

House Republicans Introduce Expansive Tax-Reform Package: The American Families and Jobs Act

H.R. 3936 – Tax Cuts for Working Families Act

Section 2. Standard deduction renamed guaranteed deduction.

- Renames the section 63 “standard deduction” as the “guaranteed deduction” for taxable years beginning after 2023.

Section 3. Bonus guaranteed deduction for 2024 and 2025.

- Creates a new inflation-adjusted \$2,000 (\$4,000 for married couples filing jointly) “bonus guaranteed deduction” for taxable years 2024 and 2025.
- Non-itemizing taxpayers can claim the bonus guaranteed deduction in addition to the inflation-adjusted renamed basic guaranteed deduction.
- Phases out the bonus guaranteed deduction amount for taxpayers with a modified adjusted gross income (AGI) above \$200,000 (\$400,000 for married couples filing jointly). Thus, the bonus guaranteed deduction is fully eliminated for taxpayers with modified AGI of more than \$240,000 (\$480,000 for married couples filing jointly).
- Revenue Effect: The provision would cost an estimated \$96.8 billion over 10 years.

H.R. 3937 – Small Business Jobs Act

Section 2. Increase in threshold for requiring information reporting with respect to certain payees.

- Increases the threshold for IRS Form 1099 information reporting from \$600 to \$5,000 (inflation-adjusted) for certain service-related payments, such as to independent contractors or subcontractors, after Dec. 31, 2023.
- Also applies to payors reporting certain fixed determinable income payments or nonemployee compensation on IRS Forms 1099-MISC and 1099-NEC, respectively.
- Conforms the threshold for reporting certain payments subject to backup withholding rules by increasing the withholding threshold from \$600 to \$5,000 (inflation-adjusted).
- Applies changes to payors reporting certain transactions discussed above made after Dec. 31, 2023.
- Revenue Effect: The provision would cost an estimated \$14.5 billion over 10 years.

Section 3. Restoration of reporting rule for third-party network transactions.

- Restores the IRS Form 1099-K “de minimis payment exception” to the level prior to the American Rescue Plan Act (ARPA, [Pub L. 117-2](#)), thereby requiring third-party settlement entities to report transactions only if a participating payee exceeds \$20,000 in total transaction value and 200 individual transactions in a given taxable year after 2021.
- Repeals the ARPA \$600 threshold retroactively.
- Revenue Effect: The provision would cost an estimated \$9.7 billion over 10 years.

Section 4. Modifications to exclusion for gain from qualified small business stock.

- Revises the holding period to allow partial exclusion of capital gain on investments in qualified small business stock after the date of enactment but held for less than five years:
 - Stock held for at least three years qualifies for 50% exclusion;
 - Stock held for at least four years qualifies for 75% exclusion; and
 - Stock held for five years or more qualifies for 100% exclusion.
- Modified exclusion applies to the alternative minimum tax.
- Retains the holding period and capital-gains exclusion amounts for investments in qualified small business stock prior to enactment as provided in current law.
- Establishes a new “tacking rule,” under which a taxpayer can treat stock received through the conversion of convertible debt issued by a qualified small business as if the taxpayer originally purchased the stock received and count the holding period of the convertible debt as part of the holding period for the stock to qualify for the section 1202 exclusion.
- Expands the section 1202 exclusion to include investments in the stock of S corporations.
- Generally applies to qualified small business stock acquired after the date of enactment.
- Revenue effect: The provision would cost an estimated \$11.7 billion over 10 years.

Section 5. Increase in limitations on expensing of depreciable business assets.

- Increases the maximum amount that can be expensed under section 179 to \$2.5 million (from \$1.16 million for 2023 under current law).
- Increases the phase-out threshold for section 179 expensing to \$4 million (from \$2.89 million for 2023 under current law).
- Both increased amounts are permanent policy and indexed for inflation beginning in 2024.
- Applies to qualifying property placed in service in taxable years beginning after Dec. 31, 2023.
- Revenue effect: The provision would cost an estimated \$44.1 billion over 10 years.

Section 6. Establishment of special rules for capital gains invested in rural opportunity zones.

- Establishes a new type of opportunity zone called “qualified rural opportunity zone,” with benefits similar to current opportunity zones, including:
 - Temporary deferral of capital gain reinvested in a qualified opportunity fund (“rollover gain”) within 180 days of the date the gain is realized;
 - Step-up in the basis of the qualified investment equal to 10% or 15% of the original deferred gain when held for five years or seven years, respectively; and
 - Full exclusion of capital gains resulting from sales of the qualified investment if held for at least 10 years.
- Defines qualified rural opportunity zones to be any census tract located in a rural county that the Census Bureau determines to be in “persistent poverty.” For areas not encompassed within a Census-defined county, the Treasury Secretary shall select areas within the state to be treated as the equivalent of counties. Unlike current opportunity zones, the states are not required to nominate rural opportunity zones for certification and designation.
- Similar to the rules for current opportunity zone funds, requires at least 90% of a rural opportunity zone fund’s assets to be held in qualified rural opportunity zone property.
- Requires taxpayers to recognize some or all of the deferred capital gains on investments at the earlier of Dec. 31, 2032, or when an event reduces or terminates the qualifying investment.
- Sunsets the election to defer capital gains taxes for investments in qualified rural opportunity funds after Dec. 31, 2032.
- Requires that stock, a partnership interest or business property must be acquired after Dec. 31, 2023, to qualify as rural opportunity zone stock, partnership interest or business property, respectively.
- Revenue Effect: The provision would cost an estimated \$1.1 billion over 10 years.

Section 7. Reporting on qualified opportunity funds and qualified rural opportunity funds.

- Requires that current opportunity zone funds and new rural opportunity zone funds file annual returns with the IRS containing information regarding the value, type and number of employees supported by investments held in the fund.
- Applies similar reporting requirements to any business partially or fully owned by a current opportunity zone fund or a qualified rural opportunity fund.
- Imposes additional reporting requirements if an individual or business disposed of an investment in the fund during the year, with parallel requirements on the opportunity fund to report to the IRS. Returns must be filed electronically at such time and manner prescribed by the Treasury Secretary.
- Applies penalties to funds or businesses that fail to comply with the information-reporting requirements, with penalties depending on the size of the fund and whether the noncompliance is intentional.
- Requires the Treasury Secretary, in consultation with the Director of the Census Bureau, to publish an annual report on the current opportunity zone and new rural opportunity zone programs, including:
 - The total amount of qualified opportunity zone funds and businesses in opportunity zones;
 - The number of individuals employed by businesses in opportunity zones; and
 - The aggregate dollar investment made by opportunity zone funds in each U.S. census tract.
- Applies the expanded reporting requirements to calendar years beginning after the date of enactment of the bill.
- Revenue Effect: The provision would have a negligible revenue effect.

H.R. 3938 – Build It in America Act

Title I – Investment in America

Section 101. Deduction for research and experimental expenditures.

- Suspends the requirement that research and experimental (R&E) expenditures be capitalized and amortized over five years, allowing taxpayers to deduct such expenses in the years in which they are incurred for taxable years 2022 through 2025 under new section 174A.
- Provides transition relief for taxpayers that have already filed returns for 2022 to allow such taxpayers to elect to take the expensing adjustment into account in 2023 rather than file an

amended return for 2022. Additional transition relief applies to taxpayers subject to the alternative minimum tax.

- Revenue Effect: The provision would cost an estimated \$25.4 billion over 10 years.

Section 102. Extension of allowance for depreciation, amortization or depletion in determining the limitation on business interest.

- Restores the deduction for net business interest expense under 163(j) to a maximum of 30% of a taxpayer's earnings before interest, taxes, depreciation and amortization (EBITDA) for taxable years 2023 through 2025.
- Provides transition relief that allows taxpayers to elect to apply the EBITDA limitation for taxable year 2022.
- Revenue Effect: The provision would cost an estimated \$18.9 billion over 10 years.

Section 103. Extension of 100% bonus depreciation.

- Preserves 100% expensing of certain new business equipment (bonus depreciation) under section 168(k) for qualified property placed in service in taxable years 2023 through 2025.
- Retains the current-law reduction in bonus depreciation to 20% and 0% for qualified property placed in service in taxable years 2026 and 2027, respectively.
- Revenue Effect: The provision would cost an estimated \$3 billion over 10 years.

Title II – Supply Chain Security

Section 201. Termination of Hazardous Substance Superfund financing rate.

- Repeals the 16.4 cents-per-barrel (inflation-adjusted) Hazardous Substance Superfund financing rate permanently beginning in 2023. The excise tax is levied on crude oil and imported petroleum products and was permanently reinstated in the Inflation Reduction Act ([Pub L. 117–169](#)).
- Terminates the authority of the Hazardous Substance Superfund Trust fund to borrow from the general fund of the Treasury Department after the date of enactment of the bill and requires all outstanding advances to be repaid immediately.
- Revenue Effect: The provision would cost an estimated \$10.5 billion over 10 years.

Section 202. Election to determine foreign income taxes paid or accrued to certain Western Hemisphere countries without regard to certain regulations.

- Allows companies with operations and creditable taxes in the Western Hemisphere to elect out of the 2022 regulations limiting the foreign tax credit applicable to such taxes.
- Separate election allowed with respect to the allocation and apportionment of foreign income taxes relating to disregarded entities and branches.
- Applies to taxes paid to countries in North, Central or South America, including the West Indies and U.S. territories (e.g., Puerto Rico), but excludes Cuba and Venezuela.
- Generally applies to taxable years after 2021 and before 2027, with the separate election for disregarded entities applicable to taxable years after 2019 and before 2027.
- Revenue effect: The provision would cost an estimated \$1.3 billion over 10 years.

Section 203. Imposition of tax on the acquisition of United States agricultural interests by disqualified persons.

- Subjects disqualified persons to a 60% excise tax based on the amount paid for a U.S. agricultural interest.
- Defines a disqualified person as:
 - Any citizen of a country of concern (other than a lawful permanent resident of the United States or a citizen of Taiwan);
 - Any entity domiciled in a country of concern (except an entity domiciled in Taiwan);
 - Any country of concern and any political subdivision, agency or instrumentality of such a country; and
 - Any person described above that (in the aggregate) owns at least 10% of such an entity.
- Defines a country of concern as any country where the government is engaged in a long-term pattern of or serious instances of conduct significantly adverse to the national security of the United States or the security and safety of U.S. persons. Countries of concern are currently China, Russia, Iran, North Korea, Cuba and the regime of Nicholas Maduro in Venezuela.
- Provides an exception for entities controlled by an entity that is publicly traded on a U.S. exchange.
- Defines a U.S. agricultural interest generally as any real estate interest that would be agricultural under the Foreign Investment in Real Property Tax Act (FIRPTA) rules.
- Defines agricultural land as any land located in one or more states and used for agricultural, forestry, timber or livestock production.
- Imposes a new reporting requirement on either the person closing the acquisition or the transferor of a U.S. agricultural interest.
- Applies to acquisitions after the date of enactment.
- Revenue effect: The provision would have a negligible revenue effect.

Title III – Repeal of Special Interest Tax Provisions

Section 301. Repeal of clean electricity production credit.

- Repeals the tech-neutral clean electricity production credit under section 45Y, which takes effect in 2025 under current law.
- Effective as if included in the Inflation Reduction Act ([Pub L. 117–169](#))—in effect, retroactively repealed.
- Revenue effect: The provision would raise an estimated \$25.2 billion over 10 years.

Section 302. Repeal of clean electricity investment credit.

- Repeals the tech-neutral clean electricity investment credit under section 48E, which takes effect in 2025 under current law.
- Effective as if included in the Inflation Reduction Act ([Pub L. 117–169](#))—in effect, retroactively repealed.
- Revenue effect: The provision would raise an estimated \$90.5 billion over 10 years.

Section 303. Modification of clean vehicle credit.

- Generally restores the section 30D credit to its pre-Inflation Reduction Act ([Pub L. 117–169](#)) structure by:
 - Replacing new credit calculation with the previous amounts;
 - Eliminating the transferability of the credit;
 - Eliminating the final assembly in North America requirement;
 - Reinstating the 200,000 vehicle limitation; and
 - Reverting to the prior name: the “New qualified plug-in electric drive motor vehicles credit.”
- Retains the new requirements related to critical minerals and battery components with the following modifications:
 - For critical minerals, the phase-in for 80% of minerals being U.S. sourced becomes effective for vehicles placed in service after the date of introduction of the bill, rather than 2027, and all free trade agreements must be approved by Congress to provide relief under this exception. A new provision would deny the credit if any critical minerals contained in the battery were extracted, processed or recycled by a foreign entity of concern (see section 203 of this bill).
 - For battery components, the phase-in requirement that 100% of all components be manufactured or assembled in the United States is effective for vehicles placed in service after the date of introduction of the bill, rather than 2029.

- Generally applies to vehicles placed in service after the introduction of the bill; however, transition rules apply to binding written contracts in place on the date of introduction and certain provisions that are not yet effective.
- Revenue effect: The provision would raise an estimated \$99.7 billion over 10 years.

Section 304. Repeal of credit for previously owned vehicles.

- Repeals the new credit for previously owned clean vehicles under section 25E.
- Generally applies to vehicles acquired after the date of introduction of the bill; however, a transition rule applies to acquisitions made under a binding written contract prior to the date of introduction and placed in service within one year of that date.
- Revenue effect: The provision would raise an estimated \$741 million over 10 years.

Section 305. Repeal of credit for qualified commercial clean vehicles.

- Repeals the new credit for qualified commercial clean vehicles under section 45W.
- The provision is generally effective for vehicles acquired after the date of introduction of the bill. However, there is a transition rule for acquisitions made under a written binding contract prior to the date of introduction and placed in service within one year of that date.
- Revenue effect: The revenue effect is included in the estimate for Section 303 above.

ADDITIONAL RESOURCES				
Tax Cuts For Working Families Act (H.R. 3936)	Bill Text	Section-by-Section Summary	JCT Description	Revenue Estimate (see last page)
Small Business Jobs Act (H.R. 3937)	Bill Text	Section-by-Section Summary	JCT Description	Revenue Estimate
Build It In America Act (H.R. 3938)	Bill Text	Section-by-Section Summary	JCT Description	Revenue Estimate