Summary of Significant Provisions of the House Tax Bill and the Draft Senate Tax Bill

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Business Provisions

Code Section	Current Law	House Tax Bill	Draft Senate Tax Bill
§ 174, R&D	Beginning in 2022, taxpayers are required to deduct research or experimental expenditures over a five-year period. Research or experimental expenditures that are attributable to research conducted outside the US are required to be deducted over a 15-year period.	Temporarily restores immediate expensing for domestic research expenditures (rather than requiring 5-year amortization) for five years and would be allowed for taxable years beginning in 2025 through 2029.	Permanently restores immediate expensing for domestic research expenditures (rather than requiring 5-year amortization) and applies to all tax years after December 31, 2024. The provision also applies retroactively to tax years after December 31, 2021, for small business taxpayers with average annual gross receipts of $31 million or less.

§ 168(k), Expensing	Taxpayers are generally required to deduct the cost of property used in a trade or business over a period of time. However, in the case of certain "qualified property" (including most equipment and machinery), a taxpayer is permitted to deduct a percentage of the cost in the first year that the property is placed in service ("immediate expensing"). The TCJA provided for 100% immediate expensing for qualified property, which began phasing down in 2022. For qualified property placed in service in 2025, a taxpayer is generally permitted to immediately expense 40% of the cost. For qualified property placed in service in 2026, a taxpayer is generally permitted to immediately expense 20% of the cost.	This provision provides 100% expensing of the cost of qualified property to be allowed for property acquired or placed in service after January 19, 2025, and before January 1, 2030 (January 1, 2031, for longer production period property and certain aircraft). The bill also adds a new provision providing temporary 100% expensing for "qualified production property" construction of which begins after January 19, 2025, and before January 1, 2029, and is placed in service before January 1, 2033.	Permanently extends 100% expensing for the cost of qualified property acquired or placed in service after January 19, 2025. The bill also adds a new provision providing temporary 100% expensing for "qualified production property" construction of which begins after January 19, 2025, and before January 1, 2029, and is placed in service before January 1, 2031.
§ 163(j), Interest Deduction Limitation	The deduction for business interest expense for a taxable year is generally limited to 30% of the	For taxable years beginning after 2024 and before 2030, this provision restores the ability to add back depreciation and amortization to earnings (i.e., EBITDA) in	Permanently restores the ability to add back depreciation and amortization to earnings (i.e., EBITDA) in determining the adjusted taxable income for the interest

	taxpayer's "adjusted taxable income" for the taxable year. Before 2022, adjusted taxable income was determined using EBITDA standard. In 2022 and after, it is calculated using an EBIT standard.	determining the adjusted taxable income for the interest limitation, rather than requiring use of an EBIT standard.	limitation, rather than requiring use of an EBIT standard and applies to all tax years after December 31, 2024. The provision excludes subpart F and GILTI inclusions and the associated section 78 gross-up amounts, as well as amounts determined under section 956, from a taxpayer's adjusted taxable income.
§ 162(m), Excessive employee remuneration from controlled group	Section 162(m) limits the annual deduction for compensation paid to covered employees of a publicly held corporation to $1 million per employee. Currently, section 162(m) does not include any entity aggregation rule.	The bill adds an entity aggregation rule in section 162(m). The proposal provides that remuneration paid to a specified covered employee by any member of the controlled group is aggregated to determine the loss of deduction for amounts over $1 million. The allowable deduction would be allocated among the applicable controlled group members who are paying compensation to the specified covered employee. The controlled group determination would use the rules under section 414(b), (c), (m), and (o), which provide that related entities are treated as a single employer for many employee benefit purposes.	The bill adds an entity aggregation rule in section 162(m). The proposal provides that remuneration paid to a specified covered employee by any member of the controlled group is aggregated to determine the loss of deduction for amounts over $1 million. The allowable deduction would be allocated among the applicable controlled group members who are paying compensation to the specified covered employee. The controlled group determination would use the rules under section 414(b), (c), (m), and (o), which provide that related entities are treated as a single employer for many employee benefit purposes.
Third Party Litigation	No provision.	No provision.	The bill creates a new tax on qualified litigation proceeds received by a "covered

Funding Reform			party," which is defined to include any third party (meaning a person, corporation, partnership, or sovereign wealth fund) that receives funds pursuant to a litigation financing agreement and applies to both domestic and foreign entities. The tax is equal to the highest individual tax rate in a taxable year plus an additional 3.8 percentage points. Further, the tax applies at the entity level for pass-through entities. The bill also imposes a 50% withholding requirement on any party that has executed a litigation financing agreement. This provision would apply to all tax years beginning after December 31, 2025.
§ 45F, Employer Provided Child Care Credit	The employer-provided child-care credit provides businesses a nonrefundable tax credit of up to $150,000 per year on up to 25% of qualified child-care expenses. An employer must spend at least $600,000 on child care related expenses to receive the full credit.	Increases the maximum credit from $150,000 to $500,000 and the percentage of qualified child care expenses covered from 25% to 40%. Therefore, a business must spend at least $1.25 million on child care related expenses to receive the full credit. The provision also makes changes for small businesses and allows small	Increases the maximum credit from $150,000 to $500,000 and the percentage of qualified child care expenses covered from 25% to 40%. Therefore, a business must spend at least $1.25 million on child care related expenses to receive the full credit. The provision also makes changes for small businesses and allows small

		businesses to pool their resources to provide child-care for their employees through a third-party.	businesses to pool their resources to provide child-care for their employees through a third-party.

International Provisions

"Outbound" Provisions

Code Section	Current Law	House Tax Bill	Draft Senate Tax Bill
§ 250, GILTI and FDII (Rates)	GILTI is currently taxed at a rate of 10.5% by means of a 50% deduction under section 250. FDII is currently taxed at a rate of 13.125% by means of a 37.5% deduction under section 250. Section 250(a)(3) provides that the deductions related to GILTI and FDII are to be reduced for tax years beginning after December 31, 2025, such that the GILTI deduction would decrease from 50% to 37.5% (resulting in a 13.125% rate for GILTI), and the FDII deduction would be reduced from 37.5% to 21.875% (resulting in a 16.406% rate for FDII).	This provision would make permanent a 49.2% GILTI deduction (resulting in a 10.668% rate) and 36.5% FDII deduction (resulting in a 13.335% rate).	The bill would make permanent a 40% GILTI deduction (resulting in a 14% rate, considering the foreign tax credit change discussed below) and a 33.34% FDII deduction (resulting in a 14% rate).

§ 250, FDII Calculation	A domestic corporation's FDII is calculated as "deemed intangible income" multiplied by foreign-derived deduction eligible income (FDDEI) over deduction eligible income (DEI) of such corporation. DEI is domestic corporation gross income, reduced by certain categories of income, including subpart F inclusions and section 956 amounts, GILTI inclusions, financial services income, certain dividends, domestic oil and gas extraction income and foreign branch income, as well as the deductions, including taxes, properly allocable to such income.	No provision.	The bill would modify the definition of DEI to exclude (1) income or gain from the sale or other disposition of property of a type that gives rise to rents or royalties, and (2) amounts that would be foreign personal holding company income and amounts includable in gross income under section 1293 with respect to passive foreign investment companies (PFICs) for which a qualified electing fund (QEF) election has been made. In addition, DEI would be reduced by expenses and deductions directly related to such income.
Section 904 (Foreign Tax Credit Limitation)	The foreign tax credit is calculated with respect to separate categories (or "baskets"), including the GILTI category. Expenses must be allocated and apportioned to the baskets, including the GILTI basket.	No provision.	The bill would modify the rules for allocating and apportioning deductions to the GILTI basket for purposes of determining the foreign tax credit. Specifically, the only deductions of a US shareholder allocable to income in the GILTI basket would be (1) the 50% section 250 deduction related to GILTI (and any deduction allowed under section

	Income from the sale of inventory property produced by the taxpayer is sourced by reference to the production activities with respect to such property.		164(a)(3) for taxes imposed on such amounts), and (2) any other deduction directly allocable to GILTI. Any deduction that otherwise would have been allocated or apportioned to income in the GILTI category is instead allocated or apportioned to US-source income. Solely for purposes of the foreign tax credit limitation, if a US person maintains an office or other fixed place of business in a foreign country, the portion of taxable income from the sale outside the United States of inventory property produced in the United States and that is attributable to such foreign office is treated as foreign source income, up to 50% of the income from the sale of the inventory property.
§ 951, Pro Rata Share Calculation	A US shareholder of a foreign corporation that is CFC at any time during any taxable year and who owns stock in the foreign corporation on the last day, in such year, on which the foreign corporation is a CFC, must include in gross income for the US shareholder's taxable year in which or with which such taxable year of	No provision.	The bill provides that, if a foreign corporation is a CFC at any time during a taxable year of the foreign corporation (a "CFC year"), each US shareholder that owns stock in such corporation during the CFC year must include in gross income such shareholder's pro rata share of the corporation's subpart F income for the CFC year, and, in general, each US shareholder that owns stock in such corporation on the last day, in the CFC year, on which the corporation is a CFC

	the foreign corporation ends the US shareholder's pro rata share of the foreign corporation's subpart F income for such year and, in general, the amount determined under section 956 with respect to such shareholder for such year. In determining the pro rata share described above, a US shareholder's subpart F inclusion is based on the amount of the CFC's subpart F income that would have been distributed to the US shareholder, but reduced (1) for the portion of the year on which the foreign corporation was not a CFC; and (2) for any dividends paid to any other person on the stock the US shareholder owns (directly or indirectly), but only to the extent of the subpart F income allocable to those shares and the portion of the CFC's year during which the US shareholder did not own the		must include in gross income the amount determined under section 956 with respect to such shareholder for the CFC year. The US shareholder's pro rata share of a CFC's subpart F income for a CFC year is the portion of such income that is attributable to (1) the stock of the corporation owned by the shareholder, and (2) any period of the CFC year during which the shareholder owned the stock, the shareholder was a US shareholder, and the corporation was a CFC. Similar modified pro rata share rules would apply in the calculation of a US shareholder's GILTI inclusion.

	shares. Similar pro rata share rules apply in the calculation of a US shareholder's GILTI inclusion.		
§ 951A, GILTI Calculation	A US shareholder's GILTI inclusion takes into account such shareholder's share of net CFC tested income, reduced by such shareholder's "net deemed tangible income return" (NDTIR), which is generally 10% of the shareholder's share of CFC qualified business asset investment. The FDII calculation also includes a reduction for a US corporation's deemed tangible income return (DTIR).	No provision.	The bill would eliminate the NDTIR and DTIR concepts and thus those amounts would not reduce GILTI and FDII. GILTI would be renamed "Net CFC Tested Income" and FDII would be renamed foreign-derived deduction eligible income.
§ 951A, GILTI Exclusion for the US Virgin Islands	GILTI income currently includes tested income earned by a controlled foreign corporation operating in the US Virgin Islands.	This provision would amend section 951A(c)(2)(A)(i) to exclude "qualified Virgin Islands services income" of a "specified US shareholder" from the definition of tested income.	No provision.
§ 960, Deemed Paid Credit	Domestic corporations are deemed to have paid 80% of an amount based on the aggregate foreign income	No provision.	The 80% limitation is increased to 90%.

	taxes paid or accrued with respect to tested income of each CFC with respect to which the domestic corporation is a US shareholder.		
§ 954(c)(6), Look-Through Rule	Section 954(c)(6), often referred to as the "CFC look-through rule," excludes from foreign personal holding company income (FPHCI) dividends, interest, rents and royalties received or accrued by one CFC from a related CFC to the extent attributable or properly allocable to income of the payor which is neither subpart F income nor income treated as effectively connected with the conduct of a trade or business in the United States (ECI). The look-through rule currently applies to taxable years of foreign corporations beginning before January 1, 2026, and to taxable years of US shareholders with or within which such taxable years of foreign corporations end.	No provision.	The bill would make section 954(c)(6) permanent.

§ 958(b)(4), Former Limitation on Downward Attribution of Stock Ownership	When determining whether a person is a US shareholder, section 958 applies the constructive ownership rules of section 318(a), with certain modifications. Section 318(a)(3) provides rules for when a corporation, partnership, trust, or estate is considered to own stock owned by a shareholder, partner, or beneficiary (“downward attribution”). Before the repeal of section 958(b)(4), stock owned by a foreign person was not attributed downward to a US person. As a result, a wholly-owned domestic subsidiary of a foreign corporation was not treated as owning stock in other foreign corporations owned by the foreign parent.	No provision.	The provision would restore the limitation on downward attribution of stock ownership in former section 958(b)(4) when applying the constructive ownership rules in section 318(a)(3). The provision would also add new section 951B, which applies the CFC inclusion rules to a “foreign controlled US shareholder” of a “foreign controlled foreign corporation” as if the former were a US shareholder and the latter were a CFC. A foreign controlled US shareholder is a US person that would be a US shareholder with respect to a foreign corporation if (1) section 951(b) were applied using an ownership threshold of more than 50% (rather than 10% or more), and (2) downward attribution from foreign persons applies.
§ 898(c), Election for One-Month Deferral in Determining	Specified foreign corporations are generally required to use as a taxable year the taxable year of their majority US shareholder,	No provision.	The one-month deferral election would be repealed, subject to a transition rule.

Foreign Corporation Taxable Year	subject to an election of a taxable year beginning one month earlier than the majority US shareholder year.		

"Inbound" Provisions

§ 59A, BEAT	Only "applicable taxpayers" are subject to the BEAT. To be an applicable taxpayer, a taxpayer must have a "base erosion percentage" (generally base erosion tax benefits over total deductible costs) of 3% (or 2% in the case of banks and securities dealers). BEAT imposes an additional tax to the extent 10% of modified taxable income (MTI) exceeds the taxpayer's regular tax liability. MTI generally means taxable income without regard to tax benefits from certain payments to foreign related parties ("base erosion payments").	Would make permanent a 10.1% BEAT rate and permanently exclude the research credit and a portion of applicable section 38 credits from reducing the regular tax liability in computing a BEAT liability.	The BEAT would be calculated as 14% of MTI over adjusted regular tax liability. The modifications to the credits that reduce regular tax (and thus potentially increase BEAT liability) set to occur for taxable years beginning after December 31, 2025, would be removed, so that the research credit and a portion of applicable section 38 credits continue to have favorable treatment (by not reducing regular tax) in the BEAT formula. Payments that are subject to a sufficient level of foreign income tax (i.e., payments subject to an effective tax rate that is greater than 18.9%would not be considered base erosion payments, while certain capitalized interest expense (other than interest capitalized under sections 263(g) or 263A) would be treated as base erosion payments. The base erosion percentage threshold would be reduced to 2% for all taxpayers.

	The section 41(a) research credit and a certain portion of "applicable section 38 credits" do not reduce regular tax liability for purposes of computing a BEAT liability. For tax years beginning after December 31, 2025, section 59A(b)(2) increases the rate applied to MTI from 10% to 12.5% and eliminates the carve-out of the research credit and a portion of applicable section 38 credits in the BEAT formula. The elimination of this credit carve-out would generally result in an increased BEAT liability by reducing the amount of the regular tax liability to which 12.5% of MTI is compared.		
§ 899, Enforcement of Remedies Against Unfair Taxes	No provision.	This provision would add a new section 899, "Enforcement of Remedies Against Unfair Foreign Taxes," as a tool to retaliate against certain foreign countries (called "discriminatory foreign countries") that have implemented an "unfair foreign tax" that applies to US persons or certain foreign entities owned by US persons.	Similar to the House version, the bill would add a new section 899 as a tool to combat "unfair foreign taxes." The bill would increase US tax rates imposed with respect to applicable persons with respect to an "offending foreign country" by reason of having an "unfair foreign tax which is an extraterritorial tax" and also

		Proposed section 899 would (1) increase the rates of tax imposed on applicable persons, which include non-US individuals, corporations, governments, and private foundations of offending foreign countries and entities owned by such persons, and (2) modify the application of the BEAT to corporations that are owned, directly or indirectly, by such persons. The undertaxed profits rule (UTPR), digital services taxes (DSTs), and diverted profits taxes (DPTs) would be treated as unfair foreign taxes under the bill. Taxes that do not apply to any US person, including a trade or business of a US person, or to CFCs that are owned (within the meaning of section 958(a)) more than 50% by vote or value by a US person would not be unfair foreign taxes. Proposed section 899 would increase the rates of tax imposed on: (1) fixed, annual, determinable, and periodic (FDAP) income of non-US individuals under section 871(a); (2) ECI of non-US individuals under section 871(b); (3) non-ECI, US source FDAP of non-US corporations under section 881; (4) ECI of non-US corporations under section	modify the application of the BEAT to corporations that are owned, directly or indirectly, by applicable persons. Key differences from the House version are that the increase to the rates of tax otherwise applicable would occur each year, in five-percentage point increments, that the unfair foreign tax is imposed, not to exceed 15%. Such increases would not apply to certain items specifically identified, including portfolio interest. With respect to the BEAT, the Senate version would expand the application of the BEAT to entities owned by applicable persons, but would not go as far as the House provision. The provision would remove the current gross receipts threshold and reduce the base erosion percentage threshold to 5% for domestic entities owned by applicable persons. The provision would also eliminate certain key exceptions from base erosion payments for payments subject to withholding tax, capitalized costs, and payments subject to the services cost method. Another key difference from the House version is the effective date, which, for

		11(b)(5) branch profits taxes levied under section 884; and (6) US source. investment income of private foundations under section 4948. Proposed section 899 would also increase the rate of withholding taxes under sections 1441(a), 1442(a), and 1445(a) and (e) to match the increase in the substantive tax rates. In the case of a non-US individual, the tax on ECI under section 871(b) is increased only to the extent of tax on FIRPTA gains. If proposed section 899 applies, the "applicable number of percentage points" (the increase to the specified rate of tax) would be 5 percentage points for the first tax year following the applicable date and would continue to increase by 5 percentage points for each subsequent one-year period during which section 899 remains applicable. The total percentage point increase under section 899 would be capped at 20 percentage points above the statutory rate, meaning that for the withholding and branch profits tax, the cap would be 50%, the tax rate for effectively connected income (ECI) would be capped at 41% for corporations and 57% for individuals, and the tax rate on	calendar-year taxpayers, would generally not be until 2027. Specifically, the increased rates and BEAT modifications apply to any applicable person each taxable year beginning (1) on or after the latest of the date which is one year after the date of enactment of the provision, the date which is 180 days after the date of enactment of the unfair foreign tax that causes the relevant foreign country to be treated as an offending foreign country, or the first date that an unfair foreign tax of such country begins to apply, and (2) before the last date on which the offending foreign country imposes an unfair foreign tax. Like the House version, the bill targets countries with UTPRs and DSTs, though there are some differences in terminology. The bill defines an "offending foreign country" as a foreign country that has one or more unfair foreign taxes, which means an extraterritorial tax or a discriminatory tax, with certain exceptions for taxes that do not apply to US persons. The term "extraterritorial tax" is defined and includes UTPRs. The term "discriminatory

		income of private foundations would be capped at 24%. Section 899 would also expand the application of the BEAT to entities owned by applicable persons without regard to current law gross receipts and base erosion percentage thresholds. The BEAT rate would also be increased to 12.5%. The provision would also eliminate certain key exceptions from base erosion payments for payments subject to withholding tax, capitalized costs, and payments subject to the services cost method. The increased tax would take effect the first day of the first calendar year beginning on or after the latest of (1) 90 days after the date of enactment of the provision; (2) 180 days after the date of enactment of the unfair foreign tax that causes the country to be treated as a discriminatory foreign country, or (3) the first date that an unfair foreign tax of the country begins to apply. A temporary safe harbor for withholding agents applies. Treasury is directed to issue regulations or other guidance as may be necessary or appropriate to carry out the purposes of	tax" includes DSTs and certain other taxes identified by Treasury. Treasury is required to maintain a list of offending foreign countries, update such list on a quarterly basis, and provide notice to Congress with respect to changes to the list. Treasury is also directed to issue regulations or other guidance as may be necessary or appropriate to carry out the purposes of the section, including regulations or other guidance that provides for adjustments to the application of the section to prevent avoidance and to prevent certain double-counting. Unlike the House version, the provision would also amend section 891 to define the terms "extraterritorial tax" and "discriminatory tax" by reference to their definitions under section 899.

		the section, including regulations or other guidance providing a list of discriminatory foreign countries.	

Other

Excise Tax on Remittance Transfers	No provision.	The provision would impose a 3.5% excise tax on any "remittance transfer," which is the electronic transfer of funds requested by a sender located in the United States to a recipient who is located in a non-US country initiated by a remittance transfer provider. The provision relies on existing definitions in the Electronic Funds Transfer Act to define a remittance and generally applies only to consumers/individuals and would not apply to business transfers. Additional guidance will be needed. If enacted, the 3.5% excise tax would be payable by the sender of any US outgoing remittance transfer. It would be collected by the remittance transfer provider and remitted to the US Treasury. To the extent the tax is not collected from the sender, it would be owed by the remittance transfer provider (the person or	The provision would impose a 3.5% excise tax on any "remittance transfer," which is the electronic transfer of funds requested by a sender located in the United States to a recipient who is located in a non-US country initiated by a remittance transfer provider. The provision relies on existing definitions in the Electronic Funds Transfer Act to define a remittance and generally applies only to consumers/individuals and would not apply to business transfers. Additional guidance will be needed. If enacted, the 3.5% excise tax would be payable by the sender of any US outgoing remittance transfer. It would be collected by the remittance transfer provider and remitted to the US Treasury. To the extent the tax is not collected from the sender, it would be owed by the remittance transfer provider (the person or

		financial institution facilitating the transfer).	financial institution facilitating the transfer). The excise tax would not apply to any remittance transfer for which the funds being transferred are withdrawn from an account held in certain financial institutions subject to the Bank Secrecy Act, or funded with a debit card or a credit card issued in the United States.

Energy Provisions

<table>
<tr><th>Code Section</th><th>Current Law</th><th>House Tax Bill</th><th>Draft Senate Tax Bill</th></tr>
<tr><td>§ 6418, Transferability</td><td>Section 6418 allows eligible taxpayers to transfer all or a portion of their eligible credits in exchange for cash, to a taxpayer that is not related to the transferor taxpayer.

The third-party sale provisions provide an alternative for renewable energy developers to monetize their tax credits without accessing the tax equity markets.

Businesses with taxable income and can purchase these tax credits for energy credit developers to reduce their taxable income.</td><td>Repeals transferability for:
Section 45Q: for projects that begin construction two years after enactment;
Section 45U: for credits generated after December 31, 2027
Section 45X: for components sold after December 31, 2027
Section 45Z: for credits attributable to energy produced after December 31, 2027.</td><td>The bill would amend transferability to prohibit the transfer of credits to specified foreign entities (as defined in new section 7701(a)(51)(B)), but otherwise retains transferability for the lives of the credits.</td></tr>
<tr><td>Foreign Entity of Concern Restrictions</td><td>No provision.

A similar restriction applies to the section 30D clean vehicle credit.</td><td>These provisions would apply new FEOC restrictions to the clean energy credits to prevent any entity that is deemed to be controlled or influenced by a covered nation from claiming the credit. Covered</td><td>The Draft Senate Bill would also apply new FEOC restrictions to the clean energy credits, but would make a number of revisions to the House Tax Bill.</td></tr>
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		nations are China, Iran, North Korea, and Russia. An entity is a prohibited foreign entity if it is a specified foreign entity or a foreign-influenced entity. An entity is a specified foreign entity if it is: • Designated as foreign terrorist organization, included on the OFAC lists, alleged to have been involved in espionage activities, or determined to have been engaged in conduct detrimental to US national security or foreign policy; • Listed on the 1260H Chinese military company list; • Listed under the Uyghur Forced Labor Prevention Act; • A battery company (or successor) listed in the FY 2024 NDAA legislation; or • A foreign controlled entity of a covered nation (i.e., an entity controlled at least 50% by the government, a citizen or resident, or an entity organized in or having their principal place of business in, a covered nation).	Prohibited foreign entities and specified foreign entities would be similarly defined, except that the Senate bill: • Clarifies that the determination of whether an entity is a prohibited foreign entity is generally made as of the last day of the taxable year (except for the initial taxable year in which it is made on the first day of such taxable year). • Clarifies that a government of a covered nation includes subnational governments and agencies or instrumentalities. The definition of foreign-influenced entity would be revised as follows: • Increase ownership thresholds to 25% by a single specified foreign entity or 40% in the aggregate. • Increase debt threshold to 40%. • The ownership and debt thresholds do not apply to publicly traded entities. • Modifies the FDAP payment rule to something more similar to the regulations under section 30D. Specifically, an entity may not enter into a contractual arrangement with a specified foreign entity that would enable

		An entity is a foreign-influenced entity if, during the taxable year: • A specified foreign entity has direct or indirect authority to appoint a covered officer of the entity; • A single specified foreign entity owns at least 10% of the entity; • One or more specified foreign entities own, in the aggregate, at least 25% of the entity; • At least 25% of the debt of such entity is held in the aggregate by one or more specified foreign entities; or • During the previous taxable year, the entity made fixed, determinable, annual, or periodic (FDAP) payments to specified foreign entities that are more than 10% (in the case of payments to a single specified foreign entity) of total expenditures related to the credit generating activity or 25% in aggregate (in the case of payments to more than one specified foreign entity). The types of FDAP payments that could bar claiming tax credits in a year are dividends, interest, compensation for services, rents, royalties and	the entity to exercise effective control over a qualified facility, the extraction, processing, or recycling of an applicable critical mineral, or the production of an eligible component. For this purpose, effective control would include such things as the unrestricted contractual right to determine the quantity or timing of production or who may purchase or use the output, restrict access to critical data, control operation or maintenance of equipment, control sources of components or subcomponents, or limit the use of IP. Control may also include certain long-term licenses (longer than 10 years) or service arrangements (longer than 2 years). The definition of material assistance would be revised as follows: • The bill would establish a threshold percentage that increases over time, based on a cost ratio equal to the quotient of a fraction, the numerator of which is total costs minus total costs

		similar payments to a specified foreign entity. The provisions also would apply certain additional and more onerous FEOC restrictions to the section 45Y PTC, the section 48E ITC, and the section 45X advanced manufacturing production credit, denying eligibility for these credits to facilities that receive "material assistance" from a prohibited foreign entity. The legislation defines material assistance as: • providing any component, subcomponent, or critical mineral (as defined under section 45X(c)(6)) that is extracted, processed, recycled, manufactured, or assembled by a specified foreign entity or foreign influenced entity; or • any design of the property that is based on copyrights, patents, know-how, or trade secrets provided by a specified foreign entity or foreign influenced entity. There are limited exceptions from the material assistance rule that would apply to certain non-specialized materials that are considered "assembly parts" or "constituent materials."	attributable to a prohibited foreign entity, and the denominator of which is total costs. • The provision is applied in much the same way as the domestic content bonus guidance issued by the IRS. • The bill directs the Secretary to establish safe harbor tables. Until then, taxpayers may rely on the safe harbor tables in Notice 2025-08. • Taxpayers may reasonably rely on certifications from suppliers. • Taxpayers may exclude costs of components or materials that are acquired pursuant to a binding contract entered into prior to June 16, 2025, and placed in service or sold prior to January 1, 2030. In the case of a deficiency related to the material assistance requirement, the bill would extend the statute of limitations to six years and reduce the threshold for the substantial understatement penalty.

§ 45Y; § 48E, Repeal Technology Neutral Production and Investment Credits	Each of these credits is currently subject to a phaseout starting in 2034 (or later, depending on changes in greenhouse gas emissions). These are the main credits that wind and solar projects rely on.	Repeal of the technology-neutral tax credits for projects (1) on which construction begins more than 60 days following the date of the enactment or (2) that are placed in service after 2028 (without regard to when construction begins). The repeal of these credits would also impact the transferability of these credits. Applies FEOC restrictions for specified foreign entities for taxable years beginning after enactment, for facilities that receive material assistance from a prohibited foreign entity and begin construction a year after enactment, or for foreign-influenced entities or entities that make certain payments to a prohibited foreign entity for taxable years that begin two years after date of enactment.	This provision phases out the technology-neutral tax credits early. For wind and solar, the credit phases down for qualified facilities the construction of which begins in 2026 through 2028, when the credit is completely phased out. The provision also denies the credit for wind and solar leasing to residential customers. For all other qualified facilities (such as hydropower, nuclear, and geothermal), the credit phases down for qualified facilities the construction of which begins in 2033 through 2036, when the credit is completely phased out. Applies FEOC restrictions for prohibited foreign entities for taxable years beginning after enactment, or for any qualified facility for which construction begins after December 31, 2025, that receives material assistance from a prohibited foreign entity.
§ 45Q, Carbon Oxide Sequestration Credit	Provides a credit for each metric ton of qualified carbon oxide captured and sequestered or utilized during the 12-year period starting on the date the	Repeals transferability provisions. Applies FEOC restrictions for specified foreign entities for taxable years beginning after enactment, or for foreign-	This provision conforms credit values for captured carbon oxide that is disposed of in secure geological storage and that which is utilized, effective for equipment placed in service after December 31, 2022.

	equipment is first placed in service. Taxpayers may claim the section 45Q credit if construction on a qualified facility begins before January 1, 2033.	influenced entities for taxable years that begin two years after date of enactment.	Applies FEOC restrictions for specified foreign entities for taxable years beginning after enactment, or for foreign-influenced entities for taxable years that begin two years after date of enactment.
§ 45U, Nuclear Credit	Provides a credit per kWh of electricity produced at a qualified nuclear facility and sold to an unrelated party after 2023 and before 2033.	Provides an accelerated phase-out schedule for the credit with the phaseout occurring between 2029 and 2031. Applies FEOC restrictions for specified foreign entities for taxable years beginning after enactment, or for foreign-influenced entities for taxable years that begin two years after date of enactment.	The Senate bill would not phase the § 45U credit out early. The provision disallows the § 45U credit where the taxpayer uses fuel produced in a covered nation or by a covered entity, effective for taxable years beginning after December 31, 2027. Applies FEOC restrictions for specified foreign entities for taxable years beginning after enactment, or for foreign-influenced entities for taxable years that begin two years after date of enactment.
§ 45V, Clean Hydrogen Credit	Provides a 10-year production tax credit for clean hydrogen produced after 2022 at a qualified facility, the construction of which begins before 2033.	Terminates the credit for projects on which construction commences after December 31, 2025	Terminates the credit for projects on which construction commences after December 31, 2025.
§ 45X, Advanced Manufacturing	Provides tax credits for manufacturers of eligible components that are produced and sold by a	Terminates the credits for wind energy components sold after December 31, 2027, and other components that are	Terminates the credits for wind energy components sold after December 31, 2027, and for critical minerals sold after

Production Credit	taxpayer to an unrelated party. The credit amount varies depending on the eligible component. The credit begins phasing out in 2030 and is not available for components sold after 2032.	sold after December 31, 2031, with a phase down in 2030 and 2031. Applies FEOC restrictions for material assistance from a prohibited foreign entity or for specified foreign entities for taxable years beginning after enactment, or for certain payments to, or licenses with, prohibited foreign entities beginning two years after enactment.	December 31, 2033, with a phase down in 2031 through 2033. Strikes the rule that deemed eligible components that have been integrated into another eligible component to have been sold to an unrelated party, applicable to components sold during taxable years after December 31, 2026. Applies FEOC restrictions for material assistance from a prohibited foreign entity for components sold in 2026 and for prohibited foreign entities for taxable years beginning after enactment.
§ 48C, Advance Energy Project Credit	Provides an allocated investment tax credit for qualifying advance energy projects.	No provision	The provision would restrict funds returned to the Secretary from forfeited credits from being later reissued.
§ 45Z, Clean Fuel Credit	Provides a clean fuel production tax credit for taxpayers who produce and sell qualifying transportation fuel to an unrelated party before January 1, 2028, with the credit amount determined, in part, by reference to the fuel's greenhouse gas emissions rate.	Extends the period this credit can be claimed by four years, until December 31, 2031. The provision would also prohibit foreign feedstocks and exclude indirect land use changes for purposes of the lifecycle greenhouse gas emissions. Applies FEOC restrictions for specified foreign entities for taxable years beginning after enactment, or for foreign-	Extends the period this credit can be claimed by four years, until December 31, 2031. The provision imposes a 20% haircut on the value of the credit for fuel produced from foreign feedstocks and excludes indirect land use changes for the purposes of lifecycle greenhouse gas emissions.

	Among other requirements, the fuel must be produced in the United States for the taxpayer to be eligible for the section 45Z credit.	influenced entities for taxable years that begin two years after date of enactment.	Authorizes the Secretary to provide rules addressing certain related-party sales. Applies FEOC restrictions for specified foreign entities for taxable years beginning after enactment, or for foreign-influenced entities for taxable years that begin two years after date of enactment.
§§ 25E, 30D, 45W, 30C Clean Vehicle Credits	Provides credits for an individual's purchase of a clean vehicle (§ 30D) or a previously owned clean vehicle (§ 25E), a business's purchase of a clean vehicle (§ 45W), and electric vehicle charging or other alternative fuel refueling equipment (§ 30C)	Terminates these credits in 2026 and 2027.	Terminates the § 25E credit for vehicles acquired more than 90 days after enactment and the § 30D and § 45W credits for vehicles acquired more than 180 days after enactment. Terminates the § 30C refueling equipment credit with respect to property placed in service after the date that is 12 months after the date of enactment. This bill also subjects commercial vehicles with a gross vehicle weight rating of less than 14,000 pounds to limitations like those applicable to new clean vehicles, effective as of the date the legislation was introduced, thus closing the leased vehicle loophole.
§§ 25C, 25D, 45L Residential Credits	Provides certain tax benefits for energy efficient home improvements (§ 25C); installing clean energy property on a residence	Terminates these credits in 2026. No provision for § 179D.	Terminates the §§ 25C and 25D credits with respect to property placed in service after the date which is 180 days after the date of enactment.

	(such as solar panels) (§ 25D); or for new energy efficient homes (§ 45L) that terminate between 2033 and 2035. Provides a deduction for certain energy efficient commercial building property expenditures (§ 179D), which is permanent,		Terminates the §§ 45L and 179D credits with respect to homes acquired or property constructed after the date that is 12 months after enactment.
§ 7704, Publicly Traded Partnerships	Provides an exception to the treatment of publicly traded partnerships as corporations for partnerships generating sufficient qualifying income.	Income from hydrogen storage and carbon capture would be added as qualifying income.	Income from hydrogen storage, carbon capture, advanced nuclear, hydropower, and geothermal energy would be added as qualifying income.
§ 48D, Advanced Manufacturing Investment Credit	A 25% investment tax credit is available for qualified investments in an advanced manufacturing facility that produces semiconductors or semiconductor manufacturing that begins construction prior to January 1, 2027.	No provision	This provision increases the credit to 30% for property placed in service after December 31, 2025.

Opportunity Zones/Low Income Housing/ New Markets Tax Credits

Code Section	Current Law	House Tax Bill	Draft Senate Tax Bill
§ 1400Z, Opportunity Zones	Under current law, opportunity zones (OZs) exist as a temporary policy that have been used as an economic development tool to revitalize distressed communities across the country. Created in the TCJA, OZs are census tracts that meet the definition of "low-income community" under section 45D and that were nominated by state governors and certified by the US Department of Treasury as eligible areas for qualified investments to be made in exchange for certain tax benefits. The program was created as a temporary policy, existing over a 10-year window as an initial "round" of OZ development. The OZ program provides investors with three tax	These provisions would designate additional OZs through 2033 with a new definition of qualifying census tracts with lower income averages elimination of contiguous tracts to be designated as OZs. In addition, one-third of OZs must be "rural." The taxpayer would be able to defer gains until December 31, 2033. Basis step-ups are limited to 10%, rather than 15%, except that investments in rural opportunity zones may get 30% basis step-up. Additionally, a special rule would lower the "substantial improvement" threshold of existing structures from 100% to 50% in rural areas. These provisions also allow taxpayers to invest up to $10,000 of ordinary income (previously only capital gains were eligible). The provision also adds reporting requirements for the OZ program.	This provision would make permanent the OZ program by creating rolling, ten-year OZ designations beginning on January 1, 2027. This provision tightens the definition of low-income community in the same manner as the House Tax Bill, except there is no set-aside for rural opportunity zones. Similar to the House bill, the taxpayer would be able to defer gains until December 31, 2033. Basis step-ups are limited to 10%, but instead of receiving the basis step-up after five years, the taxpayer would receive incremental reduction in gain starting on the first anniversary of investment. Investments in rural opportunity zones would receive triple the amount of the step-up in basis. Additionally, a special rule would lower the "substantial improvement" threshold of existing structures from 100% to 50% in rural areas. Unlike the House bill, the Senate bill does not apply OZ benefits to ordinary income.

	benefits for investing their unrealized capital gains into eligible distressed communities: • A temporary deferral on taxes for capital gains rolled over from a non-OZ investment into a QOF to be invested into an OZ. The taxes are not realized until 2026 or when the asset is sold/disposed of, whichever comes first. • A step-up in basis on their previously earned capital gains that were invested in a QOF. Investments held for five years receive a 10% step-up in basis and investments held for seven years receive an additional 5% step-up in basis (for a total 15%). • For investments held for at least 10 years,	The existing OZs would expire at the end of 2026, and the new OZs would be effective beginning in 2027.	The provision adds reporting requirements for the OZ program and provides funding to the Internal Revenue Service to carry out the reporting requirements, which should help protect the reporting provisions from challenge under the Byrd Rule. The new OZs would be effective beginning in 2027, but the Senate bill would not terminate the existing OZs early.

	taxpayers receive a permanent exclusion of taxable income on the gains resulting from appreciation of the original investment. The tax benefits from the initial OZ round are set to expire after December 31, 2026, and the OZs themselves expire after December 31, 2028.		
§ 42, Low Income Housing Tax Credits	Under current law, to receive the Low-Income Housing Tax Credit (LIHTC), a building must either receive a credit allocation from the state housing finance authority (the "9% LIHTC") or be bond-financed (the "4% LIHTC"). For the credit, Congress sets the per capita allocation amount on a yearly basis. For 2023, each state received a $2.75 per capita allocation. For projects that are bond-financed, at least 50% of the aggregate basis of the	For calendar years 2026 through 2029, the "9% LIHTC" is provided with a 12.5% state allocation increase. For the "4% LIHTC," the bond-financing threshold is reduced to 25% for projects financed by bonds with an issue date before 2030. This provision also designates Indian and rural areas as DDAs.	For the "9% LIHTC," the bill provides a permanent 12% state allocation increase starting in 2026. For the "4% LIHTC," the bond-financing threshold is permanently reduced to 25% for projects financed by bonds starting in 2026. Unlike the House bill, the Senate Draft Tax Bill does not designate Indian and rural areas as DDAs.

	building and land must be financed with bonds that are subject to a state's private activity bond volume cap. Additionally, projects can receive a basis boost if they are in "Difficult Development Areas" (DDAs). Generally, DDAs are areas with poverty rates of 25% or more or where 50% of households have incomes below 60% of the area median income.		
§ 45D, New Markets Tax Credits	New Markets Tax Credits (NMTC) are competitively awarded tax credits intended to encourage private investment in certain low-income communities designated by the Community Development Financial Institutions (CDFI) Fund. The NMTC program is set to expire at the end of 2025.	No provision.	Permanently extends the NMTC program.

Pass-Through Provisions

Code Section	Current Law	House Tax Bill	Draft Senate Tax Bill
§ 199A, Pass-Through Qualified Business Income	An individual generally may deduct 20% percent of qualified business income from a partnership, S corporation, or sole proprietorship, as well as 20% of certain real estate investment trust dividends and publicly traded partnership income. The deduction is limited to 20% of taxable income minus net capital gain. For taxpayers with taxable income in excess of a threshold amount, the deduction for QBI is limited based on (1) the W-2 wages and capital investment of each relevant business, and (2) whether each relevant business is a specified service trade or business (SSTB). Both limitations phase in over a fixed range of taxable income ($100,000	Permanently extends the section 199A deduction and increases the deduction percentage from 20% to 23%. Modifies the wage and investment limitation and the SSTB limitation by phasing them in at a fixed rate rather than over a fixed range of taxable income.	Permanently extends the section 199A deduction; no change to the deduction percentage. Expands the deduction limit phase-in range by increasing the $100,000 (joint returns) and $50,000 (non-joint returns) amounts to $150,000 and $75,000, respectively. Introduces a new, inflation-adjusted minimum deduction of $400 for taxpayers who have at least $1,000 of QBI from one or more active trades or business in which the taxpayer materially participates.

	for married filing jointly (MFJ) and $50,000 for all other taxpayers).		
§ 275, SALT Tax Limitation to Flow-Through Entities	Many states have adopted workarounds allowing owners of pass-through entities to bypass the $10,000 federal cap on state and local tax (SALT) deductions by paying state-level pass-through entity taxes (PTET). Such workarounds were effectively authorized by IRS Notice 2020-75.	For tax years beginning after December 31, 2025, the PTET workaround for the SALT cap would be eliminated in a variety of circumstances. The individual SALT cap would apply to taxes paid or accrued by a partnership or S-corporation, other than (1) property taxes paid or accrued in a trade or business, and (2) state and local income taxes paid or accrued by a partnership or S corporation carrying on a qualified trade or business (within the meaning of section 199A(d)(1)), provided that at least 75% of its gross receipts (taking into account commonly controlled entities) come from qualified trades or businesses. This means that state and local income taxes attributable to an SSTB, as defined in section 199A, are generally subject to the SALT cap. Deductions for foreign real property taxes not paid or accrued in a trade or business would be disallowed.	The individual SALT cap would apply to taxes paid or accrued by a partnership or S-corporation. The provision establishes an individual-level limitation for a partnership or S-corporation owner's separately stated share of PTETs, allowing for the individual owner to deduct any unused portion of their SALT cap plus the greater of (1) $40,000 of their allocation of the PTET or (2) 50% of their allocation of the PTET. A partnership or S corporation's state and local real or personal property taxes fall outside the SALT deduction limitations. Deductions for foreign real property taxes not paid or accrued in a trade or business would be disallowed.
§ 461(l), Limitation on Excess Business	Under current law, in the case of a noncorporate taxpayer, for taxable years beginning before January 1,	Permanently extends and modifies the excess business loss limitation by determining the aggregate deductions used to calculate an excess business loss	Permanently extends and modifies the excess business loss limitation by providing that excess business losses disallowed in taxable years beginning after December

Losses of Noncorporate Taxpayers	2029, no deduction is allowed for an excess business loss. An "excess business loss" is the amount by which the deductions (excluding net operating losses and qualified business income deductions) attributable to trades or businesses of the taxpayer exceed the income from such trades or businesses plus $313,000 for tax years beginning in 2025 ($626,000 for a taxpayer filing jointly with a spouse) and is adjusted for inflation. A disallowed excess business loss is generally treated as a net operating loss and may be carried over and used in another tax year.	for a taxable year to include prior year excess business losses, effective for taxable years beginning after December 31, 2024.	31, 2024, are taken into account in determining a taxpayer's excess business losses in subsequent years. New rules are introduced to govern the treatment of excess business losses upon the termination of an estate or trust. The proposal would also subject excess business loss carryovers to the tax attribute reduction rules applicable to cancellation of debt income and to the successor tax attribute rules of section 1398(g) (relating to individual title 11 cases).
§ 856, REIT Subsidiary Asset Test	The percentage of a REIT's total assets that may be represented by securities of one or more taxable REIT subsidiaries is 20%.	This provision would increase the limitation of the percentage of a REIT's total assets that may be represented by securities of one or more taxable REIT subsidiaries from 20% to 25%.	No provision.
§ 707; Payments	Contributions by a partner to a partnership and	This provision would strike the language "Under regulations prescribed" and insert	As with the House bill, this provision would strike the language "Under regulations

From Partnerships to Partners for Property or Services	distributions to a partner from a partnership, to the extent that distributed cash does not exceed a partner's basis, are not taxable. However, the Code also contains several exceptions to this general nonrecognition treatment, including the so-called "disguised sale" rules under section 707(a). Current section 707(a)(2) prefaces the circumstances under which a recharacterization as a disguised sale or disguised fee for services might be appropriate with the language, "under regulations prescribed by the Secretary."	in its place "except as provided," which makes the provision self-executing. In addition, the provision provides that nothing in the provision shall be construed to create any inference with respect to the proper treatment under section 707(a) with respect to payments from a partnership to a partner for services performed, or property transferred, on or before the date of enactment.	prescribed" and insert in its place "except as provided." In addition, the provision provides that nothing in the provision shall be construed to create any inference with respect to the proper treatment under section 707(a) with respect to payments from a partnership to a partner for services performed, or property transferred, on or before the date of enactment.

Small Business Provisions

Code Section	Current Law	House Tax Bill	Draft Senate Tax Bill
§ 179, Enhanced Small Business Expensing	A taxpayer may elect to expense the cost of qualifying property, rather than to recover such costs through tax depreciation deductions, subject to limitation. Under current law, the maximum amount a taxpayer may expense is $1 million of the cost of qualifying property placed in service for the taxable year. The $1 million amount is reduced by the amount by which the cost of such property placed in service during the taxable year exceeds $2.5 million. The $1 million and $2.5 million amounts are adjusted for inflation for taxable years beginning after 2018, and are $1.25 million and $3.13 million in 2025, respectively.	This provision increases the maximum amount a taxpayer may expense under section 179 to $2.5 million and increases the phaseout threshold amount to $4 million. The new amounts are indexed for inflation for taxable years beginning after 2025. This provision is effective for property placed in service after 2024.	This provision increases the maximum amount a taxpayer may expense under section 179 to $2.5 million and increases the phaseout threshold amount to $4 million. The new amounts are indexed for inflation for taxable years beginning after 2025. This provision is effective for property placed in service after 2024.
§ 448, Enhanced use	Under current law, in general, taxpayers with	This provision increases the current $25 million threshold for use of the cash	No provision

of Cash Method for Small Manufacturers	average annual gross receipts below $25 million (over the prior three taxable years) are permitted to use the cash method of accounting, are exempt from the cap on business interest deductibility, are exempt from the requirement to account for inventories, and are exempt from certain capitalization rules. The $25 million threshold is indexed for inflation and, in 2025, is $31 million.	method of accounting to $80 million for certain manufacturing taxpayers (other than tax shelters). To qualify as a "manufacturing taxpayer" a business generally must derive substantially all of its gross receipts (over the prior three taxable years) from the lease, rental, license, sale, exchange, or other disposition of tangible personal property produced or manufactured by the business.	
§1202, Qualified Small Business Stock Exclusion	Section 1202 provides for the partial exclusion of gain on the sale of qualified small business stock (QSBS) held for more than five years. For stock acquired after September 27, 2010, the exclusion is 100%; for stock acquired in earlier periods, the exclusion is 50% or 75%, depending on the acquisition date.	No provision.	The bill modifies the QSBS exclusion to provide a tiered exclusion determined on the years the taxpayer holds the QSBS: • 50% exclusion if held for three years; • 75% exclusion if held for four years; and • 100% exclusion if held for five or more years. The bill also increases eligibility for the exclusion by increasing the eligibility limit on the corporation's aggregate gross assets at the time of issuance from a $50 million limit to a $75 million limit.

Individual Provisions

Code Section	Current Law	House Tax Bill	Draft Senate Tax Bill
§ 1, Individual Marginal Rates	The TCJA temporarily reduced the marginal rates with a top rate of 37%. The top marginal rate is set to return to 39.6% in 2026.	Permanently extends the TCJA's reduced marginal individual tax rates and maintains the top rate of 37%.	Permanently extends the TCJA's reduced marginal individual rates and maintains the top rate of 37%.
§ 63, Standard Deduction	The TCJA doubled the standard deduction which is set to expire in 2026.	Permanently extends the doubled standard deduction. For tax years 2025 through 2028, standard deduction is increased by an additional $1,000 for a single filer, $1,500 for head of household, and $2,000 for MFJ.	Permanently extends the doubled standard deduction.
§ 151, Deduction for Personal Exemptions	The TCJA temporarily repealed the deduction for personal exemptions until 2026.	Permanently repeals the deduction for personal exemptions.	Permanently repeals the deduction for personal exemptions.
§ 275, State and Local Tax Deduction	The TCJA limited the SALT deduction in the case of an individual, the itemized deduction for state and local taxes is capped at $10,000 ($5,000 for a married taxpayer filing a separate return). The SALT Cap is set to expire after December 31, 2025,	This provision increases the SALT cap to $40,000 ($20,000 for a married taxpayer filing a separate return). In the case of a taxpayer with modified adjusted gross income over $500,000 ($250,000 for a married taxpayer filing a separate return), the cap would phase down by 30% of the excess of MAGI over the threshold until it reaches $10,000 ($5,000 for a married taxpayer filing a separate return).	Permanently extends the current SALT cap of $10,000 ($5,000 for a married taxpayer filing a separate return). The Senate Finance Committee's summary states that the amount of the individual SALT cap is subject to continuing negotiations.

	and all SALT taxes could be deducted.	This provision extends the SALT cap permanently for taxable years beginning after December 31, 2025.	
§ 2010, Estate and Gift Tax Exemption	The TCJA's increased estate and lifetime gift tax exemption of $10 million ($20 million for MFJ) and indexed for inflation is set to expire after December 31, 2025.	Permanently extends the estate and lifetime gift tax exemption, increases the exemption amount to $15 million for single filers ($30 million for MFJ) in 2026, and indexes the exemption amount for inflation going forward.	Permanently extends the estate and lifetime gift tax exemption, increases the exemption amount to $15 million for single filers ($30 million for MFJ) in 2026, and indexes the exemption amount for inflation going forward.
§ 55, Alternative Minimum Tax Exemption	The TCJA's increased individual alternative minimum tax exemption amounts and exemption phase-out thresholds are set to expire for taxable years beginning after December 31, 2025.	Permanently extends the increased individual alternative minimum tax exemption amounts and exemption phase-out thresholds.	Permanently extends the increased individual alternative minimum tax exemption amounts and exemption phase-out thresholds.
Limit on Itemized Deductions	**Qualified Residence Interest**: Under the TCJA, for tax years 2018 through 2025, the acquisition indebtedness limit is temporarily reduced from $1 million ($500,000 if married filing a separate return) to $750,000 ($375,000 if married filing a separate return). **Casualty Loss Deduction:** TCJA limited the deduction	Permanently extends these limitations.	Permanently extends these limitations. The provision removes unreimbursed employee expenses for eligible educators from the list of miscellaneous itemized deductions that are otherwise limited. The provision further limits losses from wagering transactions to 90% of the amount of such losses, only to the extent of winnings.

Steptoe

	for personal casualty and theft losses to those incurred in federally declared disaster areas. **Miscellaneous Itemized Deductions:** The TCJA suspended itemized deductions for this category for tax years 2018 through 2025**.** These included investment fees, certain repayments of income, unreimbursed business expenses incurred by an employee (such as home office expenses or unreimbursed travel expenses), and certain losses related to activities not undertaken with a profit motive (hobby losses). **Limit on Tax Benefit of Itemized Deductions**: TCJA suspended the Pease limitation for tax years 2018 through 2025. **Qualified Bicycle Commuting:** TCJA suspended the exclusion for reimbursement for qualified		

	bicycle commuting reimbursement for years 2018–2025 such that any reimbursement of this expense would be taxable. **Moving Expenses:** The TCJA suspended the deduction for moving expenses paid or incurred in connection with starting work either as an employee or as a self-employed individual at a new principal place of work regardless of whether they itemized their deductions for years 2018 through 2025. **Wagering Losses:** Taxpayers can claim a deduction for wagering losses to the extent of wagering winnings.		
§ 529, Savings Plans	Distributions from 529 plans are not taxable for federal purposes if the distributions are used for "qualified higher education expenses."	The provision expands the definition of qualified higher education expenses to include additional K-12 educational expenses (including in the homeschooling context) such as curriculum and curricular materials,	This provision expands the definition of qualified higher education expenses to include additional K-12 expenses such as curriculum and curricular materials, books or other instructional materials, online

	"Qualified higher education expenses" is defined to include college tuition, room and board, and fees, books, supplies, and equipment required for enrollment, as well as $10,000 of tuition for public, private, and religious elementary and secondary schools.	books or other instructional materials, online educational materials, certain tutoring expenses, educational therapies, and fees for standardized testing, college admission examinations, and advanced placement tests. The provision further expands the definition of qualified higher education expenses to include "qualified postsecondary credentialing expenses" including tuition, fees, books, supplies, and equipment required for enrollment in a recognized program, as well as fees for testing if required to obtain the credential and continuing education if required to maintain the credential.	educational materials, certain tutoring expenses, educational therapies, and fees for standardized testing, college admission examinations, and advanced placement tests. Unlike the House bill, it would not apply to homeschooling. The provision further expands the definition of qualified higher education expenses to include "qualified postsecondary credentialing expenses" including tuition, fees, books, supplies, and equipment required for enrollment in a recognized program, as well as fees for testing if required to obtain the credential and continuing education if required to maintain the credential.
Trump Savings Accounts	No provision.	The provision creates new "Trump Accounts" that would allow parents, relatives, and others to contribute up to $5,000 annually to an account for a child's future educational, homeownership, and entrepreneurial expenses. The contributions into the account could only be invested a "diversified fund that tracks an established index of US equities." Trump accounts must be set up before the child turns 8 and contributions could not be	As with the House Tax Bill, the provision creates new "Trump Accounts" that would allow parents, relatives, and others to contribute up to $5,000 annually to an account for a child's future educational, homeownership, and entrepreneurial expenses. The contributions into the account could only be invested a "diversified fund that tracks an established index of US equities."

		made into the Trump account after the child turns 18. For children born between December 31, 2024, and January 1, 2029, Trump accounts would also be funded with a one-time $1,000 contribution from the federal government through a pilot program. Between the ages of 18 and 25, the child would be able to access up to half of the Trump account's available funds to be used for qualifying higher education expenses. At age 30, account holders have access to the full balance of the account for any purpose. Unlike 529 savings plans which provide tax-free distributions, beneficiaries who make withdrawals for qualifying expenses, including higher education, would not be tax-free but instead would be subject to taxes at the long-term capital gains tax rate. Withdrawals used for other purposes would be subject to tax at ordinary income tax rates. Under current law, recipients of gifts generally are not subject to income tax.	Trump accounts must be set up before the child turns 8 and contributions could not be made into the Trump account after the child turns 18. For children born between December 31, 2024, and January 1, 2029, Trump accounts would also be funded with a one-time $1,000 contribution from the federal government through a pilot program. Between the ages of 18 and 25, the child would be able to access up to half of the Trump account's available funds to be used for qualifying higher education expenses. At age 30, account holders have access to the full balance of the account for any purpose. Unlike 529 savings plans which provide tax-free distributions, beneficiaries who make withdrawals for qualifying expenses, including higher education, would not be tax-free but instead would be subject to taxes at the long-term capital gains tax rate. Withdrawals used for other purposes would be subject to tax at ordinary income tax rates. Under current law, recipients of gifts generally are not subject to income tax.

New Trump Tax Provisions from the Campaign

Code Section	Current Law	House Tax Bill	Draft Senate Tax Bill
No Tax on Tips	No provision.	This provision creates an above-the-line deduction for qualified tips received by an individual in an occupation that traditionally and customarily receives tips during a given taxable year. The deduction is allowed for both employees receiving a W-2 and independent contractors receiving a 1099-K, 1099-NEC, or reported by the taxpayer on Form 4317. Qualified tips do not include any amount received in the course of a specified service trade or business as defined in section 199A(d)(2) (e.g., consulting, law firms). This provision would expire at the end of 2028.	This provision creates an above-the-line deduction similar to the House bill but limits the deduction to $25,000 of qualified tips received by an individual in an occupation that traditionally and customarily receives tips during a given taxable year. The deduction is allowed for both employees receiving a W-2 and independent contractors receiving a 1099-K, 1099-NEC, or reported by the taxpayer on Form 4317. Qualified tips do not include any amount received in the course of a specified service trade or business as defined in section 199A(d)(2). Unlike the House bill, the Senate bill would begin to phase out the deduction when the taxpayer's modified adjusted gross income exceeds $150,000 ($300,000 for MFJ) and would expire in 2028.
No Tax on Overtime	No provision.	This provision creates an above-the-line deduction for overtime pay during a given taxable year. This provision would expire at the end of 2028.	This provision creates an above-the-line deduction for overtime pay during a given taxable year. Unlike the House bill, the Senate bill would begin to phase out the deduction when the taxpayer's modified adjusted gross

			income exceeds $150,000 ($300,000 for MFJ) and would expire in 2028.
Enhanced Deduction for Seniors	No provision.	This provision provides a deduction for seniors (age 65 or older) of $4,000 per eligible filer with a modified adjusted gross income that does not exceed $75,000 for single filers ($150,000 for MFJ). The deduction is allowed for tax years 2025 through 2028.	This provision provides a deduction for seniors (age 65 or older) of $6,000 per eligible filer with a modified adjusted gross income that does not exceed $75,000 for single filers ($150,000 for MFJ). The deduction is allowed for tax years 2025 through 2028.
No Tax on Car Loan Interest	No provision.	This provision creates an above-the-line deduction of up to $10,000 for qualified passenger vehicle loan interest during a given taxable year. The deduction phases out starting when the taxpayer's modified adjusted gross income exceeds $100,000 ($200,000 for MFJ). The final assembly of the vehicle must occur in the United States. The deduction is allowed for tax years 2025 through 2028.	This provision creates an above-the-line deduction of up to $10,000 for qualified passenger vehicle loan interest during a given taxable year. The deduction phases out starting when the taxpayer's modified adjusted gross income exceeds $100,000 ($200,000 for MFJ). The final assembly of the vehicle must occur in the United States. The deduction is allowed for tax years 2025 through 2028.

Exempt Organizations Provisions

Code Section	Current Law	House Tax Bill	Draft Senate Tax Bill
§ 4960, Tax on Excess Compensation	Imposes an excise tax on an applicable tax-exempt organization (ATEO) and entities related to the ATEO if they pay remuneration in excess of $1 million (or an "excess parachute payment") to "covered employees."	Expands the definition of "covered employee" to include any employee (or former employee) of the ATEO, not just the five highest compensated employees each year as under current law.	Expands the definition of "covered employee" to include any employee (or former employee) of the ATEO, not just the five highest compensated employees each year as under current law.
§ 4968, Excise Tax on Investment Income of Private Colleges and Universities	Current excise tax of 1.4% for investment income for colleges and universities with investment assets of $500,000 or more per student.	The rate structure would be as follows: • 1.4% if the student adjusted endowment is more than $500,000 and not more than $750,000. • 7% if the student adjusted endowment is more than $750,000 and not more than $1.25 million. • 14% if the student adjusted endowment is more than $1.25 million and not more than $2 million. • 21% if the student adjusted endowment is more than $2 million. The bill would exempt any "qualified religious institution" from being subject to the tax. In addition, the bill would include in net investment income certain interest income from student loans and royalty income from federally funded research	The rate structure would be as follows: • 1.4% if the student adjusted endowment is more than $500,000 and not more than $750,000. • 4% if the student adjusted endowment is more than $750,000 and not more than $2 million. • 8% if the student adjusted endowment is more than $2 million. The bill would exempt any "qualified religious institution" from being subject to the tax. In addition, the bill would include in net investment income certain interest income from student loans and royalty income from federally funded research that the regulations under section 4968 currently exclude.

		that the regulations under section 4968 currently exclude.	
§ 4940, Excise Tax on Investment Income of Private Foundations	Current excise tax of 1.39%	Increases the investment income excise tax to: • 1.39% for foundations with asset of less than $50 million • 2.78% for foundations with $50 - $250 million; • 5% percent for foundations with $250 million - $5 billion; • 10% percent for foundations with more than $5 billion.	No provision.
§ 170, Above the Line Charitable Deduction	No provision.	Creates a temporary tax deduction for non-itemizers of up to $150 ($300 for MFJ) annually that would apply through 2028.	Creates a permanent tax deduction for non-itemizers of up to $1,000 ($2,000 for MFJ) annually.
§ 170, Limits on Corporate Charitable Deductions	Corporations are allowed a charitable deduction for contributions up to a limit of 10% of their taxable income in a given taxable year	The provision further limits the deduction by providing a deduction only for charitable contributions to the extent that they exceed 1% of the corporation's taxable income.	The provision further limits the deduction by providing a deduction only for charitable contributions to the extent that they exceed 1% of the corporation's taxable income.
§ 170, Limit on Charitable Deductions for Individuals who Itemize	Taxpayers who itemize can deduct a portion of their qualified charitable contributions, subject to a specified limitation based on the type of contribution.	No Provision	The provision would limit the charitable deduction for taxpayers who itemize by providing a deduction only for charitable contributions to the extent that they exceed 0.5% of the taxpayer's contribution base.
Tax credit for contributions	No provision.	This provision creates a new, nonrefundable tax credit for certain	This provision creates a new, nonrefundable tax credit for certain

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of individuals to scholarship granting organizations		charitable contributions of cash or marketable securities to tax-exempt organizations that primarily grant scholarships to eligible elementary and secondary school students. Creates an aggregate volume cap of the total amount of the credits at $5 billion for calendar years 2026 through 2029.	charitable contributions of cash or marketable securities to tax-exempt organizations that primarily grant scholarships to eligible elementary and secondary school students. Creates an aggregate volume cap of the total amount of the credits at $4 billion and would be effective for tax years after December 31, 2026.

Procedural Provisions

Code Section	Current Law	House Tax Bill	Draft Senate Tax Bill
§6050W	The American Rescue plan changed the third-party settlement organizations reporting requirements to issue a 1099-K to participating payees receiving gross payments exceeding $600 for goods or services, regardless of the number of transactions.	Restores 1099-K reporting requirement to the $20,000 and 200 transaction reporting thresholds for payments made to users by third-party settlement organizations.	Restores the 1099-K reporting requirement to the $20,000 and 200 transaction reporting thresholds for payments made to users by third-party settlement organizations.
§6041(a), Information Reporting	The current reporting threshold for 1099-MISC and 1099-NEC payments is $600.	Increases 1099-MISC and 1099-NEC reporting threshold from $600 to $2,000 with indexing for inflation afterwards that would apply to nonemployee compensation, rents, royalties, prizes, and other reportable payments under Section 6041 and Section 6041A. This change would apply to payments made starting in 2026.	Increases 1099-MISC and 1099-NEC reporting threshold from $600 to $2,000 with indexing for inflation afterwards that would apply to nonemployee compensation, rents, royalties, prizes, and other reportable payments under Section 6041 and Section 6041A. This change would apply to payments made starting in 2026.
§ 3134, Employee Retention Tax Credit	An eligible employer was entitled to claim the COVID-era refundable employee retention tax credit (ERTC) for the second, third and fourth calendar quarters in 2020 and the first, second and third quarters of 2021.	Prohibits the IRS from issuing any ERTC refunds for claims filed after January 31, 2024.	Prohibits the IRS from issuing any ERTC refunds for claims filed after January 31, 2024.

	Taxpayers could claim a COVID-related ERTC until April 15, 2025.		