by striking “or” at the end of subparagraph (B) and by inserting after subparagraph (B) the following new subparagraphs:

“(D) the taxpayer makes a timely change in its choice to claim a credit or deduction for taxes paid or accrued, or
“(E) there is any other change in the amount, or treatment, of taxes, which affects the taxpayer’s tax liability under this chapter,”,

(B) in paragraph (2)(B), by striking “Any such taxes” and inserting “Except as otherwise provided by the Secretary, any such taxes”, and

(C) by striking “ACCRUED” in the heading thereof.

(2) MODIFICATION TO TIME FOR CLAIMING CREDIT OR DEDUCTION.—Section 901(a) is amended by striking the second sentence and inserting the following: “Such choice for any taxable year may be made or changed at any time before the expiration of the applicable period prescribed by section 6511 for making a claim for credit or refund of an overpayment of the tax imposed by this chapter for such taxable year that is attributable to such amounts.”.

(3) MODIFICATION TO SPECIAL PERIOD OF LIMITATION.—Section 6511(d)(3) is amended—

(A) in subparagraph (A)—

(i) by inserting “a change in the liability for” before “any taxes paid or accrued”,

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(ii) by striking “actually paid” and inserting “paid (or deemed paid under section 960)”, and

(iii) by inserting “CHANGE IN THE LIABILITY FOR” before “FOREIGN TAXES” in the heading thereof, and

(B) in subparagraph (B), by striking “the allowance of a credit for the taxes” and inserting “the allowance of an additional credit by reason of the change in liability for the taxes”.

(h) Effective Dates.—

(1) In general.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable years beginning after December 31, 2022.

(2) Modification of foreign tax credit carryback and carryforward.—The amendments made by subsection (c) shall apply to taxes paid or accrued in taxable years beginning after December 31, 2022.

(3) Treatment of certain asset dispositions.—

(A) In general.—The amendment made by subsection (f) shall apply to transactions after the date of the enactment of this Act.
(B) Binding contract exception.—The amendment made by subsection (f) shall not apply to any transaction which is made pursuant to a written binding contract which was in effect on September 13, 2021, and is not modified in any material respect thereafter.

(4) Redetermination of foreign taxes and related claims.—

(A) In general.—Except as otherwise provided in this paragraph, the amendments made by subsection (g) shall apply to taxes paid or accrued in taxable years beginning after December 31, 2021.

(B) Certain changes.—The amendments made by subparagraphs (A) and (C) of subsection (g)(1) shall apply to changes that occur on or after the date which is 60 days after the date of the enactment of this Act.

(C) Modification to special period of limitation.—The amendments made by subsection (g)(3) shall apply to taxes paid, accrued, or deemed paid in taxable years beginning after December 31, 2021.

(i) Regulations.—The Secretary shall issue regulations or other guidance providing for the application of
subsections (d), (e), (f), and (g) of section 904 of the Internal Revenue Code of 1986 (as amended by this section) with respect to amounts carried over under subsections (c), (f), or (g) from a taxable year with respect to which subsection (e) of such section does not apply to a taxable year with respect to which such subsection (e) does apply and from a taxable year with respect to which subsection (d)(1)(B) of such section (determined without regard to the amendments made by this section) applies to a taxable year with respect to which such section does not apply.

SEC. 128125. FOREIGN OIL AND GAS EXTRACTION INCOME AND FOREIGN OIL RELATED INCOME TO INCLUDE OIL SHALE AND TAR SANDS.

(a) In General.—Paragraphs (1)(A) and (2)(A) of section 907(c) are each amended by inserting “(or oil shale or tar sands)” after “oil or gas wells”.

(b) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2021.

SEC. 128126. MODIFICATIONS TO INCLUSION OF GLOBAL TANGIBLE LOW-TAXED INCOME.

(a) Country-by-Country Application of Section Based on CFC Taxable Units.—Section 951A is amended by adding at the end the following new subsection:
“(g) Country-by-country Application of Section Based on CFC Taxable Units.—

“(1) In general.—If any CFC taxable unit of a United States shareholder is a tax resident of (or, in the case of a branch, is located in) a country which is different from the country with respect to which any other CFC taxable unit of such United States shareholder is a tax resident (or, in the case of a branch, is located in)—

“(A) such shareholder’s global intangible low-taxed income for purposes of subsection (a) shall be the sum of the amounts of global intangible low-taxed income determined separately with respect to each such country, and

“(B) for purposes of determining such separate amounts of global intangible low-taxed income—

“(i) except as otherwise provided by the Secretary, any reference in subsection (b), (c), or (d) to a controlled foreign corporation of such shareholder shall be treated as reference to a CFC taxable unit of such shareholder, and

“(ii) net CFC tested income, net deemed tangible income return, qualified
business asset investment, interest expense described in subsection (b)(2)(B), and such other items and amounts as the Secretary may provide, shall be determined separately with respect to each such country by determining such amounts with respect to the CFC taxable units of such shareholder which are a tax resident of such country.

“(2) DEFINITIONS.—For purposes of this subsection—

“(A) CFC TAXABLE UNIT.—The term ‘CFC taxable unit’ means any taxable unit described in clause (ii), (iii), or (iv) of section 904(e)(2)(B), determined—

“(i) by substituting ‘controlled foreign corporation’ for ‘foreign corporation’ each place it appears in such clauses, and

“(ii) without regard to the references to the taxpayer in clauses (iii) and (iv) of such section.

“(B) APPLICATION OF OTHER DEFINITIONS.—Terms used in this subsection which are also used in section 904(e) shall have the same meaning as when used in section 904(e).
“(3) SPECIAL RULES.—For purposes of this subsection—

“(A) APPLICATION OF CERTAIN RULES.—Except as otherwise provided by the Secretary, rules similar to the rules of section 904(e) shall apply.

“(B) ALLOCATION OF GLOBAL INTANGIBLE LOW-TAXED INCOME TO CONTROLLED FOREIGN CORPORATIONS.—Except as otherwise provided by the Secretary, subsection (f)(2) shall be applied separately with respect to each CFC taxable unit.”.

(b) REGULATORY AUTHORITY.—

(1) IN GENERAL.—Section 951A, as amended by subsection (a), is amended by adding at the end the following new subsection:

“(h) REGULATIONS.—The Secretary shall issue such regulations or other guidance as may be necessary or appropriate to carry out, or prevent the avoidance of, the purposes of this section, including regulations or guidance which provide for—

“(1) the treatment of property if such property is transferred, or held, temporarily,
“(2) the treatment of property if the avoidance of the purposes of this section is a factor in the transfer or holding of such property,

“(3) appropriate adjustments to the basis of stock and other ownership interests, and to earnings and profits, to reflect tested losses (whether or not taken into account in determining global intangible low-taxed income),

“(4) rules similar to the rules provided under the regulations or guidance issued under section 904(e)(4),

“(5) other appropriate basis adjustments,

“(6) appropriate adjustments to be made, and appropriate tax attributes and records to be maintained, separately with respect to CFC taxable units, and

“(7) appropriate adjustments in determining tested income or tested loss if property is transferred between related parties or amounts are paid or accrued between related parties.”.

(2) CONFORMING AMENDMENT.—Section 951A(d) is amended—

(A) by striking paragraph (4), and
(B) by redesignating the second paragraph
(3) (relating to partnership property) as para-
graph (4).

c) CARRYOVER OF NET CFC TESTED LOSS.—

(1) In general.—Section 951A(c) is amended
by adding at the end the following new paragraph:

“(3) Carryover of net CFC tested loss.—

“(A) In general.—If the amount de-
scribed in paragraph (1)(B) with respect to any
United States shareholder for any taxable year
of such United States shareholder (determined
after the application of this paragraph with re-
spect to amounts arising in preceding taxable
years) exceeds the amount described in para-
graph (1)(A) with respect to such shareholder
of such taxable year, the amount otherwise de-
scribed in paragraph (1)(B) with respect to
such shareholder for the succeeding taxable
year shall be increased by the amount of such
excess.

“(B) Proper adjustment in alloca-
tions of global intangible low-taxed in-
come to controlled foreign corpora-
tions.—Proper adjustments shall be made in
the application of subsection (f)(2)(B) to take
into account any decrease in global intangible
low-taxed income by reason of the application of
subparagraph (A).”.

(2) COORDINATION WITH COUNTRY-BY-COUNTRY APPLICATION.—Section 951A(g)(1)(B)(ii), as added by subsection (a), is amended by inserting “any increase determined under subsection (c)(3)(A),” after “interest expense described in sub-
section (b)(2)(B),”.

(3) APPLICATION OF RULES WITH RESPECT TO
OWNERSHIP CHANGES.—Section 382(d) is amended by adding at the end the following new paragraph:

“(4) APPLICATION TO CARRYOVER OF NET CFC
TESTED LOSS.—The term ‘pre-change loss’ shall in-
clude any excess carried over under section 951A(e)(3) under rules similar to the rules of para-
graph (1).”.

(d) REDUCTION IN NET DEEMED TANGIBLE INCOME
RETURN FOR PURPOSES OF DETERMINING GLOBAL IN-
TANGIBLE LOW-TAXED INCOME.—

(1) IN GENERAL.—Section 951A(b)(2)(A) is amended by striking “10 percent” and inserting “5 percent”.

(2) APPLICATION TO ASSETS LOCATED IN POS-
SESSIONS OF THE UNITED STATES.—Section
951A(b) is amended by adding at the end the following new paragraph:

“(3) Application to assets located in possessions of the United States.—In the case of any specified tangible property located in a possession of the United States, paragraph (2)(A) and subsection (d) shall be applied by substituting ‘10 percent’ for ‘5 percent’ in paragraph (2)(A).”.

(e) Inclusion of Foreign Oil and Gas Extraction Income in Determining Tested Income and Loss.—Section 951A(e)(2)(A)(i) is amended by inserting “and” at the end of subclause (III), by striking “and” at the end of subclause (IV) and inserting “over”, and by striking subclause (V).

(f) Coordination With Other Provisions.—Section 951A(f)(1) is amended by adding at the end the following new subparagraph:

“(C) Treatment of certain references.—Except as otherwise provided by the Secretary, references to section 951 or section 951(a) in sections 959, 961, 962, and such other provisions as the Secretary may identify shall include references to section 951A or section 951A(a), respectively.”.

(g) Effective Date.—
(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2022, and to taxable years of United States shareholders in which or with which such taxable years of foreign corporations end.

(2) REGULATORY AUTHORITY AND COORDINATION WITH OTHER PROVISIONS.—The amendments made by subsections (b) and (f) shall apply to taxable years of foreign corporations beginning after the date of the enactment of this Act, and to taxable years of United States shareholders in which or with which such taxable years of foreign corporations end.

(h) NO INFERENCE REGARDING CERTAIN MODIFICATIONS.—The amendments made by subsections (b) and (f) shall not be construed to create any inference with respect to the proper application of any provision of the Internal Revenue Code of 1986 with respect to any taxable year beginning before the taxable years to which such amendments apply.
SEC. 128127. MODIFICATIONS TO DETERMINATION OF DEEMED PAID CREDIT FOR TAXES PROPERLY ATTRIBUTABLE TO TESTED INCOME.

(a) INCREASE IN DEEMED PAID CREDIT.—

(1) IN GENERAL.—Section 960(d)(1) is amended by striking “80 percent” and inserting “95 percent (100 percent in the case of tested foreign income taxes paid or accrued to a possession of the United States)”.

(2) CONFORMING AMENDMENT.—Section 78 is amended by striking “(determined without regard to the phrase ‘80 percent of’ in subsection (d)(1) thereof)” and inserting “(determined by substituting ‘100 percent’ for ‘95 percent’ in subsection (d)(1) thereof)”.

(b) INCLUSION OF TAXES PROPERLY ATTRIBUTABLE TO TESTED LOSS.—

(1) IN GENERAL.—Section 960(d)(3) is amended to read as follows:

“(3) TESTED FOREIGN INCOME TAXES.—For purposes of paragraph (1), the term ‘tested foreign income taxes’ means, with respect to any domestic corporation which is a United States shareholder of a controlled foreign corporation—

“(A) the foreign income taxes paid or accrued by such foreign corporation which are
properly attributable to the tested income or
tested loss of such foreign corporation taken
into account by such domestic corporation
under section 951A, and

“(B) solely to the extent provided in regu-
lations prescribed by the Secretary, the foreign
income taxes (as so defined) paid or accrued by
a foreign corporation (other than a controlled
foreign corporation) which owns, directly or in-
directly, 80 percent or more (by vote or value)
of the stock in such domestic corporation but
only if—

“(i) such foreign income taxes are
properly attributable to amounts of such
controlled foreign corporation taken into
account in determining tested income or
tested loss under section 951A(c)(2), and

“(ii) no credit is allowed, in whole or
in part, for such foreign taxes in any for-
eign jurisdiction.”.

(2) CONFORMING AMENDMENT.—Section
960(d)(2)(B) is amended by striking “the aggregate
amount described in section 951A(c)(1)(A)” and in-
serting “the net CFC tested income (as defined in
section 951A(c)(1))”.

(c) Application of Foreign Tax Credit Limitation to Amounts Included Under Section 78.—

(1) Section 904(d)(2), as amended by the preceding provisions of this Act, is amended by inserting after subparagraph (I) the following new sub-paragraph:

“(L) Amounts includible under section 78.—Any amount includible in gross income under section 78 shall be treated as income in the same separate category as the related foreign taxes deemed paid.”.

(2) Section 904(d)(3)(G) is amended by striking the second sentence and inserting the following:

“Any amount included in gross income under section 78 shall not be treated as a dividend.”.

(d) Disallowance of Foreign Tax Credit With Respect to Distributions of Previously Taxed Global Intangible Low-Taxed Income.—Section 960(d) is amended by adding at the end the following new paragraph:

“(4) Disallowance of foreign tax credit with respect to distributions of previously taxed global intangible low-taxed income.—No credit shall be allowed under section 901 for 20 percent of any foreign income taxes paid or accrued
(or deemed paid under section 960(b)(1)) with re-
respect to any amount excluded from gross income
under section 959(a) by reason of an inclusion in
gross income under section 951A(a).”.

(e) Modification of Disallowance of Foreign Tax Credit With Respect to Distributions of Pre-
viously Taxed Global Intangible Low-Taxed In-
come.—Section 960(d)(4), as added by subsection (d), is
amended—

(1) by striking “20 percent” and inserting “5
percent”, and

(2) by adding at the end the following new sen-
tence: “The preceding sentence shall not apply with
respect to foreign income taxes paid or accrued to a
possession of the United States.”.

(f) Effective Dates.—

(1) In General.—Except as otherwise pro-
vided in this subsection, the amendments made by
this section shall apply to taxable years of foreign
corporations beginning after December 31, 2022,
and to taxable years of United States shareholders
in which or with which such taxable years of foreign
corporations end.

(2) Subsections (c) and (d).—The amend-
ments made by subsections (c) and (d) shall apply
to taxable years of foreign corporations beginning
after the date of the enactment of this Act, and to
taxable years of United States shareholders in which
or with which such taxable years of foreign corpora-
tions end.

(g) No Inference Regarding Certain Modifications.—The amendments made by subsections (c) and
(d) shall not be construed to create any inference with re-
spect to the proper application of any provision of the In-
ternal Revenue Code of 1986 with respect to any taxable
year beginning before the taxable years to which such
amendments apply.

SEC. 128128. MODIFICATIONS RELATED TO DEDUCTION
FOR FOREIGN-SOURCE PORTION OF DIVI-
DENDS AND CONTROLLED FOREIGN COR-
PORATIONS STATUS.

(a) In General.—

(1) Deduction.—Section 245A(a) is amend-
ed—

(A) by striking “In the case” and inserting
the following:
“(1) Deduction Allowed.—In the case”,

(B) by inserting “the applicable percentage
of” after “equal to”, and
(C) by adding at the end the following new paragraph:

“(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the applicable percentage is—

“(A) in the case of any specified 10-percent owned foreign corporation which is a controlled foreign corporation, 100 percent, and

“(B) in the case of any specified 10-percent owned foreign corporation which is not a controlled foreign corporation, the percentage applicable under section 243(a)(1) with respect to a 20-percent owned corporation (as defined in section 243(c)(2)).”.

(2) FOREIGN TAX CREDIT.—Section 245A(d)(1) is amended by inserting “the applicable percentage (as defined in subsection (a)(2)) of” before “any taxes”.

(3) TREATMENT OF CERTAIN DIVIDENDS RECEIVED BY CONTROLLED FOREIGN CORPORATIONS FROM SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATIONS.—Section 245A is amended by redesignating subsection (g) as subsection (h) and by inserting after subsection (f) the following new sub-section:
“(g) Application to Certain Dividends Received by Controlled Foreign Corporations From Specified 10-percent Owned Foreign Corporations.—Except as otherwise provided by the Secretary in regulations or other guidance, if a controlled foreign corporation with respect to which a domestic corporation is a United States shareholder receives a dividend (other than a hybrid dividend) from a specified 10-percent owned foreign corporation with respect to which such domestic corporation is also a United States shareholder, the amount includible in the gross income of such United States shareholder under section 951(a)(1)(A) by reason of the foreign-source portion of such dividend shall be treated for purposes of this section in the same manner as if such amount were the foreign-source portion of a dividend received by such United States shareholder from such specified 10-percent owned foreign corporation.”.

(b) Modifications Related to Determination of Status as a Controlled Foreign Corporation.—

(1) Subpart F of part III of subchapter N of chapter 1 is amended by inserting after section 951A the following new section:
SEC. 951B. AMOUNTS INCLUDED IN GROSS INCOME OF FOREIGN CONTROLLED UNITED STATES SHAREHOLDERS.

(a) In General.—In the case of any foreign controlled United States shareholder of a foreign controlled foreign corporation—

(1) this subpart (other than sections 951A, 951(b), and 957) shall be applied with respect to such shareholder (separately from, and in addition to, the application of this subpart without regard to this section)—

(A) by substituting ‘foreign controlled United States shareholder’ for ‘United States shareholder’ each place it appears therein, and

(B) by substituting ‘foreign controlled foreign corporation’ for ‘controlled foreign corporation’ each place it appears therein, and

(2) section 951A shall be applied with respect to such shareholder —

(A) by treating each reference to ‘United States shareholder’ in such section as including a reference to such shareholder, and

(B) by treating each reference to ‘controlled foreign corporation’ in such section as including a reference to such foreign controlled foreign corporation.
“(b) FOREIGN CONTROLLED UNITED STATES SHAREHOLDER.—For purposes of this section, the term ‘foreign controlled United States shareholder’ means, with respect to any foreign corporation, any United States person which would be a United States shareholder with respect to such foreign corporation if—

“(1) section 951(b) were applied by substituting ‘more than 50 percent’ for ‘10 percent or more’, and

“(2) section 958(b) were applied without regard to paragraph (4) thereof.

“(c) FOREIGN CONTROLLED FOREIGN CORPORATION.—For purposes of this section, the term ‘foreign controlled foreign corporation’ means a foreign corporation, other than a controlled foreign corporation, which would be a controlled foreign corporation if section 957(a)(1) were applied—

“(1) by substituting ‘foreign controlled United States shareholders’ for ‘United States shareholders’, and

“(2) by substituting ‘section 958(b) (other than paragraph (4) thereof)’ for ‘section 958(b)’.

“(d) REGULATIONS.—The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this section, including regulations or other guidance—
“(1) to treat a foreign controlled United States shareholder or a foreign controlled foreign corporation as a United States shareholder or as a controlled foreign corporation, respectively, for purposes of provisions of this title other than this subpart, and

“(2) to prevent the avoidance of the purposes of this section.”.

(2) Section 957(a) is amended to read as follows:

“(a) CONTROLLED FOREIGN CORPORATION.—For purposes of this title—

“(1) IN GENERAL.—The term ‘controlled foreign corporation’ means any foreign corporation if more than 50 percent of—

“(A) the total combined voting power of all classes of stock of such corporation entitled to vote, or

“(B) the total value of the stock of such corporation, is owned (within the meaning of section 958(a)), or is considered as owned by applying the rules of ownership of section 958(b), by United States shareholders on any day during the taxable year of such foreign corporation.
“(2) Election to Treat a Foreign Corporation as a Controlled Foreign Corporation for Certain Purposes.—

“(A) In General.—In the case of a foreign corporation with respect to which an election is in effect under this paragraph, such foreign corporation shall be treated as a controlled foreign corporation for purposes of this title.

“(B) Exceptions.—Notwithstanding any other provision of this paragraph, a foreign corporation shall not be treated as a controlled foreign corporation by reason of this paragraph for purposes of any provision of this title if the Secretary determines that treatment of such foreign corporation as a controlled foreign corporation for purposes of such provision would be inconsistent with the purposes of this subchapter.

“(C) Election.—

“(i) By Whom.—An election under subparagraph (A) shall be effective only if made by the foreign corporation and by all United States shareholders of such foreign corporation. For purposes of the preceding sentence, the determination of whether any
person is a United States shareholder shall be determined—

“(I) as of the time of such election by such foreign corporation, and

“(II) except as otherwise provided by the Secretary, without regard to section 958(b).

“(ii) WITH RESPECT TO WHOM.—Any election under this paragraph, once effective, shall apply to such foreign corporation and to all United States shareholders of such foreign corporation (including any person who becomes a United States shareholder of such foreign corporation after such election takes effect).

“(iii) TIME, MANNER, ETC.—The election under this paragraph shall be made at such time and in such manner as the Secretary may provide and, once effective, may be revoked only with the consent of the Secretary.

“(D) REGULATIONS.—The Secretary shall issue such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this paragraph, including regula-
tions or other guidance for the application of this paragraph to an acquisition described in section 381(a) with respect to any corporation to which an election under this paragraph applies.”.

(3) Section 958(b) is amended—

(A) by inserting after paragraph (3) the following:

“(4) Subparagraphs (A), (B), and (C) of section 318(a)(3) shall not be applied so as to consider a United States person as owning stock which is owned by a person who is not a United States person.”, and

(B) by striking “Paragraph (1)” in the last sentence and inserting “Paragraphs (1) and (4)”.

(4) Section 959(b) is amended—

(A) by striking “the earnings and profits of a controlled foreign corporation” and inserting “the earnings and profits of a foreign corporation”,

(B) by striking “another controlled foreign corporation” and inserting “a controlled foreign corporation”,


(C) by striking “such other controlled foreign corporation” and inserting “such controlled foreign corporation”, and

(D) by striking “of such United States shareholder in the controlled foreign corporation” and inserting “of such United States shareholder in the foreign corporation”.

(5) The table of sections for subpart F of part III of subchapter N of chapter 1 is amended by inserting after the item relating to section 951A the following new item:

“Sec. 951B. Amounts included in gross income of foreign controlled United States shareholders.”.

(c) Certain Other Modifications.—

(1) Section 245A(e)(4) is amended by striking “an amount received” and all that follows through “for which the controlled foreign corporation received a deduction” and inserting “any dividend received from a controlled foreign corporation for which such controlled foreign corporation received a deduction”.

(2) Section 245A(h), as redesignated by subsection (a)(3), is amended to read as follows:

“(g) Regulations.—The Secretary shall prescribe such regulations or other guidance as may be necessary
or appropriate to carry out the purposes of this section, including regulations or other guidance for—

“(1) the treatment of United States shareholders owning stock of a specified 10-percent owned foreign corporation through a partnership, and

“(2) the denial of all or a portion of the deduction under this section with respect to dividends received from foreign corporations in situations in which—

“(A) any portion of the dividend is out of earnings and profits arising from transactions with related parties which—

“(i) do not occur in the ordinary course of a trade or business, and

“(ii) occur on or after January 1, 2018, and during a taxable year to which section 951A did not apply, or

“(B) a transfer or issuance of stock on or after January 1, 2018, results in a reduction in a United States shareholder’s pro rata share of a controlled foreign corporation’s subpart F income or tested income (as defined in section 951A).”.

(d) Effective Dates.—
(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to distributions made after the date of the enactment of this Act.

(2) MODIFICATIONS RELATED TO DETERMINATION OF STATUS AS A CONTROLLED FOREIGN CORPORATION.—The amendments made by subsection (b) shall apply to taxable years of foreign corporations beginning after the date of the enactment of this Act, and taxable years of United States persons in which or with which such taxable years of foreign corporations end.

(e) NO INFERENCE REGARDING CERTAIN MODIFICATIONS.—The amendments made by subsections (a)(3), (b)(1), (b)(3), (b)(5), and (c) shall not be construed to create any inference with respect to the proper application of any provision of the Internal Revenue Code of 1986 with respect to distributions made, or taxable years beginning, respectively, before the distributions or taxable years, respectively, to which such amendments apply.

SEC. 128129. LIMITATION ON FOREIGN BASE COMPANY SALES AND SERVICES INCOME.

(a) FOREIGN BASE COMPANY SALES INCOME.—

(1) IN GENERAL.—Section 954(d)(2) is amended to read as follows:
“(2) LIMITATION AND REGULATORY AUTHORITY.—

“(A) IN GENERAL.—For purposes of this subsection, the term ‘related person’ shall not include any person unless such person is—

“(i) a taxable unit which is a tax resident of (or, in the case of a branch, is located in) the United States, or

“(ii) is subject to tax under this chapter by reason of such person’s activities in the United States.

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

“(i) regulations or other guidance providing for the proper application of subparagraph (A) in the case of a transaction (or series of transactions) in which a person described in subparagraph (A) is a party, and

“(ii) regulations or other guidance providing that a pass-through entity or branch held directly or indirectly by a con-
trolled foreign corporation (whether tax
resident or located inside or outside the
country in which the controlled foreign cor-
poration is a tax resident) shall be treated
as a wholly owned subsidiary of the con-
trolled foreign corporation.

“(C) Certain terms.—Any term used in
this subsection or subsection (e) which is also
used in section 904(e) shall have the same
meaning as when used in such section.”.

(2) Conforming amendment.—Section
954(d)(1)(A) is amended by striking “under the
laws of which the controlled foreign corporation is
created or organized” and inserting “in which the
controlled foreign corporation is a tax resident”.

(b) Foreign Base Company Services Income.—

(1) In general.—Section 954(e)(1)(A) is
amended by striking “subsection (d)(3)” and insert-
ing “subsection (d)”.

(2) Conforming amendment.—Section
954(e)(1)(B) is amended by striking “under the
laws of which the controlled foreign corporation is
created or organized” and inserting “in which the
controlled foreign corporation is a tax resident”.

(c) Certain Other Modifications.—
(1) Section 78 is amended by striking ‘‘, (b),’’.

(2)(A) Section 951(a) is amended to read as follows:

‘‘(a) AMOUNTS INCLUDED.—

“(1) IN GENERAL.—If a foreign corporation is a controlled foreign corporation on any day during a taxable year, every person who is a United States shareholder of such corporation, and who owns (within the meaning of section 958(a)) stock in such corporation on any such day, shall include in such shareholder’s gross income for such shareholder’s taxable year in which or with which such taxable year of such corporation ends—

“(A) his pro rata share (determined under paragraph (2)) of the corporation’s subpart F income for such year, and

“(B) if such shareholder owns (within the meaning of section 958(a)) stock of such foreign corporation as of the close of the last relevant day of such foreign corporation’s taxable year, the amount determined under section 956 with respect to such shareholder for such year (but only to the extent not excluded from gross income under section 959(a)(2))."
“(2) **Pro Rata Share of Subpart F Income.**—In the case of any United States shareholder with respect to a foreign corporation, the pro rata share referred to in paragraph (1)(A) is the sum of—

“(A) if such shareholder owns (within the meaning of section 958(a)) stock of such foreign corporation as of the close of the last relevant day of such foreign corporation’s taxable year, such shareholder’s general pro rata share determined under paragraph (3), plus

“(B) if such shareholder owns (within the meaning of section 958(a)) stock of such foreign corporation during such taxable year but does not own (within the meaning of section 958(a)) such stock as of the close of such last relevant day, such shareholder’s nontaxed current dividend share determined under paragraph (4).

“(3) **General Pro Rata Share.**—

“(A) In General.—In the case of any United States shareholder with respect to a foreign corporation, the general pro rata share determined under this paragraph is the excess (if any) of—
“(i) the pro rata current earnings percentage of the amount which bears the same ratio to such corporation’s subpart F income for the taxable year (reduced by the aggregate nontaxed current dividend shares determined under paragraph (4) with respect to such shareholder or any other United States shareholder) as the part of such year during which such corporation is a controlled foreign corporation bears to the entire year, over

“(ii) the lesser of—

“(I) the amount of any pre-holding period dividends with respect to stock of such foreign corporation which such shareholder owns (within the meaning of section 958(a)) as of the close of the last relevant day of such foreign corporation’s taxable year, or

“(II) the amount which bears the same ratio to the subpart F income of such corporation for the taxable year (reduced by the aggregate nontaxed current dividend shares determined
under paragraph (4) with respect to
such shareholder or any other United
States shareholder) as the part of
such year during which such share-
holder did not own (within the mean-
ing of section 958(a)) such stock
bears to the entire year.

“(B) Pro rata current earnings per-
centage.—For purposes of subparagraph
(A)(i), the term ‘pro rata current earnings per-
centage’ means, in the case of any United
States shareholder with respect to a foreign cor-
poration for any taxable year of such foreign
corporation, the ratio (expressed as a percent-
age) of—

“(i) the amount which would have
been distributed with respect to the stock
which such shareholder owns (within the
meaning of section 958(a)) in such cor-
poration if on the last relevant day of such
taxable year it had distributed its earnings
and profits for such taxable year (com-
puted as of the close of such taxable year
without diminution by reason of any dis-
tributions made during such taxable year),
divided by

“(ii) such corporation’s earnings and
profits for such taxable year (as so com-
puted).

“(C) PRE-HOLDING PERIOD DIVIDENDS.—
For purposes of subparagraph (A)(ii)(I), the
term ‘pre-holding period dividends’ means, in
the case of any United States shareholder with
respect to a foreign corporation for any taxable
year of such foreign corporation, dividends
which are—

“(i) made out of such corporation’s
earnings and profits for the taxable year
(other than nontaxed current dividends as
defined in paragraph (4)(C)), and

“(ii) received—

“(I) by any other United States
person with respect to stock of such
foreign corporation which such share-
holder owns (within the meaning of
section 958(a)) as of the close of the
last relevant day of such foreign cor-
poration’s taxable year, and
“(II) while such foreign corporation was a controlled foreign corporation and before such shareholder owned (within the meaning of section 958(a)) such stock.

“(4) NONTAXED CURRENT DIVIDEND SHARE.—

“(A) IN GENERAL.—In the case of any United States shareholder with respect to a foreign corporation, the nontaxed current dividend share determined under this paragraph is the nontaxed current dividend percentage of the subpart F income of such foreign corporation for the taxable year.

“(B) NONTAXED CURRENT DIVIDEND PERCENTAGE.—For purposes of this paragraph, the term ‘nontaxed current dividend percentage’ means, in the case of any United States shareholder with respect to a foreign corporation for any taxable year of such foreign corporation, the ratio (expressed as a percentage) of—

“(i) the amount of nontaxed current dividends with respect to such taxable year received with respect to the stock of such foreign corporation which such shareholder owns (within the meaning of section
958(a)) at the time of the dividend on a
day in which such corporation is a con-
trolled foreign corporation, divided by

“(ii) such foreign corporation’s earn-
ings and profits for such taxable year
(computed as of the close of such taxable
year without diminution by reason of any
distributions made during such taxable
year).

“(C) NONTAXED CURRENT DIVIDENDS.—
For purposes of this paragraph, the term
‘nontaxed current dividends’ means the portion
of any amount received with respect to stock to
the extent such amount (without regard to
amounts included in the gross income of a
United States shareholder for the taxable year
by reason of this subpart)—

“(i) would result in a dividend out of
the corporation’s earnings and profits for
the taxable year (including a dividend
under section 1248 attributable to earn-
ings and profits for the taxable year), and

“(ii) either—

“(I) would give rise to a deduc-
tion under section 245A(a), or
“(II) in the case of a dividend paid directly or indirectly to a controlled foreign corporation with respect to stock owned by the shareholder within the meaning of section 958(a)(2), would not result in subpart F income with respect to such controlled foreign corporation by reason of subsection (b)(4), (c)(3), or (c)(6) of section 954.

“(5) Last relevant day of taxable year of a controlled foreign corporation.—For purposes of this subsection, the term ‘last relevant day’ means, with respect to any taxable year of a foreign corporation, the last day of such taxable year on which such corporation is a controlled foreign corporation.

“(6) Regulations.—The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this subsection, including regulations or other guidance—

“(A) to treat a partnership as an aggregate of its partners,
“(B) to provide rules allowing a foreign corporation to close its taxable year upon a change in ownership, and

“(C) to treat a distribution followed by an issuance of stock to a shareholder not subject to tax under this chapter in the same manner as an acquisition of stock.”.

(B) Section 951A(a) is amended to read as follows:

“(a) IN GENERAL.—If a foreign corporation is a controlled foreign corporation on any day during a taxable year, every person who is a United States shareholder of such corporation, and who owns (within the meaning of section 958(a)) stock in such corporation on any such day, shall include in such shareholder’s gross income for such shareholder’s taxable year in which or with which such taxable year of such corporation ends, such shareholder’s global intangible low-taxed income for such taxable year.”.

(C) Section 951A(e) is amended to read as follows:

“(e) DETERMINATION OF PRO RATA SHARES.—For purposes of this section, the pro rata shares referred to in subsections (b), (e)(1)(A), and (e)(1)(B), respectively, shall be determined under rules similar to the rules of section 951(a)(2) and shall be taken into account in the tax-
able year of the United States shareholder in which or with which the taxable year of the controlled foreign corporation ends.”.

(D) Section 953(c)(5)(A)(i) is amended—

(i) in subclause (I), by adding “and” at the end,

(ii) in subclause (II)—

(I) by striking “on the last day of the taxable year” and inserting “during the taxable year”, and

(II) by striking “and” at the end and inserting “or”, and

(iii) by striking subclause (III).

(3) Section 959 is amended by adding at the end the following:

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

(4) Section 961(b)(1) is amended by inserting after the first sentence the following: “The Secretary shall prescribe such other reductions to basis as are necessary or appropriate to carry out the purposes of this section.”.

(5) Section 961(c) is amended—
(A) by striking “Basis Adjustments in” in the heading of such subsection and inserting “Application of Rules to”, and

(B) by striking “then adjustments similar to” and all that follows in such subsection and inserting “then rules similar to the rules of subsections (a) and (b) shall apply to—

“(1) such stock,

“(2) stock in any other controlled foreign corporation by reason of which the United States shareholder is considered under section 958(a)(2) as owning the stock described in paragraph (1), and

“(3) property by reason of which the United States shareholder is considered as owning stock described in paragraph (1) or (2),

for purposes of determining the amount included under section 951 in the gross income of such United States shareholder (or any other United States shareholder who acquires from any person any portion of the interest of such United States shareholder by reason of which such shareholder was treated as owning such stock, but only to the extent of such portion, and subject to such proof of identity of such interest as the Secretary may prescribe by regulations) and for purposes otherwise prescribed by the Secretary. The preceding sentence shall not apply with
respect to any stock or property to which subsection (a)
or (b) applies.”.

(d) EFFECTIVE DATE.—The amendments made by
this section shall apply to taxable years of foreign corpora-
tions beginning after December 31, 2021, and to taxable
years of United States shareholders in which or with which
such taxable years of foreign corporations end.

(e) NO INFERENCE REGARDING CERTAIN MODIFICA-
tions.—The amendments made by paragraphs (1) and
(2) of subsection (c) shall not be construed to create any
inference with respect to the proper application of any pro-
vision of the Internal Revenue Code of 1986 with respect
to any taxable year beginning before the taxable years to
which such amendments apply.

(f) TRANSITION RULE WITH RESPECT TO CERTAIN
REFERENCES.—In the case of any taxable year of a for-
eign corporation beginning before January 1, 2023 (and
any taxable year of a United States shareholder in which
or with which such taxable year of a foreign corporation
ends), the reference to section 904(e) of the Internal Rev-
ue Code of 1986 in section 954(d)(2)(C) of such Code
(as amended by this section) shall be treated in the same
manner as if such section 904(e) applied to such taxable
year.
Subpart D—Inbound International Provisions

SEC. 128131. MODIFICATIONS TO BASE EROSION AND ANTI-ABUSE TAX.

(a) Modifications to Base Erosion Minimum Tax Amount.—

(1) Modification of rates.—Section 59A(b)(1)(A) is amended by striking “10 percent (5 percent in the case of taxable years beginning in calendar year 2018)” and inserting “the applicable percentage”.

(2) Base erosion minimum tax amount determined without regard to credits.—Section 59A(b)(1)(B) is amended to read as follows:

“(B) an amount equal to the regular tax liability (as defined in section 26(b)) of the taxpayer for the taxable year.”.

(3) Applicable percentage.—Section 59A(b)(2) is amended to read as follows:

“(2) Applicable percentage.—For purposes of this section, the term ‘applicable percentage’ means—

“(A) in the case of any taxable year beginning after December 31, 2021, and before January 1, 2023, 10 percent,
“(B) in the case of any taxable year beginning after December 31, 2022, and before January 1, 2024, 12.5 percent,

“(C) in the case of any taxable year beginning after December 31, 2023, and before January 1, 2025, 15 percent, and

“(D) in the case of any taxable year beginning after December 31, 2024, 18 percent.”.

(4) TAXPAYERS SUBJECT TO RULES FOR BANKS AND SECURITIES DEALERS.—Section 59A(b)(3)(B) is amended to read as follows:

“(B) TAXPAYER DESCRIBED.—A taxpayer is described in this subparagraph if such taxpayer is—

“(i) a bank (as defined in section 585(a)(2)),

“(ii) a securities dealer registered under section 15(a) of the Securities Exchange Act of 1934, or

“(iii) a member of an affiliated group (as defined in section 1504(a)(1), determined without regard to section 1504(b)(3)) which includes any person described in clause (i) or (ii).”.
(5) TERMINATION OF INCREASED RATE FOR BANKS AND SECURITIES DEALERS.—Section 59A(b)(3) is amended by adding at the end the following new subparagraph:

“(C) TERMINATION.—Subparagraph (A) shall not apply to any taxable year beginning after December 31, 2024.”.

(6) GENERAL BUSINESS CREDIT ALLOWED AGAINST BASE EROSION AND ANTI-ABUSE TAX.— Section 38(c)(1) is amended by striking “the tax imposed by section 55” and inserting “the taxes imposed by sections 55 and 59A”.

(7) CONFORMING AMENDMENTS.—

(A) Section 59A(b)(3)(A) is amended by striking “paragraphs (1)(A) and (2)(A) shall each” and inserting “paragraph (2) shall”.

(B) Section 59A(b) is amended by striking paragraph (4).

(b) MODIFICATION OF RULES FOR DETERMINING MODIFIED TAXABLE INCOME.—

(1) IN GENERAL.—Section 59A(c) is amended to read as follows:

“(c) MODIFIED TAXABLE INCOME.—For purposes of this section—
“(1) IN GENERAL.—The term ‘modified taxable income’ means the taxable income of the taxpayer computed under this chapter for the taxable year with the following adjustments:

“(A) BASE EROSION PAYMENTS.—Taxable income shall be determined without regard to any base erosion tax benefit, including for purposes of determining the adjusted basis of property described in subsection (d)(2).

“(B) NET OPERATING LOSSES.—The net operating loss deduction for the taxable year under section 172 shall be determined—

“(i) by substituting ‘modified taxable income (as determined under section 59A(c)(1) without regard to subparagraph (C) thereof)’ for ‘taxable income’ in section 172(a)(2)(B)(ii)(I),

“(ii) by determining any net operating loss arising in any taxable year beginning after December 31, 2021, without regard to any base erosion tax benefit (determined with respect to each such taxable year), and

“(iii) by making appropriate adjustments in the application of section
172(b)(2) to take into account clauses (i) and (ii) of this subparagraph.

“(C) Application of certain other adjustments.—Except as otherwise provided by the Secretary, rules similar to the rules of subsections (g) and (h) of section 59 shall apply.

“(2) Base erosion tax benefit.—The term ‘base erosion tax benefit’ means—

“(A) any deduction allowed under this chapter for the taxable year with respect to any base erosion payment described in subsection (d)(1),

“(B) in the case of a base erosion payment described in subsection (d)(2), any deduction allowed under this chapter for the taxable year for depreciation (or amortization in lieu of depreciation) with respect to property referred to in subparagraph (A) or (B) of such subsection to the extent of the amounts described in such subsection with respect to such property,

“(C) in the case of a base erosion payment described in subsection (d)(3)—

“(i) any reduction under section 803(a)(1)(B) in the gross amount of pre-
miums and other consideration on insurance and annuity contracts for premiums and other consideration arising out of indemnity insurance, and

“(ii) any deduction under section 832(b)(4)(A) from the amount of gross premiums written on insurance contracts during the taxable year for premiums paid for reinsurance,

“(D) in the case of a base erosion payment described in subsection (d)(4), any reduction in gross receipts with respect to such payment in computing gross income of the taxpayer for the taxable year for purposes of this chapter, and

“(E) in the case of a base erosion payment described in subsection (d)(5), any reduction in gross receipts allowed under this chapter for the taxable year for cost of goods sold with respect to the amount of such payment included in inventory costs.”.

(2) CERTAIN PAYMENTS WITH RESPECT TO PROPERTY PRODUCED BY THE TAXPAYER.—Section 59A(d)(2) is amended to read as follows:

“(2) TREATMENT OF CERTAIN RELATED-PARTY PAYMENTS WITH RESPECT TO DEPRECIABLE PROP-
ERTY.—Such term shall also include any amount paid or accrued by the taxpayer to a foreign person which is a related party of the taxpayer in connection with—

“(A) the acquisition by the taxpayer from such person of property of a character subject to the allowance for depreciation (or amortization in lieu of depreciation), or

“(B) property produced by the taxpayer that is of a character subject to the allowance for depreciation (or amortization in lieu of depreciation) if such amount is required to be capitalized under section 263A, including payments in respect of indebtedness or services.”.

(3) Certain payments with respect to inventory treated as base erosion payments.—

Section 59A(d) is amended by redesignating paragraph (5) as paragraph (6) and by inserting after paragraph (4) the following new paragraph:

“(5) Certain payments with respect to inventory.——

“(A) Indirect costs included in inventory under section 263A.—Such term shall also include any amount paid or incurred by the taxpayer to a foreign person which is a
related party of the taxpayer if such amount is
described in paragraph (2)(B) of section
263A(a) and required to be included in inven-
tory costs of the taxpayer under paragraph
(1)(A) of such section. Such term shall also in-
clude any amount paid or incurred by the tax-
payer to a foreign person which is a related
party of the taxpayer if such amount is capital-
ized to the basis of property that is of a char-
acter subject to the allowance for depreciatio
(or amortization in lieu of depreciation), and
the depreciation (or amortization in lieu of de-
preciation) is required to be included in inven-
tory costs of the taxpayer under section
263A(a)(1)(A).

“(B) CERTAIN COSTS OF FOREIGN RE-
LATED PARTIES.—Such term shall also include
so much of any amount which is paid or in-
curred by the taxpayer to a foreign person
which is a related party of the taxpayer, is de-
scribed in paragraph (2)(A) of section 263A(a),
and is required to be included in inventory costs
of the taxpayer under paragraph (1)(A) of such
section, as exceeds the sum of—
“(i) the direct costs of such property
in the hands of such foreign person, plus
“(ii) so much of the costs described in
section 263A(a)(2)(B) with respect to such
property in the hands of such foreign per-
son as the taxpayer demonstrates to the
satisfaction of the Secretary are attrib-
utable to amounts—
“(I) paid or incurred by such for-
eign person to a United States person
or a person which is not a related
party of the taxpayer, or
“(II) otherwise subject to the tax
imposed by this chapter.
“(C) Application to related-party
transactions.—In the case of direct costs
otherwise described in clause (i) of subpara-
graph (B) which are paid or incurred by the
foreign person referred to in such clause to an-
other foreign person which is a related party of
the taxpayer, such costs shall be taken into ac-
count under such clause only to the extent that
the taxpayer demonstrates to the satisfaction of
the Secretary that such costs are attributable to
amounts—
“(i) paid or incurred (directly or indirectly) to a United States person or a person which is not a related party of the taxpayer, or

“(ii) otherwise subject to the tax imposed by this chapter.

“(D) Safe Harbor with Respect to Indirect Costs of Foreign Related Parties.—In the case of a taxpayer which elects the application of this subparagraph (at such time, in such manner, and with respect to such inventory property, as the Secretary may provide), the amount described in subparagraph (B)(ii) with respect to such property shall be treated for purposes of this section as being equal to 20 percent of the amount paid or incurred by the taxpayer to the related party of the taxpayer in connection with the acquisition of such property.

“(E) Application of Certain Rules.—

Rules similar to the rules of subparagraphs (B) and (C) of subsection (i)(1) shall apply for purposes of determining whether any amount is treated as subject to the tax imposed by this
chapter for purposes of subparagraph (B) or (C) of this paragraph.”.

(4) EXPANSION AND CONSOLIDATION OF RULES TO EXEMPT CERTAIN PAYMENTS FROM TREATMENT AS BASE EROSION PAYMENTS.—

(A) IN GENERAL.—Section 59A is amended by redesignating subsection (i) as subsection (j) and by inserting after subsection (h) the following new subsection:

“(i) CERTAIN PAYMENT NOT TREATED AS BASE EROSION PAYMENTS.—

“(1) EXCEPTION FOR PAYMENTS ON WHICH TAX IS IMPOSED.—

“(A) IN GENERAL.—An amount shall not be treated as a base erosion payment if tax is (or was at the time of payment or accrual) imposed by this chapter with respect to such amount (other than by this section).

“(B) TREATMENT OF CERTAIN DEDUCTIONS.—For purposes of subparagraph (A), tax shall be treated as imposed by this chapter without regard to any deduction allowed under part VIII of subchapter B.

“(C) APPLICATION OF CERTAIN RULES.— The amount not treated as a base erosion pay-
ment by reason of this paragraph shall be determined under rules similar to the rules of section 163(j)(5) (as in effect before the date of the enactment of Public Law 115-97).

“(2) EXCEPTION FOR CERTAIN PAYMENTS SUBJECT TO SUFFICIENT FOREIGN TAX.—

“(A) IN GENERAL.—An amount shall not be treated as a base erosion payment if the taxpayer establishes to the satisfaction of the Secretary that such amount was made to a foreign person which is a related party of the taxpayer that is subject to an effective rate of foreign income tax (as defined in section 904(d)(2)(F)) which is not less than the lesser of—

“(i) 15 percent, or

“(ii) the applicable percentage in effect under subsection (b)(2) (determined without regard to subsection (b)(3)) for the taxable year in which such amount is paid or accrued.

“(B) CERTAIN PAYMENTS TO RELATED PARTIES.—To the extent provided by the Secretary in regulations, an amount paid to a foreign person which is a related party of the taxpayer shall be treated as paid to another for-
eign person which is a related party of the tax-
payer if such second foreign person is subject to
an effective rate of foreign income tax (as de-
defined in section 904(d)(2)(F)) which is less
than the lesser of 15 percent or the percentage
described in subparagraph (A)(ii), to the extent
the amount so paid directly or indirectly funds
a payment to such second foreign person.

“(C) Determination on basis of applicable financial statements.—Except as
otherwise provided by the Secretary under sub-
paragraph (D), the effective rate of foreign in-
come tax with respect to any amount may be
established on the basis of applicable financial
statements (as defined in section 451(b)(3)).

“(D) Regulations.—The Secretary shall
issue such regulations or other guidance as may
be necessary or appropriate to carry out the
purposes of this paragraph, including regula-
tions or other guidance providing procedures for
determining the effective rate of foreign income
tax to which any amount is subject. Such proce-
dures may require that any transaction or se-
ries of transactions among multiple parties be
recharacterized as one or more transactions di-
rectly among any 2 or more of such parties where the Secretary determines that such re-
characterization is appropriate to carry out, or prevent avoidance of, the purposes of this sec-
tion.

“(3) Exception for certain amounts with respect to services.—Subsections (d)(1), (d)(2)(B), and (d)(5)(A) shall not apply to so much of any amount paid or accrued by a taxpayer for services as does not exceed the total services cost of such services. The preceding sentence shall not apply unless such services meet the requirements for eligi-
bility for use of the services cost method under sec-
tion 482 (determined without regard to the require-
ment that the services not contribute significantly to fundamental risks of business success or failure).”.

(B) Conforming amendment.—Section 59A(d), as amended by paragraph (2), is amended by striking paragraph (6).

(c) Termination of Exemption from Base Erosion and Anti-abuse Tax for Taxpayers With Low Base Erosion Percentage.—Section 59A(e)(1) is amended—

(1) by striking “the base erosion percentage (as determined under subsection (e)(4))” in subpara-
graph (C) and inserting “in the case of any taxable year beginning before January 1, 2024, the base erosion percentage”, and

(2) by adding at the end the following new flush sentence:

“For purposes of subparagraph (C), the term ‘base erosion percentage’ has the meaning given such term under subsection (c)(4), as in effect before the date of the enactment of the Act enacted during the 117th Congress which is entitled ‘An Act to provide for reconciliation pursuant to title II of S. Con. Res. 14.’, except that the base erosion tax benefits taken into account under subparagraph (A)(i) thereof shall be the base erosion tax benefits described in subsection (c)(2) (as in effect for the taxable year), the deductions described in subparagraph (A)(ii)(I) thereof shall include the deductions described in subparagraphs (A) and (B) of subsection (c)(2) (as in effect for the taxable year), the base erosion tax benefits described in subparagraph (A)(ii)(II) thereof shall be the base erosion tax benefits described in subparagraphs (C), (D), and (E) of subsection (c)(2) (as in effect for the taxable year), and subparagraph (B)(ii) thereof shall be applied by substituting ‘subsection (i)(3)’ for ‘subsection (d)(5)’.”.
(d) Treatment of Applicable Taxpayers.—Section 59A(e) is amended by adding at the end the following new paragraph:

“(4) Continuation of treatment as applicable taxpayer.—If a taxpayer is an applicable taxpayer with respect to any taxable year beginning after December 31, 2021 (other than by reason of this paragraph), such taxpayer (and any successor of such taxpayer) shall be an applicable taxpayer with respect to each of the 10 succeeding taxable years.”.

(e) Other Modifications.—

(1) Section 59A(b)(1) is amended by striking “Except as provided in paragraphs (2) and (3), the” and inserting “The”.

(2) Section 59A(h)(2)(B) is amended by striking “section 6038B(b)(2)” and inserting “section 6038A(b)(2)”.

(3) Section 59A(j)(2), as redesignated by subsection (b), is amended by striking “subsection (g)(3)” and inserting “subsection (h)(3)”.

(f) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2021.
Subpart E—Other Business Tax Provisions

SEC. 128141. CREDIT FOR CLINICAL TESTING OF ORPHAN DRUGS LIMITED TO FIRST USE OR INDICATION.

(a) In General.—Section 45C(b)(2)(B) is amended to read as follows:

“(B) Testing must be related to first use or indication for rare disease or condition.—Human clinical testing may be taken into account under subparagraph (A) only to the extent such testing is related to the first use or indication with respect to which a drug for a rare disease or condition is designated under section 526 of the Federal Food, Drug, and Cosmetic Act.”.

(b) Eligible Testing Must Be Conducted Before Approval for Any Use or Indication.—Section 45C(b)(2)(A)(ii)(II) is amended to read as follows:

“(II) before the first date on which an application (with respect to any use or indication with respect to any disease or condition) with respect to such drug is approved under section 505(c) of such Act or, if the drug is a biological product, before the first date on which a license (with respect
to any use or indication with respect to any disease or condition) for such drug is issued under section 351(a) of the Public Health Service Act, and’.

(c) Eligibility of Biological Products.—

(1) In general.—Section 45C(b)(2)(A)(i) is amended by inserting “or, if the drug is a biological product, section 351(a)(3) of the Public Health Service Act” before the comma at the end.

(2) Conforming Amendment.—Section 45C(b)(2)(A)(ii)(I) is amended by striking “such Act” and inserting “the Federal Food, Drug, and Cosmetic Act”.

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

SEC. 128142. MODIFICATIONS TO TREATMENT OF CERTAIN LOSSES.

(a) Losses From Certain Capital Assets Which Become Worthless.—

(1) When treated as loss.—Section 165(g)(1) is amended by striking “on the last day of the taxable year” and inserting “at the time of the identifiable event establishing worthlessness”.
(2) Treatment of partnership indebtedness.—Section 165(g)(2)(C) is amended by inserting “, by a partnership,” after “by a corporation”.

(3) Treatment of abandonment.—Section 165(g) is amended by adding at the end the following new paragraph:

“(4) Treatment of abandonment.—For purposes of this subsection and subsection (m), abandonment shall be treated as an identifiable event establishing worthlessness.”.

(4) Treatment of partnership interest.—Section 165 is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following new subsection:

“(m) Worthless Partnership Interest.—If any interest in a partnership becomes worthless during the taxable year, the loss resulting therefrom shall, for purposes of this subtitle, be treated as a loss from the sale or exchange of the interest in the partnership at the time of the identifiable event establishing worthlessness.”.

(b) Deferral of losses in certain controlled group corporate liquidations.—Section 267 is amended by adding at the end the following new subsection:
“(h) DEFERRAL OF LOSSES IN CERTAIN CONTROLLED GROUP LIQUIDATIONS.—

“(1) IN GENERAL.—In the case of any specified controlled group liquidation, no loss shall be recognized by any member of the controlled group on any stock or security of the liquidating corporation until all property received by members of the controlled group in connection with such liquidation has been transferred to one or more persons who are not related (within the meaning of subsection (b)(3) or section 707(b)(1)) to the member which received such property. For purposes of the preceding sentence, cancellation, lapse, expiration, termination, and worthlessness of property shall be treated in the same manner as a transfer of such property which is described in the preceding sentence.

“(2) SPECIFIED CONTROLLED GROUP LIQUIDATION.—For purposes of this subsection, the term ‘specified controlled group liquidation’ means, with respect to any corporation which is a member of a controlled group—

“(A) one or more distributions in complete liquidation (within the meaning of section 346) of such corporation,
“(B) any other transfer (including any series of transfers) of property of such corporation if any stock or security of such corporation becomes worthless in connection with such transfer, and

“(C) any issuance of debt by such corporation to one or more persons who are related (within the meaning of subsection (b)(3) or section 707(b)(1)) to such corporation if any stock or security of such corporation becomes worthless in connection with such issuance.

“(3) Regulations.—The Secretary shall issue such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this subsection, including to apply the principles of this subsection to liquidating corporation stock or securities owned by a corporation indirectly through 1 or more partnerships.”.

(c) Cross Reference.—Section 331(c) is amended—

(1) by striking “Cross Reference” and all that follows through “For general rule” and inserting the following: “Cross Reference.—

“(1) For general rule”, and
(2) by adding at the end the following new paragraph:

“(2) For losses in controlled group liquidations, see section 267(h).”.

(d) Effective Date.—

(1) Subsection (a).—The amendments made by this section shall apply to losses arising in taxable years beginning after December 31, 2021.

(2) Subsection (b).—The amendment made by subsection (b) shall apply to liquidations on or after the date of the enactment of this Act.

SEC. 128143. ADJUSTED BASIS LIMITATION FOR DIVISIVE REORGANIZATION.

(a) In General.—Section 361 is amended by adding at the end the following new subsections:

“(d) Adjusted Basis Limitation for Divisive Reorganizations.—

“(1) In General.—Except as provided in paragraph (2), in the case of a reorganization described in section 368(a)(1)(D) with respect to which stock or securities of the controlled corporation (within the meaning of section 355) are distributed by the distributing corporation (within the meaning of such section) in a transaction which qualifies under such section, subsections (b)(3) and (c)(3) shall not apply
to so much of the amount described in clauses (ii) and (iii) of subparagraph (A) as does not exceed the excess (if any) of—

“(A) the sum of—

“(i) the total amount of the liabilities assumed (within the meaning of section 357(c)) by the controlled corporation, and

“(ii) the total amount of money and the fair market value of other property transferred to the creditors,

“(iii) the fair market value of the stock described in section 354(a)(2)(C) and the total principal amount of obligations of the controlled corporation described in subsection (c)(2)(B) which are qualified property (as defined in subsection (c)(2)(B)) transferred to the creditors,

“(B) the total adjusted bases of the assets transferred by the distributing corporation to the controlled corporation.

“(2) EXCEPTION REGARDING CERTAIN STOCK OR RIGHTS TO ACQUIRE STOCK.—Paragraph (1) shall not apply to any stock (or right to acquire stock) described in subsection (c)(2)(B).
“(3) Regulations.—The Secretary shall issue such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this subsection and to prevent avoidance of tax through abuse or circumvention of subsection (b)(3), subsection (c)(3), or this subsection, including to determine whether a disposition of property or any other transaction is in connection with the reorganization or pursuant to the plan of reorganization.

“(e) Cross-references.—For provisions providing for the inclusion of income or recognition of gain in certain distributions, see subsections (d), (e), (f), (g), and (h) of section 355.”.

(b) Conforming Amendments.—

(1) Section 361(b)(3) is amended—

(A) in the first sentence, by inserting “, and except as provided in subsection (d)” after “paragraph (1)”, and

(B) by striking the second and third sentences.

(2) Section 361(c) is amended—

(A) in paragraph (3), by inserting “, and except as provided in subsection (d)” after “this subsection”, and

(B) by striking paragraph (5).
(c) **Effective Date.**—The amendments made by this section shall apply to reorganizations occurring on or after the date of the enactment of this Act.

(d) **Transition Rule.**—The amendments made by this section shall not apply to any exchange pursuant to a transaction which is—

1. made pursuant to a written agreement which was binding on the date of the enactment of this Act, and at all times thereafter,
2. described in a ruling request submitted to the Internal Revenue Service on or before such date, or
3. described on or before such date in a public announcement or in a filing with the Securities and Exchange Commission.

**SEC. 128144. MODIFICATIONS TO EXEMPTION FOR PORTFOLIO INTEREST.**

(a) **In General.**—Section 871(h)(3)(B)(i) is amended to read as follows:

“(i) in the case of an obligation issued by a corporation—

“(I) any person who owns 10 percent or more of the total combined voting power of all classes of stock of such corporation entitled to vote, or
“(II) any person who owns 10 percent or more of the total value of the stock of such corporation, and”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to obligations issued after the date of the enactment of this Act.

SEC. 128145. CERTAIN PARTNERSHIP INTEREST DERIVATIVES.

(a) IN GENERAL.—Section 871(m) is amended by adding at the end the following new paragraph:

“(8) SPECIFIED PARTNERSHIP INTEREST INCOME EQUIVALENT PAYMENTS.—

“(A) IN GENERAL.—For purposes of this subsection, any payment made pursuant to a specified notional principal contract that (directly or indirectly) is contingent upon, or is determined by reference to, any income or gain in respect of an interest in a specified partnership (or any other payment the Secretary determines to be substantially similar) shall be treated as a dividend equivalent. For purposes of the preceding sentence, income or gain includes any income or gain from the deemed disposition of such interest as a result of the termination of, or payment with respect to, such contract (de-
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termined in the same manner as under section
864(c)(8) but without regard to subparagraph
(C) thereof and any income or gain described
in subsection (a)(1) or section 881(a).

“(B) SPECIFIED PARTNERSHIP.—For pur-
poses of this paragraph, the term ‘specified
partnership’ means—

“(i) any publicly traded partnership
(as defined in section 7704(b)) which is
not treated as a corporation under such
section, or

“(ii) any other partnership as the Sec-
retary may by regulation prescribe.

“(C) EXCEPTIONS.—

“(i) CERTAIN PAYMENTS.—Subpara-
graph (A) shall not apply to any payment
the Secretary determines does not have the
potential for tax avoidance.

“(ii) CERTAIN INCOME.—Under such
regulations as the Secretary shall pre-
scribe, there shall not be taken into ac-
count under subparagraph (A) any pay-
ment to the extent determined by reference
to income or gain in respect of an interest
in a specified partnership which would be,
if earned by a nonresident alien individual
or a foreign corporation—

“(I) exempt from tax under this
chapter, or

“(II) from sources without the
United States and not effectively con-
nected with the conduct of a trade or
business within the United States.

“(D) TREATMENT OF DEFINITIONS AND
SPECIAL RULES WITH RESPECT TO PARTNER-
SHIPS.—For purposes of this paragraph, rules
similar to the rules and definitions in para-
graphs (3), (4), (5), (6), and (7) shall apply to
an interest in a specified partnership in a man-
ner similar to an underlying security, and to in-
come or gain in respect of an interest in a spec-
ified partnership in a manner similar to a divi-
dend.

“(E) REGULATIONS.—The Secretary shall
issue such regulations or other guidance as the
Secretary determines is necessary or appro-
priate to carry out the purposes of this para-
graph, including to apply this paragraph to
payments determined under sale-repurchase
agreements or securities lending transactions
with respect to interests in specified partnerships, to determine the amount of a distribution by a specified partnership that is income or gain of the partnership (including the portion thereof that is excepted under subparagraph (C)) in a manner consistent with section 1441(g), and to require the provision of information by specified partnerships necessary to determine such amount.”.

(b) **WITHHOLDING OF TAX ON NONRESIDENT ALIENS.**—Section 1441 is amended by redesignating subsection (g) as subsection (h) and by inserting after subsection (f) the following new subsection:

“(g) **DIVIDEND EQUIVALENTS IN CASE OF CERTAIN SPECIFIED PARTNERSHIPS.**—The Secretary may prescribe regulations, under rules similar to the rules of section 1446, to determine the amount of a payment in respect of income and gain of a specified partnership (as defined in 871(m)(8)) which is a dividend equivalent.”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to payments made after December 31, 2022.
SEC. 128146. ADJUSTMENTS TO EARNINGS AND PROFITS OF
CONTROLLED FOREIGN CORPORATIONS.

(a) In General.—Section 312(n) is amended by
adding at the end the following new paragraph:

“(9) Special rules for controlled foreign corporations.—Earnings and profits of any
controlled foreign corporation shall be determined
without regard to paragraphs (4), (5), and (6).”.

(b) Conforming Amendment.—Section 952(c) is
amended by striking paragraph (3).

(c) Effective Date.—The amendments made by
this section shall apply to taxable years of foreign corporations ending after the date of the enactment of this Act,
and to taxable years of United States shareholders in
which or with which such taxable years of foreign corporations end.

SEC. 128147. CERTAIN DIVIDENDS OF CONTROLLED FOREIGN CORPORATIONS TREATED AS EXTRAORDINARY DIVIDENDS.

(a) In General.—Section 1059 is amended by re-
designating subsection (g) as subsection (h) and by insert-
ing after subsection (f) the following new subsection:

“(g) Treatment of Certain Dividends of Con-
trolled Foreign Corporations.—

“(1) In general.—Except as otherwise pro-
vided by the Secretary, any disqualified CFC divi-
dend shall be treated as an extraordinary dividend to which paragraphs (1) and (2) of subsection (a) apply without regard to the period the taxpayer held the stock with respect to which such dividend is paid.

"(2) Disqualified CFC Dividend.—For purposes of this subsection—

"(A) In general.—The term 'disqualified CFC dividend' means any dividend paid by a controlled foreign corporation to the extent such dividend is attributable to earnings and profits which—

"(i) were earned during any period that such corporation was not a controlled foreign corporation, or

"(ii) are attributable to disqualified CFC dividends received by such controlled foreign corporation from another controlled foreign corporation.

"(B) Application to corporations not wholly owned by United States shareholders.—If not all of the stock of any controlled foreign corporation is owned (within the meaning of section 958(a)) by one or more United States shareholders at the time that any
earnings and profits are earned, the portion of such earnings and profits which is properly attributable to stock not so owned by United States shareholders shall be treated for purposes of subparagraph (A) as earned during a period that such corporation was not a controlled foreign corporation.

“(C) Treatment of Domestic Partnerships and Certain Trusts.—For purposes of subparagraph (B)—

“(i) a domestic partnership shall not be treated as a United States shareholder, and

“(ii) to the extent provided by the Secretary in regulations or other guidance, a trust described in section 7701(a)(30)(E) shall not be treated as a United States shareholder.

“(D) Special Rule Related to Constructive Ownership.—In the case of the last taxable year of a foreign corporation beginning before January 1, 2018, and each subsequent taxable year of such foreign corporation which begins before the date of the enactment of this subsection, if such foreign corporation
would not have been a controlled foreign corporation for any such taxable year if section 958(b)(4) (as applicable to taxable years beginning after the date of the enactment of this subsection) had applied to such taxable year, such corporation shall not be treated as a controlled foreign corporation for such taxable year for purposes of this subsection.”.

(b) Regulations.—Section 1059(h), as redesignated by subsection (a), is amended—

(1) by striking “regulations” both places it appears and inserting “regulations or other guidance”,

(2) by striking “and” at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting a comma, and by adding at the end the following new paragraphs:

“(3) providing for the coordination of subsection (g) with the other provisions of this chapter, including section 1248, and

“(4) applying rules similar to subsection (g) to dividends attributable to earnings and profits of a foreign corporation that is not a controlled foreign corporation.”.

(c) Effective Date.—The amendments made by this section shall apply to dividends (or amounts treated
as dividends) paid after the date of the enactment of this Act.

SEC. 128148. LIMITATION ON CERTAIN SPECIAL RULES FOR SECTION 1202 GAINS.

(a) In General.—Section 1202(a) is amended by adding at the end the following new paragraph:

“(5) Limitation on certain special rules.—In the case of the sale or exchange of qualified small business stock after September 13, 2021, paragraphs (3) and (4) shall not apply to any taxpayer if—

“(A) the adjusted gross income of such taxpayer (determined without regard to this section and sections 911, 931, and 933) equals or exceeds $400,000, or

“(B) such taxpayer is a trust or estate.”.

(b) Effective Date.—Except as provided in subsection (c), the amendment made by this section shall apply to sales and exchanges after September 13, 2021.

(c) Binding Contract Exception.—The amendment made by this section shall not apply to any sale or exchange which is made pursuant to a written binding contract which was in effect on September 13, 2021, and is not modified in any material respect thereafter.
SEC. 128149. CONSTRUCTIVE SALES.

(a) APPLICATION TO APPRECIATED DIGITAL ASSETS.—

(1) IN GENERAL.—Section 1259(b)(1) is amended by inserting “digital asset,” after “debt instrument,”.

(2) EXCEPTION FOR SALES OF NONPUBLICLY TRADED PROPERTY.—Section 1259(c)(2) is amended by adding at the end the following: “A similar rule shall apply in the case of a contract for sale of any digital asset.”.

(3) DIGITAL ASSET.—Section 1259(d) is amended by adding at the end the following new paragraph:

“(3) DIGITAL ASSET.—Except as otherwise provided by the Secretary, the term ‘digital asset’ means any digital representation of value which is recorded on a cryptographically secured distributed ledger or any similar technology as specified by the Secretary.”.

(b) TREATMENT OF CERTAIN CONTRACTS.—Section 1259(c)(1)(D) is amended by inserting “or enters into a contract to acquire” after “acquires”.

(e) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by subsection (a) shall apply to constructive sales (de-
terminated after the application of the amendment made by subsection (b)) after the date of the enactment of this Act.

(2) Treatment of Certain Contracts.—
The amendment made by subsection (b) shall apply to contracts entered into after the date of the enactment of this Act.

SEC. 128150. RULES RELATING TO COMMON CONTROL.

(a) In General.—Section 52 is amended by striking subsections (a) and (b) and inserting the following new subsections:

“(a) Treatment of Controlled Groups of Corporations.—

“(1) In General.—For purposes of this subpart, all employees of all corporations which are component members of the same controlled group of corporations shall be treated as employed by a single employer. In any such case, the credit (if any) determined under section 51(a) with respect to each such member shall be its proportionate share of the wages giving rise to such credit.

“(2) Controlled Group of Corporations.—For purposes of this subsection, the term ‘controlled group of corporations’ has the meaning given to such term by section 1563(a), except that—
“(A) ‘more than 50 percent’ shall be sub-
stituted for ‘at least 80 percent’ each place it
appears in section 1563(a)(1), and

“(B) the determination shall be made with-
out regard to subsections (a)(4) and (e)(3)(C)
of section 1563.

“(3) COMPONENT MEMBER.—For purposes of
this subsection, the term ‘component member’ has
the meaning given such term by section 1563(b), ex-
cept that the determination shall be made without
regard to section 1563(b)(2).

“(b) EMPLOYEES OF PARTNERSHIPS, PROPRIETOR-
SHIPS, ETC., WHICH ARE UNDER COMMON CONTROL.—
For purposes of this subpart, under regulations prescribed
by the Secretary—

“(1) all employees of trades or business (wheth-
er or not incorporated) which are under common
control shall be treated as employed by a single em-
ployer, and

“(2) the credit (if any) determined under sec-
tion 51(a) with respect to each trade or business
shall be its proportionate share of the wages giving
rise to such credit.

The regulations prescribed under this subsection shall be
based on principles similar to the principles which apply
in the case of subsection (a). For purposes of this sub-
section, the term ‘trade or business’ includes any activity
treated as a trade or business under paragraph (5) or (6)
of section 469(c) (determined without regard to the phrase
‘To the extent provided in regulations’ in such paragraph
(6)).”.

(b) CONFORMING AMENDMENT.—Section
1563(b)(2)(C) is amended to read as follows:
“(C) is a foreign corporation not engaged
in a trade or business within the United
States,”.

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

SEC. 128151. MODIFICATION OF WASH SALE RULES.

(a) IN GENERAL.—Section 1091 is amended to read
as follows:

“SEC. 1091. LOSS FROM WASH SALES OF SPECIFIED ASSETS.
“(a) DISALLOWANCE OF LOSS DEDUCTION.—In the
case of any loss claimed to have been sustained from any
sale or disposition (including any termination) of specified
assets where it appears that, within a period beginning
30 days before the date of such sale or disposition and
ending 30 days after such date, the taxpayer (or related
party) has acquired (by purchase or by an exchange on

...
which the entire amount of gain or loss was recognized by law), or has entered into, or has entered into a contract or option so to acquire or a long notional principal contract in respect of, substantially identical specified assets, then no deduction shall be allowed under section 165 unless the taxpayer is a dealer in specified assets and the loss is sustained in a transaction made in the ordinary course of such business.

“(b) Amount of Specified Assets Different From Amount of Specified Assets Sold.—If the amount of specified assets acquired (or covered by the contract or option to acquire or long notional principal contract in respect of) is different from the amount of specified assets sold or otherwise disposed of, then the particular specified assets the acquisition of which (or the contract or option to acquire or long notional principal contract which) resulted in the nondeductibility of the loss shall be determined under regulations prescribed by the Secretary.

“(c) Adjustment to Basis in Case of Wash Sale.—If the taxpayer (or the taxpayer’s spouse) acquires or enters into substantially identical specified assets during the period which—
“(1) begins 30 days before the disposition with respect to which a deduction was disallowed under subsection (a), and

“(2) ends with the close of the taxpayer’s first taxable year which begins after such disposition, the basis of such specified assets shall be increased by the amount of the deduction so disallowed (reduced by any amount of such deduction taken into account under this subsection to increase the basis of specified assets previously acquired).

“(d) Certain Short Sales of Specified Assets and Contracts to Sell.—Rules similar to the rules of subsection (a) shall apply to any loss realized on the closing of a short sale of (or the sale, exchange, or termination of a contract or option to sell or a short notional principal contract in respect of) specified assets if, within a period beginning 30 days before the date of such closing and ending 30 days after such date—

“(1) substantially identical specified assets were sold or terminated by the taxpayer (or a related party), or

“(2) another short sale of (or contract or option to sell or short notional principal contract in respect of) substantially identical specified assets was entered into by the taxpayer (or related party).
“(e) Cash Settlement.—This section shall not fail to apply to a contract or option to acquire or sell specified assets solely by reason of the fact that the contract or option settles in (or could be settled in) cash or property other than such specified assets.

“(f) Related Party.—For purposes of this section—

“(1) In general.—The term ‘related party’ means—

“(A) the taxpayer’s spouse,

“(B) any dependent of the taxpayer and any other taxpayer with respect to whom the taxpayer is a dependent,

“(C) any individual, corporation, partnership, trust, or estate which controls, or is controlled by, (within the meaning of section 954(d)(3)) the taxpayer or any individual described in subparagraph (A) or (B) with respect to the taxpayer (or any combination thereof),

“(D) to the extent provided by the Secretary in regulations or other guidance, any individual who bears a relationship to the taxpayer described in section 267(b) if such taxpayer is an individual,
“(E) any individual retirement plan, Archer MSA (as defined in section 220(d)), or health savings account (as defined in section 223(d)), of the taxpayer or of any individual described in subparagraph (A) or (B) with respect to the taxpayer,

“(F) any account under a qualified tuition program described in section 529 or a Coverdell education savings account (as defined in section 530(b)) if the taxpayer, or any individual described in subparagraph (A) or (B) with respect to the taxpayer, is the designated beneficiary of such account or has the right to make any decision with respect to the investment of any amount in such account, and

“(G) any account under—

“(i) a plan described in section 401(a),

“(ii) an annuity plan described in section 403(a),

“(iii) an annuity contract described in section 403(b), or

“(iv) an eligible deferred compensation plan described in section 457(b) and
maintained by an employer described in section 457(e)(1)(A), if the taxpayer or any individual described in subparagraph (A) or (B) with respect to the taxpayer has the right to make any decision with respect to the investment of any amount in such account.

“(2) Rules for determining status.—

“(A) Relationships determined at time of acquisition.—Determinations under paragraph (1) shall be made as of the time of the purchase or exchange (or entering into a contract, option, or notional principal contract) referred to in subsection (a) except that determinations under subparagraphs (A) and (B) of paragraph (1) shall be made for the taxable year which includes such purchase or exchange (or entering into).

“(B) Determination of marital status.—

“(i) In general.—Except as provided in clause (ii), marital status shall be determined under section 7703.
“(ii) Special rule for married individuals filing separately and living apart.—A husband and wife who—

“(I) file separate returns for any taxable year, and

“(II) live apart at all times during such taxable year,

shall not be treated as married individuals.

“(3) Regulations.—The Secretary shall issue such regulations or other guidance as may be necessary to prevent the avoidance of the purposes of this subsection, including regulations which treat persons as related parties if such persons are formed or availed of to avoid the purposes of this subsection.

“(g) Specified asset.—For purposes of this section, the term ‘specified asset’ means any of the following:

“(1) Any security described in subparagraph (A), (B), (C), (D), or (E) of section 475(c)(2).

“(2) Any foreign currency.

“(3) Any commodity described in subparagraph (A), (B), or (C) of section 475(e)(2).

“(4) Except as otherwise provided by the Secretary, any digital representation of value which is recorded on a cryptographically secured distributed
ledger or any similar technology as specified by the Secretary.

Such term shall, except as provided in regulations, include contracts or options to acquire or sell, or notional principal contracts in respect of, any specified assets.

“(h) EXCEPTION FOR BUSINESS NEEDS AND HEDGING TRANSACTIONS.—Except as provided in regulations prescribed by the Secretary, subsection (a) shall not apply in the case of any sale or other disposition—

“(1) of a foreign currency or commodity described in subsection (g), and

“(2) which—

“(A) is directly related to the business needs of a trade or business of the taxpayer (other than the trade or business of trading foreign currencies or commodities described in subsection (g)), or

“(B) is part of a hedging transaction (as defined in section 1221(b)(2)).”.

(b) CONFORMING AMENDMENTS.—

(1) Section 6045(g)(2)(B) is amended—

(A) in clause (i)(I)—

(i) by striking “security (other than stock)” and inserting “covered security (other than stock)”, and
(ii) by striking “stock sold or transferred” and inserting “covered security sold or transferred”, and

(B) in clause (ii)—

(i) by striking “stock or securities” and inserting “specified assets”, and

(ii) by striking “identical securities” and inserting “identical specified assets (as defined in section 1091(g))”.

(2) The table of sections for part VII of subchapter O of chapter 1 is amended by striking the item relation to section 1091 and inserting the following new item:

“Sec. 1091. Loss from wash sales of specified assets.”.

(c) Effective Date.—The amendments made by this section shall apply to sales, dispositions, and terminations after December 31, 2021.

(d) No Inference.—Nothing in this section or the amendments made by this section shall be construed to create any inference with respect to the proper treatment of related parties under section 1091 of the Internal Revenue Code of 1986 with respect to sales, dispositions, and terminations before January 1, 2022.
SEC. 128152. RESEARCH AND EXPERIMENTAL EXPENDITURES.

(a) In General.—Section 13206 of Public Law 115–97 is amended—

(1) in subsection (b)(3), by striking “2021” and inserting “2025”, and

(2) in subsection (e), by striking “2021” and inserting “2025”.

(b) Effective Date.—The amendment made by this section shall take effect on the date of the enactment of this Act.

SEC. 128153. MODIFICATIONS TO RULES RELATING TO EX-PATRIATED ENTITIES AND INVERTED CORPORATIONS.

(a) Expansion of Definition of Surrogate Foreign Corporation.—

(1) In General.—Section 7874(a)(2) is amended by adding at the end the following new subparagraph:

“(C) Modified rules for acquisitions after date of enactment of this subparagraph.—

“(i) In general.—In the case of an acquisition which is completed on or after the date of the enactment of this subparagraph, the determination of whether a for-
eign corporation is a surrogate foreign cor-
poration under subparagraph (B) shall be
made by applying the requirements of
clauses (ii) and (iii) of this subparagraph
for the requirements of clauses (i) and (ii)
of subparagraph (B), respectively.

“(ii) Acquisition.—The require-
ments of this clause are met if the entity
completes on or after the date of the enact-
ment of this subparagraph, the direct or
indirect acquisition of—

“(I) substantially all of the prop-
erties held directly or indirectly by a
domestic corporation, or substantially
all of the properties held directly or
indirectly by a domestic corporation
and constituting a trade or business,

“(II) substantially all of the prop-
erties held directly or indirectly
by a domestic partnership, or substan-
tially all of the properties held directly
or indirectly by a domestic partner-
ship and constituting a trade or busi-
ness, or
“(III) substantially all of the properties held directly or indirectly by a foreign partnership and constituting a United States trade or business.

“(iii) Post-acquisition ownership.—The requirements of this clause are met if after the acquisition described in clause (i), more than 50 percent of the stock (by vote or value) of the entity is held—

“(I) in the case of an acquisition with respect to a domestic corporation, by former shareholders of the domestic corporation by reason of holding stock in the domestic corporation,

“(II) in the case of an acquisition with respect to a domestic partnership, by former partners of the domestic partnership by reason of holding a capital or profits interest in the domestic partnership, or

“(III) in the case of an acquisition with respect to a United States
trade or business of a foreign partnership, by former partners of the foreign partnership by reason of holding a capital or profits interest in the foreign partnership.”.

(2) CONFORMING AMENDMENTS.—

(A) Section 7874(a)(2)(A)(i) is amended by striking “subparagraph (B)(i)” and inserting “subparagraph (B)(i) or (C)(ii), as the case may be,”.

(B) Section 7874(e)(2) is amended—

(i) by striking “subsection (a)(2)(B)(ii)” and inserting “subparagraphs (B)(ii) or (C)(iii) of subsection (a)(2)”, and

(ii) by striking “subsection (a)(2)(B)(i)” and inserting “subparagraph (B)(i) or (C)(ii) of subsection (a)(2), as the case may be”.

(C) Section 7874(e)(3) is amended—

(i) by inserting “(or of the properties described in subsection (a)(2)(C)(ii)(III) of a foreign partnership)” after “domestic corporation or partnership”, and
(ii) by striking “subsection (a)(2)(B)(ii)” and inserting “subparagraphs (B)(ii) or (C)(iii) of subsection (a)(2), as the case may be.”.

(D) Section 7874(c)(5) is amended by striking “For purposes of applying subsection (a)(2)(B)(ii) to the acquisition of a trade or business of a domestic partnership” and inserting “For purposes of applying subparagraphs (B)(ii) and (C)(iii) of subsections (a)(2) to the acquisition of a trade or business of a domestic partnership (or of substantially all of the properties of such a partnership) and for purposes of applying subsection (a)(2)(C)(iii)(III) to the acquisition of properties held by a foreign partnership”.

(E) Section 7874(d)(1)(A) is amended by striking “subsection (a)(2)(B)(i)” and inserting “subparagraph (B)(i) or (C)(ii) of subsection (a)(2), as the case may be”.

(F) Subsection 7874(d)(2)(A) is amended by striking “subsection (a)(2)(B)(i)” and inserting “subparagraph (B)(i) or (C)(ii) of subsection (a)(2)”.

(G) Section 7874(e)(4) is amended—
(i) in subparagraph (A), by striking “subsection (a)(2)(B)(i)” and inserting “subsection (a)(2)(B)(i)”, and

(H) Section 4985(c) is amended by striking “section 7874(a)(2)(B)(i)” and inserting “subparagraph (B)(i) or (C)(ii) of section 7874(a)(2)”.

(b) Determination of Inverted Corporations.—Section 7874(b) is amended by striking “if subsection (a)(2) were applied by substituting ‘80 percent’ for ‘60 percent.’” and inserting “if—

“(1) subsection (a)(2)(B)(ii) were applied by substituting ‘80 percent’ for ‘60 percent’, and
“(2) subsection (a)(2)(C)(iii) were applied by substituting ‘at least 65 percent’ for ‘more than 50 percent’.”.

(c) Effective Date.—The amendments made by this section shall apply to taxable years ending after December 31, 2021.
PART 2—TAX INCREASES FOR HIGH-INCOME INDIVIDUALS

SEC. 128201. APPLICATION OF NET INVESTMENT INCOME TAX TO TRADE OR BUSINESS INCOME OF CERTAIN HIGH INCOME INDIVIDUALS.

(a) In General.—Section 1411 is amended by adding at the end the following new subsection:

“(f) Application to Certain High Income Individuals.—

“(1) In General.—In the case of any individual whose modified adjusted gross income for the taxable year exceeds the high income threshold amount, subsection (a)(1) shall be applied by substituting ‘the greater of specified net income or net investment income’ for ‘net investment income’ in subparagraph (A) thereof.

“(2) Phase-In of Increase.—The increase in the tax imposed under subsection (a)(1) by reason of the application of paragraph (1) of this subsection shall not exceed the amount which bears the same ratio to the amount of such increase (determined without regard to this paragraph) as—

“(A) the excess described in paragraph (1), bears to
“(B) $100,000 (1/2 such amount in the case of a married taxpayer (as defined in section 7703) filing a separate return).

“(3) HIGH INCOME THRESHOLD AMOUNT.—For purposes of this subsection, the term ‘high income threshold amount’ means—

“(A) except as provided in subparagraph (B) or (C), $400,000,

“(B) in the case of a taxpayer making a joint return under section 6013 or a surviving spouse (as defined in section 2(a)), $500,000,

and

“(C) in the case of a married taxpayer (as defined in section 7703) filing a separate return, 1/2 of the dollar amount determined under subparagraph (B).

“(4) SPECIFIED NET INCOME.—For purposes of this section, the term ‘specified net income’ means net investment income determined—

“(A) without regard to the phrase ‘other than such income which is derived in the ordinary course of a trade or business not described in paragraph (2),’ in subsection (c)(1)(A)(i),
“(B) without regard to the phrase ‘described in paragraph (2)’ in subsection (c)(1)(A)(ii),
“(C) without regard to the phrase ‘other than property held in a trade or business not described in paragraph (2)’ in subsection (c)(1)(A)(iii),
“(D) without regard to paragraphs (2), (3), and (4) of subsection (c), and
“(E) by treating paragraphs (5) and (6) of section 469(c) (determined without regard to the phrase ‘To the extent provided in regulations,’ in such paragraph (6)) as applying for purposes of subsection (c) of this section.”.

(b) Application to Trusts and Estates.—Section 1411(a)(2)(A) is amended by striking “undistributed net investment income” and inserting “the greater of undistributed specified net income or undistributed net investment income”.

(c) Clarifications With Respect to Determination of Net Investment Income.—

(1) Certain Exceptions.—Section 1411(c)(6) is amended to read as follows:
“(6) Special Rules.—Net investment income shall not include—
“(A) any item taken into account in determining self-employment income for such taxable year on which a tax is imposed by section 1401(b),

“(B) wages received with respect to employment on which a tax is imposed under section 3101(b) (determined without regard to section 3101(c)) or 3201(a) (including amounts taken into account under section 3121(v)(2)), and

“(C) wages received from the performance of services earned outside the United States for a foreign employer.”.

(2) NET OPERATING LOSSES NOT TAKEN INTO ACCOUNT.—Section 1411(c)(1)(B) is amended by inserting “(other than section 172)” after “this subtitle”.

(3) INCLUSION OF CERTAIN FOREIGN INCOME.—

(A) IN GENERAL.—Section 1411(c)(1)(A) is amended by striking “and” at the end of clause (ii), by striking “over” at the end of clause (iii) and inserting “and”, and by adding at the end the following new clause:
“(iv) any amount includible in gross income under section 951, 951A, 1293, or 1296, over”.

(B) PROPER TREATMENT OF CERTAIN PREVIOUSLY TAXED INCOME.—Section 1411(c) is amended by adding at the end the following new paragraph:

“(7) CERTAIN PREVIOUSLY TAXED INCOME.—The Secretary shall issue regulations or other guidance providing for the treatment of—

“(A) distributions of amounts previously included in gross income for purposes of chapter 1 but not previously subject to tax under this section, and

“(B) distributions described in section 962(d).”.

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

(e) TRANSITION RULE.—The regulations or other guidance issued by the Secretary under section 1411(c)(7) of the Internal Revenue Code of 1986 (as added by this section) shall include provisions which provide for the proper coordination and application of clauses (i) and (iv) of section 1411(c)(1)(A) with respect to—
(1) taxable years beginning on or before December 31, 2021, and
(2) taxable years beginning after such date.

SEC. 128202. LIMITATIONS ON EXCESS BUSINESS LOSSES OF NONCORPORATE TAXPAYERS.

(a) LIMITATION MADE PERMANENT.—

(1) IN GENERAL.—Section 461(l)(1) is amended to read as follows:

“(1) LIMITATION.—In the case of any taxpayer other than a corporation, any excess business loss of the taxpayer for the taxable year shall not be allowed.”.

(2) CONFORMING AMENDMENT.—Section 461 is amended by striking subsection (j).

(b) MODIFICATION OF CARRYOVER OF DISALLOWED LOSSES.—Section 461(l)(2) is amended to read as follows:

“(2) DISALLOWED LOSS CARRYOVER.—Any loss which is disallowed under paragraph (1) for any taxable year shall be treated (solely for purposes of this chapter) as a deduction described in paragraph (3)(A)(i) for the next taxable year.”.

(c) TREATMENT OF UNUSED EXCESS BUSINESS LOSS CARRYOVERS ON TERMINATION OF ESTATE OR TRUST.—Section 642(h)(1) is amended to read as follows:
“(1) a net operating loss carryover under section 172, a capital loss carryover under section 1212, or an excess business loss carryover under section 461(l), or”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2020.

SEC. 128203. SURCHARGE ON HIGH INCOME INDIVIDUALS, ESTATES, AND TRUSTS.

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

“SEC. 1A. SURCHARGE ON HIGH INCOME INDIVIDUALS, ESTATES, AND TRUSTS.

“(a) GENERAL RULE.—In the case of a taxpayer other than a corporation, there is hereby imposed (in addition to any other tax imposed by this subtitle) a tax equal to the sum of—

“(1) 5 percent of so much of the modified adjusted gross income of the taxpayer as exceeds—

“(A) $10,000,000, in the case of any taxpayer not described in subparagraph (B) or (C),

“(B) $5,000,000, in the case of a married individual filing a separate return, and
“(C) $200,000, in the case of an estate or trust, plus
“(2) 3 percent of so much of the modified adjusted gross income of the taxpayer as exceeds—
“(A) $25,000,000, in the case of any taxpayer not described in subparagraph (B) or (C),
“(B) $12,500,000, in the case of a married individual filing a separate return, and
“(C) $500,000, in the case of an estate or trust.
“(b) Modified Adjusted Gross Income.—For purposes of this section, the term ‘modified adjusted gross income’ means adjusted gross income reduced by any deduction (not taken into account in determining adjusted gross income) allowed for investment interest (as defined in section 163(d)) or business interest (as defined in section 163(j)). In the case of an estate or trust, adjusted gross income shall be determined as provided in section 67(e), and reduced by the amount allowed as a deduction under section 642(c).
“(c) Special Rules.—
“(1) Nonresident Alien.—In the case of a nonresident alien individual (other than an individual described in section 876(a) or 877(a)), only
amounts taken into account in connection with the tax imposed under section 871(b) shall be taken into account under this section.

“(2) CITIZENS AND RESIDENTS LIVING ABROAD.—Each dollar amount which is applicable to any taxpayer under subsection (a) shall be decreased (but not below zero) by the excess (if any) of—

“(A) the amounts excluded from the taxpayer’s gross income under section 911, over

“(B) the amounts of any deductions or exclusions disallowed under section 911(d)(6) with respect to the amounts described in subparagraph (A).

“(3) CHARITABLE TRUSTS.—Subsection (a) shall not apply to a trust all the unexpired interests in which are devoted to one or more of the purposes described in section 170(c)(2)(B).

“(4) NOT TREATED AS TAX IMPOSED BY THIS CHAPTER FOR CERTAIN PURPOSES.—The tax imposed under this section shall not be treated as tax imposed by this chapter for purposes of determining the amount of any credit under this chapter (other than sections 27 and 901) or for purposes of section 55.

“(5) ELECTING SMALL BUSINESS TRUSTS.—
“(A) IN GENERAL.—For purposes of the determination of adjusted gross income, section 641(c)(1)(A) shall not apply and all portions of any electing small business trust shall be treated as a single trust.

“(B) EXCEPTION.—Subparagraph (A) shall not apply to the portion of any electing small business trust with respect to which the grantor or another person is treated as the owner of under subpart E of part 1 of subchapter J.

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

(b) COORDINATION WITH CERTAIN PROVISIONS.—

(1) INTEREST ON CERTAIN DEFERRED TAX LIABILITY.—Section 453A(c) is amended by redesignating paragraph (6) as paragraph (7) and by inserting after paragraph (5) the following new paragraph:

“(6) SURCHARGE ON HIGH INCOME INDIVIDUALS TAKEN INTO ACCOUNT IN DETERMINING MAXIMUM RATE OF TAX.—For purposes of paragraph
(3)(B), the maximum rate of tax in effect under section 1 shall be treated as being equal to the sum of such rate and the rates in effect under paragraphs (1) and (2) of section 1A(a).”.

(2) Alien residents of Puerto Rico, Guam, American Samoa, or the Northern Mariana Islands.—Section 876(a) is amended by striking section 1 and inserting “sections 1 and 1A”.

(3) Expatriation to avoid tax.—Section 877(b) is amended by inserting “and section 1A” after “section 1 or 55”.

(4) Limitation on foreign tax credit.—

(A) Section 904(b)(3)(E) is amended by striking clauses (i) and (ii) and inserting the following new clauses:

“(i) the excess of—

“(I) the sum of the highest rate of tax in effect under section 1, the rate of tax in effect under section 1A(a)(1), and the rate of tax in effect under section 1A(a)(2), over

“(II) the sum of the alternative rate of tax determined under section 1(h), the rate of tax in effect under section 1A(a)(1), and the rate of tax
in effect under section 1A(a)(2), bears to
“(ii) the sum of the rates referred to in subclause (i)(I).”.

(B) Section 904(d)(2)(F) is amended by adding at the end the following: “For purposes of the first sentence of this subparagraph, the highest rate of tax specified in section 1 shall be treated as being equal to the sum of such rate and the rates in effect under paragraphs (1) and (2) of section 1A(a).”.

(5) Election by individuals to be subject to tax at corporate rates.—Section 962(a)(1) is amended by inserting “, 1A,” after “sections 1”.

(6) Interest on certain tax deferral.—Section 1291(e)(2) is amended by adding at the end the following: “For purposes of the preceding sentence, the highest rate of tax in effect under section 1 shall be treated as being equal to the sum of such rate and the rates in effect under paragraphs (1) and (2) of section 1A(a).”.

(7) Averaging of farm income.—Section 1301(a) is amended by striking “section 1” both places it appears and inserting “sections 1 and 1A”.
(8) **Title 11 cases.**—Section 1398(c)(2) is amended by inserting “and tax shall be imposed under section 1A by treating the estate as a married individual filing a separate return” before the period at the end.

(9) **Withholding of tax on foreign partners’ share of effectively connected income.**—Section 1446(b)(2) is amended by adding at the end the following flush sentence:

“For purposes of subparagraph (A), the highest rate of tax in effect under section 1 shall be treated as being equal to the sum of such rate and the rates in effect under paragraphs (1) and (2) of section 1A(a).”.

(10) **Relief from joint and several liability on joint return.**—Section 6015(d)(2)(B) is amended by inserting “, 1A,” after “section 1”.

(11) **Partnership adjustments.**—

(A) Section 6225(b)(1) is amended by adding at the end the following flush sentence:

“For purposes of subparagraph (B), the highest rate of tax in effect under section 1 shall be treated as being equal to the sum of such rate and the rates in effect under paragraphs (1) and (2) of section 1A(a).”.
(B) Section 6225(c)(4) is amended—

(i) by striking “subsection (b)(1)(A)” in subparagraph (A) and inserting “subsection (b)(1)(B),”

(ii) by redesignating subparagraph (B) as subparagraph (C) and by inserting after subparagraph (A) the following new subparagraph:

“(B) COORDINATION WITH SURCHARGE ON HIGH INCOME INDIVIDUALS, ESTATES, AND TRUSTS.—

“(i) IN GENERAL.—Such procedures shall provide for taking into account a rate of tax lower than the rate of tax described in subsection (b)(1)(B) with respect to any portion of the adjustment that the partnership demonstrates is allocable to a taxpayer other than a corporation which—

“(I) has a modified adjusted gross income (as defined in section 1A(b)) which does not exceed the dollar amount in effect under section 1A(a)(1) with respect to such taxpayer, or
“(II) has a modified adjusted gross income (as so defined) which does not exceed the dollar amount in effect under section 1A(a)(2) with respect to such taxpayer.

“(ii) LIMITATION ON REDUCTION.—In no event shall the lower rate determined under clause (i) be less than—

“(I) in the case of a taxpayer described in clause (i)(I), the rate of tax described in subsection (b)(1)(B) determined without regard to the rates of tax in effect under paragraphs (1) and (2) of section 1A(a), and

“(II) in the case of a taxpayer not described in clause (i)(I) and described in clause (i)(II), the rate of tax described in subsection (b)(1)(B) determined without regard to the rate of tax in effect under section 1A(a)(2).

“(iii) COORDINATION WITH REDUCED RATE FOR CAPITAL GAINS AND QUALIFIED DIVIDENDS.—In the case of any taxpayer to which clause (i) and subparagraph...
(A)(ii) applies, subclauses (I) and (II) of clause (ii) of this subparagraph shall each be applied by substituting ‘the lower rate which would be determined under subparagraph (A)(ii) if’ for ‘the rate of tax described in subsection (b)(1)(B)’.

(iii) by striking ‘subparagraph (A)” both places it appears in subparagraph (C) (as redesignated by clause (ii)) and inserting “subparagraphs (A) and (B)”.

(12) **Required payments for entities electing not to have required taxable year.**—Section 7519(b) is amended by inserting “and increased by the sum of the rates in effect under paragraphs (1) and (2) of section 1A(a)” before the period at the end.

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

“Sec. 1A. Surcharge on high income individuals.”.

(d) **Effective Date.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2021.
PART 3—MODIFICATIONS OF RULES RELATING TO RETIREMENT PLANS

Subpart A—Limitations on High-income Taxpayers With Large Retirement Account Balances

SEC. 128301. CONTRIBUTION LIMIT FOR INDIVIDUAL RETIREMENT PLANS OF HIGH-INCOME TAXPAYERS WITH LARGE ACCOUNT BALANCES.

(a) Contribution Limit.—

(1) In general.—Subpart A of part I of subchapter D of chapter 1 is amended by adding at the end the following:

“SEC. 409B. CONTRIBUTION LIMIT ON INDIVIDUAL RETIREMENT PLANS OF HIGH-INCOME TAXPAYERS WITH LARGE ACCOUNT BALANCES.

“(a) General Rule.—Notwithstanding any other provision of this title, in the case of an individual who is an applicable taxpayer for any taxable year, no annual additions for such taxable year shall be made by, or on behalf of, such individual to any individual retirement plan to the extent such annual additions exceed the excess (if any) of—

“(1) the applicable dollar amount for such taxable year, over

“(2) the aggregate vested balances to the credit of the individual (whether as a participant, owner, or beneficiary) in all applicable retirement plans (deter-
mined as of the close of the calendar year preceding
the calendar year in which such taxable year begins).

“(b) Definitions and Special Rules.—For pur-
poses of this section—

“(1) Annual addition.—

“(A) In general.—Except as provided in
this paragraph, the term ‘annual addition’
means any contribution to an individual retire-
ment plan.

“(B) Contributions to SEP and simple
plans.—In the case of any employer or em-
ployee contributions by, or on behalf of, an indi-
vidual to a simplified employee pension under
section 408(k) or a simple retirement account
under section 408(p)—

“(i) such contributions shall not be
treated as annual additions for purposes of
applying the limitation under subsection
(a), but

“(ii) the excess described in sub-
section (a) shall be reduced by the amount
of such contributions in applying such limi-
tation to other annual additions with re-
spect to such individual.
“(C) Rollover contributions disregarded.—A rollover contribution under section 402(c), 403(a)(4), 403(b)(8), 408(d)(3), or 457(e)(16) shall not be treated as an annual addition.

“(D) Accounts acquired by death or divorce or separation.—The acquisition of an individual retirement plan (or the transfer to or contribution of amounts to an individual retirement plan) by reason of—

“(i) the death of another individual, or

“(ii) divorce or separation (pursuant to section 408(d)(6)),

shall not be treated as an annual addition.

“(2) Applicable dollar amount.—The term ‘applicable dollar amount’ means $10,000,000.

“(3) Applicable retirement plan.—The term ‘applicable retirement plan’ means—

“(A) a defined contribution plan to which section 401(a) or 403(a) applies,

“(B) an annuity contract under section 403(b),

“(C) an eligible deferred compensation plan described in section 457(b) which is main-
tained by an eligible employer described in section 457(e)(1)(A), or

“(D) an individual retirement plan.

“(4) APPLICABLE TAXPAYER.—

“(A) IN GENERAL.—The term ‘applicable taxpayer’ means, with respect to any taxable year, a taxpayer whose modified adjusted gross income for such taxable year exceeds the amount determined under subparagraph (B).

“(B) DOLLAR LIMIT.—The amount determined under this subparagraph for any taxable year is—

“(i) $400,000 for an individual who is a taxpayer not described in clause (ii) or (iii),

“(ii) $425,000 in the case of an individual who is a head of household (as defined in section 2(b)), and

“(iii) $450,000 in the case of an individual who is a married individual filing a joint return or a surviving spouse (as defined in section 2(a)).

“(C) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this paragraph, the term ‘modified adjusted gross income’ means
adjusted gross income determined without regard to sections 911, 931, and 933, without regard to any deduction for annual additions to individual retirement plans to which subsection (a) applies, and without regard to any increase in minimum required distributions by reason of section 4974(e).

"(5) Adjustments for inflation.—

"(A) In general.—In the case of any taxable year beginning after 2029, the dollar amounts in paragraphs (2) and (4)(B) shall be increased by an amount equal to the product of—

"(i) such dollar amount, and

"(ii) the cost-of-living adjustment under section 1(f)(3) for the calendar year in which such taxable year begins, determined by substituting ‘calendar year 2028’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

"(B) Rounding.—If any amount as adjusted under subparagraph (A) is not—

"(i) in the case of the dollar amount under paragraph (2), a multiple of
$250,000, such amount shall be rounded to the next lowest multiple of $250,000.

“(ii) in the case of a dollar amount under paragraph (4)(B), a multiple of $1,000, such amount shall be rounded to the next lowest multiple of $1,000.

“(c) REGULATIONS.—The Secretary shall prescribe such regulations and guidance as are necessary or appropriate to carry out the purposes of this section, including regulations or guidance that provide for the application of this section and section 4974(e) in the case of plans with a valuation date other than the last day of a calendar year.”.

(2) CONFORMING AMENDMENTS.—

(A) The table of contents for subpart A of part I of subchapter D of chapter 1 is amended by adding after the item relating to section 409A the following new item:

“Sec. 409B. Contribution limit on individual retirement plans of high-income taxpayers with large account balances.”.

(B) Section 408(r) is amended by adding at the end the following new paragraph:

“(3) For additional limitations on contributions to individual retirement plans with large account balances, see sections 408A(e)(3) and 409B.”.

(b) EXCISE TAX ON EXCESS ANNUAL ADDITIONS.—
(1) IN GENERAL.—Section 4973 is amended by adding at the end the following new subsection:

“(i) SPECIAL RULE FOR INDIVIDUAL RETIREMENT PLANS WITH EXCESS ANNUAL ADDITIONS.—For purposes of this section, in the case of individual retirement plans, the term ‘excess contributions’, with respect to any taxable year, is increased by the sum of—

“(1) the excess of the annual additions (within the meaning of section 409B(b)(1)) to such plans over the limitation under section 409B(a) for such taxable year, reduced by the amount of any excess contributions determined under subsections (b) and (f), and

“(2) the lesser of—

“(A) the amount determined under this subsection for the preceding taxable year with respect to such plans, reduced by the aggregate distributions from such plans for the taxable year (including distributions required under section 4974(e)) to the extent not contributed in a rollover contribution to another eligible retirement plan in accordance with section 402(c), 403(a)(4), 403(b)(8), 408(d)(3), and 457(e)(16), or
“(B) the amount (if any) by which the amount determined under section 409B(a)(2) for the taxable year exceeds the applicable dollar amount under section 409B(b)(2) for the taxable year.”.

(2) CONFORMING AMENDMENTS.—Subsections (b) and (f) of section 4973 are each amended by inserting “, except as further provided in subsection (i)” after “For purposes of this section”.

(c) REPORTING REQUIREMENTS.—Section 6057(a) is amended by adding at the end the following:

“(3) ADDITIONAL INFORMATION REGARDING HIGH ACCOUNT BALANCES.—

“(A) IN GENERAL.—If, as of the close of any plan year, 1 or more participants or beneficiaries in an applicable retirement plan (as defined in section 409B(b)(3) without regard to subparagraph (D) thereof) have a vested account balance of at least $2,500,000, the plan administrator shall file a statement with the Secretary, within the period described in paragraph (1), which includes—

“(i) the name and identifying number of each such participant (without regard to
whether such participant has separated from employment) or beneficiaries,

“(ii) the amount of the vested account balance of each such participant or beneficiaries, and

“(iii) a separate accounting of such vested account balances in designated Roth accounts (within the meaning of section 402A) and all other vested account balances.

“(B) INCLUSION IN REGISTRATION STATEMENT.—If both subparagraph (A) and paragraph (1) apply to a plan, the plan administrator shall include the information required under subparagraph (A) in the registration statement under paragraph (1) rather than file a statement under subparagraph (A).

“(C) ADJUSTMENTS FOR INFLATION.—In the case of any plan year beginning after 2029, the $2,500,000 amount under subparagraph (A) shall be increased by an amount equal to the product of—

“(i) such dollar amount, and

“(ii) the cost-of-living adjustment under section 1(f)(3) for the calendar year
in which such taxable year begins, determined by substituting ‘calendar year 2028’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

If the amount as adjusted under the preceding sentence is not a multiple of $250,000, such amount shall be rounded to the next lowest multiple of $250,000.”.

(d) **Effective Dates.**—

(1) **In General.**—The amendments made by subsections (a) and (b) shall apply to taxable years beginning after December 31, 2028.

(2) **Plan Requirements.**—The amendments made by subsection (c) shall apply to plan years beginning after December 31, 2028.

**SEC. 128302. INCREASE IN MINIMUM REQUIRED DISTRIBUTIONS FOR HIGH-INCOME TAXPAYERS WITH LARGE RETIREMENT ACCOUNT BALANCES.**

(a) **In General.**—Section 4974 is amended by adding at the end the following:

“(e) **Increase in Minimum Required Distributions for High-Income Taxpayers With Large Aggregate Account Balances.**—
“(1) IN GENERAL.—If this subsection applies to a payee who is an applicable taxpayer (as defined in section 409B(b)(4)) for a taxable year—

“(A) all qualified retirement plans and eligible deferred compensation plans of the payee which are applicable retirement plans taken into account in computing the excess described in paragraph (3)(A) shall be treated as 1 plan solely for purposes of applying this section to the increase in minimum required distributions for such taxable year determined under subparagraph (B), and

“(B) the minimum required distributions under this section for all plans treated as 1 plan under subparagraph (A) with respect to such payee for such taxable year shall be increased by the excess (if any) of—

“(i) the sum of—

“(I) if paragraph (2) applies to such taxable year, the applicable Roth excess amount, plus

“(II) 50 percent of the excess determined under paragraph (3)(A), reduced by the applicable Roth excess amount, over
“(ii) the sum of the minimum required distributions (determined without regard to this subsection) for all such plans.

“(2) APPLICABLE ROTH EXCESS AMOUNT.—

“(A) APPLICATION.—For purposes of paragraph (1)(B)(i), this paragraph applies to a taxable year of a payee if the aggregate vested balances to the credit of the payee (whether as a participant, owner, or beneficiary) in all applicable retirement plans (determined as of the close of the calendar year preceding the calendar year in which the taxable year begins) exceed 200 percent of the applicable dollar amount for the calendar year in which the taxable year begins.

“(B) APPLICABLE ROTH EXCESS AMOUNT.—The applicable Roth excess amount for any taxable year to which this paragraph applies is an amount equal to the lesser of—

“(i) the excess determined under subparagraph (A), or

“(ii) the aggregate balances to the credit of the payee (whether as a participant, owner, or beneficiary) in all Roth
IRAs and designated Roth accounts (within the meaning of section 402A) as of the time described in subparagraph (A).

“(3) APPLICATION.—This subsection shall apply to a payee for a taxable year—

“(A) if the aggregate vested balances to the credit of the payee (whether as a participant, owner, or beneficiary) in all applicable retirement plans (determined as of the close of the calendar year preceding the calendar year in which the taxable year begins) exceed the applicable dollar amount for the calendar year in which the taxable year begins, and

“(B) without regard to whether amounts with respect to the payee are otherwise required to be distributed under section 401(a)(9), 403(b)(10), 408(a)(6), 408(b)(3), or 457(d)(2).

“(4) COORDINATION AND ALLOCATION.—

“(A) MINIMUM DISTRIBUTION REQUIREMENTS.—If this subsection applies to a payee for any taxable year—

“(i) this section shall apply first to minimum required distributions determined without regard to this subsection and then to any increase in minimum re-
required distributions by reason of this subsection, and

“(ii) nothing in this subsection shall be construed to affect the amount of any minimum required distribution determined without regard to this subsection or the plan or plans from which it is required to be distributed.

“(B) ALLOCATION OF INCREASE IN MINIMUM REQUIRED DISTRIBUTIONS.—

“(i) IN GENERAL.—Except as provided in clauses (ii) and (iii), the taxpayer may, in such form and manner as the Secretary may prescribe, allocate any increase in minimum required distributions by reason of this subsection to applicable retirement plans treated as 1 plan under subparagraph (A) in such manner as the taxpayer chooses.

“(ii) ALLOCATION TO ROTH IRAS AND ACCOUNTS.—In the case of a taxable year to which paragraph (2) applies, the portion of any increase in minimum required distributions by reason of this subsection equal to the applicable Roth excess amount
shall be allocated first to Roth IRAs and then to designated Roth accounts (within the meaning of section 402A) of the payee.

“(iii) Special rules for employee stock ownership plans.—

“(I) In general.—In the case of a payee to which this subsection applies for any taxable year who has account balances in 1 or more employee stock ownership plans (as defined in section 4975(e)(7)) any portion of which is invested in employer securities which are not readily tradable on an established securities market, the increase in minimum required distributions by reason of this subsection shall not be allocated to any such portion.

“(II) Exception for amounts attributable to rollover.—Subclause (I) shall not apply to so much of any account balance as is attributable to a rollover contribution after the date of the enactment of this subsection to the account in accordance
with section 402(e), 403(a)(4),
403(b)(8), 408(d)(3), or 457(e)(16).

“(5) Distributions not eligible for rollovers.—For purposes of determining whether a distribution is an eligible rollover distribution, any distribution from an applicable retirement plan which is attributable to any increase in minimum required distributions by reason of this subsection shall be treated as a distribution required under section 401(a)(9), 403(b)(10), 408(a)(6), 408(b)(3), or 457(d)(2), whichever is applicable.

“(6) Roth distributions treated as qualified distributions.—In the case of any distribution from a Roth IRA, or designated Roth account (within the meaning of section 402A), of the payee by reason of the allocation of an increase in minimum required distributions under this subsection, such distribution shall be treated as a qualified distribution under section 408A(d)(2) or 402A(d)(2), as the case may be.

“(7) Definitions.—For purposes of this subsection, any term used in this subsection which is also used in section 409B shall have the same meaning as when such term is used in such section.”.

(b) Special Rules.—
(1) Distribution rights.—

(A) Qualified trusts.—

(i) In general.—Section 401(a) is amended by inserting after paragraph (38) the following new paragraph:

“(39) Immediate distribution right.—A trust forming part of a defined contribution plan shall not constitute a qualified trust under this section unless an employee who certifies to the plan that the employee is a taxpayer who is subject to the distribution requirements of section 4974(e) may elect to receive a distribution from the employee’s account balance under the plan in such amount as the employee may elect, including any amounts attributable to a qualified cash or deferred arrangement (as defined in subsection (k)(2)). The preceding sentence shall not apply in the case of any portion of an account balance to which section 4974(e)(4)(B)(iii)(I) applies.”.

(ii) Application to employee’s annuities.—Section 404(a)(2) is amended by striking “and (37)” and inserting “(37), and (39)”.

(B) Annuity contracts.—
(i) **CUSTODIAL ACCOUNTS.**—Section 403(b)(7)(A) is amended by adding at the end the following new flush sentence:

“Notwithstanding clause (i), the custodial account shall permit an employee who certifies that the employee is a taxpayer who is subject to the distribution requirements of section 4974(e) to elect to receive a distribution from the employee’s custodial account in such amount as the employee may elect.”.

(ii) **ANNUITY CONTRACTS.**—Section 403(b)(11) is amended by adding at the end the following new sentence: “Notwithstanding subparagraphs (A), (B), (C), and (D), the annuity contract shall permit an employee who certifies that the employee is a taxpayer who is subject to the distribution requirements of section 4974(e) to elect to receive a distribution of contributions made pursuant to a salary reduction agreement (within the meaning of section 402(g)(3)) from the employee’s annuity contract in such amount as the employee may elect.”
(C) Governmental plans.—Section 457(d)(1) is amended by adding at the end the following new flush sentence:

“Notwithstanding subparagraph (A), an eligible deferred compensation plan of an employer described in subsection (e)(1)(A) shall permit a participant or beneficiary who certifies that the participant or beneficiary is a taxpayer who is subject to the distribution requirements of section 4974(e) to elect to receive a distribution from the plan in such amount as the participant or beneficiary may elect.”.

(2) Exception from 10 percent additional tax on early distributions.—Section 72(t)(2) is amended by adding at the end the following new subparagraph:

“(I) Distributions of excess balances.—Distributions from an applicable retirement plan (within the meaning of section 409B)) to the extent such distributions for the taxable year do not exceed the amount required to be distributed from such plan under section 4974(e).”.

(3) Withholding.—Section 3405(b) is amended by adding at the end the following new paragraph:
“(3) Additional withholding for required distributions from high balance retirement accounts.—

“(A) In general.—For purposes of this section, a distribution pursuant to section 401(a)(39), the last sentence of section 403(b)(7)(A), the last sentence of section 403(b)(11), and the last sentence of section 457(d)(1) shall be treated as a nonperiodic distribution, except that in applying this subsection to such distribution—

“(i) paragraph (1) shall be applied by substituting ‘35 percent’ for ‘10 percent’,

and

“(ii) no election may be made under paragraph (2) with respect to such distribution.

“(B) Exception.—Subparagraph (A) shall not apply to any qualified distribution from a designated Roth account (within the meaning of section 402A).”.

(c) Effective Dates.—

(1) In general.—The amendments made by subsection (a) shall apply to taxable years beginning after December 31, 2028.
(2) PLAN REQUIREMENTS.—The amendments made by subsection (b) shall apply to plan years beginning after December 31, 2028.

Subpart B—Other Provisions Relating to Individual Retirement Plans

SEC. 128311. TAX TREATMENT OF ROLLOVERS TO ROTH IRAS AND ACCOUNTS.

(a) Rollovers and Conversions Limited to Taxable Amounts.—

(1) Roth IRAs.—

(A) In general.—Paragraph (1) of section 408A(e) is amended by adding at the end the following new sentence: “A qualified rollover contribution shall not include any rollover contribution from any eligible retirement plan described in subparagraph (B) (other than from a designated Roth account (within the meaning of section 402A)) if any portion of the distribution from which such contribution is made would (without regard to such contribution) be treated as not includible in gross income.”

(B) Conversions.—Subparagraph (C) of section 408A(d)(3) is amended by adding at the end the following new sentence: “This subparagraph shall not apply if any portion of the plan
being converted would be treated as not includ-
ible in gross income if distributed at the time
of the conversion.”

(2) DESIGNATED ROTH ACCOUNTS.—Section
402A(c)(4)(B) is amended by inserting “, deter-
mined after the application of the last sentence of
paragraph (1) thereof” after “section 408A(e)”.

(3) EFFECTIVE DATE.—The amendments made
by this subsection shall apply to distributions, trans-
fers, and contributions made after December 31,
2021.

(b) NO ROLLOVERS OR CONVERSIONS FOR HIGH-IN-
COME TAXPAYERS.—

(1) ROTH IRAS.—

(A) QUALIFIED ROLLOver CONTRIBUTION.—Section 408A(e), as amended by sub-
section (a), is amended by adding at the end
the following:

“(3) HIGH-INCOME TAXPAYERS MAY ONLY
ROLLOVER FROM ROTH IRAS AND ACCOUNTS.—If—

“(A) a taxpayer is an applicable taxpayer
(as defined in section 409B(b)(4)) for the tax-
able year in which a distribution is made, and

“(B) such distribution is contributed to a
Roth IRA in a rollover contribution,
such contribution shall be treated as a qualified roll-over contribution under paragraph (1) only if it is made from another Roth IRA or from a designated Roth account (within the meaning of section 402A).”.

(B) Elimination of Conversions.— Paragraph (3) of section 408A(d), as amended by subsection (a), is amended by adding at the end the following:

“(G) Paragraph not to apply to high-income taxpayers.—If a taxpayer is an applicable taxpayer (as defined in section 409B(b)(4)) for any taxable year, this paragraph shall not apply to any distribution to which this paragraph otherwise applies (or to any conversion described in subparagraph (C)) which is made during such taxable year.”.

(2) Designated Roth Accounts.—Paragraph (4) of section 402A(c) is amended by adding at the end the following:

“(F) Paragraph not to apply to high-income taxpayers.—If a taxpayer is an applicable taxpayer (as defined in section 409B(b)(4)) for any taxable year, this paragraph shall not apply to any distribution to
which this paragraph otherwise applies and which is made during such taxable year.”.

(3) Conforming Amendment.—Section 409B(b)(4)(C), as added by this Act, is amended—

(A) by striking “and without regard to” and inserting “without regard to”, and

(B) by inserting before the period at the end the following: “, and without regard to the inclusion in gross income of any converted or contributed amount described in section 408A(e)(3), 408A(d)(3)(G), or 402A(c)(4)(F).”.

(4) Effective Date.—The amendments made by this subsection shall apply to distributions, transfers, and contributions made in taxable years beginning after December 31, 2031.

SEC. 128312. STATUTE OF LIMITATIONS WITH RESPECT TO IRA NONCOMPLIANCE.

(a) In General.—Subsection (c) of section 6501 is amended by adding at the end the following new paragraph:

“(13) Noncompliance relating to an individual retirement plan.—

“(A) Misreporting.—In the case of any substantial error (willful or otherwise) in the re-
porting on a return of any information relating to the valuation of investment assets with respect to an individual retirement plan, the time for assessment of any tax imposed by this title with respect to such plan shall not expire before the date which is 6 years after the return containing such error was filed (whether or not such return was filed on or after the date prescribed).

“(B) PROHIBITED TRANSACTIONS.—The time for assessment of any tax imposed by section 4975 shall not expire before the date which is 6 years after the return was filed (whether or not such return was filed on or after the date prescribed).”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxes with respect to which the 3-year period under section 6501(a) of the Internal Revenue Code of 1986 (without regard to the amendment made by this section) ends after December 31, 2021.

SEC. 128313. IRA OWNERS TREATED AS DISQUALIFIED PERSONS FOR PURPOSES OF PROHIBITED TRANSACTION RULES.

(a) IN GENERAL.—Paragraph (2) of section 4975(e) is amended—
(1) by striking “or” at the end of subparagraph (H),
(2) by striking the period at the end of subparagraph (I) and inserting “; or”,
(3) by inserting after subparagraph (I) the following new subparagraph:

“(J) the individual for whose benefit a plan described in subparagraph (B) or (C) of paragraph (1) is maintained.”,
(4) by striking “or (E)” both places it appears in subparagraphs (F) and (G) and inserting“(E), or (J) (in the case of a plan described in subparagraph (B) or (C) of paragraph (1))”,
(5) by striking “or (G)” in subparagraph (I) and inserting“(G), or (J) (in the case of a plan described in subparagraph (B) or (C) of paragraph (1))”, and
(6) by adding at the end the following: “For purposes of subparagraphs (G) and (I), any asset or interest held by a plan described in subparagraph (B) or (C) of paragraph (1) shall be treated as owned by the individual described in subparagraph (J) with respect to such plan.”.

(b) CONFORMING AMENDMENT.—Subparagraph (A) of section 408(e)(2) is amended to read as follows:
“(A) Employee engaging in prohibited transaction.—If, during any taxable year of the individual for whose benefit any individual retirement account is maintained, that individual engages in any transaction prohibited by section 4975 with respect to such account, such account ceases to be an individual retirement account as of the first day of such taxable year. For purposes of this paragraph, the separate account for the benefit of any individual within an individual retirement account maintained by an employer or association of employees is treated as a separate individual retirement account.”.

(c) Effective date.—The amendments made by this section shall apply to transactions occurring after December 31, 2021.

PART 4—FUNDING THE INTERNAL REVENUE SERVICE AND IMPROVING TAXPAYER COMPLIANCE

SEC. 128401. ENHANCEMENT OF INTERNAL REVENUE SERVICE RESOURCES.

(a) Appropriations.—

(1) In general.—The following sums are appropriated, out of any money in the Treasury not
otherwise appropriated, for the fiscal year ending September 30, 2022:

(A) INTERNAL REVENUE SERVICE.—

(i) IN GENERAL.—

(I) TAXPAYER SERVICES.—For necessary expenses of the Internal Revenue Service to provide taxpayer services, including pre-filing assistance and education, filing and account services, taxpayer advocacy services, and other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner, $3,181,500,000, to remain available until September 30, 2031: Provided, That these amounts shall be in addition to amounts otherwise available for such purposes.

(II) ENFORCEMENT.—For necessary expenses for tax enforcement activities of the Internal Revenue Service to determine and collect owed taxes, to provide legal and litigation support, to conduct criminal investiga-
nology), to provide digital asset monitoring and compliance activities, to enforce criminal statutes related to violations of internal revenue laws and other financial crimes, to purchase and hire passenger motor vehicles (31 U.S.C. 1343(b)), and to provide other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner, $45,637,400,000, to remain available until September 30, 2031: Provided, That these amounts shall be in addition to amounts otherwise available for such purposes.

(III) OPERATIONS SUPPORT.—
For necessary expenses of the Internal Revenue Service to support taxpayer services and enforcement programs, including rent payments; facilities services; printing; postage; physical security; headquarters and other IRS-wide administration activities; research and statistics of income; telecommunications; information tech-
nology development, enhancement, operations, maintenance, and security; the hire of passenger motor vehicles (31 U.S.C. 1343(b)); the operations of the Internal Revenue Service Oversight Board; and other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner, $25,326,400,000, to remain available until September 30, 2031: Provided, That these amounts shall be in addition to amounts otherwise available for such purposes.

(IV) BUSINESS SYSTEMS MODERNIZATION.—For necessary expenses of the Internal Revenue Service’s business systems modernization program, including development of callback technology and other technology to provide a more personalized customer service but not including the operation and maintenance of legacy systems, $4,750,700,000, to remain available until September 30, 2031: Provided, That these amounts shall be
in addition to amounts otherwise available for such purposes.

(ii) Task force to design an IRS-run free “Direct Efile” tax return system.—For necessary expenses of the Internal Revenue Service to deliver to Congress, within nine months following the date of the enactment of this Act, a report on (I) the cost (including options for differential coverage based on taxpayer adjusted gross income and return complexity) of developing and running a free direct efile tax return system, including costs to build and administer each release, with a focus on multi-lingual and mobile-friendly features and safeguards for taxpayer data; (II) taxpayer opinions, expectations, and level of trust, based on surveys, for such a free direct efile system; and (III) the opinions of an independent third-party on the overall feasibility, approach, schedule, cost, organizational design, and Internal Revenue Service capacity to deliver such a direct efile tax return system, $15,000,000, to remain available until September 30,
2022: Provided, That these amounts shall be in addition to amounts otherwise available for such purposes.

(B) Treasury Inspector General for Tax Administration.—For necessary expenses of the Treasury Inspector General for Tax Administration in carrying out the Inspector General Act of 1978, as amended, including purchase and hire of passenger motor vehicles (31 U.S.C. 1343(b)); and services authorized by 5 U.S.C. 3109, at such rates as may be determined by the Inspector General for Tax Administration, $403,000,000, to remain available until September 30, 2031: Provided, That these amounts shall be in addition to amounts otherwise available for such purposes.

(C) Office of Tax Policy.—For necessary expenses of the Office of Tax Policy of the Department of the Treasury to carry out functions related to promulgating regulations under the Internal Revenue Code of 1986, $104,533,803, to remain available until September 30, 2031: Provided, That these amounts shall be in addition to amounts otherwise available for such purposes.
(D) UNITED STATES TAX COURT.—For necessary expenses of the United States Tax Court, including contract reporting and other services as authorized by 5 U.S.C. 3109; $153,000,000, to remain available until September 30, 2031: Provided, That these amounts shall be in addition to amounts otherwise available for such purposes.

(E) TREASURY DEPARTMENTAL OFFICES.—For necessary expenses of the Departmental Offices of the Department of the Treasury to provide for oversight and implementation support for actions by the Internal Revenue Service to implement this Act and the amendments made by this Act, $50,000,000, to remain available until September 30, 2031: Provided, That these amounts shall be in addition to amounts otherwise available for such purposes.

(2) MULTI-YEAR OPERATIONAL PLAN.—

(A) IN GENERAL.—Not later than 6 months after the date of the enactment of this Act, the Commissioner of Internal Revenue shall submit to Congress a plan detailing how the funds appropriated under paragraph
(1)(A)(i) will be spent over the ten-year period ending with fiscal year 2031.

(B) QUARTERLY UPDATES.—

(i) IN GENERAL.—Not later than the last day of each calendar quarter beginning during the applicable period, the Commissioner of Internal Revenue shall submit to Congress a report on the plan established under subparagraph (A), including—

(I) any updates to the plan;

(II) progress made in implementing the plan; and

(III) any changes in circumstances or challenges in implementing the plan.

(ii) APPLICABLE PERIOD.—For purposes of clause (i), the applicable period is the period beginning 1 year after the date the report under subparagraph (A) is due and ending on September 30, 2031.

(C) REDUCTION IN APPROPRIATION.—

(i) IN GENERAL.—In the case of any failure to submit a plan required under subparagraph (A) or a report required under subparagraph (B) by the required
date, the amounts made available under paragraph (1)(A)(i) shall be reduced by $100,000 for each day after such required date that report has not been submitted to Congress.

(ii) REQUIRED DATE.—For purposes of clause (i), the required date is the date that is 60 days after the date the plan or report is required to be submitted under subparagraph (A) or (B), as the case may be.

(3) NO TAX INCREASES ON CERTAIN TAXPAYERS.—Nothing in this subsection is intended to increase taxes on any taxpayer with a taxable income below $400,000.

(b) PERSONNEL FLEXIBILITIES.—The Secretary of the Treasury (or the Secretary’s delegate) may use the funds made available under subsection (a)(1)(A), subject to such policies as the Secretary (or the Secretary’s delegate) may establish, to take such personnel actions as the Secretary (or the Secretary’s delegate) determines necessary to administer the Internal Revenue Code of 1986, including—

(1) utilizing direct hire authority to recruit and appoint qualified applicants, without regard to any
notice or preference requirements, directly to positions in the competitive service;

(2) in addition to the authority under section 7812(1) of the Internal Revenue Code of 1986, appointing not more than 200 individuals to positions in the Internal Revenue Service under streamlined critical pay authority, except that—

(A) the authority to offer streamlined critical pay under this paragraph shall expire on September 30, 2031; and

(B) the positions for which streamlined critical pay is authorized under this paragraph may include positions critical to the purposes described in subclauses (I), (II), and (III) of subsection (a)(1)(A)(i); and

(3) appointing not more than 300 individuals to positions in the Internal Revenue Service for which—

(A) the rate of basic pay may be established by the Secretary of the Treasury (or the Secretary’s delegate) at a rate that does not exceed the salary set in accordance with section 104 of title 3, United States Code; and

(B) the total annual compensation paid to an employee in such a position, including allow-
ances, differentials, bonuses, awards, and similar cash payments, may not exceed the maximum amount of total annual compensation payable at the salary set in accordance with section 104 of title 3, United States Code.

SEC. 128402. APPLICATION OF BACKUP WITHHOLDING WITH RESPECT TO THIRD PARTY NETWORK TRANSACTIONS.

(a) In General.—Section 3406(b) is amended by adding at the end the following new paragraph:

“(8) Other reportable payments include payments in settlement of third party network transactions only where aggregate for calendar year is $600 or more.—Any payment in settlement of a third party network transaction required to be shown on a return required under section 6050W which is made during any calendar year shall be treated as a reportable payment only if—

“(A) the aggregate amount of such payment and all previous such payments made by the third party settlement organization to the participating payee during such calendar year equals or exceeds $600, or

“(B) the third party settlement organization was required under section 6050W to file
a return for the preceding calendar year with respect to payments to the participating payee.”.

(b) Conforming Amendment.—Section 6050W(e) is amended by inserting “equal or” before “exceed $600”.

c) Effective Date.—The amendments made by this section shall apply to calendar years beginning after December 31, 2021.

d) Transitional Rule for 2022.—In the case of payments made during calendar year 2022, section 3406(b)(8)(A) of the Internal Revenue Code of 1986 (as added by this section) shall be applied by inserting “and the aggregate number of third party network transactions settled by the third party settlement organization with respect to the participating payee during such calendar year exceeds 200” before the comma at the end.

SEC. 128403. MODIFICATION OF PROCEDURAL REQUIREMENTS RELATING TO ASSESSMENT OF PENALTIES.

(a) Repeal of Approval Requirement.—Section 6751 is amended by striking subsection (b).

(b) Quarterly Certifications of Compliance with Procedural Requirements.—Section 6751, as amended by subsection (a) of this section, is amended by inserting after subsection (a) the following new subsection:
“(b) Quarterly Certifications of Compliance.—Each appropriate supervisor of employees of the Internal Revenue Service shall certify quarterly by letter to the Commissioner of Internal Revenue whether or not the requirements of subsection (a) and administrative policies intended to ensure voluntary compliance have been met with respect to notices of penalty issued by such employees. The quarterly certification required under this section shall not affect liability for any penalty under this title.”.

(c) Effective Dates.—

(1) Repeal of Approval Requirement.—The amendment made by subsection (a) shall take effect as if included in section 3306 of the Internal Revenue Service Restructuring and Reform Act of 1998.

(2) Quarterly Certifications of Compliance with Procedural Requirements.—The amendment made by subsection (b) shall apply to notices of penalty issued after the date of the enactment of this Act.
PART 5—OTHER PROVISIONS

SEC. 128501. MODIFICATIONS TO LIMITATION ON DEDUCTION OF EXCESSIVE EMPLOYEE REMUNERATION.

(a) IN GENERAL.—Section 162(m) is amended by adding at the end the following new paragraph:

“(7) SPECIAL RULES RELATED TO LIMITATION ON DEDUCTION OF EXCESSIVE EMPLOYEE REMUNERATION.—

“(A) AGGREGATION RULE.—A rule similar to the rule of paragraph (6)(C)(ii) shall apply for purposes of paragraph (1).

“(B) REGULATIONS.—The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out the purposes of paragraph (1), including regulations or other guidance to prevent the avoidance of such purposes, including through the performance of services other than as an employee or by providing compensation through a pass-through or other entity.”.

(b) APPLICABLE EMPLOYEE REMUNERATION.—Section 162(m)(4)(A) is amended—

(1) by inserting “(including performance-based compensation, commissions, post-termination com-
pensation, and beneficiary payments)” after “remun-
neration for services”, and

(2) by inserting “and whether or not such re-
muneration is paid directly by the publicly held cor-
poration” after “whether or not during the taxable
year”.

(c) Effective Date.—The amendments made by
this section shall apply to taxable years beginning after
December 31, 2021.

SEC. 128502. EXTENSION OF TAX TO FUND BLACK LUNG
DISABILITY TRUST FUND.

(a) In General.—Section 4121(e)(2)(A) is amended
by striking “December 31, 2021” and inserting “Decem-
ber 31, 2025”.

(b) Effective Date.—The amendment made by
this section shall apply to sales after December 31, 2021.

SEC. 128503. PROHIBITED TRANSACTIONS RELATING TO
HOLDING DISC OR FSC IN INDIVIDUAL RE-
TIREMENT ACCOUNT.

(a) In General.—Section 4975(c)(1) is amended by
striking “or” at the end of subparagraph (E), by striking
the period at the end of subparagraph (F) and inserting
“; or”, and by adding at the end the following new sub-
paragraph:
“(G) investment, at the direction of a disqualified person, by an individual retirement account in an interest in a DISC or FSC that receives any commission, or other payment, from an entity any stock or interest in which is owned by the individual for whose benefit the account is maintained.”.

(b) **Special Rules of Application.**—Section 4975(c) is amended by adding at the end the following new paragraph:

“**(8) Special Rules of Application for DISC and FSC Investments.**—

**(A) Indirect Holding of DISC or FSC.**—For purposes of paragraph (1)(G), investment by an individual retirement account in an interest in an entity that owns (directly or indirectly) an interest in a DISC or FSC shall be treated as investment by such account in an interest in such DISC or FSC.

**(B) Constructive Ownership.**—For purposes of determining ownership of stock (or any other interest) in an entity under paragraph (1)(G) and ownership of an interest in a DISC or FSC under subparagraph (A), the rules prescribed by section 318 for determining
ownership shall apply, except that such section shall be applied by substituting ‘10 percent’ for ‘50 percent’ each place it appears.

“(C) DISC AND FSC.—For purposes of this subsection, the terms ‘DISC’ and ‘FSC’ shall have the respective meanings given such terms by section 992(a)(1)) and section 922(a) (as in effect before its repeal by the FSC Repeal and Extraterritorial Income Exclusion Act of 2000).”.

(e) APPLICATION OF TAX TO TERMINATED INDIVIDUAL RETIREMENT ACCOUNTS.—Section 4975(e)(3) is amended by adding at the end the following: “The preceding sentence shall not apply in the case of a prohibited transaction described in paragraph (1)(G).”.

(d) RELATED RULES FOR INDIVIDUAL RETIREMENT ACCOUNTS.—

(1) IN GENERAL.—Section 408(a) is amended by inserting after paragraph (6) the following new paragraph:

“(7) No part of the trust funds will be invested in any interest in a DISC or a FSC that receives any commission, or other payment, from an entity any stock or interest in which is owned by the individual for whose benefit the trust is maintained. For
purposes of the preceding sentence, the definitions and rules of section 4975(e)(8) shall apply.”.

(e) Loss of Exemption of Account.—Section 408(e)(2), as amended by the preceding provisions of this Act, is amended—

(1) by redesignating subparagraph (B) as subparagraph (C),

(2) by inserting after subparagraph (A) the following new subparagraph:

“(B) Prohibited Investment.—If, during any taxable year of the individual for whose benefit any individual retirement account is maintained, the investment of any part of the funds of such individual retirement account does not comply with subsection (a)(7), such account ceases to be an individual retirement account as of the first day of such taxable year. For purposes of this subparagraph, the separate account for the benefit of any individual within an individual retirement account maintained by an employer or association of employees is treated as a separate individual retirement account.”,

(3) by striking “WHERE EMPLOYEE ENGAGES IN PROHIBITED TRANSACTION” in the heading and
inserting “IN CASE OF CERTAIN PROHIBITED TRAN-
SCTIONS AND INVESTMENTS”,

(4) by striking “(A)” in subparagraph (C), as
so redesignated, and inserting “(A) or (B)”.

(f) CONFORMING AMENDMENTS.—

(1) Section 408(c)(1) is amended by striking
“(1) through (6)” and inserting “(1) through (7)”.

(2) Section 4975(c)(3) is amended—

(A) striking “established” and inserting
“maintained”,

(B) by striking “transaction” both places
it appears and inserting “transaction or invest-
ment”, and

(C) by striking “section 408(e)(2)(A)” and
inserting “subparagraph (A) or (B) of section
408(e)(2)”.

(g) EFFECTIVE DATE.—The amendments made by
this section shall apply to stock and other interests ac-
quired or held on or after December 31, 2021.

SEC. 128504. CLARIFICATION OF TREATMENT OF DISC
GAINS AND DISTRIBUTIONS OF CERTAIN
FOREIGN SHAREHOLDERS.

(a) IN GENERAL.—Section 996(g) is amended by
striking “of such shareholder” and inserting “deemed to
be had by such shareholder”. 
(b) **Effective Date.**—The amendments made by subsection (a) shall apply to gains and distributions after December 31, 2021.

c) **Application to Foreign Sales Corporations.**—In the case of any distribution after December 31, 2021, section 926(b)(1) of the Internal Revenue Code of 1986 (prior to its repeal by the FSC Repeal and Extraterritorial Income Exclusion Act of 2000) shall be applied by substituting “deemed to be had by such shareholder” for “of such shareholder”.

d) **No Inference.**—This section (and the amendments made by this section) shall not be construed to create any inference with respect to the proper application of any provision of the Internal Revenue Code of 1986 with respect to gains and distributions before January 1, 2022.

**SEC. 128505. Treatment of Certain Qualified Sound Recording Productions.**

(a) **Election to Treat Costs as Expenses.**—Section 181(a)(1) is amended by striking “qualified film or television production, and any qualified live theatrical production,” and inserting “qualified film or television production, any qualified live theatrical production, and any qualified sound recording production”.


(b) Dollar Limitation.—Section 181(a)(2) is amended by adding at the end the following new subparagraph:

“(C) Qualified sound recording production.—Paragraph (1) shall not apply to so much of the aggregate cost of any qualified sound recording production, or to so much of the aggregate, cumulative cost of all such qualified sound recording productions in the taxable year, as exceeds $150,000.”.

(c) No Other Deduction or Amortization Deduction Allowable.—Section 181(b) is amended by striking “qualified film or television production or any qualified live theatrical production” and inserting “qualified film or television production, any qualified live theatrical production, or any qualified sound recording production”.

(d) Election.—Section 181(e)(1) is amended by striking “qualified film or television production or any qualified live theatrical production” and inserting “qualified film or television production, any qualified live theatrical production, or any qualified sound recording production”.

(e) Qualified Sound Recording Production Defined.—Section 181 is amended by redesignating sub-
sections (f) and (g) as subsections (g) and (h), respectively, and by inserting after subsection (e) the following new subsection:

“(f) **QUALIFIED SOUND RECORDING PRODUCTION.**—For purposes of this section, the term ‘qualified sound recording production’ means a sound recording (as defined in section 101 of title 17, United States Code) produced and recorded in the United States.”.

(f) **TERMINATION.**—Section 181(h) (as redesignated by subsection (e)) is amended by striking “or qualified live theatrical productions” and inserting “, qualified live theatrical productions, or qualified sound recording productions”.

(g) **BONUS DEPRECIATION.**—

(1) **QUALIFIED SOUND RECORDING PRODUCTION AS QUALIFIED PROPERTY.**—Section 168(k)(2)(A)(i) is amended—

(A) by striking “or” at the end of subclause (IV), by adding “or” at the end of subclause (V), and by inserting after subclause (V) the following:

“(VI) which is a qualified sound recording production (as defined in subsection (f) of section 181) for which a deduction would have been al-
lowable under section 181 without regard to subsections (a)(2) and (h) of such section or this subsection,”, and

(B) in subclauses (IV) and (V) (as amended) by striking “without regard to subsections (a)(2) and (g)” both places it appears and inserting “without regard to subsections (a)(2) and (h)”.

(2) PRODUCTION PLACED IN SERVICE.—Section 168(k)(2)(H) is amended by striking “and” at the end of clause (i), by striking the period at the end of clause (ii) and inserting “, and”, and by adding after clause (ii) the following:

“(iii) a qualified sound recording production shall be considered to be placed in service at the time of initial release or broadcast.”.

(h) CONFORMING AMENDMENTS.—

(1) The heading for section 181 is amended to read as follows: “TREATMENT OF CERTAIN QUALIFIED PRODUCTIONS.”.

(2) The table of sections for part VI of subchapter B of chapter 1 is amended by striking the item relating to section 181 and inserting the following new item:

“Sec. 181. Treatment of certain qualified productions.”.
(i) Effective Date.—The amendments made by this section shall apply to productions commencing in taxable years ending after the date of the enactment of this Act.

SEC. 128506. PAYMENT TO CERTAIN INDIVIDUALS WHO DYE FUEL.

(a) In General.—Subchapter B of chapter 65 is amended by adding at the end the following new subsection:

“SEC. 6433. DYED FUEL.

“(a) In General.—If a person establishes to the satisfaction of the Secretary that such person meets the requirements of subsection (b) with respect to diesel fuel or kerosene, then the Secretary shall pay to such person an amount (without interest) equal to the tax described in subsection (b)(2)(A) with respect to such diesel fuel or kerosene.

“(b) Requirements.—

“(1) In General.—A person meets the requirements of this subsection with respect to diesel fuel or kerosene if such person removes from a terminal eligible indelibly dyed diesel fuel or kerosene.

“(2) Eligible Indelibly Dyed Diesel Fuel or Kerosene Defined.—The term ‘eligible indelibly dyed diesel fuel or kerosene’ means—

1. [Further details or specific definitions would follow here, if present in the text.]
bly dyed diesel fuel or kerosene’ means diesel fuel or kerosene—

“(A) with respect to which a tax under section 4081 was previously paid (and not credited or refunded), and

“(B) which is exempt from taxation under section 4082(a).

“(c) CROSS REFERENCE.—For civil penalty for excessive claims under this section, see section 6675.”.

(b) CONFORMING AMENDMENTS.—

(1) Section 6206 is amended—

(A) by striking “or 6427” each place it appears and inserting “6427, or 6433”, and

(B) by striking “6420 and 6421” and inserting “6420, 6421, and 6433”.

(2) Section 6430 is amended—

(A) by striking “or” at the end of paragraph (2), by striking the period at the end of paragraph (3) and inserting “or”, and by adding at the end the following new paragraph:

“(4) which are removed as eligible indelibly dyed diesel fuel or kerosene under section 6433.”.

(3) Section 6675 is amended—

(A) in subsection (a), by striking “or 6427 (relating to fuels not used for taxable pur-
poses)” and inserting “6427 (relating to fuels not used for taxable purposes), or 6433 (relating to eligible indelibly dyed fuel)”’, and

(B) in subsection (b)(1), by striking “6421, or 6427,” and inserting “6421, 6427, or 6433”.

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

“Sec. 6433. Dyed fuel.”

(c) Effective Date.—The amendments made by this section shall apply to eligible indelibly dyed diesel fuel or kerosene removed on or after the date that is 180 days after the date of the enactment of this section.

SEC. 128507. TREATMENT OF FINANCIAL GUARANTY INSURANCE COMPANIES AS QUALIFYING INSURANCE CORPORATIONS UNDER PASSIVE FOREIGN INVESTMENT COMPANY RULES.

(a) In General.—Section 1297(f)(3) is amended by adding at the end the following new subparagraph:

“(C) Special rules for financial guaranty insurance companies.—

“(i) In general.—Notwithstanding subparagraphs (A)(ii) and (B), the applicable insurance liabilities of a financial guar-
any insurance company shall include its unearned premium reserves if—

“(I) such company is prohibited under generally accepted accounting principles from reporting on its applicable financial statements reserves for losses and loss adjustment expenses with respect to a financial guaranty insurance or reinsurance contract except to the extent that losses and loss adjustment expenses are expected to exceed the unearned premium reserves on the contract,

“(II) the applicable financial statement of such company reports financial guaranty exposure of at least 15-to-1 or State or local bond exposure of at least 9-to-1 (8-to-1 in the case of a taxable year of such company which ends on or before December 31, 2018), and

“(III) such company includes in its insurance liabilities only its unearned premium reserves relating to insurance written or assumed that is
within the single risk limits set forth
in subsection (D) of section 4 of the
Financial Guaranty Insurance Guide-
line (modified by using total share-
holder’s equity as reported on the ap-
plicable financial statement of the
company rather than aggregate of the
surplus to policyholders and contin-
gency reserves).

“(ii) APPLICATION OF ALTERNATIVE
FACTS AND CIRCUMSTANCES TEST.—A fi-
nancial guaranty insurance company shall
be treated as satisfying the requirements
of paragraph (2)(B)(ii).

“(iii) FINANCIAL GUARANTY INSUR-
ANCE COMPANY.—For purposes of this
subparagraph, the term ‘financial guaranty
insurance company’ means any insurance
company the sole business of which is writ-
ing or reinsuring financial guaranty insur-
ance (as defined in subsection (A) of sec-
tion 1 of the Financial Guaranty Insurance
Guideline) which is permitted under sub-
section (B) of section 4 of such Guideline.
“(iv) **FINANCIAL GUARANTY EXPOSURE.**—For purposes of this subparagraph, the term ‘financial guaranty exposure’ means the ratio of—

“(I) the net debt service outstanding insured or reinsured by the company that is within the single risk limits set forth in the Financial Guaranty Insurance Guideline (as reported on such company’s applicable financial statement), to

“(II) the company’s total assets (as so reported).

“(v) **STATE OR LOCAL BOND EXPOSURE.**—For purposes of this subparagraph, the term ‘State or local bond exposure’ means the ratio of—

“(I) the net unpaid principal of State or local bonds (as defined in section 103(e)(1)) insured or reinsured by the company that is within the single risk limits set forth in the Financial Guaranty Insurance Guideline (as reported on such company’s applicable financial statement), to
“(II) the company’s total assets
(as so reported).”

“(vi) **FINANCIAL GUARANTY INSURANCE GUIDELINE.**—For purposes of this subparagraph—

“(I) **IN GENERAL.**—The term ‘Financial Guaranty Insurance Guideline’ means the October 2008 model regulation that was adopted by the National Association of Insurance Commissioners on December 4, 2007.

“(II) **DETERMINATIONS MADE BY SECRETARY.**—The determination of whether any provision of the Financial Guaranty Insurance Guideline has been satisfied shall be made by the Secretary.”.

(b) **REPORTING OF CERTAIN ITEMS.**—Section 1297(f)(4) is amended by adding at the end the following new subparagraph:

“(C) **CLARIFICATION THAT CERTAIN ITEMS ON APPLICABLE FINANCIAL STATEMENT BE SEPARATELY REPORTED WITH RESPECT TO CORPORATION.**—An amount described in paragraph (1)(B) or clause (i)(II), (i)(III), (iv)(I),
(iv)(II), (v)(I), or (v)(II) of paragraph (3)(C) shall be treated as reported on an applicable financial statement for purposes of this section if—

“(i) such amount is separately reported on such statement with respect to the corporation referred to in paragraph (1), or

“(ii) such amount is separately determined for purposes of calculating an amount which is reported on such statement.

“(D) AUTHORITY OF SECRETARY TO REQUIRE REPORTING.—

“(i) IN GENERAL.—Each United States person who owns an interest in a specified non-publicly traded foreign corporation and who takes the position that such corporation is not a passive foreign investment company shall report to the Secretary such information with respect to such corporation as the Secretary may require.

“(ii) SPECIFIED NON-PUBLICLY TRADED FOREIGN CORPORATION.—For purposes
of this subparagraph, the term ‘specified non-publicly traded foreign corporation’ means any foreign corporation—

“(I) which would be a passive foreign investment company if subsection (b)(2)(B) did not apply, and

“(II) no interest in which is traded on an established securities market.”.

(c) Effective Date.—

(1) In general.—Except as otherwise provided in this subsection, the amendments made by this section shall take effect as if included in section 14501 of Public Law 115–97.

(2) Reporting.—The amendment made by subsection (b) shall apply to reports made after the date of the enactment of this Act.

SEC. 128508. EXTENSION OF PERIOD OF LIMITATION FOR CERTAIN LEGALLY MARRIED COUPLES.

(a) In general.—In the case of an individual first treated as married for purposes of the Internal Revenue Code of 1986 by the application of the holdings of Revenue Ruling 2013–17—

(1) if such individual filed a return (other than a joint return) for a taxable year ending before Sep-
tember 16, 2013, for which a joint return could have been made by the individual and the individual’s spouse but for the fact that such holdings were not effective at the time of filing, such return shall be treated as a separate return within the meaning of section 6013(b) of such Code and the time prescribed by section 6013(b)(2)(A) of such Code for filing a joint return after filing a separate return shall not expire before the date prescribed by law (including extensions) for filing the return of tax for the taxable year that includes the date of the enactment of this Act, and

(2) in the case of a joint return filed pursuant to paragraph (1)—

(A) the period of limitation prescribed by section 6511(a) of such Code for any such taxable year shall be extended until the date prescribed by law (including extensions) for filing the return of tax for the taxable year that includes the date of the enactment of this Act, and

(B) section 6511(b)(2) of such Code shall not apply to any claim of credit or refund with respect to such return.
(b) Amendments, etc. Restricted to Change in Marital Status.—Subsection (a) shall apply only with respect to amendments to the return of tax, and claims for credit or refund, relating to a change in the marital status for purposes of the Internal Revenue Code of 1986 of the individual.

SEC. 128509. ALLOWANCE OF DEDUCTION FOR CERTAIN EXPENSES OF THE TRADE OR BUSINESS OF BEING AN EMPLOYEE.

(a) Above-the-Line Deduction for Union Dues.—Section 62(a)(2) is amended by adding at the end the following new subparagraph:

“(F) Union dues.—In the case of any taxable year beginning after December 31, 2021, and before January 1, 2026, the deductions allowed by section 162 which are both—

“(i) not in excess of $250, and

“(ii) attributable to a trade or business consisting of the performance of services by the taxpayer as an employee if such deductions are for dues paid to a labor organization described in section 501(c)(5) and with respect to which such taxpayer remained a member through the end of the taxable year.”.
(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2021.

SEC. 128510. TEMPORARY INCREASE IN EMPLOYER-PROVIDED CHILD CARE CREDIT.

(a) IN GENERAL.—Section 45F is amended by adding at the end the following new subsection:

“(g) TEMPORARY INCREASE.—In the case of any taxable year beginning after December 31, 2021, and before January 1, 2026—

“(1) INCREASE IN PERCENTAGE OF CREDIT FOR QUALIFIED CHILD CARE EXPENDITURES.—Subsection (a)(1) shall be applied by substituting ‘50 percent’ for ‘25 percent’.

“(2) INCREASE IN DOLLAR LIMITATION.—Subsection (b) shall be applied by substituting ‘$500,000’ for ‘$150,000’.

“(3) PRESERVATION OF DOLLAR LIMITATION ON QUALIFIED CHILD CARE RESOURCE AND REFERRAL EXPENDITURES.—The aggregate amount of qualified child care resource and referral expenditures which may be taken into account under subsection (a)(2) for any taxable year shall not exceed $1,500,000.”.
(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2021.

SEC. 128511. PAYROLL CREDIT FOR COMPENSATION OF LOCAL NEWS JOURNALISTS.

(a) IN GENERAL.—Subchapter D of chapter 21 is amended by adding at the end the following new section:

“SEC. 3135. LOCAL NEWS JOURNALIST COMPENSATION CREDIT.

“(a) IN GENERAL.—In the case of an eligible local news journalist employer, there shall be allowed as a credit against the taxes imposed by section 3111(b) for each calendar quarter an amount equal to the applicable percentage of wages paid by such employer to local news journalists for such calendar quarter.

“(b) LIMITATIONS AND REFUNDABILITY.—

“(1) NUMBER OF LOCAL NEWS JOURNALISTS TAKEN INTO ACCOUNT.—The number of local news journalists which may be taken into account under subsection (a) with respect to any eligible local news journalist employer for any calendar quarter shall not exceed 1,500.

“(2) WAGES TAKEN INTO ACCOUNT.—The amount of wages paid with respect to any individual which may be taken into account under subsection
(a) during any calendar quarter by the eligible local
news journalist employer shall not exceed $12,500.

“(3) Credit limited to employment
taxes.—The credit allowed by subsection (a) with
respect to any calendar quarter shall not exceed the
taxes imposed by section 3111(b) on the wages paid
with respect to the employment of all the employees
of the eligible local news journalist employer for such
calendar quarter.

“(4) Refundability of excess credit.—If
the amount of the credit under subsection (a) ex-
cedes the limitation of paragraph (3) for any cal-
endar quarter, such excess shall be treated as an
overpayment that shall be refunded under sections
6402(a) and 6413(b).

“(c) Eligible Local News Journalist Em-
ployer.—For purposes of this section—

“(1) In general.—The term ‘eligible local
news journalist employer’ means, with respect to any
calendar quarter, any employer which—

“(A) is—

“(i) an eligible local news organiza-
tion, or

“(ii) a qualifying broadcast station,

and
“(B) employs local news journalists.

“(2) ELIGIBLE LOCAL NEWS ORGANIZATION.—The term ‘eligible local news organization’ means, with respect to any calendar quarter, any employer—

“(A) which publishes one or more qualifying publications during the calendar quarter,

“(B) which is not a disqualified organization, and

“(C) which did not derive more than 50 percent of its gross receipts for such calendar quarter from disqualified organizations.

“(3) QUALIFYING BROADCAST STATION.—The term ‘qualifying broadcast station’ means, with respect to any calendar quarter, any employer—

“(A) which owns or operates a broadcast station (as defined in section 3 of the Communications Act of 1934),

“(B) which is not a disqualified organization,

“(C) which did not derive more than 50 percent of its gross receipts for such calendar quarter from disqualified organizations, and
“(D) which discloses its ownership to the public at such times and in such manner as identified by the Secretary.

“(d) OTHER DEFINITIONS.—For purposes of this section—

“(1) APPLICABLE PERCENTAGE.—The term ‘applicable percentage’ means—

“(A) in the case of each of the first 4 calendar quarters to which this section applies, 50 percent, and

“(B) in the case of each calendar quarter thereafter, 30 percent.

“(2) LOCAL NEWS JOURNALIST.—

“(A) IN GENERAL.—The term ‘local news journalist’ means, with respect to any eligible local news journalist employer for any calendar quarter, any full-time employee (as defined in section 4980H(e)(4)) who—

“(i) provides qualified services for an average of not less than 30 hours per week for each week during which such employee is employed by the eligible local news journalist employer during the calendar quarter, and
“(ii) resides within 50 miles of the local community with respect to the qualifying publication or qualifying broadcast station with respect to which the qualified services are provided.

“(B) QUALIFIED SERVICES.—For purposes of subparagraph (A)(ii), the term ‘qualified services’ means services—

“(i) which consist of gathering, preparing, directing the recording of, producing, collecting, photographing, recording, writing, editing, reporting, presenting, or publishing original local community news for dissemination to the local community, and

“(ii) which are provided with respect to—

“(I) a qualifying publication of an eligible local news organization, or

“(II) the local community of a qualifying broadcast station.

“(3) QUALIFYING PUBLICATION.—The term ‘qualifying publication’ means, with respect to any calendar quarter, any print or digital publication—
“(A) the primary purpose of which is to serve a local community by providing local news,

“(B) which—

“(i) is published during the calendar quarter, and

“(ii) has been published during each of the 4 calendar quarters preceding such calendar quarter,

“(C) which is covered by media liability insurance for such calendar quarter,

“(D) which discloses its ownership to the public at such times and in such manner as identified by the Secretary, and

“(E) which receives services from not more than 1,500 persons during such calendar quarter.

“(4) LOCAL COMMUNITY.—The term ‘local community’ means, with respect to any qualifying broadcast station or qualifying publication, a geographically contiguous area that does not exceed the boundaries of—

“(A) in the case of a qualifying broadcast station, the area for which the qualifying broadcast station is licensed to serve by the Federal
Communications Commission under section 307 of the Communications Act of 1934, and

“(B) in the case of a qualifying publication—

“(i) the metropolitan or micropolitan statistical area, as defined by the Office of Management and Budget, in which the qualifying publication is primarily distributed,

“(ii) if such qualifying publication is not primarily distributed in a metropolitan or micropolitan statistical area, political subdivision of the State in which such qualifying publication is primarily distributed, or

“(iii) if such qualifying publication is not primarily distributed in a metropolitan or micropolitan statistical area or a political subdivision of a State, the State in which such qualifying publication is primarily distributed.

For purposes of subparagraph (B), in the case of a qualifying publication which is a digital publication, such qualifying publication shall be considered to be
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primarily distributed in the area where such publica-

tion is primarily consumed.

“(5) DISQUALIFIED ORGANIZATION.—The term

disqualified organization’ means—

“(A) any organization described in section

501(c)(4) and exempt from tax under section

501(a),

“(B) any organization described in section

527, and

“(C) any organization that is owned or

controlled (directly or indirectly) by one or more
organizations described in subparagraph (A) or
(B).

“(6) GROSS RECEIPTS.—

“(A) IN GENERAL.—Except as provided in

subparagraph (B), the term ‘gross receipts’ has
the meaning given such term as used in section
448(c).

“(B) TAX-EXEMPT ORGANIZATIONS.—In

the case of an organization which is described
in section 501(c) and exempt from tax under
section 501(a), any reference in this section to
gross receipts shall be treated as a reference to
gross receipts within the meaning of section
6033.
“(7) OTHER TERMS.—Any term used in this section which is also used in this chapter shall have the same meaning as when used in such chapter.

“(e) AGGREGATION RULE.—All persons treated as a single employer under subsection (a) or (b) of section 52, or subsection (m) or (o) of section 414, shall be treated as one employer for purposes of this section.

“(f) CERTAIN RULES TO APPLY.—

“(1) IN GENERAL.—For purposes of this section—

“(A) except as provided in paragraph (2), rules similar to the rules of section 51(i)(1) shall apply, and

“(B) rules similar to the rules of section 280C(a) shall apply.

“(2) EXCEPTION.—Paragraph (1)(A) shall not apply with respect to any local news journalist of an eligible local news journalist employer which employs fewer than 15 local news journalists during the calendar quarter.

“(g) CERTAIN GOVERNMENTAL EMPLOYERS.—

“(1) IN GENERAL.—This credit shall not apply to the Government of the United States, the government of any State or political subdivision thereof, or
any agency or instrumentality of any of the fore-

going.

“(2) Exception.—Paragraph (1) shall not

apply to any public broadcasting entity (as defined

in section 397(11) of the Communications Act of

1934 (47 U.S.C. 397(11))).

“(h) Election To Have Section Not Apply.—

This section shall not apply with respect to any eligible

local news journalist employer for any calendar quarter

if such employer elects (at such time and in such manner

as the Secretary may prescribe) not to have this section

apply.

“(i) Special Rules.—

“(1) Employee Not Taken Into Account

More Than Once.—An employee shall not be in-

cluded for purposes of this section for any period

with respect to any employer if such employer is al-

lowed a credit under section 51 with respect to such

employee for such period.

“(2) Denial of Double Benefit.—Any

wages taken into account in determining the credit

allowed under this section shall not be taken into ac-

count for purposes of determining the credit allowed

under section 41, 45A, 45P, 45S, or 1396.
“(3) Third-party payors.—Any credit allowed under this section shall be treated as a credit described in section 3511(d)(2) of such Code.

“(j) Treatment of Deposits.—The Secretary shall waive any penalty under section 6656 for any failure to make a deposit of any taxes imposed under section 3111(b) if the Secretary determines that such failure was due to the reasonable anticipation of the credit allowed under this section.

“(k) Extension of Limitation on Assessment.—Notwithstanding section 6501, the limitation on the time period for the assessment of any amount attributable to a credit claimed under this section shall not expire before the date that is 5 years after the later of—

“(1) the date on which the original return which includes the calendar quarter with respect to which such credit is determined is filed, or

“(2) the date on which such return is treated as filed under section 6501(b)(2).

“(l) Regulations and Guidance.—The Secretary shall issue such forms, instructions, regulations, and guidance as are necessary—

“(1) with respect to the application of the credit under subsection (a) to third-party payors (including professional employer organizations, certified
professional employer organizations, or agents under section 3504), including regulations or guidance allowing such payors to submit documentation necessary to substantiate the eligible employer status of employers that use such payors, and

“(2) to prevent the avoidance of the purposes of

the limitations under this section.

Any forms, instructions, regulations, or other guidance described in paragraph (1) shall require the customer to be responsible for the accounting of the credit and for any liability for improperly claimed credits and shall require the certified professional employer organization or other third-party payor to accurately report such tax credits based on the information provided by the customer.

“(m) APPLICATION.—This section shall only apply to wages paid in calendar quarters beginning after the date of the enactment of this section and beginning before the date that is 5 years after the first day of the first calendar quarter to which this section applies.”.

(b) REFUNDS.—Paragraph (2) of section 1324(b) of title 31, United States Code, is amended by inserting “3135,” after “3134,”.

(e) CLERICAL AMENDMENT.—The table of sections for subchapter D of chapter 21 is amended by adding at the end the following:

“Sec. 3135. Local news journalist compensation credit.”.
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(d) EFFECTIVE DATE.—The amendments made by
this section shall apply to calendar quarters beginning
after the date of the enactment of this Act.

SEC. 128512. ABOVE-THE-LINE DEDUCTION FOR EMPLOYEE
UNIFORMS.

(a) IN GENERAL.—Section 62(a)(2), as amended by
the preceding provision of this Act, is amended by adding
at the end the following new subparagraph:

“(G) WORK CLOTHES AND UNIFORMS.—In
the case of any taxable year beginning after De-
cember 31, 2021, and before January 1, 2025,
the deductions allowed by section 162, not in
excess of $250, which are attributable to a
trade or business consisting of the performance
of services by the taxpayer as an employee if
such deductions are for uniforms or work cloth-
ing which are—

“(i) required to be worn as a condi-
tion of employment, and

“(ii) not suitable for everyday wear.”.

(b) EFFECTIVE DATE.—The amendment made by
this section shall apply to taxable years beginning after
December 31, 2021.
SEC. 128513. EXPENSES IN CONTINGENCY FEE CASES.

(a) In General.—Section 162 is amended by redesignating subsection (s) as subsection (t) and by inserting after subsection (r) the following new subsection:

“(s) EXPENSES IN CONTINGENCY FEE CASES.—In the case of any amount paid or incurred in the ordinary course of the trade or business of practicing law the repayment of which is contingent on a recovery by judgment or settlement in the action to which such amount relates—

“(1) the deduction under subsection (a) shall be determined by disregarding the possibility that such amount will be repaid, and

“(2) income attributable to any related recovery shall not be reduced by such amount.”.

(b) Effective Date.—The amendments made by this section shall apply to amounts paid, incurred, or received in taxable years beginning after the date of the enactment of this Act.

SEC. 128514. INCREASE IN RESEARCH CREDIT AGAINST PAYROLL TAX FOR SMALL BUSINESSES.

(a) In General.—Clause (i) of section 41(h)(4)(B) is amended—

(1) by striking “AMOUNT.—The amount” and inserting “AMOUNT.—

“(I) IN GENERAL.—The amount”, and
(2) by adding at the end the following new sub-
clause:

“(II) INCREASE.—In the case of
taxable years beginning after Decem-
ber 31, 2021, the amount in subclause
(I) shall be increased by $250,000.”.

(b) ALLOWANCE OF CREDIT.—

(1) IN GENERAL.—Paragraph (1) of section
3111(f) is amended—

(A) by striking “for a taxable year, there
shall be allowed” and inserting “for a taxable
year—

“(A) there shall be allowed”,

(B) by striking “equal to the” and insert-
ing “equal to so much of the”,

(C) by striking the period at the end and
inserting “as does not exceed the limitation of
subclause (I) of section 41(h)(4)(B)(i) (applied
without regard to subclause (II) thereof), and”,
and

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

“(B) there shall be allowed as a credit
against the tax imposed by subsection (b) for
the first calendar quarter which begins after the
date on which the taxpayer files the return specified in section 41(h)(4)(A)(ii) an amount equal to so much of the payroll tax credit portion determined under section 41(h)(2) as is not allowed as a credit under subparagraph (A).”.

(2) LIMITATION.—Paragraph (2) of section 3111(f) is amended—

(A) by striking “paragraph (1)” and inserting “paragraph (1)(A)”, and

(B) by inserting “, and the credit allowed by paragraph (1)(B) shall not exceed the tax imposed by subsection (b) for any calendar quarter,” after “calendar quarter”.

(3) CARRYOVER.—Paragraph (3) of section 3111(f) is amended by striking “the credit” and inserting “any credit”.

(4) DEDUCTION ALLOWED.—Paragraph (4) of section 3111(f) is amended—

(A) by striking “credit” and inserting “credits”, and

(B) by striking “subsection (a)” and inserting “subsection (a) or (b)”. 
(c) Aggregation Rules.—Clause (ii) of section 41(h)(5)(B) is amended by striking “the $250,000 amount” and inserting “each of the $250,000 amounts”.

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

SEC. 128515. TERMINATION OF EMPLOYER CREDIT FOR PAID FAMILY AND MEDICAL LEAVE.

Section 45S(i) is amended by striking “December 31, 2025” and inserting “December 31, 2023”.

Subtitle I—Drug Pricing

PART 1—LOWERING PRICES THROUGH DRUG PRICE NEGOTIATION

SEC. 129001. PROVIDING FOR LOWER PRICES FOR CERTAIN HIGH-PRICED SINGLE SOURCE DRUGS.

(a) Program To Lower Prices for Certain High-Priced Single Source Drugs.—Title XI of the Social Security Act is amended by adding after section 1184 (42 U.S.C. 1320e–3) the following new part:

“PART E—PRICE NEGOTIATION PROGRAM TO LOWER PRICES FOR CERTAIN HIGH-PRICED SINGLE SOURCE DRUGS

“SEC. 1191. ESTABLISHMENT OF PROGRAM.

“(a) In General.—The Secretary shall establish a Drug Price Negotiation Program (in this part referred to
as the ‘program’). Under the program, with respect to each price applicability period, the Secretary shall—

“(1) publish a list of negotiation-eligible drugs and selected drugs in accordance with section 1192;

“(2) enter into agreements with manufacturers of selected drugs with respect to such period, in accordance with section 1193;

“(3) negotiate and, if applicable, renegotiate maximum fair prices for such selected drugs, in accordance with section 1194; and

“(4) carry out the administrative duties and compliance monitoring described in section 1196.

“(b) DEFINITIONS RELATING TO TIMING.—For purposes of this part:

“(1) INITIAL PRICE APPLICABILITY YEAR.—The term ‘initial price applicability year’ means a year (beginning with 2025).

“(2) PRICE APPLICABILITY PERIOD.—The term ‘price applicability period’ means, with respect to a qualifying single source drug, the period beginning with the first initial price applicability year with respect to which such drug is a selected drug and ending with the last year during which the drug is a selected drug.
"(3) Selected drug publication date.—
The term ‘selected drug publication date’ means, with respect to each initial price applicability year, February 1 of the year that begins 2 years prior to such year.

"(4) Negotiation period.—The term ‘negotiation period’ means, with respect to an initial price applicability year with respect to a selected drug, the period—

"(A) beginning on the sooner of—

"(i) the date on which the manufacturer of the drug and the Secretary enter into an agreement under section 1193 with respect to such drug; or

"(ii) February 28 following the selected drug publication date with respect to such selected drug; and

"(B) ending on November 1 of the year that begins 2 years prior to the initial price applicability year.

"(c) Other Definitions.—For purposes of this part:

"(1) Maximum fair price eligible individual.—The term ‘maximum fair price eligible individual’ means, with respect to a selected drug—
“(A) in the case such drug is dispensed to
the individual at a pharmacy, by a mail order
service, or by another dispenser, an individual
who is enrolled under a prescription drug plan
under part D of title XVIII or an MA–PD plan
under part C of such title if coverage is pro-
vided under such plan for such selected drug;
and
“(B) in the case such drug is furnished or
administered to the individual by a hospital,
physician, or other provider of services or sup-
plier, an individual who is enrolled under part
B of title XVIII, including an individual who is
enrolled under an MA plan under part C of
such title, if such selected drug is covered under
such part.
“(2) MAXIMUM FAIR PRICE.—The term ‘max-
imum fair price’ means, with respect to a year dur-
ing a price applicability period and with respect to
a selected drug (as defined in section 1192(c)) with
respect to such period, the price published pursuant
to section 1195 in the Federal Register for such
drug and year.
“(3) UNIT.—The term ‘unit’ means, with re-
spect to a drug or biological, the lowest identifiable
amount (such as a capsule or tablet, milligram of molecules, or grams) of the drug or biological that is dispensed or furnished. The determination of a unit, with respect to a drug or biological, pursuant to this paragraph shall not be subject to administrative or judicial review.

“(4) Total expenditures.—The term ‘total expenditures’ includes, in the case of expenditures with respect to part D of title XVIII, the total gross covered prescription drug costs (as defined in section 1860D–15(b)(3)). The term ‘total expenditures’ excludes, in the case of expenditures with respect to part B of such title, expenditures for a drug or biological that are bundled or packaged into the payment for another service.

“SEC. 1192. SELECTION OF NEGOTIATION-ELIGIBLE DRUGS AS SELECTED DRUGS.

“(a) In General.—Not later than the selected drug publication date with respect to an initial price applicability year, in accordance with subsection (b), the Secretary shall select and publish in the Federal Register a list of—

“(1)(A) with respect to the initial price applicability year 2025, not more than 10 negotiation-eligible drugs described in subparagraph (A)(i) of sub-
section (d)(1), but not subparagraph (B) of such subsection, with respect to such year; 

"(B) with respect to the initial price applicability year 2026, not more than 15 negotiation-eligible drugs described in subparagraph (A)(i) of subsection (d)(1), but not subparagraph (B) of such subsection, with respect to such year; 

"(C) with respect to the initial price applicability year 2027, not more than 15 negotiation-eligible drugs described in subparagraph (A) of subsection (d)(1), but not subparagraph (B) of such subsection, with respect to such year; and 

"(D) with respect to the initial price applicability year 2028 or a subsequent year, not more than 20 negotiation-eligible drugs described in subparagraph (A) of subsection (d)(1), but not subparagraph (B) of such subsection, with respect to such year; and 

"(2) all negotiation-eligible drugs described in subparagraph (B) of such subsection with respect to such year.

Subject to subsection (c)(2) and section 1194(f)(5), each drug published on the list pursuant to the previous sentence shall be subject to the negotiation process under section 1194 for the negotiation period with respect to such
initial price applicability year (and the renegotiation process under such section as applicable for any subsequent year during the applicable price applicability period).

“(b) SELECTION OF DRUGS.—

“(1) IN GENERAL.—In carrying out subsection (a)(1), subject to paragraph (2), the Secretary shall, with respect to an initial price applicability year—

“(A) rank a combined list of negotiation-eligible drugs described in subsection (d)(1)(A) according to the total expenditures for such drugs under parts B and D of title XVIII, as determined by the Secretary, during the most recent period of 12 months prior to the selected drug publication date (but ending not later than October 31 of the year prior to the year of such drug publication date), with respect to such year, for which data are available, with the negotiation-eligible drugs with the highest total expenditures being ranked the highest; and

“(B) select from such ranked combined list for inclusion on the published list described in subsection (a) with respect to such year the negotiation-eligible drugs with the highest such rankings.
“(2) High spend Part D drugs for 2025 and 2026.—With respect to the initial price applicability year 2025 and with respect to the initial price applicability year 2026, the Secretary shall apply paragraph (1) as if the reference to ‘negotiation-eligible drugs described in subsection (d)(1)(A)’ were a reference to ‘negotiation-eligible drugs described in subsection (d)(1)(A)(i)’ and as if the reference to ‘total expenditures for such drugs under parts B and D of title XVIII’ were a reference to ‘total expenditures for such drugs under part D of title XVIII’.

“(c) Selected Drug.—

“(1) In general.—For purposes of this part, in accordance with subsection (e)(2) and subject to paragraph (2), each negotiation-eligible drug included on the list published under subsection (a) with respect to an initial price applicability year shall be referred to as a ‘selected drug’ with respect to such year and each subsequent year beginning before the first year that begins at least 9 months after the date on which the Secretary determines at least one drug or biological product—

“(A) is approved or licensed (as applicable)—
“(i) under section 505(j) of the Federal Food, Drug, and Cosmetic Act using such drug as the listed drug; or

“(ii) under section 351(k) of the Public Health Service Act using such drug as the reference product; and

“(B) is marketed pursuant to such approval or licensure.

“(2) CLARIFICATION.—A negotiation-eligible drug—

“(A) that is included on the list published under subsection (a) with respect to an initial price applicability year; and

“(B) for which the Secretary makes a determination described in paragraph (1) before or during the negotiation period with respect to such initial price applicability year,

shall not be subject to the negotiation process under section 1194 with respect to such negotiation period and shall continue to be considered a selected drug under this part with respect to the number of negotiation-eligible drugs published on the list under subsection (a) with respect to such initial price applicability year.

“(d) NEGOTIATION-ELIGIBLE DRUG.—
“(1) IN GENERAL.—For purposes of this part, subject to paragraph (2), the term ‘negotiation-eligible drug’ means, with respect to the selected drug publication date with respect to an initial price applicability year, a qualifying single source drug, as defined in subsection (c), that is described in either of the following subparagraphs (or, with respect to the initial price applicability year 2025 or 2026, that is described in subparagraph (A)(i) or (B)):

“(A) HIGH SPEND DRUGS.—The qualifying single source drug is, determined in accordance with subsection (c)(2)—

“(i) among the 50 qualifying single source drugs with the highest total expenditures under part D of title XVIII, as determined by the Secretary in accordance with paragraph (3), during the most recent period for which data are available of at least 12 months prior to the selected drug publication date (but ending no later than October 31 of the year prior to the year of such drug publication date), with respect to such year; or

“(ii) among the 50 qualifying single source drugs with the highest total expend-
itures under part B of title XVIII, as determined by the Secretary in accordance with paragraph (3), during such most recent period, as described in clause (i).

“(B) INSULIN.—The qualifying single source drug is described in subsection (e)(1)(C).

“(2) EXCEPTION FOR SMALL BIOTECH DRUGS.—

“(A) IN GENERAL.—Subject to subparagraph (C), the term ‘negotiation-eligible drug’ shall not include, with respect to the initial price applicability years 2025, 2026, and 2027, a qualifying single source drug that meets either of the following:

“(i) PART D DRUGS.—The total expenditures for the qualifying single source drug under part D of title XVIII, as determined by the Secretary in accordance with paragraph (3)(B), during 2021—

“(I) are equal to or less than 1 percent of the total expenditures under such part D, as so determined, for all covered part D drugs during such year; and
“(II) are equal to at least 80 percent of the total expenditures under such part D, as so determined, for all covered part D drugs for which the manufacturer of the drug has an agreement in effect under section 1860D–14A during such year.

“(ii) PART B DRUGS.—The total expenditures for the qualifying single source drug under part B of title XVIII, as determined by the Secretary in accordance with paragraph (3)(B), during 2021—

“(I) are equal to or less than 1 percent of the total expenditures under such part B, as so determined, for all qualifying single source drugs covered under such part B during such year; and

“(II) are equal to at least 80 percent of the total expenditures under such part B, as so determined, for all qualifying single source drugs of the manufacturer that are covered under such part B during such year.
“(B) Clarifications relating to manufacturers.—

“(i) Aggregation rule.—All persons treated as a single employer under subsection (a) or (b) of section 52 of the Internal Revenue Code of 1986 shall be treated as one manufacturer for purposes of this paragraph.

“(ii) Limitation.—A qualifying single source drug described in subparagraph (A) shall not include a qualifying single source drug of a manufacturer if such manufacturer is acquired after 2021 by another manufacturer that does not meet the definition of a specified manufacturer under section 1860D–14C(g)(4)(B)(ii)), effective at the beginning of the plan year immediately following such acquisition or, in the case of an acquisition before 2024, effective January 1, 2024.

“(C) Drugs not included as small biotech drugs.—The following shall not be considered a qualifying single source drug described in subparagraph (A):

“(i) A vaccine that is licensed under section 351 of the Public Health Service Act and is marketed pursuant to such section.

“(ii) A new formulation, such as an extended release formulation, of a qualifying single source drug.

“(iii) A qualifying single source drug described in subsection (e)(1)(C).

“(3) CLARIFICATIONS AND DETERMINATIONS.—

“(A) PREVIOUSLY SELECTED DRUGS AND SMALL BIOTECH DRUGS EXCLUDED.—In applying clauses (i) and (ii) of paragraph (1)(A) and paragraph (1)(B), the Secretary shall not consider or count—

“(i) drugs that are already selected drugs; and

“(ii) for initial price applicability years 2025, 2026, and 2027, qualifying single source drugs described in paragraph (2)(A).

“(B) USE OF DATA.—In determining whether a qualifying single source drug satisfies any of the criteria described in paragraph (1) or (2), the Secretary shall use data that is ag-
gregated across dosage forms and strengths of
the drug, including new formulations of the
drug, such as an extended release formulation,
and not based on the specific formulation or
package size or package type of the drug.

“(4) Publication.—Not later than the se-
lected drug publication date with respect to an ini-
tial price applicability year, the Secretary shall pub-
lish in the Federal Register a list of negotiation-eli-
gible drugs with respect to such selected drug publi-
cation date.

“(e) Qualifying Single Source Drug.—

“(1) In general.—For purposes of this part,
the term ‘qualifying single source drug’ means, with
respect to an initial price applicability year, subject
to paragraphs (2) and (3), a covered part D drug
(as defined in section 1860D–2(e)) that is described
in any of the following or a drug or biological prod-
uct covered under part B of title XVIII that is de-
scribed in any of the following:

“(A) Drug products.—A drug—

“(i) that is approved under section
505(c) of the Federal Food, Drug, and
Cosmetic Act and is marketed pursuant to
such approval;
“(ii) for which, as of the selected drug publication date with respect to such initial price applicability year, at least 7 years will have elapsed since the date of such approval; and

“(iii) that is not the listed drug for any drug that is approved and marketed under section 505(j) of such Act.

“(B) BIOLOGICAL PRODUCTS.—A biological product—

“(i) that is licensed under section 351(a) of the Public Health Service Act and is marketed under section 351 of such Act;

“(ii) for which, as of the selected drug publication date with respect to such initial price applicability year, at least 11 years will have elapsed since the date of such licensure; and

“(iii) that is not the reference product for any biological product that is licensed and marketed under section 351(k) of such Act.

“(C) INSULIN PRODUCT.—Any insulin product that is approved under section 505 of
the Federal Food, Drug, and Cosmetic Act or licensed under section 351 of the Public Health Service Act and marketed pursuant to such approval or licensure, including any insulin product that has been deemed to be licensed under section 351 of the Public Health Service Act pursuant to section 7002(c)(4) of the Biologics Price Competition and Innovation Act of 2009 and is marketed pursuant to such section, regardless of whether such insulin product would be described in subparagraph (A) or (B).

“(2) TREATMENT OF AUTHORIZED GENERIC DRUGS.—

“(A) IN GENERAL.—In the case of a qualifying single source drug described in subparagraph (A) or (B) of paragraph (1) that is the listed drug (as such term is used in section 505(j) of the Federal Food, Drug, and Cosmetic Act) or the reference product (as defined in section 351(i) of the Public Health Service Act), with respect to an authorized generic drug, in applying the provisions of this part, such authorized generic drug and such listed drug or reference product shall be treated as the same qualifying single source drug.
“(B) AUTHORIZED GENERIC DRUG DEFINED.—For purposes of this paragraph, the term ‘authorized generic drug’ means—

“(i) in the case of a drug, an authorized generic drug (as such term is defined in section 505(t)(3) of the Federal Food, Drug, and Cosmetic Act); and

“(ii) in the case of a biological product, a reference product (as such term is defined in section 351(i) of the Public Health Service Act) that—

“(I) has been licensed under section 351(a) of such Act; and

“(II) is marketed, sold, or distributed directly or indirectly to retail class of trade under a different labeling, packaging (other than repackaging as the reference product in blister packs, unit doses, or similar packaging for use in institutions), product code, labeler code, trade name, or trade mark than the reference product.
“(3) EXCLUSIONS.—In this part, the term ‘qualifying single source drug’ does not include any of the following:

“(A) CERTAIN ORPHAN DRUGS.—A drug that is designated as a drug for only one rare disease or condition under section 526 of the Federal Food, Drug, and Cosmetic Act and for which the only approved indication (or indications) is for such disease or condition.

“(B) LOW SPEND MEDICARE DRUGS.—A drug or biological product (other than an insulin product described in paragraph (1)(C)) with respect to which the total expenditures under parts B and D of title XVIII, as determined by the Secretary, during the most recent period for which data are available of at least 12 months prior to the selected drug publication date (but ending no later than October 31 of the year prior to the year of such drug publication date), with respect to such year is less than—

“(i) with respect to 2021, $200,000,000; or

“(ii) with respect to a subsequent year, the dollar amount specified in this subparagraph for the previous year in-
creased by the annual percentage increase in the consumer price index (all items; U.S. city average) for the 12-month period ending with September of such previous year.

“(C) Plasma-derived products.—A biological product that is derived from human whole blood or plasma.

“(f) No Administrative or Judicial Review of Determinations and Selections.—The determination of negotiation-eligible drugs under subsection (d), the determination of qualifying single source drugs under subsection (e), and the selection of drugs under this section are not subject to administrative or judicial review.

“SEC. 1193. MANUFACTURER AGREEMENTS.

“(a) In General.—For purposes of section 1191(a)(2), the Secretary shall enter into agreements with manufacturers of selected drugs with respect to a price applicability period, by not later than February 28 following the selected drug publication date with respect to such selected drug, under which—

“(1) during the negotiation period for the initial price applicability year for the selected drug, the Secretary and the manufacturer, in accordance with section 1194, negotiate to determine (and, by not
later than the last date of such period, agree to) a
maximum fair price for such selected drug of the
manufacturer in order for the manufacturer to pro-
vide access to such price—

“(A) to maximum fair price eligible indi-
viduals who with respect to such drug are de-
scribed in subparagraph (A) of section
1191(c)(1) and are dispensed such drug (and to
pharmacies, mail order services, and other dis-
pensers, with respect to such maximum fair
price eligible individuals who are dispensed such
drugs) during, subject to paragraph (2), the
price applicability period; and

“(B) to hospitals, physicians, and other
providers of services and suppliers with respect
to maximum fair price eligible individuals who
with respect to such drug are described in sub-
paragraph (B) of such section and are fur-
nished or administered such drug during, sub-
ject to paragraph (2), the price applicability pe-
riod;

“(2) the Secretary and the manufacturer shall,
in accordance with section 1194, renegotiate (and,
by not later than the last date of such period, agree
to) the maximum fair price for such drug, in order
for the manufacturer to provide access to such maximum fair price (as so renegotiated)—

“(A) to maximum fair price eligible individuals who with respect to such drug are described in subparagraph (A) of section 1191(c)(1) and are dispensed such drug (and to pharmacies, mail order services, and other dispensers, with respect to such maximum fair price eligible individuals who are dispensed such drugs) during any year during the price applicability period (beginning after such renegotiation) with respect to such selected drug; and

“(B) to hospitals, physicians, and other providers of services and suppliers with respect to maximum fair price eligible individuals who with respect to such drug are described in subparagraph (B) of such section and are furnished or administered such drug during any year described in subparagraph (A);

“(3) subject to subsection (d), access to the maximum fair price (including as renegotiated pursuant to paragraph (2)), with respect to such a selected drug, shall be provided by the manufacturer to—
“(A) maximum fair price eligible individuals, who with respect to such drug are described in subparagraph (A) of section 1191(c)(1), at the pharmacy, mail order service, or other dispenser at the point-of-sale of such drug (and shall be provided by the manufacturer to the pharmacy, mail order service, or other dispenser, with respect to such maximum fair price eligible individuals who are dispensed such drugs), as described in paragraph (1)(A) or (2)(A), as applicable; and

“(B) hospitals, physicians, and other providers of services and suppliers with respect to maximum fair price eligible individuals who with respect to such drug are described in subparagraph (B) of such section and are furnished or administered such drug, as described in paragraph (1)(B) or (2)(B), as applicable;

“(4) the manufacturer submits to the Secretary, through an online portal established by the Secretary or other form and manner specified by the Secretary, for the negotiation period for the price applicability period (and, if applicable, before any period of renegotiation pursuant to section 1194(f)) with respect to such drug—
“(A) information on the non-Federal average manufacturer price for the drug for the applicable year or period; and

“(B) all other information that the Secretary requires to carry out the negotiation (or renegotiation process) under this part, including information described in section 1194(e)(1); and

“(5) the manufacturer complies with requirements imposed by the Secretary for purposes of administering the program, including with respect to the administrative duties and compliance monitoring described in section 1196.

“(b) Agreement in Effect Until Drug Is No Longer a Selected Drug.—An agreement entered into under this section shall be effective, with respect to a selected drug, until such drug is no longer considered a selected drug under section 1192(c).

“(c) Confidentiality of Information.—Information submitted to the Secretary under this part by a manufacturer of a selected drug that is proprietary information of such manufacturer (as determined by the Secretary) shall be used only by the Secretary or disclosed to and used by the Comptroller General of the United States.
States or the Medicare Payment Advisory Commission for purposes of carrying out this part.

“(d) NON Duplication.—Under an agreement entered into under this section, the manufacturer of a selected drug shall not be required to provide access to the maximum fair price under subsection (a)(3), with respect to such selected drug, to an entity described in section 1927(a)(5)(B) if such selected drug is subject to payment of a rebate to such entity under an agreement described in section 1927(a)(5)(A).

“SEC. 1194. NEGOTIATION AND RENEGOTIATION PROCESS.

“(a) In General.—For purposes of this part, under an agreement under section 1193 between the Secretary and a manufacturer of a selected drug, with respect to the period for which such agreement is in effect and in accordance with subsections (b), (c), and (d), the Secretary and the manufacturer—

“(1) shall during the negotiation period with respect to such drug, in accordance with this section, negotiate a maximum fair price for such drug for the purpose described in section 1193(a)(1); and

“(2) renegotiate, in accordance with the process specified pursuant to subsection (f), such maximum fair price for such drug for the purpose described in
section 1193(a)(2) if such drug is a renegotiation-eligible drug under such subsection.

“(b) Negotiation Process Requirements.—

“(1) Methodology and process.—The Secretary shall develop and use a consistent methodology and process, in accordance with paragraph (2), for negotiations under subsection (a) that aims to achieve the lowest maximum fair price for each selected drug.

“(2) Specific elements of negotiation process.—As part of the negotiation process under this section, with respect to a selected drug and the negotiation period with respect to the initial price applicability year with respect to such drug, the following shall apply:

“(A) Submission of information.—Not later than March 1 of the year of the selected drug publication date, with respect to the selected drug, the manufacturer of the drug shall submit to the Secretary, in accordance with section 1193(a)(4), the information described in such section.

“(B) Initial offer by Secretary.—Not later than the June 1 following the selected drug publication date, the Secretary shall pro-
vide the manufacturer of a selected drug with
a written initial offer that contains the Sec-
retary’s proposal for the maximum fair price of
the drug and a list of the factors described in
section 1194(e) that were used in developing
such offer.

“(C) RESPONSE TO INITIAL OFFER.—

“(i) IN GENERAL.—Not later than 30
days after the date of receipt of an initial
offer under subparagraph (B), the manu-
facturer shall either accept such offer or
propose a counteroffer to such offer.

“(ii) COUNTEROFFER REQUIRE-
MENTS.—If a manufacturer proposes a
counteroffer, such counteroffer—

“(I) shall be in writing; and

“(II) shall be justified based on
the factors described in subsection (e).

“(D) RESPONSE TO COUNTEROFFER.—
After receiving a counteroffer under subpara-
graph (C), the Secretary shall respond in writ-
ing to such counteroffer.

“(E) DEADLINE.—All negotiations between
the Secretary and the manufacturer of the se-
lected drug shall end prior to the first day of
November following the selected drug publication date, with respect to the initial price applicability year.

“(F) LIMITATIONS ON OFFER AMOUNT.—
In negotiating the maximum fair price of a selected drug, with respect to an initial price applicability year for the selected drug, and, as applicable, in renegotiating the maximum fair price for such drug, with respect to a subsequent year during the price applicability period for such drug, the Secretary shall not offer (or agree to a counteroffer for) a maximum fair price for the selected drug that—

“(i) exceeds the ceiling determined under subsection (c) for the selected drug and year; or

“(ii) as applicable, is less than the floor determined under subsection (d) for the selected drug and year.

“(G) TREATMENT OF DETERMINATION.—
The determination of a maximum fair price under this section is not subject to administrative or judicial review.

“(H) REFERENCE TO TAX PROVISIONS.—
For provisions related to the imposition of a tax
on the sale of a selected drug during noncompliance periods, see section 4192 of the Internal Revenue Code of 1986.

“(c) Ceiling for Maximum Fair Price.—

“(1) In General.—The maximum fair price negotiated under this section for a selected drug (other than an insulin product described in paragraph (2)(B)), with respect to the first year of the price applicability period with respect to such drug, shall not exceed the lower of—

“(A) in the case of—

“(i) a covered part D drug, the average net price (defined as the negotiated price under prescription drug plans or MA-PD plans net of all price concessions received by such plans or pharmacy benefit managers on behalf of such plans) for the drug under part D of title XVIII for the most recent year for which data is available; and

“(ii) a drug or biological covered under part B of title XVIII, the average sales price of the drug or biological for the year prior to the year of the selected drug publication date with respect to the initial
price applicability year for the drug or biological; or

“(B) the applicable percent described in paragraph (3), with respect to such drug, of the following:

“(i) **Initial Price Applicability Year 2025.**—In the case of a selected drug with respect to which such initial price applicability year is 2025, the average of the non-Federal average manufacturer price for such drug for the first 3 calendar quarters of 2021 (or, in the case that there is not a non-Federal average manufacturer price available for such drug for any of such first 3 calendar quarters of 2021, for the first full year following the market entry for such drug), increased by the percentage increase in the consumer price index for all urban consumers (all items; United States city average) from September 2021 (or December of such first full year following the market entry), as applicable, to September of the year prior to the selected drug publication date with
respect to such initial price applicability year.

“(ii) **INITIAL PRICE APPLICABILITY YEAR 2026 AND SUBSEQUENT YEARS.**—In the case of a selected drug with respect to which such initial price applicability year is 2026 or a subsequent year, the lower of—

“(I) the average of the non-Federal average manufacturer price for such drug for the first 3 calendar quarters of 2021 (or, in the case that there is not a non-Federal average manufacturer price available for such drug for any of such first 3 calendar quarters of 2021, for the first full year following the market entry for such drug), increased by the percentage increase in the consumer price index for all urban consumers (all items; United States city average) from September 2021 (or December of such first full year following the market entry), as applicable, to September of the year prior to the selected drug publication date with re-
spect to such initial price applicability year; or

“(II) the non-Federal average manufacturer price for such drug for the year prior to the selected drug publication date with respect to such initial price applicability year.

“(2) Ceiling for certain low-cost insulin products.—

“(A) In general.—The maximum fair price negotiated under this section for a selected drug that is an insulin product described in subparagraph (B), with respect to the first year of the price applicability period with respect to such drug, shall not exceed the average of the non-Federal average manufacturer price for such drug for the first 3 calendar quarters of 2021 (or, in the case that there is not a non-Federal average manufacturer price available for such drug for any of such first 3 calendar quarters of 2021, for the first full year following the market entry for such drug), increased by the percentage increase in the consumer price index for all urban consumers (all items; United States city average) from Sep-
tember 2021 (or December of such first full year following the market entry), as applicable, to the year prior to the selected drug publication date with respect to such initial price applicability year.

“(B) Low-cost insulin product described.—An insulin product described in this subparagraph is an insulin product—

“(i) that is described in section 1192(e)(1)(C); and

“(ii) for which the non-Federal average manufacturer price does not exceed 110 percent of the sum of—

“(I) the costs and expenses per unit of the drug (as described in subsection (e)(1)(C)); and

“(II) the sales, general, and administration expenses per unit of the drug

“(3) Applicable percent described.—For purposes of this subsection, the applicable percent described in this paragraph is the following:

“(A) Short-monopoly drugs and vaccines.—With respect to a selected drug (other
than an extended-monopoly drug and a long-
monopoly drug), 75 percent.

“(B) EXTENDED-MONOPOLY DRUGS.—
With respect to an extended-monopoly drug, 65
percent.

“(C) LONG-MONOPOLY DRUGS.—With re-
spect to a long-monopoly drug, 40 percent.

“(4) EXTENDED-MONOPOLY DRUG DEFINED.—

“(A) IN GENERAL.—In this part, subject
to subparagraph (B), the term ‘extended-mo-
nopoly drug’ means, as of the selected drug
publication date with respect to an initial price
applicability year, a selected drug for which at
least 12 years, but fewer than 16 years, have
elapsed since the date of approval of such drug
under section 505(c) of the Federal Food,
Drug, and Cosmetic Act or since the date of li-
censure of such drug under section 351(a) of
the Public Health Service Act, as applicable.

“(B) EXCLUSIONS.—The term ‘extended-
monopoly drug’ shall not include any of the fol-
lowing:

“(i) A vaccine that is licensed under
section 351 of the Public Health Service
Act and marketed pursuant to such section.

“(ii) A selected drug that had an agreement under this part with the Secretary prior to the initial price applicability year 2030.

“(C) CLARIFICATION.—Nothing in subparagraph (B)(ii) shall limit the transition of a selected drug described in paragraph (2)(A) to a long-monopoly drug if the selected drug meets the definition of a long-monopoly drug.

“(5) LONG-MONOPOLY DRUG DEFINED.—

“(A) IN GENERAL.—In this part, subject to subparagraph (B), the term ‘long-monopoly drug’ means, as of the selected drug publication date with respect to an initial price applicability year, a selected drug for which at least 16 years have elapsed since the date of approval of such drug under section 505(c) of the Federal Food, Drug, and Cosmetic Act or since the date of licensure of such drug under section 351(a) of the Public Health Service Act, as applicable.

“(B) EXCLUSION.—The term ‘long-monopoly drug’ shall not include a vaccine that is licensed under section 351 of the Public Health
Service Act and marketed pursuant to such section.

“(6) NON-FEDERAL AVERAGE MANUFACTURER PRICE.—In this part, the term ‘non-Federal average manufacturer price’ has the meaning given such term in section 8126(h)(5) of title 38, United States Code.

“(d) TEMPORARY FLOOR FOR SMALL BIOTECH DRUGS.—In the case of a selected drug that is a qualifying single source drug described in section 1192(d)(2) and with respect to which the first initial price applicability year of the price applicability period with respect to such drug is 2028 or 2029, the maximum fair price negotiated under this section for such drug for such initial price applicability year may not be less than 66 percent of the average of the non-Federal average manufacturer price for such drug (as defined in subsection (c)(6)) for the first 3 calendar quarters of 2021 (or, in the case that there is not a non-Federal average manufacturer price available for such drug for any of such first 3 calendar quarters of 2021, for the first full year following the market entry for such drug), increased by the percentage increase in the consumer price index for all urban consumers (all items; United States city average) from September 2021 (or December of such first full year following the
market entry), as applicable, to September of the year prior to the selected drug publication date with respect to the initial price applicability year.

“(e) FACTORS.—For purposes of negotiating the maximum fair price of a selected drug under this part with the manufacturer of the drug, the Secretary shall consider the following factors (and, with respect to extended-monopoly drugs and long-monopoly drugs, shall not consider factors other than those described in subparagraphs (B) and (C) of paragraph (1)):

“(1) MANUFACTURER-SPECIFIC INFORMATION.—The following information, with respect to such selected drug, including as submitted by the manufacturer:

“(A) Research and development costs of the manufacturer for the drug and the extent to which the manufacturer has recouped research and development costs.

“(B) Market data for the drug, including the distribution of sales across different programs and purchasers and projected future revenues for the drug.

“(C) Unit costs of production and distribution of the drug.
“(D) Prior Federal financial support for novel therapeutic discovery and development with respect to the drug.

“(E) Data on patents and on existing and pending exclusivity for the drug.

“(F) National sales data for the drug.

“(G) Information on clinical trials for the drug.

“(2) INFORMATION ON ALTERNATIVE TREATMENTS.—The following information, with respect to such selected drug and therapeutic alternatives to such drug:

“(A) The extent to which such drug represents a therapeutic advance as compared to existing therapeutic alternatives and, to the extent such information is available, the costs of such existing therapeutic alternatives.

“(B) Information on approval by the Food and Drug Administration of such drug and therapeutic alternatives of such drug.

“(C) Information on comparative effectiveness of such drug and therapeutic alternatives to such drug, taking into consideration the effects of such drug and therapeutic alternatives of such drug on specific populations, such as in-
individuals with disabilities, the elderly, the terminally ill, children, and other patient populations.

“(D) The extent to which such drug and therapeutic alternatives to such drug address unmet medical needs for a condition for which treatment or diagnosis is not addressed adequately by available therapy.

In considering information described in subparagraph (C), the Secretary shall not use evidence or findings from comparative clinical effectiveness research in a manner that treats extending the life of an elderly, disabled, or terminally ill individual as of lower value than extending the life of an individual who is younger, nondisabled, or not terminally ill.

“(3) ADDITIONAL INFORMATION.—Information submitted to the Secretary, in accordance with a process specified by the Secretary, by other parties that are affected by the establishment of a maximum fair price for the selected drug.

“(f) RENEGOTIATION PROCESS.—

“(1) IN GENERAL.—In the case of a renegotiation-eligible drug (as defined in paragraph (2)) that is selected under paragraph (3), the Secretary shall provide for a process of renegotiation (for years (be-
beginning with 2027) during the price applicability pe-
period, with respect to such drug) of the maximum fair
price for such drug consistent with paragraph (4).

“(2) Renegotiation-eligible drug de-
ined.—In this section, the term ‘renegotiation-eli-
gible drug’ means a selected drug that is any of the
following:

“(A) Addition of new indication.—A
selected drug for which a new indication is
added to the drug.

“(B) Change of status to an ex-
tended-monopoly drug.—A selected drug
that is described in section 1192(d)(1)(A)
that—

“(i) is not an extended-monopoly or a
long-monopoly drug; and

“(ii) for which there is a change in
status to that of an extended-monopoly
drug.

“(C) Change of status to a long-mo-
nopoly drug.—A selected drug that is de-
scribed in section 1192(d)(1)(A) that—

“(i) is not a long-monopoly drug; and

“(ii) for which there is a change in
status to that of a long-monopoly drug.
“(D) MATERIAL CHANGES.—A selected drug for which the Secretary determines there has been a material change of factors described in paragraph (1) or (2) of subsection (e).

“(3) SELECTION OF DRUGS FOR RENEGOTIATION.—Each year the Secretary shall select among renegotiation-eligible drugs for renegotiation as follows:

“(A) ALL EXTENDED-MONOPOLY NEGOTIATION-ELIGIBLE DRUGS.—The Secretary shall select all renegotiation-eligible drugs described in paragraph (2)(B).

“(B) ALL LONG-MONOPOLY NEGOTIATION-ELIGIBLE DRUGS.—The Secretary shall select all renegotiation-eligible drugs described in paragraph (2)(C).

“(C) REMAINING DRUGS.—Among the remaining renegotiation-eligible drugs described in subparagraphs (A) and (D) of paragraph (2), the Secretary shall select renegotiation-eligible drugs for which the Secretary expects renegotiation is likely to result in a significant change in the maximum fair price otherwise negotiated.

“(4) RENEGOTIATION PROCESS.—The Secretary shall specify the process for renegotiation of max-
imum fair prices with the manufacturer of a renegotiation-eligible drug selected for renegotiation under this subsection. Such process shall, to the extent practicable, be consistent with the methodology and process established under subsection (b) and in accordance with subsections (c) and (d), and for purposes of applying subsections (e) and (d), the reference to the first initial price applicability year of the price applicability period with respect to such drug shall be treated as the first initial price applicability year of such period for which the maximum fair price established pursuant to such renegotiation applies, including for applying subsection (e)(2)(B) in the case of renegotiation-eligible drugs described in paragraph (3)(A) of this subsection and subsection (c)(2)(C) in the case of renegotiation-eligible drugs described in paragraph (3)(B) of this subsection.

“(5) CLARIFICATION.—A renegotiation-eligible drug for which the Secretary makes a determination described in section 1192(c)(1) before or during the period of renegotiation shall not be subject to the renegotiation process under this section.

“(6) NO ADMINISTRATIVE OR JUDICIAL REVIEW.—The determination of renegotiation-eligible
drugs under paragraph (2) and the selection of renegotiation-eligible drugs under paragraph (3) are not subject to administrative or judicial review.

“(g) Request for Information.—For purposes of negotiating and, as applicable, renegotiating (including for purposes of determining whether to renegotiate) the maximum fair price of a selected drug under this part with the manufacturer of the drug, with respect to a price applicability period, and other relevant data for purposes of this section—

“(1) the Secretary shall, not later than the selected drug publication date with respect to the initial price applicability year of such period, request drug pricing information from the manufacturer of such selected drug, including information described in subsection (e)(1); and

“(2) by not later than March 1 following the selected drug publication date, the manufacturer of such selected drug shall submit to the Secretary such requested information in such form and manner as the Secretary requires.

The Secretary shall request, from the manufacturer or parties with data on factors specified in subsection (e), all additional information needed to carry out the negotiation and renegotiation process under this section.
“(h) CLARIFICATION.—In no case shall the maximum fair price negotiated under this section for a selected drug that is a qualifying single source drug described in subparagraph (A) or (B) of section 1192(e)(1) apply before—

“(1) in the case the selected drug is a qualifying single source drug described in such subparagraph (A), the date that is 9 years after the date on which the drug was approved under section 505(c) of the Federal Food, Drug, and Cosmetic Act; and

“(2) in the case the selected drug is a qualifying single source drug described in such subparagraph (B), the date that is 13 years after the date on which the drug was licensed under section 351(a) of the Public Health Service Act.

“SEC. 1195. PUBLICATION OF MAXIMUM FAIR PRICES.

“(a) IN GENERAL.—With respect to an initial price applicability year and a selected drug with respect to such year—

“(1) not later than November 15 of the year that is 2 years prior to such initial price applicability year, the Secretary shall publish on CMS.gov the maximum fair price for such drug negotiated under this part with the manufacturer of such drug;

“(2) not later than November 30 of the year that is 2 years prior to such initial price applicability year—
year, the Secretary shall publish in the Federal Register the maximum fair price for such drug described in paragraph (1); and

“(3) not later than March 1 of the year prior to such initial price applicability year, the Secretary shall publish in the Federal Register, subject to section 1193(c) and based on the factors as described in section 1194(e), the explanation for the maximum fair price for such drug described in paragraphs (1) and (2).

“(b) Updates.—

“(1) Subsequent year maximum fair prices.—For a selected drug, for each year subsequent to the first initial price applicability year of the price applicability period with respect to such drug, with respect to which an agreement for such drug is in effect under section 1193, not later than November 30 of the year that is 2 years prior to such subsequent year, the Secretary shall publish in the Federal Register the maximum fair price applicable to such drug and year, which shall be—

“(A) subject to subparagraph (B), the amount equal to the maximum fair price published for such drug for the previous year, increased by the annual percentage increase in
the consumer price index for all urban consumers (all items; U.S. city average) for the 12-month period ending with September of such previous year; or

“(B) in the case the maximum fair price for such drug was renegotiated, for the first year for which such price as so renegotiated applies, such renegotiated maximum fair price.

“(2) PRICES NEGOTIATED AFTER DEADLINE.—

In the case of a selected drug with respect to an initial price applicability year for which the maximum fair price is determined under this part after the date of publication under this section, the Secretary shall publish such maximum fair price in the Federal Register by not later than 30 days after the date such maximum price is so determined.

“SEC. 1196. ADMINISTRATIVE DUTIES AND COMPLIANCE MONITORING.

“(a) ADMINISTRATIVE DUTIES.—For purposes of section 1191(a)(4), the administrative duties described in this section are the following:

“(1) The establishment of procedures to ensure that the maximum fair price for a selected drug is applied before—
“(A) any coverage or financial assistance under other health benefit plans or programs that provide coverage or financial assistance for the purchase or provision of prescription drug coverage on behalf of maximum fair price eligible individuals; and

“(B) any other discounts.

“(2) The establishment of procedures to compute and apply the maximum fair price across different strengths and dosage forms of a selected drug and not based on the specific formulation or package size or package type of the drug.

“(3) The establishment of procedures to carry out the provisions of this part, as applicable, with respect to—

“(A) maximum fair price eligible individuals who are enrolled under a prescription drug plan under part D of title XVIII or an MA–PD plan under part C of such title; and

“(B) maximum fair price eligible individuals who are enrolled under part B of such title, including who are enrolled under an MA plan under part C of such title.

“(4) The establishment of a negotiation process and renegotiation process in accordance with section
1194, including a process for acquiring information described in subsection (e) of such section.

“(5) The establishment of an online portal for manufacturers to use to submit information described in section 1194(b)(2)(A).

“(6) The sharing with the Secretary of the Treasury of such information as is necessary to determine the tax imposed by section 4192 of the Internal Revenue Code of 1986 (relating to enforcement of this part).

“(7) The establishment of an attestation and verification process for purposes of applying section 1192(d)(2)(B) and 1194(e)(2)(B).

“(8) The establishment of procedures to ensure that entities described in section 1927(a)(5)(B) do not request access to a maximum fair price under this part with respect to a selected drug that is subject to payment of a rebate to such entities under an agreement described in section 1927(a)(5)(A).

“(b) COMPLIANCE MONITORING.—The Secretary shall monitor compliance by a manufacturer with the terms of an agreement under section 1193, including by establishing a mechanism through which violations of such terms shall be reported.
“SEC. 1197. CIVIL MONETARY PENALTY.

“(a) Violations Relating to Offering of Maximum Fair Price.—Any manufacturer of a selected drug that has entered into an agreement under section 1193, with respect to a year during the price applicability period with respect to such drug, that does not provide access to a price that is not more than the maximum fair price (or a lesser price) for such drug for such year—

“(1) to a maximum fair price eligible individual who with respect to such drug is described in subparagraph (A) of section 1191(c)(1) and who is dispensed such drug during such year (and to pharmacies, mail order services, and other dispensers, with respect to such maximum fair price eligible individuals who are dispensed such drugs); or

“(2) to a hospital, physician, or other provider of services or supplier with respect to maximum fair price eligible individuals who with respect to such drug is described in subparagraph (B) of such section and is furnished or administered such drug by such hospital, physician, or provider or supplier during such year;

shall be subject to a civil monetary penalty equal to ten times the amount equal to the product of the number of units of such drug so furnished, dispensed, or administered during such year and the difference between the
price for such drug made available for such year by such manufacturer with respect to such individual or hospital, physician, provider of services, or supplier and the maximum fair price for such drug for such year.

“(b) Violations of Certain Terms of Agreement.—Any manufacturer of a selected drug that has entered into an agreement under section 1193, with respect to a year during the price applicability period with respect to such drug, that is in violation of a requirement imposed pursuant to section 1193(a)(5), including the requirement to submit information pursuant to section 1193(a)(4), shall be subject to a civil monetary penalty equal to $1,000,000 for each day of such violation.

“(c) False Information.—Any manufacturer that knowingly provides false information for the attestation process or verification process established pursuant to section 1196(a)(7), shall be subject to a civil monetary penalty equal to $100,000,000 for each item of such false information.

“(d) Application.—The provisions of section 1128A (other than subsections (a) and (b)) shall apply to a civil monetary penalty under this section in the same manner as such provisions apply to a penalty or proceeding under section 1128A(a).”.
(b) Application of Maximum Fair Prices and Conforming Amendments.—

(1) Under Medicare.—

(A) Application to Payments under Part B.—Section 1847A(b)(1)(B) of the Social Security Act (42 U.S.C. 1395w–3a(b)(1)(B)) is amended by inserting “or in the case of such a drug or biological that is a selected drug (as referred to in section 1192(c)), with respect to a price applicability period (as defined in section 1191(b)(2)), 106 percent of the maximum fair price (as defined in section 1191(c)(2)) applicable for such drug and a year during such period” after “paragraph (4)”.

(B) Application under MA of Cost-Sharing for Part B Drugs Based Off of Negotiated Price.—Section 1852(a)(1)(B)(iv) of the Social Security Act (42 U.S.C. 1395w–22(a)(1)(B)(iv)) is amended—

(i) by redesignating subclause (VII) as subclause (VIII); and

(ii) by inserting after subclause (VI) the following subclause:
“(VII) A drug or biological that is a selected drug (as referred to in section 1192(c)).”.

(C) EXCEPTION TO PART D NON-INTERFERENCE.—Section 1860D–11(i) of the Social Security Act (42 U.S.C. 1395w–111(i)) is amended—

(i) in paragraph (1), by striking “and” at the end;

(ii) in paragraph (2), by striking the period at the end and inserting “, except as provided under section 1860D–4(b)(3)(I); and”; and

(iii) by adding at the end the following new paragraph:

“(3) may not institute a price structure for the reimbursement of covered part D drugs, except as provided under part E of title XI.”.

(D) APPLICATION AS NEGOTIATED PRICE UNDER PART D.—Section 1860D–2(d)(1) of the Social Security Act (42 U.S.C. 1395w–102(d)(1)) is amended—

(i) in subparagraph (B), by inserting “, subject to subparagraph (D),” after “negotiated prices”; and
(ii) by adding at the end the following new subparagraph:

“(D) APPLICATION OF MAXIMUM FAIR PRICE FOR SELECTED DRUGS.—In applying this section, in the case of a covered part D drug that is a selected drug (as referred to in section 1192(c)), with respect to a price applicability period (as defined in section 1191(b)(2)), the negotiated prices used for payment (as described in this subsection) shall be no greater than the maximum fair price (as defined in section 1191(c)(2)) for such drug and for each year during such period plus any dispensing fees for such drug.”.

(E) COVERAGE OF SELECTED DRUGS.—

Section 1860D–4(b)(3) of the Social Security Act (42 U.S.C. 1395w–104(b)(3)) is amended by adding at the end the following new subparagraph:

“(I) REQUIRED INCLUSION OF SELECTED DRUGS.—

“(i) IN GENERAL.—For 2025 and each subsequent year, the PDP sponsor offering a prescription drug plan shall include each covered part D drug that is a
selected drug under section 1192 for which
an agreement for such drug is in effect
under section 1193 with respect to the
year

“(ii) CLARIFICATION.—Nothing in
clause (i) shall be construed as prohibiting
a PDP sponsor from removing such a se-
lected drug from a formulary if such re-
moval would be permitted under section
423.120(b)(5)(iv) of title 42, Code of Fed-
ceral Regulations (or any successor regula-
tion).”.

(F) INFORMATION FROM PRESCRIPTION
DRUG PLANS AND MA–PD PLANS REQUIRED.—

(i) PRESCRIPTION DRUG PLANS.—Sec-
tion 1860D–12(b) of the Social Security
Act (42 U.S.C. 1395w–112(b)) is amended
by adding at the end the following new
paragraph:

“(8) PROVISION OF INFORMATION RELATED TO
MAXIMUM FAIR PRICES.—Each contract entered into
with a PDP sponsor under this part with respect to
a prescription drug plan offered by such sponsor
shall require the sponsor to provide information to
the Secretary as requested by the Secretary in accordance with section 1194(g).”.

(ii) MA–PD PLANS.—Section 1857(f)(3) of the Social Security Act (42 U.S.C. 1395w–27(f)(3)) is amended by adding at the end the following new sub-
paragraph:

“(E) PROVISION OF INFORMATION RELATED TO MAXIMUM FAIR PRICES.—Section 1860D–12(b)(8).”.

(2) DRUG PRICE NEGOTIATION PROGRAM PRICES INCLUDED IN BEST PRICE.—Section 1927(c)(1)(C) of the Social Security Act (42 U.S.C. 1396r–8(c)(1)(C)) is amended—

(A) in clause (i)(VI), by striking “any prices charged” and inserting “subject to clause (ii)(V), any prices charged”; and

(B) in clause (ii)—

(i) in subclause (III), by striking at the end “; and”; 

(ii) in subclause (IV), by striking at the end the period and inserting “; and”; and

(iii) by adding at the end the following new subclause:
“(V) in the case of a rebate period and a covered outpatient drug that is a selected drug (as referred to in section 1192(c)) during such rebate period, shall be inclusive of the maximum fair price (as defined in section 1191(c)(2)) for such drug with respect to such period.”.

(e) Implementation for 2025 Through 2029.—The Secretary shall implement this section, including the amendments made by this section, for 2025, 2026, 2027, 2028, and 2029 by program instruction or other forms of program guidance.
selected drug during a day described in subsection (b) a tax in an amount such that the applicable percentage is equal to the ratio of—

“(1) such tax, divided by

“(2) the sum of such tax and the price for which so sold.

“(b) NONCOMPLIANCE PERIODS.—A day is described in this subsection with respect to a selected drug if it is a day during one of the following periods:

“(1) The period beginning on the March 1st immediately following the selected drug publication date and ending on the first date during which the manufacturer of the drug has in place an agreement described in subsection (a) of section 1193 of the Social Security Act with respect to such drug.

“(2) The period beginning on the November 2nd immediately following the March 1st described in paragraph (1) and ending on the first date during which the manufacturer of the drug and the Secretary have agreed to a maximum fair price under such agreement.

“(3) In the case of a selected drug with respect to which the Secretary of Health and Human Services has specified a renegotiation period under such agreement, the period beginning on the first date
after the last date of such renegotiation period and
ending on the first date during which the manufac-
turer of the drug has agreed to a renegotiated max-
imum fair price under such agreement.

“(4) With respect to information that is re-
quired to be submitted to the Secretary of Health
and Human Services under such agreement, the pe-
riod beginning on the date on which such Secretary
certifies that such information is overdue and ending
on the date that such information is so submitted.

“(c) APPLICABLE PERCENTAGE.—For purposes of
this section, the term ‘applicable percentage’ means—

“(1) in the case of sales of a selected drug dur-
ing the first 90 days described in subsection (b) with
respect to such drug, 65 percent,

“(2) in the case of sales of such drug during
the 91st day through the 180th day described in
subsection (b) with respect to such drug, 75 percent,

“(3) in the case of sales of such drug during
the 181st day through the 270th day described in
subsection (b) with respect to such drug, 85 percent,
and

“(4) in the case of sales of such drug during
any subsequent day, 95 percent.
“(d) Selected Drug.—For purposes of this sec-

tion—

“(1) In General.—The term ‘selected drug’
means any selected drug (within the meaning of sec-
tion 1192(c) of the Social Security Act) which is
manufactured or produced in the United States or
entered into the United States for consumption, use,
or warehousing.

“(2) United States.—The term ‘United
States’ has the meaning given such term by section
4612(a)(4).

“(3) Coordination with Rules for Posses-
sions of the United States.—Rules similar to
the rules of paragraphs (2) and (4) of section
4132(c) shall apply for purposes of this section.

“(e) Other Definitions.—For purposes of this
section, the terms ‘selected drug publication date’ and
‘maximum fair price’ have the meaning given such terms
in section 1191 of the Social Security Act.

“(f) Anti-Abuse Rule.—In the case of a sale which
was timed for the purpose of avoiding the tax imposed by
this section, the Secretary may treat such sale as occur-
ring during a day described in subsection (b).”.

(b) No Deduction for Excise Tax Payments.—
Section 275(a)(6) of the Internal Revenue Code of 1986
is amended by inserting “or by section 4192” before the period at the end.

(c) **CERTAIN EXEMPTIONS FROM TAX NOT APPLICABLE.**—

(1) Section 4221(a) of the Internal Revenue Code of 1986 is amended by adding at the end the following: “In the case of the tax imposed by section 4192, paragraphs (3), (4), (5), and (6) shall not apply.”.

(2) Section 6416(b)(2) of such Code is amended by adding at the end the following: “In the case of the tax imposed by section 4192, subparagraphs (B), (C), (D), and (E) shall not apply.”.

(d) **CLERICAL AMENDMENT.**—The table of subchapters for chapter 32 of such Code is amended by adding at the end the following new item:

"SUBCHAPTER E. OTHER ITEMS".

(e) **EFFECTIVE DATE.**—The amendments made by this section shall apply to sales after the date of the enactment of this Act.

**SEC. 129003. FUNDING.**

In addition to amounts otherwise available, there is appropriated to the Centers for Medicare & Medicaid Services, out of any money in the Treasury not otherwise appropriated, $3,000,000,000 for fiscal year 2022, to remain
PART 2—PRESCRIPTION DRUG INFLATION REBATES

SEC. 129101. MEDICARE PART B REBATE BY MANUFACTURERS.

(a) In General.—Section 1847A of the Social Security Act (42 U.S.C. 1395w–3a) is amended—

(1) by redesignating subsection (i) as subsection (j) and by inserting after subsection (h) the following subsection:

“(i) Rebate by Manufacturers for Single Source Drugs and Biologicals With Prices Increasing Faster Than Inflation.—

“(1) Requirements.—

“(A) Secretarial provision of information.—Not later than 6 months after the end of each calendar quarter beginning on or after January 1, 2023, the Secretary shall, for each part B rebatable drug, report to each manufacturer of such part B rebatable drug the following for such calendar quarter:

“(i) Information on the total number of billing units of the billing and payment code described in subparagraph (A)(i) of
paragraph (3) with respect to such drug
and calendar quarter.

“(ii) Information on the amount (if
any) of the excess average sales price in-
crease described in subparagraph (A)(ii) of
such paragraph for such drug and calendar
quarter.

“(iii) The rebate amount specified
under such paragraph for such part B
rebatable drug and calendar quarter.

“(B) MANUFACTURER REQUIREMENT.—
For each calendar quarter beginning on or after
January 1, 2023, the manufacturer of a part B
rebatable drug shall, for such drug, not later
than 30 days after the date of receipt from the
Secretary of the information described in sub-
paragraph (A) for such calendar quarter, pro-
vide to the Secretary a rebate that is equal to
the amount specified in paragraph (3) for such
drug for such calendar quarter.

“(C) TRANSITION RULE FOR REPORT-
ing.—The Secretary may, for each part B
rebatable drug, delay the timeframe for report-
ing the information described in subparagraph
(A) for calendar quarters beginning in 2023
and 2024 until not later than September 30, 2025.

“(2) Part B rebatable drug defined.—

“(A) In general.—In this subsection, the term ‘part B rebatable drug’ means a single source drug or biological (as defined in subparagraph (D) of subsection (c)(6)), including a biosimilar biological product (as defined in subparagraph (H) of such subsection) but excluding a qualifying biosimilar biological product (as defined in subsection (b)(8)(B)(iii)), that would be payable under this part if such drug were furnished to an individual enrolled under this part, except such term shall not include such a drug or biological—

“(i) if, as determined by the Secretary, the average total allowed charges for such drug or biological under this part for a year per individual that uses such a drug or biological are less than, subject to subparagraph (B), $100; or

“(ii) that is a vaccine described in subparagraph (A) or (B) of section 1861(s)(10).
“(B) INCREASE.—The dollar amount applied under subparagraph (A)(i)—

“(i) for 2024, shall be the dollar amount specified under such subparagraph for 2023, increased by the percentage increase in the consumer price index for all urban consumers (United States city average) for the 12-month period ending with June of the previous year; and

“(ii) for a subsequent year, shall be the dollar amount specified in this clause (or clause (i)) for the previous year (without application of subparagraph (C)), increased by the percentage increase in the consumer price index for all urban consumers (United States city average) for the 12-month period ending with June of the previous year.

“(C) Rounding.—Any dollar amount determined under subparagraph (B) that is not a multiple of $10 shall be rounded to the nearest multiple of $10.

“(3) Rebate Amount.—

“(A) In general.—For purposes of paragraph (1), the amount specified in this para-
graph for a part B rebatable drug assigned to a billing and payment code for a calendar quarter is, subject to subparagraphs (B) and (G) and paragraph (4), the amount equal to the product of—

“(i) the total number of billing units determined under subparagraph (B) for the billing and payment code of such drug; and

“(ii) the amount (if any) by which—

“(I) the amount equal to—

“(aa) in the case of a part B rebatable drug described in paragraph (1)(B) of section 1847A(b), 106 percent of the amount determined under paragraph (4) of such section for such drug during the calendar quarter; or

“(bb) in the case of a part B rebatable drug described in paragraph (1)(C) of such section, the payment amount under such paragraph for such drug during the calendar quarter; exceeds
“(II) the inflation-adjusted payment amount determined under subparagraph (C) for such part B rebatable drug during the calendar quarter.

“(B) TOTAL NUMBER OF BILLING UNITS.—For purposes of subparagraph (A)(i), the total number of billing units with respect to a part B rebatable drug is determined as follows:

“(i) Determine the total number of units equal to—

“(I) the total number of units, as reported under subsection (c)(1)(B) for each National Drug Code of such drug during the calendar quarter that is two calendar quarters prior to the calendar quarter as described in subparagraph (A), minus

“(II) the total number of units with respect to each National Drug Code of such drug for which payment was made under a State plan under title XIX (or waiver of such plan), as reported by States under section
1. 1927(b)(2)(A) for the rebate period that is the same calendar quarter as described in subclause (I).

(ii) Convert the units determined under clause (i) to billing units for the billing and payment code of such drug, using a methodology similar to the methodology used under this section, by dividing the units determined under clause (i) for each National Drug Code of such drug by the billing unit for the billing and payment code of such drug.

(iii) Compute the sum of the billing units for each National Drug Code of such drug in clause (ii).

(C) Determination of Inflation-Adjusted Payment Amount.—The inflation-adjusted payment amount determined under this subparagraph for a part B rebatable drug for a calendar quarter is—

(i) the payment amount for the billing and payment code for such drug in the payment amount benchmark quarter (as defined in subparagraph (D)); increased by
“(ii) the percentage by which the rebate period CPI–U (as defined in subparagraph (F)) for the calendar quarter exceeds the benchmark period CPI–U (as defined in subparagraph (E)).

“(D) PAYMENT AMOUNT BENCHMARK QUARTER.—The term ‘payment amount benchmark quarter’ means the calendar quarter immediately prior to the calendar quarter beginning October 1, 2021.

“(E) BENCHMARK PERIOD CPI–U.—The term ‘benchmark period CPI–U’ means the consumer price index for all urban consumers (United States city average) for January 2021.

“(F) REBATE PERIOD CPI–U.—The term ‘rebate period CPI–U’ means, with respect to a calendar quarter described in subparagraph (C), the greater of the benchmark period CPI–U and the consumer price index for all urban consumers (United States city average) for the first month of the calendar quarter that is two calendar quarters prior to such described calendar quarter.

“(G) EXEMPTION FOR SHORTAGES AND SEVERE SUPPLY CHAIN DISRUPTIONS.—The
Secretary shall reduce or waive the amount
under subparagraph (A) with respect to a part
B rebatable drug that is described as currently
in shortage on the shortage list in effect under
section 506E of the Federal Food, Drug, and
Cosmetic Act or in the case of a biosimilar bio-
logical product, when the Secretary determines
there are severe supply chain disruptions.

“(4) SPECIAL TREATMENT OF CERTAIN DRUGS
AND EXEMPTION.—

“(A) SUBSEQUENTLY APPROVED DRUGS.—

In the case of a part B rebatable drug first ap-
proved or licensed by the Food and Drug Ad-
ministration after December 1, 2020, clause (i)
of paragraph (3)(C) shall be applied as if the
term ‘payment amount benchmark quarter’
were defined under paragraph (3)(D) as the
third full calendar quarter after the day on
which the drug was first marketed and clause
(ii) of paragraph (3)(C) shall be applied as if
the term ‘benchmark period CPI–U’ were de-

fined under paragraph (3)(E) as if the ref-

erence to ‘January 2021’ under such paragraph
were a reference to ‘the first month of the first
full calendar quarter after the day on which the
drug was first marketed’.

“(B) TIMELINE FOR PROVISION OF RE-
BATES FOR SUBSEQUENTLY APPROVED
DRUGS.—In the case of a part B rebatable drug
first approved or licensed by the Food and
Drug Administration after December 1, 2020,
paragraph (1)(B) shall be applied as if the ref-
ence to ‘January 1, 2023’ under such para-
graph were a reference to the later of the 6th
full calendar quarter after the day on which the
drug was first marketed or January 1, 2023.

“(C) SELECTED DRUGS.—In the case of a
part B rebatable drug that is a selected drug
(as defined in section 1192(c)) for a price appli-
cability period (as defined in section
1191(b)(2)), in the case such drug is deter-
mimed (pursuant to such section 1192(c)) to no
longer be a selected drug, beginning the first
calendar quarter after the price applicability pe-
period with respect to such drug, clause (i) of
paragraph (3)(C) shall be applied as if the term
‘payment amount benchmark quarter’ were de-
defined under paragraph (3)(D) as the calendar
quarter beginning January 1 of the last year.
during such price applicability period with respect to such selected drug and clause (ii) of paragraph (3)(C) shall be applied as if the term ‘benchmark period CPI–U’ were defined under paragraph (3)(E) as if the reference to ‘January 2021’ under such paragraph were a reference to the July of the year preceding such last year.

“(5) APPLICATION TO BENEFICIARY COINSURANCE.—In the case of a part B rebatable drug, if the payment amount described in paragraph (3)(A)(ii)(I) (or, in the case of a part B rebatable drug that is a selected drug (as defined in section 1192(c), the payment amount described in subsection (b)(1)(B) for such drug) for a calendar quarter exceeds the inflation adjusted payment for such quarter—

“(A) in computing the amount of any coinsurance applicable under this part to an individual to whom such drug is furnished, the computation of such coinsurance shall be equal to 20 percent of the inflation-adjusted payment amount determined under paragraph (3)(C) for such part B rebatable drug; and
“(B) the amount of such coinsurance for such calendar quarter, as computed under sub-
paragraph (A), shall be applied as a percent, as determined by the Secretary, to the payment amount that would otherwise apply under sub-
paragraphs (B) or (C) of subsection (b)(1).

“(6) Rebate deposits.—Amounts paid as rebates under paragraph (1)(B) shall be deposited into the Federal Supplementary Medical Insurance Trust Fund established under section 1841.

“(7) Civil money penalty.—If a manufacturer of a part B rebatable drug has failed to comply with the requirements under paragraph (1)(B) for such drug for a calendar quarter, the manufacturer shall be subject to, in accordance with a process established by the Secretary pursuant to regulations, a civil money penalty in an amount equal to at least 125 percent of the amount specified in paragraph (3) for such drug for such calendar quarter. The provisions of section 1128A (other than subsections (a) (with respect to amounts of penalties or additional assessments) and (b)) shall apply to a civil money penalty under this paragraph in the same manner as such provisions apply to a penalty or proceeding under section 1128A(a).”; and
(2) in subsection (j), as redesignated by paragraph (1)—

(A) in paragraph (4), by striking at the end “and”;

(B) in paragraph (5), by striking at the end the period and inserting a semicolon; and

(C) by adding at the end the following new paragraphs:

“(6) the determination of units under subsection (i);

“(7) the determination of whether a drug is a part B rebatable drug under subsection (i);

“(8) the calculation of the rebate amount under subsection (i); and

“(9) the computation of coinsurance under subsection (i)(5); and

“(10) the computation of amounts paid under section 1833(a)(1)(EE).”.

(b) AMOUNTS PAYABLE; COST-SHARING.—Section 1833 of the Social Security Act (42 U.S.C. 1395l) is amended—

(1) in subsection (a)(1)—

(A) in subparagraph (G), by inserting “subject to subsection (i)(9),” after “the amounts paid”;
(B) in subparagraph (S), by striking “with respect to” and inserting “subject to subparagraph (EE), with respect to”;

(C) by striking “and (DD)” and inserting “(DD)”;

(D) by inserting before the semicolon at the end the following: “, and (EE) with respect to a part B rebatable drug (as defined in paragraph (2) of section 1847A(i)) for which the payment amount for a calendar quarter under paragraph (3)(A)(ii)(I) of such section (or, in the case of a part B rebatable drug that is a selected drug (as defined in section 1192(c) for which, the payment amount described in section 1847A(b)(1)(B)) for such drug for such quarter exceeds the inflation-adjusted payment under paragraph (3)(A)(ii)(II) of such section for such quarter, the amounts paid shall be equal to the percent of the payment amount under paragraph (3)(A)(ii)(I) of such section or section 1847A(b)(1)(B), as applicable, that equals the difference between (i) 100 percent, and (ii) the percent applied under section 1847A(i)(5)(B)”;}
(2) in subsection (i), by adding at the end the following new paragraph:

“(9) In the case of a part B rebatable drug (as defined in paragraph (2) of section 1847A(i)) for which payment under this subsection is not packaged into a payment for a service furnished on or after January 1, 2023, under the revised payment system under this subsection, in lieu of calculation of coinsurance and the amount of payment otherwise applicable under this subsection, the provisions of section 1847A(i)(5) and paragraph (1)(EE) of subsection (a), shall, as determined appropriate by the Secretary, apply under this subsection in the same manner as such provisions of section 1847A(i)(5) and subsection (a) apply under such section and subsection.”; and

(3) in subsection (t)(8), by adding at the end the following new subparagraph:

“(F) PART B REBATABLE DRUGS.—In the case of a part B rebatable drug (as defined in paragraph (2) of section 1847A(i), except if such drug does not have a copayment amount as a result of application of subparagraph (E)) for which payment under this part is not packaged into a payment for a covered OPD service (or group of services) furnished on or after January 1, 2023, and the payment for such
drug under this subsection is the same as the
amount for a calendar quarter under paragraph
(3)(A)(ii)(I) of section 1847A(i), under the sys-
tem under this subsection, in lieu of calculation
of the copayment amount and the amount of
payment otherwise applicable under this sub-
section (other than the application of the limita-
tion described in subparagraph (C)), the provi-
sions of section 1847A(i)(5) and paragraph
(1)(EE) of subsection (a), shall, as determined
appropriate by the Secretary, apply under this
subsection in the same manner as such provi-
sions of section 1847A(i)(5) and subsection (a)
apply under such section and subsection.”.

(c) CONFORMING AMENDMENTS.—

(1) TO PART B ASP CALCULATION.—Section
1847A(c)(3) of the Social Security Act (42 U.S.C.
1395w–3a(e)(3)) is amended by inserting “sub-
section (i) or” before “section 1927”.

(2) EXCLUDING PART B DRUG INFLATION RE-
BATE FROM BEST PRICE.—Section
1927(c)(1)(C)(ii)(I) of the Social Security Act (42
U.S.C. 1396r–8(c)(1)(C)(ii)(I)) is amended by in-
serting “or section 1847A(i)” after “this section”.

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(3) Coordination with Medicaid rebate information disclosure.—Section 1927(b)(3)(D)(i) of the Social Security Act (42 U.S.C. 1396r–8(b)(3)(D)(i)) is amended by inserting “and the rebate” after “the payment amount”.

(4) Excluding Part B drug inflation rebates from average manufacturer price.—Section 1927(k)(1)(B)(i) of the Social Security Act (42 U.S.C. 1396r–8(k)(1)(B)(i)), as previously amended, is amended—

(A) in subclause (IV), by striking “and”;  
(B) in subclause (V), by striking the period at the end and inserting a semicolon; and  
(C) by adding at the end the following new subclause:

“(VI) rebates paid by manufacturers under section 1847A(i); and”.

(d) Funding.—In addition to amounts otherwise available, there are appropriated to the Centers for Medicare & Medicaid Services, out of any money in the Treasury not otherwise appropriated, $80,000,000 for fiscal year 2022, including $12,500,000 to carry out the provisions of, including the amendments made by, this section in fiscal year 2022, and $7,500,000 to carry out the provisions of, including the amendments made by, this section
in each of fiscal years 2023 through 2031, to remain available until expended.

SEC. 129102. MEDICARE PART D REBATE BY MANUFACTURERS.

(a) IN GENERAL.—Part D of title XVIII of the Social Security Act is amended by inserting after section 1860D–14A (42 U.S.C. 1395w–114a) the following new section:

“SEC. 1860D–14B. MANUFACTURER REBATE FOR CERTAIN DRUGS WITH PRICES INCREASING FASTER THAN INFLATION.

“(a) REQUIREMENTS.—

“(1) SECRETARIAL PROVISION OF INFORMATION.—Not later than 9 months after the end of each applicable period (as defined in subsection (g)(7)), subject to paragraph (3), the Secretary shall, for each part D rebatable drug, report to each manufacturer of such part D rebatable drug the following for such period:

“(A) The amount (if any) of the excess annual manufacturer price increase described in subsection (b)(1)(A)(ii) for each dosage form and strength with respect to such drug and period.
“(B) The rebate amount specified under subsection (b) for each dosage form and strength with respect to such drug and period.

“(2) MANUFACTURER REQUIREMENTS.—For each applicable period, the manufacturer of a part D rebatable drug, for each dosage form and strength with respect to such drug, not later than 30 days after the date of receipt from the Secretary of the information described in paragraph (1) for such period, shall provide to the Secretary a rebate that is equal to the amount specified in subsection (b) for such dosage form and strength with respect to such drug for such period.

“(3) TRANSITION RULE FOR REPORTING.—The Secretary may, for each rebatable covered part D drug, delay the timeframe for reporting the information and rebate amount described in subparagraphs (A) and (B) of such paragraph for the applicable period beginning July 1, 2022, until not later than September 30, 2025.

“(b) REBATE AMOUNT.—

“(1) IN GENERAL.—

“(A) CALCULATION.—For purposes of this section, the amount specified in this subsection for a dosage form and strength with respect to
a part D rebatable drug and applicable period is, subject to subparagraph (C), paragraph (5)(B), and paragraph (6), the amount equal to the product of—

“(i) subject to subparagraph (B) of this paragraph, the total number of units that are used to calculate the average manufacturer price of such dosage form and strength with respect to such part D rebatable drug, as reported by the manufacturer of such drug under section 1927 for each month, with respect to such period; and

“(ii) the amount (if any) by which—

“(I) the annual manufacturer price (as determined in paragraph (2)) paid for such dosage form and strength with respect to such part D rebatable drug for the period; exceeds

“(II) the inflation-adjusted payment amount determined under paragraph (3) for such dosage form and strength with respect to such part D rebatable drug for the period.
“(B) EXCLUDED UNITS.—For purposes of subparagraph (A)(i), the Secretary shall exclude from the total number of units for a dosage form and strength with respect to a part D rebatable drug, with respect to an applicable period, the following:

“(i) Units of each dosage form and strength of such part D rebatable drug for which payment was made under a State plan under title XIX (or waiver of such plan), as reported by States under section 1927(b)(2)(A).

“(ii) Units of each dosage form and strength of such part D rebatable drug for which a rebate is paid under section 1847A(i).

“(C) EXEMPTION FOR SHORTAGES AND SEVERE SUPPLY CHAIN DISRUPTIONS.—

“(i) IN GENERAL.—The Secretary shall reduce or waive the amount under subparagraph (A) with respect to a part D rebatable drug—

“(I) that is described as currently in shortage on the shortage list in effect under section 506E of the
Federal Food, Drug, and Cosmetic Act;

“(II) in the case of a generic (defined as a part D rebatable drug described in subsection (g)(1)(C)(ii)) or a biosimilar (defined as a biological product licensed under section 351(k) of the Public Health Service Act), when the Secretary determines there are severe supply chain disruptions; and

“(III) in the case of a generic (as so defined), if the Secretary determines that without such reduction or waiver, access to the drug would be severely reduced.

“(ii) ANNUAL REVIEW.—The Secretary shall annually review any reduction or waiver with respect to a part D rebatable drug under this subparagraph.

“(2) DETERMINATION OF ANNUAL MANUFACTURER PRICE.—The annual manufacturer price determined under this paragraph for a dosage form and strength, with respect to a part D rebatable
drug and an applicable period, is the sum of the products of—

“(A) the average manufacturer price (as defined in subsection (g)(6)) of such dosage form and strength, as calculated for a unit of such drug, with respect to each of the calendar quarters of such period; and

“(B) the ratio of—

“(i) the total number of units of such dosage form and strength reported under section 1927 with respect to each such calendar quarter of such period; to

“(ii) the total number of units of such dosage form and strength reported under section 1927 with respect to such period, as determined by the Secretary.

“(3) Determination of inflation-adjusted payment amount.—The inflation-adjusted payment amount determined under this paragraph for a dosage form and strength with respect to a part D rebatable drug for an applicable period, subject to paragraph (5), is—

“(A) the benchmark period manufacturer price determined under paragraph (4) for such
dosage form and strength with respect to such
drug and period; increased by

“(B) the percentage by which the applicable
period CPI–U (as defined in subsection
(g)(5)) for the period exceeds the benchmark
period CPI–U (as defined in subsection (g)(4)).

“(4) **DETERMINATION OF BENCHMARK PERIOD MANUFACTURER PRICE.**—The benchmark period
manufacturer price determined under this paragraph
for a dosage form and strength, with respect to a
part D rebatable drug and an applicable period, is
the sum of the products of—

“(A) the average manufacturer price (as
defined in subsection (g)(6)) of such dosage
form and strength, as calculated for a unit of
such drug, with respect to each of the calendar
quarters of the payment amount benchmark pe-
riod (as defined in subsection (g)(3)); and

“(B) the ratio of—

“(i) the total number of units re-
ported under section 1927 of such dosage
form and strength with respect to each
such calendar quarter of such payment
amount benchmark period; to
“(ii) the total number of units reported under section 1927 of such dosage form and strength with respect to such payment amount benchmark period.

“(5) SPECIAL TREATMENT OF CERTAIN DRUGS AND EXEMPTION.—

“(A) SUBSEQUENTLY APPROVED DRUGS.—

In the case of a part D rebatable drug first approved or licensed by the Food and Drug Administration after October 1, 2021, subparagraphs (A) and (B) of paragraph (4) shall be applied as if the term ‘payment amount benchmark period’ were defined under subsection (g)(3) as the first calendar year beginning after the day on which the drug was first marketed and subparagraph (B) of paragraph (3) shall be applied as if the term ‘benchmark period CPI–U’ were defined under subsection (g)(4) as if the reference to ‘January 2021’ under such subsection were a reference to ‘January of the first year beginning after the date on which the drug was first marketed’.

“(B) TREATMENT OF NEW FORMULATIONS.—
“(i) IN GENERAL.—In the case of a part D rebatable drug that is a line extension of a part D rebatable drug that is an oral solid dosage form, the Secretary shall establish a formula for determining the rebate amount under paragraph (1) and the inflation adjusted payment amount under paragraph (3) with respect to such part D rebatable drug and an applicable period, consistent with the formula applied under subsection (c)(2)(C) of section 1927 for determining a rebate obligation for a rebate period under such section.

“(ii) LINE EXTENSION DEFINED.—In this subparagraph, the term ‘line extension’ means, with respect to a part D rebatable drug, a new formulation of the drug, such as an extended release formulation, but does not include an abuse-deterrent formulation of the drug (as determined by the Secretary), regardless of whether such abuse-deterrent formulation is an extended release formulation.

“(C) SELECTED DRUGS.—In the case of a part D rebatable drug that is a selected drug
(as defined in section 1192(c)) for a price applicability period (as defined in section 1191(b)(2)), in the case such drug is determined (pursuant to such section 1192(c)) to no longer be a selected drug, for each applicable period beginning after the price applicability period with respect to such drug, subparagraphs (A) and (B) of paragraph (4) shall be applied as if the term ‘payment amount benchmark period’ were defined under subsection (g)(3) as the last year beginning during such price applicability period with respect to such selected drug and subparagraph (B) of paragraph (3) shall be applied as if the term ‘benchmark period CPI–U’ were defined under subsection (g)(4) as if the reference to ‘January 2021’ under such subsection were a reference to January of the last year beginning during such price applicability period with respect to such drug.

“(6) Reconciliation in case of revised AMP reports.—The Secretary shall provide for a method and process under which, in the case of a manufacturer of a part D rebatable drug that submits revisions to information submitted under sec-
tion 1927 by the manufacturer with respect to such
drug, the Secretary determines, pursuant to such re-
visions, adjustments, if any, to the calculation of the
amount specified in this subsection for a dosage
form and strength with respect to such part D
rebatable drug and an applicable period and rec-
onciles any overpayments or underpayments in
amounts paid as rebates under this subsection. Any
identified underpayment shall be rectified by the
manufacturer not later than 30 days after the date
of receipt from the Secretary of information on such
underpayment.

“(c) Rebate Deposits.—Amounts paid as rebates
under subsection (b) shall be deposited into the Medicare
Prescription Drug Account in the Federal Supplementary
Medical Insurance Trust Fund established under section
1841.

“(d) Information.—For purposes of carrying out
this section, the Secretary shall use information submitted
by manufacturers under section 1927(b)(3) and informa-
tion submitted by States under section 1927(b)(2)(A).

“(e) Civil Money Penalty.—If a manufacturer of
a part D rebatable drug has failed to comply with the re-
quirement under subsection (a)(2) with respect to such
drug for an applicable period, the manufacturer shall be
subject to, in accordance with a process established by the Secretary pursuant to regulations, a civil money penalty in an amount equal to 125 percent of the amount specified in subsection (b) for such drug for such period. The provisions of section 1128A (other than subsections (a) (with respect to amounts of penalties or additional assessments) and (b)) shall apply to a civil money penalty under this subsection in the same manner as such provisions apply to a penalty or proceeding under section 1128A(a).

“(f) No Administrative or Judicial Review.—There shall be no administrative or judicial review of the following:

“(1) The determination of units under this section.

“(2) The determination of whether a drug is a part D rebatable drug under this section.

“(3) The calculation of the rebate amount under this section.

“(g) Definitions.—In this section:

“(1) Part D Rebatable Drug.—

“(A) In General.—Except as provided in subparagraph (B), the term ‘part D rebatable drug’ means a drug or biological described in subparagraph (C) that would (without application of this section) be a covered part D drug
(as such term is defined under section 1860D–2(e)).

“(B) EXCLUSION.—

“(i) IN GENERAL.—Such term shall, with respect to an applicable period, not include a drug or biological if the average annual total cost under this part for such period per individual who uses such a drug or biological, as determined by the Secretary, is less than, subject to clause (ii), $100, as determined by the Secretary using the most recent data available or, if data is not available, as estimated by the Secretary.

“(ii) INCREASE.—The dollar amount applied under clause (i)—

“(I) for the applicable period beginning July 1, 2023, shall be the dollar amount specified under such clause for the applicable period beginning July 1, 2022, increased by the percentage increase in the consumer price index for all urban consumers (United States city average) for the
12-month period beginning with July of 2023; and

“(II) for a subsequent applicable period, shall be the dollar amount specified in this clause for the previous applicable period, increased by the percentage increase in the consumer price index for all urban consumers (United States city average) for the 12-month period beginning with July of the previous period.

Any dollar amount specified under this clause that is not a multiple of $10 shall be rounded to the nearest multiple of $10.

“(C) DRUG OR BIOLOGICAL DESCRIBED.—

A drug or biological described in this subparagraph is—

“(i) a drug approved under a new drug application under section 505(c) of the Federal Food, Drug, and Cosmetic Act;

“(ii) a drug approved under an abbreviated new drug application under section 505(j) of the Federal Food, Drug, and Cosmetic Act, in the case where—
“(I) the reference listed drug approved under section 505(e) of the Federal Food, Drug, and Cosmetic Act, including any ‘authorized generic drug’ (as that term is defined in section 505(t)(3) of the Federal Food, Drug, and Cosmetic Act, is not being marketed, as identified in the Food and Drug Administration’s National Drug Code Directory;

“(II) there is no other drug approved under section 505(j) of the Federal Food, Drug, and Cosmetic Act that is rated as therapeutically equivalent (under the Food and Drug Administration’s most recent publication of ‘Approved Drug Products with Therapeutic Equivalence Evaluations’) and that is being marketed, as identified in the Food and Drug Administration’s National Drug Code Directory;

“(III) the manufacturer is not a ‘first applicant’ during the ‘180-day exclusivity period’, as those terms are
defined in section 505(j)(5)(B)(iv) of
the Federal Food, Drug, and Cos-
metic Act; and

“(IV) the manufacturer is not a
‘first approved applicant’ for a com-
petitive generic therapy, as that term
is defined in section 505(j)(5)(B)(v)
of the Federal Food, Drug, and Cos-
metic Act; and

“(iii) a biological licensed under sec-
tion 351 of the Public Health Service Act.

“(2) UNIT.—The term ‘unit’ means, with re-
spect to a part D rebatable drug, the lowest dispen-
sable amount (such as a capsule or tablet, milligram
of molecules, or grams) of the part D rebatable
drug, as reported under section 1927.

“(3) PAYMENT AMOUNT BENCHMARK PE-
RIOD.—The term ‘payment amount benchmark pe-
riod’ means the period beginning January 1, 2021,
and ending in the month immediately prior to Octo-
ber 1, 2021.

“(4) BENCHMARK PERIOD CPI–U.—The term
‘benchmark period CPI–U’ means the consumer
price index for all urban consumers (United States
city average) for January 2021.
“(5) Applicable Period CPI–U.—The term ‘applicable period CPI–U’ means, with respect to an applicable period, the consumer price index for all urban consumers (United States city average) for the first month of such applicable period.

“(6) Average Manufacturer Price.—The term ‘average manufacturer price’ has the meaning, with respect to a part D rebatable drug of a manufacturer, given such term in section 1927(k)(1), with respect to a covered outpatient drug of a manufacturer for a rebate period under section 1927.

“(7) Applicable Period.—The term ‘applicable period’ means a 12-month period beginning with July 1 of a year (beginning with July 1, 2022).

“(h) Implementation for 2022, 2023, and 2024.—The Secretary shall implement this section for 2022, 2023, and 2024 by program instruction or other forms of program guidance.”.

(b) Conforming Amendments.—

(1) To Part B ASP Calculation.—Section 1847A(c)(3) of the Social Security Act (42 U.S.C. 1395w–3a(c)(3)), as amended by section 129101(c)(1), is amended by striking “subsection (i) or section 1927” and inserting “subsection (i), section 1927, or section 1860D–14B”.
(2) Excluding Part D Drug Inflation Rebate from Best Price.—Section 1927(c)(1)(C)(ii)(I) of the Social Security Act (42 U.S.C. 1396r–8(c)(1)(C)(ii)(I)), as amended by section 129101(c)(2), is amended by striking “or section 1847A(i)” and inserting “, section 1847A(i), or section 1860D–14B”.

(3) Coordination with Medicaid Rebate Information Disclosure.—Section 1927(b)(3)(D)(i) of the Social Security Act (42 U.S.C. 1396r–8(b)(3)(D)(i)), as amended by section 129101(c)(3), is amended by striking “or to carry out section 1847B” and inserting “or to carry out section 1847B or section 1860D–14B”.

(4) Excluding Part D Drug Inflation Rebates from Average Manufacturer Price.—Section 1927(k)(1)(B)(i) of the Social Security Act (42 U.S.C. 1396r–8(k)(1)(B)(i)), as previously amended, is amended by adding at the end the following new subclause:

“(VII) rebates paid by manufacturers under section 1860D-14B.”.

(e) Funding.—In addition to amounts otherwise available, there are appropriated to the Centers for Medicare & Medicaid Services, out of any money in the Treas-
ury not otherwise appropriated, $80,000,000 for fiscal
year 2022, including $12,500,000 to carry out the provi-
sions of, including the amendments made by, this section
in fiscal year 2022, and $7,500,000 to carry out the provi-
sions of, including the amendments made by, this section
for in each of fiscal years 2023 through 2031, to remain
available until expended.

PART 3—PART D IMPROVEMENTS AND MAXIMUM
OUT-OF-POCKET CAP FOR MEDICARE BENE-
FICIARIES

SEC. 129201. MEDICARE PART D BENEFIT REDESIGN.
(a) BENEFIT STRUCTURE REDESIGN.—Section
1860D–2(b) of the Social Security Act (42 U.S.C. 1395w–
102(b)) is amended—
(1) in paragraph (2)—
(A) in subparagraph (A), in the matter
preceding clause (i), by inserting “for a year
preceding 2024 and for costs above the annual
deductible specified in paragraph (1) and up to
the annual out-of-pocket threshold specified in
paragraph (4)(B) for 2024 and each subsequent
year” after “paragraph (3)”;
(B) in subparagraph (C)—
(i) in clause (i), in the matter pre-
ceeding subclause (I), by inserting “for a
year preceding 2024,” after “paragraph (4),”}; and

(ii) in clause (ii)(III), by striking “and each subsequent year” and inserting “through 2023”; and

(C) in subparagraph (D)—

(i) in clause (i)—

(I) in the matter preceding subclause (I), by inserting “for a year preceding 2024,” after “paragraph (4),”}; and

(II) in subclause (I)(bb), by striking “a year after 2018” and inserting “each of years 2019 through 2023”; and

(ii) in clause (ii)(V), by striking “2019 and each subsequent year” and inserting “each of years 2019 through 2023”; 

(2) in paragraph (3)(A)—

(A) in the matter preceding clause (i), by inserting “for a year preceding 2024,” after “and (4),”}; and
(B) in clause (ii), by striking “for a subsequent year” and inserting “for each of years 2007 through 2023”; and

(3) in paragraph (4)—

(A) in subparagraph (A)—

(i) in clause (i)—

(I) by redesignating subclauses (I) and (II) as items (aa) and (bb), respectively, and moving the margin of each such redesignated item 2 ems to the right;

(II) in the matter preceding item (aa), as redesignated by subclause (I), by striking “is equal to the greater of—” and inserting “is equal to—

“(I) for a year preceding 2024, the greater of—”;

(III) by striking the period at the end of item (bb), as redesignated by subclause (I), and inserting “; and”;

and

(IV) by adding at the end the following:

“(II) for 2024 and each succeeding year, $0.”; and
(ii) in clause (ii)—

(I) by striking “clause (i)(I)” and inserting “clause (i)(I)(aa)”; and

(II) by adding at the end the following new sentence: “The Secretary shall continue to calculate the dollar amounts specified in clause (i)(I)(aa), including with the adjustment under this clause, after 2023 for purposes of section 1860D–14(a)(1)(D)(iii).”;

(B) in subparagraph (B)—

(i) in clause (i)—

(I) in subclause (V), by striking “or” at the end;

(II) in subclause (VI)—

(aa) by striking “for a subsequent year” and inserting “for each of years 2021 through 2023”; and

(bb) by striking the period at the end and inserting a semi-colon; and

(III) by adding at the end the following new subclauses:
“(VII) for 2024, is equal to $2,000; or

“(VIII) for a subsequent year, is equal to the amount specified in this subparagraph for the previous year, increased by the annual percentage increase described in paragraph (6) for the year involved.”; and

(ii) in clause (ii), by striking “clause (i)(II)” and inserting “clause (i)”;

(C) in subparagraph (C)—

(i) in clause (i), by striking “and for amounts” and inserting “and, for a year preceding 2024, for amounts”; and

(ii) in clause (iii)—

(I) by redesignating subclauses (I) through (IV) as items (aa) through (dd) and indenting appropriately;

(II) by striking “if such costs are borne or paid” and inserting “if such costs—

“(I) are borne or paid—”; and

(III) in item (dd), by striking “; and” and inserting “; or”; and
(IV) by adding at the end the following new subclause:

“(II) for 2024 and subsequent years, are reimbursed through insurance, a group health plan, or certain other third party payment arrangements, but not including the coverage provided by a prescription drug plan or an MA–PD plan that is basic prescription drug coverage (as defined in subsection (a)(3)) or any payments by a manufacturer under the manufacturer discount program under section 1860D–14C; and”;

(D) in subparagraph (E), by striking “In applying” and inserting “For each of years 2011 through 2023, in applying”.

(b) Reinsurance Payment Amount.—Section 1860D–15(b) of the Social Security Act (42 U.S.C. 1395w–115(b)) is amended—

(1) in paragraph (1)—

(A) by striking “equal to 80 percent” and inserting “equal to—

“(A) for a year preceding 2024, 80 percent”;
(B) in subparagraph (A), as added by subparagraph (A), by striking the period at the end and inserting “; and”;

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

“(B) for 2024 and each subsequent year, the sum of—

“(i) with respect to applicable drugs (as defined in section 1860D–14C(g)(2)), an amount equal to 20 percent of such allowable reinsurance costs attributable to that portion of gross covered prescription drug costs as specified in paragraph (3) incurred in the coverage year after such individual has incurred costs that exceed the annual out-of-pocket threshold specified in section 1860D–2(b)(4)(B); and

“(ii) with respect to covered part D drugs that are not applicable drugs (as so defined), an amount equal to 40 percent of such allowable reinsurance costs attributable to that portion of gross covered prescription drug costs as specified in paragraph (3) incurred in the coverage year after such individual has incurred costs
that exceed the annual out-of-pocket threshold specified in section 1860D–2(b)(4)(B).”;

(2) in paragraph (2)—

(A) by striking “COSTS.—For purposes” and inserting “COSTS.—

“(A) IN GENERAL.—Subject to subparagraph (B), for purposes”; and

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

“(B) INCLUSION OF MANUFACTURER DISCOUNTS ON APPLICABLE DRUGS.—For purposes of applying subparagraph (A), the term ‘allowable reinsurance costs’ shall include the portion of the negotiated price (as defined in section 1860D–14C(g)(6)) of an applicable drug (as defined in section 1860D–14C(g)(2)) that was paid by a manufacturer under the manufacturer discount program under section 1860D–14C.”;

and

(3) in paragraph (3)—

(A) in the first sentence, by striking “For purposes” and inserting “Subject to paragraph (2)(B), for purposes”; and
(B) in the second sentence, by inserting “(or, with respect to 2024 and subsequent years, in the case of an applicable drug, as defined in section 1860D–14C(g)(2), by a manufacturer)” after “by the individual or under the plan”.

(c) **Reduced Cost-sharing; Beneficiary Premium Percentage.—**

(1) **Cost-sharing.—**

(A) **In General.—** Section 1860D–2(b)(2)(A) of the Social Security Act (42 U.S.C. 1395w–102(b)(2)(A)) is amended—

(i) in the subparagraph header, by striking “25 PERCENT COINSURANCE” and inserting “COINSURANCE”;

(ii) in clause (i), by inserting “(or, for 2024 and each subsequent year, 23 percent)” after “25 percent”; and

(iii) in clause (ii), by inserting “(or, for 2024 and each subsequent year, 23 percent)” after “25 percent”.

(B) **Conforming Amendment.—** Section 1860D–14(a)(2)(D) of the Social Security Act (42 U.S.C. 1395w–114(a)(2)(D)) is amended by inserting “(or, for 2024 and each subsequent
year, instead of coinsurance of ‘23 percent’)’’

after “instead of coinsurance of ‘25 percent’”.

(2) Beneficiary premium percentage.—

(A) In general.—Section 1860D–13(a)(3)(A) of the Social Security Act (42 U.S.C. 1395w–113(a)(3)(A)) is amended by inserting “(or, for 2024 and each subsequent year, 23.5 percent)” after “25.5 percent”.

(B) Conforming amendments.—

(i) Section 1860D–11(g)(6) of the Social Security Act (42 U.S.C. 1395w–111(g)(6)) is amended by inserting “(or, for 2024 and each subsequent year, 23.5 percent)” after “25.5 percent”.


(I) in subclause (I), by inserting “(or, for 2024 and each subsequent year, 23.5 percent)” after “25.5 percent”; and

(II) in subclause (II), by inserting “(or, for 2024 and each subsequent year, 23.5 percent)” after “25.5 percent”.
(iii) Section 1860D–15(a) of the Social Security Act (42 U.S.C. 1395w–115(a)) is amended by inserting “(or, for 2024 and each subsequent year, 76.5 percent)” after “74.5 percent”.

(d) MANUFACTURER DISCOUNT PROGRAM.—

(1) IN GENERAL.—Part D of title XVIII of the Social Security Act (42 U.S.C. 1395w–101 through 42 U.S.C. 1395w–153), as amended by section 129102, is amended by inserting after section 1860D–14B the following new sections:

“SEC. 1860D–14C. MANUFACTURER DISCOUNT PROGRAM.

“(a) Establishment.—The Secretary shall establish a manufacturer discount program (in this section referred to as the ‘program’). Under the program, the Secretary shall enter into agreements described in subsection (b) with manufacturers and provide for the performance of the duties described in subsection (e).

“(b) Terms of Agreement.—

“(1) In general.—

“(A) Agreement.—An agreement under this section shall require the manufacturer to provide, in accordance with this section, discounted prices for applicable drugs of the man-
manufacturer that are dispensed to applicable beneficiaries on or after January 1, 2024.

“(B) CLARIFICATION.—Nothing in this section shall be construed as affecting—

“(i) the application of a coinsurance of 23 percent of the negotiated price, as applied under paragraph (2)(A) of section 1860D–2(b), for costs described in such paragraph; or

“(ii) the application of the copayment amount described in paragraph (4)(A) of such section, with respect to costs described in such paragraph.

“(C) TIMING OF AGREEMENT.—

“(i) SPECIAL RULE FOR 2024.—In order for an agreement with a manufacturer to be in effect under this section with respect to the period beginning on January 1, 2024, and ending on December 31, 2024, the manufacturer shall enter into such agreement not later than March 1, 2023.

“(ii) 2025 AND SUBSEQUENT YEARS.—In order for an agreement with a manufacturer to be in effect under this
section with respect to plan year 2025 or a subsequent plan year, the manufacturer shall enter into such agreement not later than a calendar quarter or semi-annual deadline established by the Secretary.

“(2) Provision of appropriate data.—Each manufacturer with an agreement in effect under this section shall collect and have available appropriate data, as determined by the Secretary, to ensure that it can demonstrate to the Secretary compliance with the requirements under the program.

“(3) Compliance with requirements for administration of program.—Each manufacturer with an agreement in effect under this section shall comply with requirements imposed by the Secretary, as applicable, for purposes of administering the program, including any determination under subparagraph (A) of subsection (c)(1) or procedures established under such subsection (c)(1).

“(4) Length of agreement.—

“(A) In general.—An agreement under this section shall be effective for an initial period of not less than 12 months and shall be automatically renewed for a period of not less
than 1 year unless terminated under subpara-

graph (B).

“(B) TERMINATION.—

“(i) BY THE SECRETARY.—The Sec-

retary shall provide for termination of an

agreement under this section for a knowing

and willful violation of the requirements of

the agreement or other good cause shown.

Such termination shall not be effective ear-

erlier than 30 days after the date of notice

to the manufacturer of such termination.

The Secretary shall provide, upon request,

a manufacturer with a hearing concerning

such a termination, and such hearing shall

take place prior to the effective date of the

termination with sufficient time for such

effective date to be repealed if the Sec-

retary determines appropriate.

“(ii) BY A MANUFACTURER.—A man-

ufacturer may terminate an agreement

under this section for any reason. Any

such termination shall be effective, with re-

spect to a plan year—

“(I) if the termination occurs be-

fore January 31 of a plan year, as of
the day after the end of the plan year;

and

“(II) if the termination occurs on
or after January 31 of a plan year, as
of the day after the end of the suc-
ceeding plan year.

“(iii) Effectiveness of Termi-
nation.—Any termination under this sub-
paragraph shall not affect discounts for
applicable drugs of the manufacturer that
are due under the agreement before the ef-
f ective date of its termination.

“(5) Effective date of agreement.—An
agreement under this section shall take effect at the
start of a calendar quarter or another date specified
by the Secretary.

“(c) Duties Described.—The duties described in
this subsection are the following:

“(1) Administration of program.—Admin-
istering the program, including—

“(A) the determination of the amount of
the discounted price of an applicable drug of a
manufacturer;

“(B) the establishment of procedures to
ensure that, not later than the applicable num-
ber of calendar days after the dispensing of an applicable drug by a pharmacy or mail order service, the pharmacy or mail order service is reimbursed for an amount equal to the difference between—

“(i) the negotiated price of the applicable drug; and

“(ii) the discounted price of the applicable drug;

“(C) the establishment of procedures to ensure that the discounted price for an applicable drug under this section is applied before any coverage or financial assistance under other health benefit plans or programs that provide coverage or financial assistance for the purchase or provision of prescription drug coverage on behalf of applicable beneficiaries as specified by the Secretary; and

“(D) providing a reasonable dispute resolution mechanism to resolve disagreements between manufacturers and applicable beneficiaries.

“(2) MONITORING COMPLIANCE.—The Secretary shall monitor compliance by a manufacturer with the terms of an agreement under this section.
“(3) Collection of data from prescription drug plans and MA–PD plans.—The Secretary may collect appropriate data from prescription drug plans and MA–PD plans in a timeframe that allows for discounted prices to be provided for applicable drugs under this section.

“(d) Administration.—

“(1) In general.—Subject to paragraph (2), the Secretary shall provide for the implementation of this section, including the performance of the duties described in subsection (e).

“(2) Limitation.—In providing for the implementation of this section, the Secretary shall not receive or distribute any funds of a manufacturer under the program.

“(e) Enforcement.—

“(1) Audits.—Each manufacturer with an agreement in effect under this section shall be subject to periodic audit by the Secretary.

“(2) Civil money penalty.—

“(A) In general.—A manufacturer that fails to provide discounted prices for applicable drugs of the manufacturer dispensed to applicable beneficiaries in accordance with such agreement shall be subject to a civil money penalty
for each such failure in an amount the Secretary determines is equal to the sum of—

“(i) the amount that the manufacturer would have paid with respect to such discounts under the agreement, which will then be used to pay the discounts which the manufacturer had failed to provide;

and

“(ii) 25 percent of such amount.

“(B) Application.—The provisions of section 1128A (other than subsections (a) and (b)) shall apply to a civil money penalty under this paragraph in the same manner as such provisions apply to a penalty or proceeding under section 1128A(a).

“(f) Clarification Regarding Availability of Other Covered Part D Drugs.—Nothing in this section shall prevent an applicable beneficiary from purchasing a covered part D drug that is not an applicable drug (including a generic drug or a drug that is not on the formulary of the prescription drug plan or MA–PD plan that the applicable beneficiary is enrolled in).

“(g) Definitions.—In this section:
“(1) APPLICABLE BENEFICIARY.—The term ‘applicable beneficiary’ means an individual who, on the date of dispensing a covered part D drug—

“(A) is enrolled in a prescription drug plan or an MA–PD plan;

“(B) is not enrolled in a qualified retiree prescription drug plan; and

“(C) has incurred costs, as determined in accordance with section 1860D–2(b)(4)(C), for covered part D drugs in the year that exceed—

“(i) in the case of an individual not described in clause (ii) or (iii), the annual deductible for such year, as specified in section 1860D–2(b)(1);

“(ii) in the case of a subsidy eligible individual described in section 1860D–14(a)(1), the annual deductible for such year, as specified in subparagraph (B) of such section; and

“(iii) in the case of a subsidy eligible individual described in section 1860D–14(a)(2), the annual deductible for such year, as specified in subparagraph (B) of such section.
“(2) APPLICABLE DRUG.—The term ‘applicable drug’, with respect to an applicable beneficiary—

“(A) means a covered part D drug—

“(i) approved under a new drug application under section 505(c) of the Federal Food, Drug, and Cosmetic Act or, in the case of a biologic product, licensed under section 351 of the Public Health Service Act; and

“(ii)(I) if the PDP sponsor of the prescription drug plan or the MA organization offering the MA–PD plan uses a formulary, which is on the formulary of the prescription drug plan or MA–PD plan that the applicable beneficiary is enrolled in;

“(II) if the PDP sponsor of the prescription drug plan or the MA organization offering the MA–PD plan does not use a formulary, for which benefits are available under the prescription drug plan or MA–PD plan that the applicable beneficiary is enrolled in; or

“(III) is provided through an exception or appeal; and
“(B) does not include a selected drug (as referred to under section 1192(e)) during a price applicability period (as defined in section 1191(b)(2)) with respect to such drug.

“(3) APPLICABLE NUMBER OF CALENDAR DAYS.—The term ‘applicable number of calendar days’ means—

“(A) with respect to claims for reimbursement submitted electronically, 14 days; and

“(B) with respect to claims for reimbursement submitted otherwise, 30 days.

“(4) DISCOUNTED PRICE.—

“(A) IN GENERAL.—The term ‘discounted price’ means, subject to subparagraphs (B) and (C), with respect to an applicable drug of a manufacturer dispensed during a year to an applicable beneficiary—

“(i) who has not incurred costs, as determined in accordance with section 1860D–2(b)(4)(C), for covered part D drugs in the year that are equal to or exceed the annual out-of-pocket threshold specified in section 1860D–2(b)(4)(B)(i) for the year, 90 percent of the negotiated price of such drug; and
“(ii) who has incurred such costs, as
so determined, in the year that are equal
to or exceed such threshold for the year,
80 percent of the negotiated price of such
drug.

“(B) Phase-in for certain drugs dispensed to LIS beneficiaries.—

“(i) In general.—In the case of an
applicable drug of a specified manufacturer
(as defined in clause (ii)) that is marketed
as of the date of enactment of this sub-
paragraph and dispensed for an applicable
beneficiary who is a subsidy eligible indi-
vidual (as defined in section 1860D–14(a)(3)), the term ‘discounted price’
means the specified LIS percent (as de-
 fined in clause (iii)) of the negotiated price
of the applicable drug of the manufacturer.

“(ii) Specified manufacturer.—

“(I) In general.—In this sub-
paragraph, subject to subclause (II),
the term ‘specified manufacturer’
means a manufacturer of an applica-
ble drug for which, in 2021—
“(aa) the manufacturer had a coverage gap discount agreement under section 1860D-14A;

“(bb) the total expenditures for all of the specified drugs of the manufacturer covered by such agreement or agreements for such year and covered under this part during such year represented less than 1.0 percent of the total expenditures under this part for all covered Part D drugs during such year; and

“(cc) the total expenditures for all of the specified drugs of the manufacturer that are single source drugs and biological products covered under part B during such year represented less than 1.0 percent of the total expenditures under part B for all drugs or biological products covered under such part during such year.

“(II) Specified drugs.—
“(aa) IN GENERAL.—For purposes of this clause, the term ‘specified drug’ means, with respect to a specified manufacturer, for 2021, an applicable drug that is produced, prepared, propagated, compounded, converted, or processed by the manufacturer.

“(bb) AGGREGATION RULE.—All persons treated as a single employer under subsection (a) or (b) of section 52 of the Internal Revenue Code of 1986 shall be treated as one manufacturer for purposes of this subparagraph. For purposes of making a determination pursuant to the previous sentence, an agreement under this section shall require that a manufacturer provide and attest to such information as specified by the Secretary as necessary.
“(III) LIMITATION.—The term ‘specified manufacturer’ shall not include a manufacturer described in subclause (I) if such manufacturer is acquired after 2021 by another manufacturer that is not a specified manufacturer, effective at the beginning of the plan year immediately following such acquisition or, in the case of an acquisition before 2024, effective January 1, 2024.

“(iii) SPECIFIED LIS PERCENT.—In this subparagraph, the ‘specified LIS percent’ means, with respect to a year—

“(I) for an applicable drug dispensed for an applicable beneficiary described in clause (i) who has not incurred costs, as determined in accordance with section 1860D–2(b)(4)(C), for covered part D drugs in the year that are equal to or exceed the annual out-of-pocket threshold specified in section 1860D–2(b)(4)(B)(i) for the year—

“(aa) for 2024, 99 percent;
“(bb) for 2025, 98 percent;

“(cc) for 2026, 95 percent;

“(dd) for 2027, 92 percent;

and

“(ee) for 2028 and each subsequent year, 90 percent; and

“(II) for an applicable drug dispensed for an applicable beneficiary described in clause (i) who has incurred costs, as determined in accordance with section 1860D–2(b)(4)(C), for covered part D drugs in the year that are equal to or exceed the annual out-of-pocket threshold specified in section 1860D–2(b)(4)(B)(i) for the year—

“(aa) for 2024, 99 percent;

“(bb) for 2025, 98 percent;

“(cc) for 2026, 95 percent;

“(dd) for 2027, 92 percent;

“(ee) for 2028, 90 percent;

“(ff) for 2029, 85 percent;

and

“(gg) for 2030 and each subsequent year, 80 percent.
“(C) PHASE-IN FOR SPECIFIED SMALL MANUFACTURERS.—

“(i) IN GENERAL.—In the case of an applicable drug of a specified small manufacturer (as defined in clause (ii)) that is marketed as of the date of enactment of this subparagraph and dispensed for an applicable beneficiary, the term ‘discounted price’ means the specified small manufacturer percent (as defined in clause (iii)) of the negotiated price of the applicable drug of the manufacturer.

“(ii) SPECIFIED SMALL MANUFACTURER.—

“(I) IN GENERAL.—In this subparagraph, subject to subclause (III), the term ‘specified small manufacturer’ means a manufacturer of an applicable drug for which, in 2021—

“(aa) the manufacturer is a specified manufacturer (as defined in subparagraph (B)(ii)); and

“(bb) the total expenditures under part D for any one of the
specified small manufacturer
drugs of the manufacturer that
are covered by the agreement or
agreements under section
1860D–14A of such manufac-
turer for such year and covered
under this part during such year
are equal to or more than 80 per-
cent of the total expenditures
under this part for all specified
small manufacturer drugs of the
manufacturer that are covered by
such agreement or agreements
for such year and covered under
this part during such year.

“(II) SPECIFIED SMALL MANU-
FACTURER DRUGS.—

“(aa) IN GENERAL.—For
purposes of this clause, the term
‘specified small manufacturer
drugs’ means, with respect to a
specified small manufacturer, for
2021, an applicable drug that is
produced, prepared, propagated,
compounded, converted, or processed by the manufacturer.

“(bb) Aggregation rule.—All persons treated as a single employer under subsection (a) or (b) of section 52 of the Internal Revenue Code of 1986 shall be treated as one manufacturer for purposes of this subparagraph. For purposes of making a determination pursuant to the previous sentence, an agreement under this section shall require that a manufacturer provide and attest to such information as specified by the Secretary as necessary.

“(III) Limitation.—The term ‘specified small manufacturer’ shall not include a manufacturer described in subclause (I) if such manufacturer is acquired after 2021 by another manufacturer that is not a specified small manufacturer, effective at the beginning of the plan year imme-
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diately following such acquisition or,
in the case of an acquisition before
2024, effective January 1, 2024.
“(iii) SPECIFIED SMALL MANUFACTURER PERCENT.—In this subparagraph,
the term ‘specified small manufacturer per-
cent’ means, with respect to a year—
“(I) for an applicable drug dis-
pensed for an applicable beneficiary
who has not incurred costs, as deter-
mined in accordance with section
1860D–2(b)(4)(C), for covered part D
drugs in the year that are equal to or
exceed the annual out-of-pocket
threshold specified in section 1860D–
2(b)(4)(B)(i) for the year—
“(aa) for 2024, 99 percent;
“(bb) for 2025, 98 percent;
“(cc) for 2026, 95 percent;
“(dd) for 2027, 92 percent;
and
“(ee) for 2028 and each
subsequent year, 90 percent; and
“(II) for an applicable drug dis-
pensed for an applicable beneficiary
who has incurred costs, as determined
in accordance with section 1860D–2(b)(4)(C), for covered part D drugs
in the year that are equal to or exceed
the annual out-of-pocket threshold
specified in section 1860D–2(b)(4)(B)(i) for the year—

“(aa) for 2024, 99 percent;
“(bb) for 2025, 98 percent;
“(cc) for 2026, 95 percent;
“(dd) for 2027, 92 percent;
“(ee) for 2028, 90 percent;
“(ff) for 2029, 85 percent;

and

“(gg) for 2030 and each
subsequent year, 80 percent.

“(D) TOTAL EXPENDITURES.—For pur-
poses of this paragraph, the term ‘total expend-
itures’ includes, in the case of expenditures with
respect to part D, the total gross covered pre-
scription drug costs as defined in section
1860D–15(b)(3). The term ‘total expenditures’
excludes, in the case of expenditures with re-
spect to part B, expenditures for a drug or bio-
logical that are bundled or packaged into the payment for another service.

“(E) SPECIAL CASE FOR CERTAIN CLAIMS.—

“(i) CLAIMS SPANNING DEDUCTIBLE.—In the case where the entire amount of the negotiated price of an individual claim for an applicable drug with respect to an applicable beneficiary does not fall above the annual deductible specified in section 1860D–2(b)(1) for the year, the manufacturer of the applicable drug shall provide the discounted price under this section on only the portion of the negotiated price of the applicable drug that falls above such annual deductible.

“(ii) CLAIMS SPANNING OUT-OF-POCKET THRESHOLD.—In the case where the entire amount of the negotiated price of an individual claim for an applicable drug with respect to an applicable beneficiary does not fall entirely below or entirely above the annual out-of-pocket threshold specified in section 1860D–2(b)(4)(B)(i) for the year, the manufacturer of the ap-
applicable drug shall provide the discounted price—

“(I) in accordance with subparagraph (A)(i) on the portion of the negotiated price of the applicable drug that falls below such threshold; and

“(II) in accordance with subparagraph (A)(ii) on the portion of such price of such drug that falls at or above such threshold.

“(5) MANUFACTURER.—The term ‘manufacturer’ means any entity which is engaged in the production, preparation, propagation, compounding, conversion, or processing of prescription drug products, either directly or indirectly by extraction from substances of natural origin, or independently by means of chemical synthesis, or by a combination of extraction and chemical synthesis. Such term does not include a wholesale distributor of drugs or a retail pharmacy licensed under State law.

“(6) NEGOTIATED PRICE.—The term ‘negotiated price’ has the meaning given such term for purposes of section 1860D–2(d)(1)(B), and, with respect to an applicable drug, such negotiated price shall include any dispensing fee and, if applicable,
any vaccine administration fee for the applicable drug.

“(7) QUALIFIED RETIREE PRESCRIPTION DRUG PLAN.—The term ‘qualified retiree prescription drug plan’ has the meaning given such term in section 1860D–22(a)(2).

“SEC. 1860D–14D. SELECTED DRUG SUBSIDY PROGRAM.

“With respect to covered part D drugs that would be applicable drugs (as defined in section 1860D–14C(g)(2)) but for the application of subparagraph (B) of such section, the Secretary shall provide a process whereby, in the case of an applicable beneficiary (as defined in section 1860D–14C(g)(1)) who, with respect to a year, is enrolled in a prescription drug plan or is enrolled in an MA–PD plan, has not incurred costs that are equal to or exceed the annual out-of-pocket threshold specified in section 1860D–2(b)(4)(B)(i), and is dispensed such a drug, the Secretary (periodically and on a timely basis) provides the PDP sponsor or the MA organization offering the plan, a subsidy with respect to such drug that is equal to 10 percent of the negotiated price (as defined in section 1860D–14C(g)(6)) of such drug.”.

(2) SUNSET OF MEDICARE COVERAGE GAP DISCOUNT PROGRAM.—Section 1860D–14A of the So-
The Social Security Act (42 U.S.C. 1395–114a) is amended—

(A) in subsection (a), in the first sentence, by striking “The Secretary” and inserting “Subject to subsection (h), the Secretary”; and

(B) by adding at the end the following new subsection:

“(h) SUNSET OF PROGRAM.—

“(1) IN GENERAL.—The program shall not apply with respect to applicable drugs dispensed on or after January 1, 2024, and, subject to paragraph (2), agreements under this section shall be terminated as of such date.

“(2) CONTINUED APPLICATION FOR APPLICABLE DRUGS DISPENSED PRIOR TO SUNSET.—The provisions of this section (including all responsibilities and duties) shall continue to apply on and after January 1, 2024, with respect to applicable drugs dispensed prior to such date.”.

(3) SELECTED DRUG SUBSIDY PAYMENTS FROM MEDICARE PRESCRIPTION DRUG ACCOUNT.—Section 1860D–16(b)(1) of the Social Security Act (42 U.S.C. 1395w–116(b)(1)) is amended—

(A) in subparagraph (C), by striking “and” at the end;
(B) in subparagraph (D), by striking the period at the end and inserting “; and”; and

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

“(E) payments under section 1860D–14D (relating to selected drug subsidy payments).”.

(e) MEDICARE PART D PREMIUM STABILIZATION.—

(1) IN GENERAL.—Section 1860D–13 of the Social Security Act (42 U.S.C. 1395w–113) is amended—

(A) in subsection (a)—

(i) in paragraph (1)(A), by inserting “or (8) (as applicable)” after “paragraph (2)”;

(ii) in paragraph (2), in the matter preceding subparagraph (A), by striking “The base” and inserting “Subject to paragraph (8), the base”; and

(iii) in paragraph (7)—

(I) in subparagraph (B)(ii), by inserting “or (8) (as applicable)” after “paragraph (2)”; and

(II) in subparagraph (E)(i), by inserting “or (8) (as applicable)” after “paragraph (2)”; and
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(iv) by adding at the end the following new paragraph:

“(8) PREMIUM STABILIZATION.—

“(A) IN GENERAL.—The base beneficiary premium under this paragraph for a prescription drug plan for a month in 2023 through 2027 shall be computed as follows:

“(i) 2023.—The base beneficiary premium for a month in 2023 shall be equal to the lesser of—

“(I) the base beneficiary premium computed under paragraph (2) for a month in 2022 increased by 4 percent; or

“(II) the base beneficiary premium computed under paragraph (2) for a month in 2023 that would have applied if this paragraph had not been enacted.

“(ii) 2024.—The base beneficiary premium for a month in 2024 shall be equal to the lesser of—

“(I) the base beneficiary premium computed under clause (i) for a
month in 2023 increased by 4 percent; or

“(II) the base beneficiary premium computed under paragraph (2) for a month in 2024 that would have applied if this paragraph had not been enacted.

“(iii) 2025.—The base beneficiary premium for a month in 2025 shall be equal to the lesser of—

“(I) the base beneficiary premium computed under clause (ii) for a month in 2024 increased by 4 percent; or

“(II) the base beneficiary premium computed under paragraph (2) for a month in 2025 that would have applied if this paragraph had not been enacted.

“(iv) 2026.—The base beneficiary premium for a month in 2026 shall be equal to the lesser of—

“(I) an amount equal to—

“(aa) the base beneficiary premium computed under clause
(iii) for a month in 2025 increased by 4 percent; plus

“(bb) 25 percent of the difference between—

“(AA) the base beneficiary premium for a month under item (aa) (as so increased); and

“(BB) the base beneficiary premium computed under paragraph (2) for a month in 2026 that would have applied if this paragraph had not been enacted; or

“(II) the base beneficiary premium computed under paragraph (2) for a month in 2026 that would have applied if this paragraph had not been enacted.

“(v) 2027.—The base beneficiary premium for a month in 2027 shall be equal to the lesser of—

“(I) an amount equal to—
“(aa) the base beneficiary premium computed under clause (iv) for a month in 2026 increased by 4 percent; plus

“(bb) 50 percent of the difference between—

“(AA) the base beneficiary premium for a month under item (aa) (as so increased); and

“(BB) the base beneficiary premium computed under paragraph (2) for a month in 2027 that would have applied if this paragraph had not been enacted; or

“(II) the base beneficiary premium computed under paragraph (2) for a month in 2027 that would have applied if this paragraph had not been enacted.

“(B) Clarification regarding 2028 and subsequent years.—The base beneficiary premium for a month in 2028 or a subsequent
year shall be computed under paragraph (2) without regard to this paragraph.”; and

(B) in subsection (b)(3)(A)(ii), by striking “subsection (a)(2)” and inserting “paragraph (2) or (8) of subsection (a) (as applicable)”.

(2) CONFORMING AMENDMENTS.—

(A) PART C.—Section 1854(b)(2)(B) of the Social Security Act 42 U.S.C. 1395w–24(b)(2)(B)) is amended by striking “section 1860D–13(a)(2)” and inserting “paragraph (2) or (8) (as applicable) of section 1860D–13(a)”.

(B) PART D.—Section 1860D–15(a) of the Social Security Act (42 U.S.C. 1395w–115(a)) is amended—

(i) in the matter preceding paragraph (1), by inserting “(or the percent applicable as a result of the application of section 1860D–13(a)(8))” after “74.5 percent”; and

(ii) in paragraph (1)(B), by striking “paragraph (2) of section 1860D–13(a)” and inserting “paragraph (2) or (8) of section 1860D–13(a) (as applicable)”.

(f) CONFORMING AMENDMENTS.—
(1) Section 1860D–2 of the Social Security Act (42 U.S.C. 1395w–102) is amended—

(A) in subsection (a)(2)(A)(i)(I), by striking “, or an increase in the initial” and inserting “or, for a year preceding 2024, an increase in the initial”;

(B) in subsection (c)(1)(C)—

(i) in the subparagraph heading, by striking “AT INITIAL COVERAGE LIMIT”; and

(ii) by inserting “for a year preceding 2024 or the annual out-of-pocket threshold specified in subsection (b)(4)(B) for the year for 2024 and each subsequent year” after “subsection (b)(3) for the year” each place it appears; and

(C) in subsection (d)(1)(A), by striking “or an initial” and inserting “or, for a year preceding 2024, an initial”.

(2) Section 1860D–4(a)(4)(B)(i) of the Social Security Act (42 U.S.C. 1395w–104(a)(4)(B)(i)) is amended by striking “the initial” and inserting “for a year preceding 2024, the initial”.

(3) Section 1860D–14(a) of the Social Security Act (42 U.S.C. 1395w–114(a)) is amended—
(A) in paragraph (1)—

(i) in subparagraph (C), by striking “The continuation” and inserting “For a year preceding 2024, the continuation”; 


(iii) in subparagraph (E), by striking “The elimination” and inserting “For a year preceding 2024, the elimination”; and

(B) in paragraph (2)—

(i) in subparagraph (C), by striking “The continuation” and inserting “For a year preceding 2024, the continuation”; and 


(A) by striking “the value of any discount” and inserting the following: “the value of—

“(i) for years prior to 2024, any discount’’;

(B) in clause (i), as inserted by subparagraph (A) of this paragraph, by striking the period at the end and inserting ‘‘; and’’; and

(C) by adding at the end the following new clause:

“(ii) for 2024 and each subsequent year, any discount provided pursuant to section 1860D–14C.”.

(6) Section 1860D–41(a)(6) of the Social Security Act (42 U.S.C. 1395w–151(a)(6)) is amended—

(A) by inserting “for a year before 2024” after “1860D–2(b)(3)”; and

(B) by inserting “for such year” before the period.

(7) Section 1860D–43 of the Social Security Act (42 U.S.C. 1395w–153) is amended—

(A) in subsection (a)—
(i) by striking paragraph (1) and inserting the following:

“(1) participate in—

“(A) for 2011 through 2023, the Medicare coverage gap discount program under section 1860D–14A; and

“(B) for 2024 and each subsequent year, the manufacturer discount program under section 1860D–14C;”;

(ii) by striking paragraph (2) and inserting the following:

“(2) have entered into and have in effect—

“(A) for 2011 through 2023, an agreement described in subsection (b) of section 1860D–14A with the Secretary; and

“(B) for 2024 and each subsequent year, an agreement described in subsection (b) of section 1860D–14C with the Secretary; and”;

(iii) in paragraph (3), by striking “such section” and inserting “section 1860D–14A”; and

(B) by striking subsection (b) and inserting the following:

“(b) Effective Date.—Paragraphs (1)(A), (2)(A), and (3) of subsection (a) shall apply to covered part D
drugs dispensed under this part on or after January 1, 2011, and before January 1, 2024, and paragraphs (1)(B) and (2)(B) of such subsection shall apply to covered part D drugs dispensed under this part on or after January 1, 2024.”

(8) Section 1927 of the Social Security Act (42 U.S.C. 1396r–8) is amended—

(A) in subsection (c)(1)(C)(i)(VI), by inserting before the period at the end the following: “or under the manufacturer discount program under section 1860D–14C”; and

(B) in subsection (k)(1)(B)(i)(V), by inserting before the period at the end the following: “or under section 1860D–14C”.

(g) IMPLEMENTATION FOR 2023 THROUGH 2025.—
The Secretary shall implement this section, including the amendments made by this section, for 2023, 2024, and 2025 by program instruction or other forms of program guidance.

(h) FUNDING.—In addition to amounts otherwise available, there are appropriated to the Centers for Medicare & Medicaid Services, out of any money in the Treasury not otherwise appropriated, $341,000,000 for fiscal year 2022, including $47,000,000 and $38,000,000 to carry out the provisions of, including the amendments
made by, this section in fiscal years 2022 and 2023, respectively, and $32,000,000 to carry out the provisions of, including the amendments made by, this section in each of fiscal years 2024 through 2031, to remain available until expended.

SEC. 129202. MAXIMUM MONTHLY CAP ON COST-SHARING PAYMENTS UNDER PRESCRIPTION DRUG PLANS AND MA–PD PLANS.

(a) In General.—Section 1860D–2(b) of the Social Security Act (42 U.S.C. 1395w–102(b)), as amended by section 129201, is amended—

(1) in paragraph (2)—

(A) in subparagraph (A), by striking “and (D)” and inserting “, (D), and (E)”;

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

“(E) Maximum monthly cap on cost-sharing payments.—

“(i) In general.—For plan years beginning on or after January 1, 2025, each PDP sponsor offering a prescription drug plan and each MA organization offering an MA–PD plan shall provide to any enrollee of such plan, including an enrollee who is a subsidy eligible individual (as defined in
paragraph (3) of section 1860D-14(a)), the option to elect with respect to a plan year to pay cost-sharing under the plan in monthly amounts that are capped in accordance with this subparagraph.

“(ii) Determination of maximum monthly cap.—For each month in the plan year for which an enrollee in a prescription drug plan or an MA–PD plan has made an election pursuant to clause (i), the PDP sponsor or MA organization shall determine a maximum monthly cap (as defined in clause (iv)) for such enrollee.

“(iii) Beneficiary monthly payments.—With respect to an enrollee who has made an election pursuant to clause (i), for each month described in clause (ii), the PDP sponsor or MA organization shall bill such enrollee an amount (not to exceed the maximum monthly cap) for the out-of-pocket costs of such enrollee in such month.

“(iv) Maximum monthly cap defined.—In this subparagraph, the term
‘maximum monthly cap’ means, with respect to an enrollee—

“(I) for the first month for which the enrollee has made an election pursuant to clause (i), an amount determined by calculating—

“(aa) the annual out-of-pocket threshold specified in paragraph (4)(B) minus the incurred costs of the enrollee as described in paragraph (4)(C); divided by

“(bb) the number of months remaining in the plan year; and

“(II) for a subsequent month, an amount determined by calculating—

“(aa) the sum of any remaining out-of-pocket costs owed by the enrollee from a previous month that have not yet been billed to the enrollee and any additional out-of-pocket costs incurred by the enrollee; divided by

“(bb) the number of months remaining in the plan year.
“(v) ADDITIONAL REQUIREMENTS.—
The following requirements shall apply with respect to the option to make an election pursuant to clause (i) under this subparagraph:

“(I) SECRETARIAL RESPONSIBILITIES.—The Secretary shall provide information to part D eligible individuals on the option to make such election through educational materials, including through the notices provided under section 1804(a).

“(II) TIMING OF ELECTION.—An enrollee in a prescription drug plan or an MA–PD plan may make such an election—

“(aa) prior to the beginning of the plan year; or

“(bb) in any month during the plan year.

“(III) PDP SPONSOR AND MA ORGANIZATION RESPONSIBILITIES.—
Each PDP sponsor offering a prescription drug plan or MA organization offering an MA–PD plan—
“(aa) may not limit the option for an enrollee to make such an election to certain covered part D drugs;

“(bb) shall, prior to the plan year, notify prospective enrollees of the option to make such an election in promotional materials;

“(cc) shall include information on such option in enrollee educational materials;

“(dd) shall have in place a mechanism to notify a pharmacy during the plan year when an enrollee incurs out-of-pocket costs with respect to covered part D drugs that make it likely the enrollee may benefit from making such an election;

“(ee) shall provide that a pharmacy, after receiving a notification described in item (dd) with respect to an enrollee, informs the enrollee of such notification;
“(ff) shall ensure that such an election by an enrollee has no effect on the amount paid to pharmacies (or the timing of such payments) with respect to covered part D drugs dispensed to the enrollee; and

“(gg) shall have in place a financial reconciliation process to correct inaccuracies in payments made by an enrollee under this subparagraph with respect to covered part D drugs during the plan year.

“(IV) Failure to pay amount billed.—If an enrollee fails to pay the amount billed for a month as required under this subparagraph—

“(aa) the election of the enrollee pursuant to clause (i) shall be terminated and the enrollee shall pay the cost-sharing otherwise applicable for any covered part D drugs subsequently dispensed to the enrollee up to the
annual out-of-pocket threshold
specified in paragraph (4)(B);
and

“(bb) the PDP sponsor or
MA organization may preclude
the enrollee from making an elec-
tion pursuant to clause (i) in a
subsequent plan year.

“(V) CLARIFICATION REGARDING
PAST DUE AMOUNTS.—Nothing in this
subparagraph shall be construed as
prohibiting a PDP sponsor or an MA
organization from billing an enrollee
for an amount owed under this sub-
paragraph.

“(VI) TREATMENT OF UNSET-
TLED BALANCES.—Any unsettled bal-
ances with respect to amounts owed
under this subparagraph shall be
treated as plan losses and the Sec-
retary shall not be liable for any such
balances outside of those assumed as
losses estimated in plan bids.”; and

(2) in paragraph (4)—
(A) in subparagraph (C), by striking “sub-
paragraph (E)” and inserting “subparagraph
(E) or subparagraph (F)”; and

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

“(F) Inclusion of costs paid under
maximum monthly cap option.—In applying
subparagraph (A), with respect to an enrollee
who has made an election pursuant to clause (i)
of paragraph (2)(E), costs shall be treated as
incurred if such costs are paid by a PDP spon-
sor or an MA organization under the option
provided under such paragraph.’’.

(b) Application to alternative prescription
drug coverage.—Section 1860D–2(c) of the Social Se-
curity Act (42 U.S.C. 1395w–102(c)) is amended by add-
ing at the end the following new paragraph:

“(4) Same maximum monthly cap on cost-
sharing.—The maximum monthly cap on cost-sharing payments shall apply to coverage with respect to
an enrollee who has made an election pursuant to
clause (i) of subsection (b)(2)(E) under the option
provided under such subsection.’’.

(c) Implementation for 2025.—The Secretary
shall implement this section, including the amendments
made by this section, for 2025 by program instruction or
other forms of program guidance.

(d) FUNDING.—In addition to amounts otherwise
available, there are appropriated to the Centers for Medi-
care & Medicaid Services, out of any money in the Treas-
ury not otherwise appropriated, $10,000,000 for fiscal
year 2022, to remain available until expended, to carry
out the provisions of, including the amendments made by,
this section.

PART 4—REPEAL OF PRESCRIPTION DRUG
REBATE RULE

SEC. 129301. PROHIBITING IMPLEMENTATION OF RULE RE-
LATING TO ELIMINATING THE ANTI-KICK-
BACK STATUTE SAFE HARBOR PROTECTION
FOR PRESCRIPTION DRUG REBATES.

Beginning January 1, 2026, the Secretary of Health
and Human Services shall not implement, administer, or
enforce the provisions of the final rule published by the
Office of the Inspector General of the Department of
Health and Human Services on November 30, 2020, and
titled “Fraud and Abuse; Removal of Safe Harbor Protec-
tion for Rebates Involving Prescription Pharmaceuticals
and Creation of New Safe Harbor Protection for Certain
Point-of-Sale Reductions in Price on Prescription Phar-

PART 5—MISCELLANEOUS

SEC. 129401. APPROPRIATE COST-SHARING FOR COVERED INSULIN PRODUCTS UNDER MEDICARE PART D.

(a) In General.—Section 1860D–2 of the Social Security Act (42 U.S.C. 1395w–102), as amended by sections 129201 and 129202, is amended—

(1) in subsection (b)—

(A) in paragraph (1)(A), by striking “The coverage” and inserting “Subject to paragraph (8), the coverage”;

(B) in paragraph (2)—

(i) in subparagraph (A), by inserting “and paragraph (8)” after “and (E)”;

(ii) in subparagraph (C)(i), in the matter preceding subclause (I), by striking “paragraph (4)” and inserting “paragraphs (4) and (8)”; and

(iii) in subparagraph (D)(i), in the matter preceding subclause (I), by striking “paragraph (4)” and inserting “paragraphs (4) and (8)”;
(C) in paragraph (4)(A)(i), by striking “The coverage” and inserting “Subject to paragraph (8), the coverage”; and

(D) by adding at the end the following new paragraph:

“(8) TREATMENT OF COST-SHARING FOR COVERED INSULIN PRODUCTS.—

“(A) NO APPLICATION OF DEDUCTIBLE.— For plan year 2023 and subsequent plan years, the deductible under paragraph (1) shall not apply with respect to any covered insulin product.

“(B) APPLICATION OF COST-SHARING.—

“(i) PLAN YEAR 2023.—For plan year 2023, the coverage provides benefits for such insulin products, regardless of whether an individual has reached the initial coverage limit under paragraph (3) or the out-of-pocket threshold under paragraph (4), with cost-sharing that does not exceed the applicable copayment amount.

“(ii) PLAN YEAR 2024 AND SUBSEQUENT PLAN YEARS.—For plan year 2024 and subsequent plan years, the coverage provides benefits for such insulin products,
prior to an individual reaching the out-of-pocket threshold under paragraph (4), with
cost-sharing that does not exceed the applicable copayment amount.

“(C) INSULIN PRODUCT.—In this paragraph, the term ‘insulin product’ means an insulin product that is approved under section 505 of the Federal Food, Drug, and Cosmetic Act or licensed under section 351 of the Public Health Service Act and marketed pursuant to such approval or licensure, including any covered insulin product that has been deemed to be licensed under section 351 of the Public Health Service Act pursuant to section 7002(e)(4) of the Biologics Price Competition and Innovation Act of 2009 and marketed pursuant to such section.

“(D) APPLICABLE COPAYMENT AMOUNT.—In this paragraph, the term ‘applicable copayment amount’ means, with respect to an insulin product under a prescription drug plan or an MA–PD plan furnished—

“(i) on or after January 1, 2023, and before January 1, 2025, $35; and
“(ii) during plan year [2025] or subsequent plan year, the lesser of—

“(I) $35; or

“(II) an amount equal to 25 percent of the negotiated price of the covered insulin product under the prescription drug plan or MA–PD plan net of all price concessions received or expected to be received by the plan or a pharmacy benefit manager on behalf of the plan for such product.”; and

(2) in subsection (c), by adding at the end the following new paragraph:

“(5) Treatment of cost-sharing for covered insulin products.—The coverage is provided in accordance with subsection (b)(8).”.

(b) Conforming Amendments to Cost-sharing for Low-income Individuals.—Section 1860D–14(a) of the Social Security Act (42 U.S.C. 1395w–114(a)) is amended—

(1) in paragraph (1)—

(A) in subparagraph (D)(iii), by adding at the end the following new sentence: “For plan year 2023 and subsequent plan years, the co-payment amount applicable under the preceding
sentence to an insulin product (as defined in
section 1860D–2(b)(8)(C)) furnished to the in-
dividual may not exceed the applicable copay-
ment amount for the product under the pre-
scription drug plan or MA–PD plan in which
the individual is enrolled.”; and

(B) in subparagraph (E), by inserting the
following before the period at the end: “or
under section 1860D–2(b)(8) in the case of an
insulin product (as defined in subparagraph (C)
of such section)”;

(2) in paragraph (2)—

(A) in subparagraph (D), by adding at the
end the following new sentence: “For plan year
2023 and subsequent plan years, the amount of
the coinsurance applicable under the preceding
sentence to an insulin product (as defined in
section 1860D–2(b)(8)(C)) furnished to the in-
dividual may not exceed the applicable copay-
ment amount for the product under the pre-
scription drug plan or MA–PD plan in which
the individual is enrolled.”; and

(B) in subparagraph (E), by adding at the
end the following new sentence: “For plan year
2023 and subsequent plan years, the amount of
the copayment or coinsurance applicable under
the preceding sentence to an insulin product (as
defined in section 1860D–2(b)(8)(C)) furnished
to the individual may not exceed the applicable
copayment amount for the product under the
prescription drug plan or MA–PD plan in which
the individual is enrolled.”.

(c) IMPLEMENTATION FOR 2023 THROUGH 2025.—
The Secretary shall implement this section for plan years
2023, 2024, and 2025 by program instruction or other
forms of program guidance.

(d) FUNDING.—In addition to amounts otherwise
available, there is appropriated to the Centers for Medi-
care & Medicaid Services, out of any money in the Treas-
ury not otherwise appropriated, $1,500,000 for fiscal year
2022, to remain available until expended, to carry out the
provisions of, including the amendments made by, this sec-
tion.

SEC. 129402. COVERAGE OF ADULT VACCINES REC-
OMMENDED BY THE ADVISORY COMMITTEE
ON IMMUNIZATION PRACTICES UNDER MEDI-
CARE PART D.

(a) Ensuring Treatment of Cost-sharing Is
Consistent With Treatment of Vaccines Under
Medicare Part B.—Section 1860D–2 of the Social Se-
curity Act (42 U.S.C. 1395w–102), as amended by sections 129201, 129202, and 129401, is amended—

(1) in subsection (b)—

(A) in paragraph (2)(A), by striking “paragraph (8)” and inserting “paragraphs (8) and (9)”;

(B) in paragraph (4)(A)(i), by striking “paragraph (8)” and inserting “paragraphs (8) and (9)”;

(C) by adding at the end the following new paragraph:

“(9) TREATMENT OF COST-SHARING FOR ADULT VACCINES RECOMMENDED BY THE ADVISORY COMMITTEE ON IMMUNIZATION PRACTICES CONSISTENT WITH TREATMENT OF VACCINES UNDER PART B.—

“(A) IN GENERAL.—For plan years beginning on or after January 1, 2024, the following shall apply with respect to an adult vaccine recommended by the Advisory Committee on Immunization Practices (as defined in subparagraph (B)):

“(i) NO APPLICATION OF DEDUCTIBLE.—The deductible under paragraph
(1) shall not apply with respect to such vaccine.

“(ii) No application of coinsurance or any other cost-sharing.—
There shall be no coinsurance or other cost-sharing under this part with respect to such vaccine.

“(B) Adult vaccines recommended by the advisory committee on immunization practices.—For purposes of this paragraph, the term ‘adult vaccine recommended by the Advisory Committee on Immunization Practices’ means a covered part D drug that is a vaccine licensed under section 351 of the Public Health Service Act for use by adult populations and administered in accordance with recommendations of the Advisory Committee on Immunization Practices of the Centers for Disease Control and Prevention.”; and

(2) in subsection (c), by adding at the end the following new paragraph:

“(6) Treatment of cost-sharing for adult vaccines recommended by the advisory committee on immunization practices.—The coverage is in accordance with subsection (b)(9).”.
(b) Conforming Amendments to Cost-sharing for Low-income Individuals.—Section 1860D–14(a) of the Social Security Act (42 U.S.C. 1395w–114(a)), as amended by section 129201 is amended—

(1) in paragraph (1)(D), in each of clauses (ii) and (iii), by striking “In the case” and inserting “Subject to paragraph (6), in the case”;

(2) in paragraph (2)—

(A) in subparagraph (B), by striking “For years” and inserting “Subject to paragraph (6), for years”;

(B) in subparagraph (D), by striking “The substitution” and inserting “Subject to paragraph (6), the substitution”; and

(C) in subparagraph (E), by striking “and subsection (c)” and inserting “, paragraph (6) of this subsection, and subsection (c)”;

(3) by adding at the end the following new paragraph:

“(6) No application of cost-sharing for adult vaccines recommended by the Advisory Committee on Immunization Practices.—For plan years beginning on or after January 1, 2024, there shall be no cost-sharing under this section, including no annual deductible applicable under this
section, with respect to an adult vaccine rec-
ommended by the Advisory Committee on Immuniza-
tion Practices (as defined in subparagraph (B) of 
such section).”.

(c) RULE OF CONSTRUCTION.—Nothing in this sec-
tion shall be construed as limiting coverage under part D 
of title XVIII of the Social Security Act for vaccines that 
are not recommended by the Advisory Committee on Im-
munization Practices.

(d) IMPLEMENTATION FOR 2024.—The Secretary 
shall implement this section, including the amendments 
made by this section, for 2024 by program instruction or 
other forms of program guidance.

SEC. 129403. PAYMENT FOR BIOSIMILAR BIOLOGICAL 
PRODUCTS DURING INITIAL PERIOD.

Section 1847A(e)(4) of the Social Security Act (42 
U.S.C. 1395w–3a(e)(4)) is amended—

(1) in each of subparagraphs (A) and (B), by 
redesignating clauses (i) and (ii) as subclauses (I) 
and (II), respectively, and moving such subclauses 2 
ems to the right;

(2) by redesignating subparagraphs (A) and 
(B) as clauses (i) and (ii) and moving such clauses 
2 ems to the right;
(3) by striking “UNAVAILABLE.—In the case” and inserting “UNAVAILABLE.—

“(A) IN GENERAL.—Subject to subparagraph (B), in the case”; and

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

“(B) LIMITATION ON PAYMENT AMOUNT FOR BIOSIMILAR BIOLOGICAL PRODUCTS DURING INITIAL PERIOD.—In the case of a biosimilar biological product furnished on or after July 1, 2023, during the initial period described in subparagraph (A) with respect to the biosimilar biological product, the amount payable under this section for the biosimilar biological product is the lesser of the following:

“(i) The amount determined under clause (ii) of such subparagraph for the biosimilar biological product.

“(ii) The amount determined under subsection (b)(1)(B) for the reference biological product.”.
Section 1847A(b)(8) of the Social Security Act (42 U.S.C. 1395w–3a(b)(8)) is amended—

(1) by redesignating subparagraphs (A) and (B) as clauses (i) and (ii), respectively, and moving the margin of each such redesignated clause 2 ems to the right;

(2) by striking “PRODUCT.—The amount” and inserting the following: “PRODUCT.—

“(A) IN GENERAL.—Subject to subparagraph (B), the amount”; and

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

“(B) TEMPORARY PAYMENT INCREASE.—

“(i) IN GENERAL.—In the case of a qualifying biosimilar biological product that is furnished during the applicable 5-year period for such product, the amount specified in this paragraph for such product with respect to such period is the sum determined under subparagraph (A), except that clause (ii) of such subparagraph shall be applied by substituting ‘8 percent’ for ‘6 percent’.
“(ii) Applicable 5-Year Period.—

For purposes of clause (i), the applicable 5-year period for a qualifying biosimilar biological product is—

“(I) in the case of such a product for which payment was made under this paragraph as of March 31, 2022, the 5-year period beginning on April 1, 2022; and

“(II) in the case of such a product for which payment is first made under this paragraph during a calendar quarter during the period beginning April 1, 2022, and ending March 31, 2027, the 5-year period beginning on the first day of such calendar quarter during which such payment is first made.

“(iii) Qualifying Biosimilar Biological Product Defined.—For purposes of this subparagraph, the term ‘qualifying biosimilar biological product’ means a biosimilar biological product described in paragraph (1)(C) with respect to which—
“(I) in the case of a product described in clause (ii)(I), the average sales price under paragraph (8)(A)(i) for a calendar quarter during the 5-year period described in such clause is not more than the average sales price under paragraph (4)(A) for such quarter for the reference biological product; and

“(II) in the case of a product described in clause (ii)(II), the average sales price under paragraph (8)(A)(i) for a calendar quarter during the 5-year period described in such clause is not more than the average sales price under paragraph (4)(A) for such quarter for the reference biological product.”.

SEC. 129405. IMPROVING ACCESS TO ADULT VACCINES UNDER MEDICAID AND CHIP.

(a) MEDICAID.—

(1) Requiring coverage of adult vaccinations.—

(A) In general.—Section 1902(a)(10)(A) of the Social Security Act (42 U.S.C.
1396a(a)(10)(A)) is amended in the matter preceding clause (i) by inserting “(13)(B),” after “(5),”.

(B) MEDICALLY NEEDY.—Section 1902(a)(10)(C)(iv) of such Act (42 U.S.C. 1396a(a)(10)(C)(iv)) is amended by inserting “, (13)(B),” after “(5)”.

(2) NO COST SHARING FOR VACCINATIONS.—

(A) GENERAL COST-SHARING LIMITATIONS.—Section 1916 of the Social Security Act (42 U.S.C. 1396o) is amended—

(i) in subsection (a)(2)—

(I) in subparagraph (G), by inserting a comma after “State plan”; 

(II) in subparagraph (H), by striking “; or” and inserting a comma; 

(III) in subparagraph (I), by striking “; and” and inserting “, or”; and

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

“(J) vaccines described in section 1905(a)(13)(B) and the administration of such vaccines; and”;

and
(ii) in subsection (b)(2)—

(I) in subparagraph (G), by inserting a comma after “State plan”;

(II) in subparagraph (H), by striking “; or” and inserting a comma;

(III) in subparagraph (I), by striking “; and” and inserting “, or”;

and

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

“(J) vaccines described in section 1905(a)(13)(B) and the administration of such vaccines; and”.

(B) APPLICATION TO ALTERNATIVE COST SHARING.—Section 1916A(b)(3)(B) of the Social Security Act (42 U.S.C. 1396o–1(b)(3)(B)) is amended by adding at the end the following new clause:

“(xiv) Vaccines described in section 1905(a)(13)(B) and the administration of such vaccines.”.

(3) INCREASED FMAP FOR ADULT VACCINES AND THEIR ADMINISTRATION.—Section 1905(b) of
the Social Security Act (42 U.S.C. 1396d(b)) is amended—

(A) by striking “and (5)” and inserting “(5)”;

(B) by striking “services and vaccines described in subparagraphs (A) and (B) of subsection (a)(13), and prohibits cost-sharing for such services and vaccines” and inserting “services described in subsection (a)(13)(A), and prohibits cost-sharing for such services”; 

(C) by striking “medical assistance for such services and vaccines” and inserting “medical assistance for such services”; and

(D) by inserting “, and (6) during the first 8 fiscal quarters beginning on or after the effective date of this clause, in the case of a State which, as of the date of enactment of the Act titled ‘An Act to provide for reconciliation pursuant to title II of S. Con. Res. 14’, provides medical assistance for vaccines described in subsection (a)(13)(B) and their administration and prohibits cost-sharing for such vaccines, the Federal medical assistance percentage, as determined under this subsection and subsection (y), shall be increased by 1 percentage point with
respect to medical assistance for such vaccines and their administration” before the first pe-

(b) CHIP.—

(1) Requiring Coverage of Adult Vaccinations.—Section 2103(c) of the Social Security Act (42 U.S.C. 1397ee(c)) is amended by adding at the end the following paragraph:

“(12) Required coverage of approved, recommended adult vaccines and their ad-

ministration.—Regardless of the type of coverage elected by a State under subsection (a), if the State child health plan or a waiver of such plan provides child health assistance or pregnancy-related assistance (as defined in section 2112) to an individual who is 19 years of age or older, such assistance shall include coverage of vaccines described in section 1905(a)(13)(B) and their administration.”.

(2) No Cost-Sharing for Vaccinations.— Section 2103(e)(2) of such Act (42 U.S.C. 1397ee(e)(2)) is amended by inserting “vaccines described in subsection (c)(12) (and the administration of such vaccines),” after “in vitro diagnostic prod-

ucts described in subsection (c)(10) (and administra-

tion of such products),”.”
(c) **Effective Date.**—The amendments made by this section take effect on the 1st day of the 1st fiscal quarter that begins on or after the date that is 1 year after the date of enactment of this Act and shall apply to expenditures made under a State plan or waiver of such plan under title XIX of the Social Security Act (42 U.S.C. 1396 through 1396w–6) or under a State child health plan or waiver of such plan under title XXI of such Act (42 U.S.C. 1397aa through 1397mm) on or after such effective date.

**Subtitle J—Supplemental Security Income for the Territories**

**SEC. 121001. Extension of the Supplemental Security Income Program to Puerto Rico, the United States Virgin Islands, Guam, and American Samoa.**

(a) In General.—Section 303 of the Social Security Amendments of 1972 (86 Stat. 1484) is amended by striking subsection (b).

(b) Conforming Amendments.—

(1) **Definition of State.**—Section 1101(a)(1) of the Social Security Act (42 U.S.C. 1301(a)(1)) is amended by striking the 5th sentence and inserting the following: “Such term when used
in title XVI includes Puerto Rico, the United States\nVirgin Islands, Guam, and American Samoa.”

(2) EXEMPTION OF SSI PAYMENTS FROM LIMIT\non total payments to the territories.—Section 1108(a)(1) of such Act (42 U.S.C. 1308(a)(1)) is amended by striking “under titles I, X, XIV, and XVI”.

(3) UNITED STATES NATIONALS TREATED THE\nsame as citizens.—Section 1614(a)(1)(B) of such Act (42 U.S.C. 1382c(a)(1)(B)) is amended—

(A) in clause (i)(I), by inserting “or na-
tional of the United States,” after “citizen”;\n(B) in clause (i)(II), by adding “; or” at the end; and\n(C) in clause (ii), by inserting “or na-
tional” after “citizen”.

(4) TERRITORIES INCLUDED IN GEOGRAPHIC\nMEANING OF UNITED STATES.—Section 1614(e) of such Act (42 U.S.C. 1382c(e)) is amended by strik-
ing “and the District of Columbia” and inserting “, the District of Columbia, Puerto Rico, the United States Virgin Islands, Guam, and American Samoa”.

(c) WAIVER AUTHORITY.—The Commissioner of So-
cial Security may waive or modify any statutory require-
ment relating to the provision of benefits under the Sup-
plemental Security Income Program under title XVI of the
Social Security Act in Puerto Rico, the United States Vir-
gin Islands, Guam, or American Samoa, to the extent that
the Commissioner deems it necessary in order to adapt
the program to the needs of the territory involved.

(d) Effective Date.—This section and the amend-
ments made by this section shall take effect on January
1, 2024.