

Senate Finance Committee Tax Title – Summary and Analysis

BROWNSTEIN CLIENT ALERT, JULY 2, 2025

On July 1, the Senate passed H.R. 1, the One, Big, Beautiful Bill Act (OBBA) by a vote of 51-50. The Finance Committee's tax title (Title VII) addressed Senate tax-policy priorities by making significant modifications to the House's reconciliation package (H.R. 1). Major changes to the House-passed reconciliation package include modification of the provisions governing state and local taxes (SALT), individual, business and international tax provisions, and energy-tax credits initially enacted by the Inflation Reduction Act. Links to the Finance Committee's bill text are included below.

The Senate Finance Committee did not mark up the committee's tax package. Instead, the committee's tax title was offered as a substitute originally released on June 16 and updated on June 27, which was revised further by the Senate's final perfecting amendment during its consideration of the House bill. Following its passage by the Senate, the bill returned to the House for its final approval before the bill is presented to President Trump for his signature.

TIMELINE

- **May 9, 2025** | House Ways and Means Committee releases 28-page draft text of Title XI, focused on extensions to TCJA individual, revisions to energy credits adopted by the Inflation Reduction Act, and international provisions.
- **May 12** | Ways and Means Committee releases the 398-page Amendment in the Nature of a Substitute (AINS), substantially expanding the tax package.
- **May 13–May 14** | Ways and Means Committee marks up and favorably reports the AINS by a 26-19 vote, transmitting Title XI to the House Budget Committee.
- **May 16** | House Budget Committee marks up, but fails to favorably report, the 11-title budget reconciliation package (H.R. 1, "The One, Big, Beautiful Bill Act") by a 16-21 vote, due to opposition from hardline conservatives on the committee.
- **May 18** | House Budget Committee reconvenes and favorably reports H.R. 1 by a 17-16 vote, with the conservatives voting "Present."
- **May 21** | After making primarily technical and conforming changes to the Budget Committee print, the House Rules Committee meets to consider the rule governing debate of H.R. 1 and amendments made in order by the committee; the Manager's Amendment, making final changes to the reconciliation package, is unveiled at 9:00 p.m., and the rule is favorably reported at 11:00 p.m. by an 8-4 vote.
- **May 22** | House debates H.R. 1 and adopts the bill by a 215-214-1 vote.
- **June 16** | Senate Finance Committee releases 549-page reconciliation text, making several changes to the tax title of H.R. 1.

- **June 27** | Senate Budget Committee releases the full Senate substitute to H.R. 1, including the Senate Finance Committee title.
- **July 1** | The Senate adopts a perfecting amendment by Senate Majority Leader John Thune (R-SD) making final changes to the text released on June 27 and adopted the Senate substitute to H.R. 1, returning the bill, as amended, back to the House.
- **July 2** | The House began consideration of the Senate substitute to H.R. 1.

LEGISLATIVE TEXT AND REVENUE ESTIMATES

Below are links to materials from the Senate Finance Committee, House Rules Committee, House Ways and Means Committee, Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT). Revisions made in the Finance Committee reconciliation bill text are [reflected in blue](#) in the summary of provisions below.

- Senate Substitute to H.R. 1
 - [Final Bill Text](#)
 - [JCT Revenue Estimate](#) (JCX-34-25, July 1, 2025)
- Title VII – Senate Finance Committee
 - [Text](#)
 - [Finance Committee Section-by-Section Summary](#)
 - [JCT Revenue Estimate](#) (JCX-29-25, June 21, 2025)
- House One Big, Beautiful Bill Act (H.R. 1)
 - [Final Bill Text](#)
 - [House Report 119-106, Book 2, Part 2 – One Big Beautiful Bill Act](#)
 - AINS Text – begins on p. 1309 (p. 9 in linked PDF)
 - Explanation of the Bill – begins on p. 1456 (p. 156 in linked PDF)
 - [Rules Committee Print 119-3](#)
 - [Manager’s Amendment](#)
 - [CBO Table of Estimated Budgetary Effects](#) (June 4, 2025)
 - [JCT Revenue Estimate](#) (JCX-26-25R, June 2, 2025)
 - [JCT Macroeconomic Analysis](#) (JCX-25-25, May 22, 2025)
 - [JCT Distributional Analysis](#) (JCX-24-25, May 19, 2025)
- Title XI – Ways and Means Committee (Amendment in the Nature of a Substitute)
 - [Text](#)
 - [Ways and Means Section-by-Section Summary](#)
 - [JCT Description](#) (JCX-21-25, May 12, 2025)
 - [JCT Revenue Estimate](#) (JCX-22-25R, May 13, 2025)
 - [JCT Distributional Analysis](#) (JCX-23-25, May 13, 2025)
- Title XI – Ways and Means Committee (Chairman’s Mark)
 - [Text](#)
 - [JCT Description](#) (JCX-18-25, May 9, 2025)
 - [JCT Revenue Estimate](#) (JCX-19-25, May 10, 2025)
 - [JCT Distributional Analysis](#) (JCX-20-25, May 10, 2025)

SENATE FINANCE COMMITTEE TAX TITLE OVERVIEW

Subtitle A – Tax

- [Chapter 1](#) – Providing Permanent Tax Relief for Middle-Class Families and Workers
[TCJA individual provisions, Section 199A, ABLE Accounts]
- [Chapter 2](#) – Delivering on Presidential Priorities to Provide New Middle-Class Tax Relief
[no tax on tips and overtime, auto loan deductibility]
- [Chapter 3](#) – Establishing Certainty and Competitiveness for American Job Creators
 - [Subchapter A](#) – Permanent U.S. Business Tax Reforms and Boosting Domestic Investment
[TCJA business provisions]
 - [Subchapter B](#) – Permanent America-First International Tax Reforms
[international tax provisions]
- [Chapter 4](#) – Investing in American Families, Communities, and Small Businesses
 - [Subchapter A](#) – Permanent Investments in Families and Children
[tax credits for children and families]
 - [Subchapter B](#) – Permanent Investments in Students and Reforms to Tax-Exempt Institutions
[higher education, educational tax incentives]
 - [Subchapter C](#) – Permanent Investments in Community Development
[housing, charitable contributions]
 - [Subchapter D](#) – Permanent Investments in Small Business and Rural America
[miscellaneous business provisions]
- [Chapter 5](#) – Ending Green New Deal Spending, Promoting America-First Energy and Other Reforms
 - [Subchapter A](#) – Termination of Green New Deal Subsidies
[energy credits]
 - [Subchapter B](#) – Enhancement of America-First Energy Policy
[energy credits]
- [Chapter 6](#) – Enhancing Deduction and Income Tax Credit Guardrails, and Other Reforms
 - [Subchapter A](#) – Enhancing Deduction Guardrails and Other Reforms
[state and local taxes, business and partnership employee tax provisions]
 - [Subchapter B](#) – Enhancing Tax Credit Guardrails and Other IRS Reforms

Subtitle B – Health Care

- [Chapter 1](#) – Medicaid
[health care provisions]
- [Chapter 2](#) – Medicare
[health care provisions]
- [Chapter 3](#) – Health Tax
 - [Subchapter A](#) – Improving Eligibility Criteria
[restriction on health care credits eligibility by residency status]
 - [Subchapter B](#) – Preventing Waste, Fraud, and Abuse
[administration of the Affordable Care Act]

Subtitle C – Increase in Debt Limit

Subtitle D – Unemployment

Summary of Title VII

Note: The revenue estimates for the Senate Finance Committee tax title below are based on the July 1 JCT revenue estimate ([JCX-34-25](#)), [reflected in blue](#). The revenue estimate for the House provisions based on the June 2 JCT revenue estimate ([JCX-26-25R](#)) and the June 4 [CBO revenue estimate](#) of the Ways and Means Committee tax title (reflected in black).

Subtitle A – Tax

CHAPTER 1 – PROVIDING PERMANENT TAX RELIEF FOR MIDDLE-CLASS FAMILIES AND WORKERS

Senate Section 70101. Extension and Enhancement of Reduced Rates. (House Section 110001)

- Makes permanent the current income tax rates, which were enacted by the TCJA but scheduled to sunset after 2025.
- Provides a one-time additional inflation adjustment to the income tax brackets for 2026, excluding the 37% bracket.
- Effectively expands the tax brackets, lowering the tax liability for taxpayers in brackets below the top 37% bracket.
- Revenue estimate: \$2.18 trillion revenue loss.
- SFC Substitute: Follows the House bill and limits the one-time additional inflation adjustment to the 10%, 12% and 22% income tax brackets for 2026.
- SFC revenue estimate: \$82.8 billion revenue loss.
- [Final Senate Language](#): Further restricts the one-time additional inflation adjustment to only the 10% and 12% income tax brackets for 2026.
- [Final Senate Language revenue estimate](#): \$73.4 billion revenue loss.

Senate Section 70102. Extension and Enhancement of Increased Standard Deduction. (House Section 110002)

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

- Increases the standard deduction to \$16,000 for a single filer, \$24,000 for a head of household and \$32,000 for married individuals filing jointly for taxable years beginning after 2025 and adjusted each amount for inflation thereafter.
- SFC revenue estimate: \$165.2 billion revenue loss.
- [Final Senate Language](#): Modifies the increased standard deduction to \$15,750 for a single filer, \$23,625 for a head of household, and \$31,500 for married individuals filing jointly for taxable years beginning after 2024.
- [Final Senate Language revenue estimate](#): \$204.9 billion revenue loss.

Senate Section 70103. Termination of Deduction for Personal Exemptions Other Than Temporary Senior Deduction. (House Sections 110003 and 110103)

- Effectively terminates the deduction for personal exemptions by permanently reducing the personal exemption to \$0. The TCJA temporarily reduced the personal exemption amount to zero for taxable years 2018 through 2025.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$1.80 trillion revenue gain.
- SFC Substitute: Follows the House bill and adds a temporary deduction, effective for taxable years 2025 through 2028, for seniors of \$6,000, for each qualified individual, defined as a taxpayer who has attained age 65, or the taxpayer's spouse in the case of a joint return.
- Phases out the deduction for taxpayers with MAGI exceeding \$75,000 (\$150,000 joint).
- SFC revenue estimate: \$91.2 billion revenue loss.
- [Final Senate Language](#): No change to the SFC Substitute.
- [Final Senate Language revenue estimate](#): \$92.7 billion revenue loss.

Senate Section 70104. Extension and Enhancement of Increased Child Tax Credit. (House Section 110004)

- Temporarily increases the maximum child tax credit to \$2,500 per child for taxable years beginning after Dec. 31, 2024, and before Dec. 31, 2028.
- Starting in 2029, the maximum child tax credit reverts to a permanent \$2,000 per child, indexed for inflation starting in 2029.
- Makes permanent the \$1,400 maximum amount of the additional child tax credit per qualifying child (\$1,700 in 2025).
- Makes permanent the earned income threshold of \$2,500 for the purpose of the earned income formula.
- Makes permanent the income phaseout threshold amounts of \$400,000 for taxpayers filing jointly and \$200,000 for all other taxpayers.
- Makes permanent the \$500 nonrefundable credit for each dependent of the taxpayer other than a qualifying child. This credit is not adjusted for inflation.
- The Social Security number of the taxpayer, the taxpayer's spouse (if married filing jointly), and the qualifying child must appear on the tax return.
- Effective for taxable years beginning after Dec. 31, 2024.
- Revenue estimate: \$797.3 billion revenue loss.
- SFC Substitute: Increases the amount of the nonrefundable child tax credit to \$2,200 per child beginning in 2025, indexing it amount to inflation.
- SFC revenue estimate: \$124 billion revenue loss.

- [Final Senate Language: No change to the SFC Substitute.](#)
- [Final Senate Language revenue estimate: \\$124 billion revenue loss.](#)

Senate Section 70105. Extension and Enhancement of Deduction for Qualified Business Income. (House Section 110005)

- Makes permanent the Section 199A Qualified Business Income deduction.
- Increases the percentage used to calculate the deduction for qualified business income from 20% to 23%.
- Adjusts the phase-in limitation by adopting a complex two-prong test that would provide a more generous phase-in of the W-2 wages and capital investment requirement and specified service trade or businesses.
- Extends the application of Section 199A to Business Development Corporations (BDC).
- Indexes the threshold amounts for inflation for taxable years beginning after 2025.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$819.7 billion revenue loss.
- SFC Substitute: Makes the current-law 20% deduction for qualified business income permanent.
- Expands the deduction limit phase-in range by increasing the \$50,000 (non-joint returns) and \$100,000 (joint returns) amounts to \$75,000 and \$150,000, respectively.
- Introduces a new, inflation-adjusted, minimum deduction of \$400 for taxpayers who have at least \$1,000 of qualified business income from one or more active trades or businesses in which the taxpayer materially participates.
- SFC revenue estimate: \$6 billion revenue loss.
- [Final Senate Language: No change to the SFC Substitute.](#)
- [Final Senate Language revenue estimate: \\$6 billion revenue loss.](#)

Senate Section 70106. Extension and Enhancement of Increased Estate and Gift Tax Exemption Amounts. (House Section 110006)

- Permanently increases the unified estate and gift tax exemption to \$15 million, and correspondingly increases the generation-skipping transfer tax exemption to the same level.
- The exemption amounts are indexed to inflation with a base year of 2025.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$211.7 billion revenue loss.
- SFC Substitute: Follows the House bill, adjusting the effective date to apply to estates of decedents dying and gifts made after Dec. 31, 2025.
- SFC revenue estimate: \$10.4 billion revenue loss.
- [Final Senate Language: No change to the SFC Substitute.](#)
- [Final Senate Language revenue estimate: \\$10.4 billion revenue loss.](#)

Senate Section 70107. Extension of Increased Alternative Minimum Tax Exemption Amounts and Modification of Phaseout Thresholds. (House Section 110007)

- Makes permanent the increased alternative minimum tax (AMT) exemption amount, which is scheduled to decline from \$137,000 (married filers) in 2025 to \$109,800 in 2026.

- Permanently extends the AMT phase-out threshold, above which the exemption amount phases out. The threshold is scheduled to drop from \$1,252,700 (married filers) in 2025 to \$209,200 in 2026.
- Both permanent extensions prevent the AMT from expanding to cover significant numbers of upper-middle-income taxpayers (i.e., annual incomes between \$200,000 and \$400,000).
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$1.30 trillion revenue loss.
- SFC Substitute: Resets the exemption phaseout thresholds to the 2018 levels of \$500,000 (\$1 million in the case of a joint return), with the thresholds indexed for inflation after 2025.
- SFC revenue estimate: \$6 billion revenue gain.
- Final Senate Language: Follows the SFC Substitute, with an acceleration of the exemption phaseout by reducing the exemption amount by 50% (rather than 25% under current law) of the amount by which the taxpayer's alternative minimum taxable income exceeds the threshold amount.
- Final Senate Language revenue estimate: \$12.2 billion revenue gain.

Senate Section 70108. Extension and Modification of Limitation on Deduction for Qualified Residence Interest. (House Section 110008)

- Makes permanent the current limitation on deductibility of qualified residence interest established by the TCJA but scheduled to sunset after 2025.
- Permanently extends the \$750,000 (\$375,000 in the case of a married individual filing separately) limitation on acquisition indebtedness and the exclusion of interest on home equity indebtedness from the definition of qualified residence interest.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$6.2 billion revenue gain (*Note: The revenue estimates for Sections 110008, 110009, and 110010 are aggregated in one estimate.)
- SFC Substitute: Follows the House bill and treats certain mortgage insurance as qualified residence interest.
- SFC revenue estimate: \$1.82 billion revenue loss.
- Final Senate Language: No change to the SFC Substitute.
- Final Senate Language revenue estimate: \$1.82 billion revenue loss.

Senate Section 70109. Extension and Modification of Limitation on Casualty Loss Deduction. (House Section 110109)

- Makes permanent the limitation on personal casualty losses, which limits losses attributable to presidentially declared disasters to the sum of the individual's personal casualty gains plus the amount by which the aggregate net disaster-related losses exceed 10% of the individual taxpayer's adjusted gross income. All other personal casualty losses are deductible only to the extent that the losses do not exceed the individual's personal casualty gains.
- Effective for taxable years beginning after Dec. 31, 2025.
- SFC Substitute: Follows the House bill and adds language making clear that the extension applies to state-declared disasters.
- SFC revenue estimate: \$754 million revenue loss.
- Final Senate Language: No change to the SFC Substitute.

- [Final Senate Language revenue estimate: \\$754 million revenue loss.](#)

Senate Section 70110. Termination of Miscellaneous Itemized Deductions Other Than Educator Expenses. (House Section 110010)

- Makes permanent the temporary repeal of miscellaneous itemized deductions enacted by the TCJA, disallowing deductions such as investment expenses, legal fees and unreimbursed employee business expenses, which prior to TCJA were deductible to the extent they exceeded 2% of a taxpayer's adjusted gross income.
- Effective for taxable years beginning after Dec. 31, 2025.
- SFC Substitute: Follows the House bill and creates an exception for "educator expenses."
- SFC revenue estimate: \$200 million revenue loss.
- [Final Senate Language: No change to the SFC Substitute.](#)
- [Final Senate Language revenue estimate: \\$200 million revenue loss.](#)

Senate Section 70111. Limitation on Tax Benefit of Itemized Deductions. (House Section 110011)

- Makes permanent the repeal of overall limitations on itemized deductions—the so-called "Pease limitation"—for taxable years after Dec. 31, 2025, which, prior to TCJA, generally limited the deduction to 80% of the amount of the taxpayer's itemized deductions otherwise allowable for that year.
- Effective for taxable years beginning after Dec. 31, 2025.
- SFC Substitute: No change to the House bill.
- SFC revenue estimate: \$34.4 billion revenue gain.
- [Final Senate Language: No change to the SFC Substitute.](#)
- [Final Senate Language revenue estimate: \\$34.4 billion revenue gain.](#)

Senate Section 70112. Extension and Modification of Qualified Transportation Fringe Benefits. (House Section 110012)

- Makes permanent the suspension of the qualified bicycle commuting reimbursement fringe benefit, effectively terminating the exclusion from gross income that was allowed prior to the TCJA for certain bicycle commuting expenses.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$173 million revenue gain.
- SFC Substitute: Removes the bicycle benefit entirely from Code Sections 132(f) and 274(l), terminating the exclusion from gross income that was allowed prior to the TCJA for certain bicycle commuting expenses.
- Alters the inflation adjustment calculation for exclusion limits on the remaining qualified transportation fringe benefits (i.e., commuter van transportation, transit passes, and qualified parking), effectively increasing the inflation adjustment with respect to qualified transportation fringes for taxable years beginning after 2025.
- SFC revenue estimate: \$2.1 billion revenue loss.
- [Final Senate Language: No change to the SFC Substitute.](#)
- [Final Senate Language revenue estimate: \\$2.1 billion revenue loss.](#)

Senate Section 70113. Extension and Modification of Limitation on Deduction and Exclusion for Moving Expenses. (House Section 110013)

- Makes permanent the repeal of the deduction for moving expenses, except in the case of a member of the Armed Forces (or their spouse or child).
- Permanently repeals the qualified moving expense reimbursement exclusion except in the case of a member of the Armed Forces of the United States on active duty who moves pursuant to a military order and incident to a permanent change of station.
- Effective for taxable years beginning after Dec. 31, 2025.
- SFC Substitute: Follows the House bill and provides an exception for members of the intelligence community.
- SFC revenue estimate: \$852 million revenue loss.
- [Final Senate Language](#): No change to the SFC Substitute.
- [Final Senate Language revenue estimate](#): \$852 million revenue loss.

Senate Section 70114. Extension and Modification of Limitation on Wagering Losses. (House Section 110014)

- Makes permanent the rule that losses from wagering transactions by professional gamblers includes any deduction otherwise allowable under Chapter 1 of the Code incurred on any wagering transaction.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$47 million revenue gain.
- SFC Substitute: Limits the deduction by allowing only 90% of wagering transactions to be claimed, but limited to wagering gains.
- SFC revenue estimate: \$1.1 billion revenue gain.
- [Final Senate Language](#): No change to the SFC Substitute.
- [Final Senate Language revenue estimate](#): \$1.1 billion revenue gain.

Senate Section 70115. Extension and Enhancement of Increased Limitation on Contributions to ABLE Accounts. (House Section 110015)

- Makes permanent and enhances changes made to ABLE account contribution limits by the TCJA.
- Links the annual contribution limit to the I.R.C. Sec. 2503(b) federal gift tax exclusion, but calculates inflation starting from 1996 instead of 1997, which will result in a higher limit for ABLE account contributions.
- Makes the additional contribution allowance for working beneficiaries (up to poverty line) permanent beyond 2025. To qualify, neither the working beneficiary nor their employer may contribute to a defined contribution plan (e.g., a 401(k) plan). The additional contribution amount is equal to the lesser of the beneficiary's compensation included in gross income or an amount equal to the poverty line for a one-person household for the preceding calendar year.
- Effective for contributions made after Dec. 31, 2025.
- Revenue estimate: \$7 million revenue loss.
- SFC Substitute: No change to the House bill.
- SFC revenue estimate: Less than \$500,000 revenue loss.
- [Final Senate Language](#): No change to the SFC Substitute.

- [Final Senate Language revenue estimate: Less than \\$500,000 revenue loss.](#)

Senate Section 70116. Extension of Savers Credit Allowed for ABLE Contributions. (House Section 110016)

- Makes permanent the current Saver's Credit allowed for ABLE account contributions made by the account beneficiary.
- Repeals the Saver's Match program enacted by the SECURE 2.0 Act of 2022 that was set to replace the current Saver's Credit starting in tax year 2027.
- Starting on Jan. 1, 2027, limits eligible contributions for purposes of the Saver's Credit to ABLE account contributions made by the beneficiary during the taxable year.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$8 million revenue loss.
- SFC Substitute: No change to the House bill.
- SFC revenue estimate: No revenue effect.
- [Final Senate Language: No change to the SFC Substitute.](#)
- [Final Senate Language revenue estimate: Less than \\$500,000 revenue loss.](#)

Senate Section 70117. Extension of Rollovers from Qualified Tuition Programs to ABLE Accounts Permitted. (House Section 110017)

- Makes permanent nontaxable rollovers from qualified tuition programs—"529 accounts"—to ABLE accounts, if the following conditions are met:
 - the rollover is completed within 60 days;
 - the ABLE account beneficiary is either the 529 account beneficiary or a member of the 529 account beneficiary's family; and
 - the rollover amount does not, when added to all other contributions to the ABLE account in the taxable year, exceed the annual gift tax exclusion.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$11 million revenue loss.
- SFC Substitute: No change to the House bill.
- SFC revenue estimate: Less than \$500,000 revenue loss.
- [Final Senate Language: No change to the SFC Substitute.](#)
- [Final Senate Language revenue estimate: Less than \\$500,000 revenue loss.](#)

Senate Section 70118. Extension of Treatment of Certain Individuals Performing Services in the Sinai Peninsula and Enhancement to Include Additional Areas. (House Section 110018)

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

under 37 U.S.C. Section 310 for duty subject to hostile fire or imminent danger for services performed in such location.

- Effective for services performed on or after Dec. 31, 2025.
- Revenue estimate: \$11 million revenue loss.
- SFC Substitute: No change to the House bill.
- SFC revenue estimate: \$4 million revenue loss.
- [Final Senate Language](#): No change to the SFC Substitute.
- [Final Senate Language revenue estimate](#): \$4 million revenue loss.

Senate Section 70119. Extension and Modification of Exclusion from Gross Income of Student Loans Discharged on Account of Death or Disability. (House Section 110019)

- Restores the TCJA's exclusion from gross income for forgiven student loans on account of the student's death or permanent disability.
- Taxpayer must provide a Social Security number on the tax return in order to qualify.
- For discharges after Dec. 31, 2017, and before Jan. 1, 2026, the American Rescue Plan Act (ARPA) provided a temporary exclusion from gross income for amounts from the discharge of student loan or private education loan indebtedness. The ARPA provision was effective through the end of 2025. The ARPA provision applied to all forgiven student loan debt, not just on account of death or disability.
- Effective for discharges after Dec. 31, 2015.
- Revenue estimate: \$385 million revenue loss.
- SFC Substitute: No change to the House bill.
- SFC revenue estimate: \$1 million revenue gain.
- [Final Senate Language](#): No change to the SFC Substitute.
- [Final Senate Language revenue estimate](#): \$1 million revenue gain.

Senate Section ~~70601~~ 70120. Limitation on Individual Deductions for Certain State and Local Taxes, Etc. (SALT) and Addressing SALT Workarounds. (House Section 112018)

- Increases the cap on deducting state and local taxes (SALT) to \$30,000 for taxpayers earning under \$400,000 (\$15,000 in the case of a married individual filing a separate return).
- Gradually reduces the \$30,000 cap for individuals with income over \$400,000 but not below \$10,000 (\$5,000 in the case of a married individual filing a separate return).
- Eliminates "work arounds" to avoid the SALT cap by modifying the list of taxes subject to the SALT cap ("specified taxes"); provides that certain payments that substitute for specified taxes are also subject to the SALT cap; requires partnerships and S corporations to treat specified taxes as separately stated items; imposes an addition to tax in certain cases where a partnership makes a state or local tax payment, one or more partners receives a state or local tax benefit, and the allocation of the tax payment differs from the allocation of the tax benefit; prevents the capitalization of specified taxes; and grants the Secretary of the Treasury regulatory authority to prevent avoidance of the SALT cap.
- Makes the provision permanent for taxable years beginning after Dec. 31, 2025.
- House Manager's Amendment: Increases the cap on the SALT deduction to \$40,000 for taxpayers earning under \$500,000. The cap is gradually reduced for taxpayers with income over

\$500,000 but not below \$10,000. The cap and income threshold will increase 1% annually over 10 years.

- Revenue estimate: \$786.8 billion revenue gain.
- SFC Substitute: Decreases the cap on deducting SALT to \$10,000 (\$5,000 for a married taxpayer filing a separate return) for taxable years beginning after Dec. 31, 2025.
- Modifies the list of taxes subject to the SALT cap.
- Imposes a PTET limitation by providing that an individual pass-through entity owner may deduct up to \$10,000 of their individual SALT; any excepted taxes; plus the greater of: (i) \$40,000 of their allocation of the PTET; or (ii) 50% of their allocation of the PTET.
- Provides regulatory authority to prevent avoidance of the SALT cap.
- SFC revenue estimate: \$37.2 billion revenue gain.
- Final Senate Language: Increases the cap on the SALT deduction to \$40,000 beginning in 2025 for taxpayers earning under \$500,000; \$40,400 for 2026 for taxpayers earning under \$505,000; and beginning after calendar year 2026 and before 2030, 101% of the cap for the previous year for taxpayers earning 101% of the threshold for the previous year.
- Phases down the cap for taxpayers over the threshold for taxable years 2025–2029 to a floor of \$10,000. For 2030 and years thereafter, the cap on SALT deductions reverts to \$10,000.
- Eliminates all restrictions on PTETs, thus, preserving the state SALT cap workarounds.
- Final Senate Language revenue estimate: \$142.4 billion revenue loss.

CHAPTER 2 – DELIVERING ON PRESIDENTIAL PRIORITIES TO PROVIDE NEW MIDDLE-CLASS TAX RELIEF

Senate Section 70201. No Tax on Tips. (House Section 110101)

- For tax years 2025 through 2028, creates an above-the-line “tip deduction” for “qualified tips” that an individual receives and are included on Form W-2s, 1099-Ks, or 1099-NECs (or reported by the taxpayer on Form 4137).
- Defines “qualified tips” as cash tips received in an occupation where tips are traditional and customary (as defined by the Treasury Department within 90 days of enactment) (“the occupation test”). Qualified tips must also meet several other requirements:
 - tips must be paid voluntarily, without any consequence in the event of nonpayment, not subject to negotiation, and determined by the payor;
 - tip recipient cannot be in a specified trade or business (as defined in Sec. 199A(d)(2));
 - tip recipient cannot be a highly compensated employee of *any* employer during the applicable tax year *and* cannot receive earned income during the applicable tax year exceeding the threshold for a highly compensated employee (i.e., \$160,000 in 2025); and
 - other any other requirements established by the Treasury Secretary.
- Limits the ability of independent contractors and sole proprietors to claim the tip deduction to situations in which they received the payment: (1) in the course of a trade or business, (2) for services and direct sales, or (3) related to third-party settlement organizations. If the payment received falls into one of the above categories, it must also meet the following requirements:

- the payment must be subject to the third-party reporting requirements (the threshold for which the bill also increases from \$600 to \$2,000);
- there must be a separate accounting of the tip portion of the payment properly designated as a tip; and
- the payee must meet the occupation test.
- Prevents a taxpayer receiving tips in the course of his or her own trade or business from claiming the tip deduction to generate losses by limiting the deduction to the amount that qualified tips exceed: (1) the cost of goods sold allocable to such receipts plus (2) other expenses, losses or deductions allocable to such receipts.
- Requires the tip recipients to include their Social Security number on their tax return, as well as their spouse's Social Security number, as applicable.
- Prohibits the amount any tip deduction from being considered qualified business income.
- Adds "beauty services" to the list of businesses eligible for the FICA business tip credit, which allows businesses to deduct FICA taxes paid on tips exceeding the federal minimum wage.
- Effective for taxable years beginning after Dec. 31, 2024.
- Revenue estimate: \$39.7 billion revenue loss.
- SFC Substitute: Follows the House bill and caps the tip deduction at \$25,000.
- Phases out the deduction for taxpayers with MAGI exceeding \$150,000 (\$300,000 joint).
- Removes the prohibition on highly compensated employees and removes the provision adding "beauty services" to the list of businesses eligible for the FICA business tip credit.
- Terminates the deduction for taxable year beginning after Dec. 31, 2028.
- Changes the limitation on tips received from a trade or business by limiting the deduction to the amount that qualified tips exceed the sum of other deductions allocable to the trade or business.
- SFC revenue estimate: \$30.8 million revenue loss.
- Final Senate Language: Adds "beauty services" as a customarily tipped occupation for purposes of the no tax on tips credit.
- Defines beauty services as: barbering and hair care, nail care, esthetics and body and spa treatments.
- Final Senate Language revenue estimate: \$31.7 billion revenue loss.

Senate Section 70202. No Tax on Overtime. (House Section 110102)

- Creates an above-the-line deduction for overtime premium pay during taxable years 2025 through 2028.
- Defines qualified overtime compensation as overtime compensation paid to an individual that is required under law and is in excess of the regular rate at which the individual is employed.
- Excludes highly compensated employees from the deduction (\$160,000 in 2025).
- Requires the individual to include a work-eligible Social Security number on his or her return to claim the deduction.
- Effective for taxable years beginning after Dec. 31, 2024, through tax year 2028.
- SFC Substitute: Follows the House bill but establishes a deduction limit of \$12,500 (\$25,000 for joint filers) for any taxable year.
- Phases out the deduction for those making more than \$150,000 (\$300,000 for joint filers) in modified adjusted gross income.

- SFC revenue estimate: \$89.2 million revenue loss.
- [Final Senate Language](#): No substantive changes to the SFC Substitute.
- [Final Senate Language revenue estimate](#): \$89.6 billion revenue loss.

Senate Section 70203. No Tax on Car Loan Interest. (House Section 110104)

- Creates an above-the-line deduction of up to \$10,000 for qualified passenger vehicle loan interest during taxable years 2025 through 2028.
- Phases out the deduction when the taxpayer's modified adjusted gross income exceeds \$100,000.
- Requires the final assembly of a qualified passenger vehicle, among other things, to occur in the United States.
- Effective for indebtedness incurred after Dec. 31, 2024.
- SFC Substitute: No significant changes to the House bill.
- SFC revenue estimate: \$30.6 billion revenue loss.
- [Final Senate Language](#): No substantive changes to the SFC Substitute.
- [Final Senate Language revenue estimate](#): \$30.6 billion revenue loss.

Senate Section 70204. Trump Accounts and Contribution Pilot Program. (House Sections 110115 and 110116)

- Establishes "Trump Accounts" to provide tax-advantaged savings accounts to children who are U.S. citizens under the age of 8 at the time the account is established.
- Allows contributions of up to \$5,000 per account per year, up to age 18, with the \$5,000 limit indexed for inflation.
- Prohibits distributions prior to age 18 without penalties. Beginning at age 18, account holders can access up to 50% of the balance for higher education, training, small business loans and first-time home purchases.
- Allows account holders at age 25 to withdraw the full balance for the above purposes.
- Requires the account to be terminated and deemed distributed when the account holder reaches age 31.
- Taxes distributions for qualified purposes as long-term capital gains, rather than as ordinary income.
- Permits contributions from tax-exempt entities such as private foundations greater than \$5,000 per year up to age 18; must be provided to all beneficiaries within a qualified group (such as a state, specific school district or educational institution); and all beneficiaries must receive an equal portion of the contribution.
- Directs the federal government to make a one-time \$1,000 contribution per child to a Trump account for U.S. citizens born in 2025 through 2028.
- Requires the child to be a U.S. citizen and both parents must provide Social Security numbers (work-eligible Social Security numbers are permitted).
- Allows the Treasury Department to establish the account for the child; parents may opt out.
- Effective for taxable years beginning after Dec. 31, 2024.
- House Manager's Amendment: Renames "MAGA accounts" as "Trump accounts," and eliminates the "Money Accounts for Growth and Advancement" acronym.
- Revenue estimate: \$17.3 billion revenue loss.

- SFC Substitute: No change to the House bill.
- SFC revenue estimate: \$17.3 billion revenue loss.
- Final Senate Language: Subjects Trump accounts to the rules applicable to Individual Retirement Accounts.
- Requires Trump accounts to be invested in mutual funds or exchange traded funds that track a stock market index, such as the S&P 500 index, or any other index comprised of equity investments in U.S. companies.
- Precludes investments from using leverage and annual fees and expenses of more than 0.1%.
- Final Senate Language revenue estimate: \$15.2 billion revenue loss.

CHAPTER 3 – ESTABLISHING CERTAINTY AND COMPETITIVENESS FOR AMERICAN JOB CREATORS

Subchapter A – Permanent U.S. Business Tax Reforms and Boosting Domestic Investment

Senate Section 70301. Full Expensing for Certain Business Property. (House Section 111001)

- Allows taxpayer to expense 100% of qualified property placed in service on or after Jan. 20, 2025, and before Jan. 1, 2030 (and before Jan. 1, 2031, for longer production period property and certain aircraft).
- Effective for property acquired and placed in service after Jan. 19, 2025, and to specified plants planted or grafted after such date.
- Revenue estimate: \$36.6 billion revenue loss.
- SFC Substitute: Makes 100% bonus depreciation permanent.
- SFC revenue estimate: \$219.5 billion revenue loss.
- Final Senate Language: No change to the SFC Substitute.
- Final Senate Language revenue estimate: \$219.5 billion revenue loss.

Senate Section 70302. Full Expensing of Domestic Research and Experimental Expenditures. (House Section 111002)

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

- Effective for amounts paid or incurred in taxable years beginning after Dec. 31, 2024, and before Jan. 1, 2030.
- Revenue estimate: \$22.8 billion revenue loss.
- SFC Substitute: Restores immediate deductibility of R&E expenditures on a permanent basis.
- Allows small businesses (e.g., businesses with gross receipts of less than \$31 million) to apply immediate deductibility of R&E expenditures to taxable years beginning after Dec. 31, 2021.
- Permits businesses with remaining amortization deductions from R&E expenditures between 2022 and 2024 to elect to accelerate the deduction for such amounts over a one- or two-year period.
- Requires foreign R&E expenditures to be amortized over 15 years.
- Effective for amounts paid or incurred in taxable years beginning after Dec. 31, 2024.
- SFC revenue estimate: \$141.5 billion revenue loss.
- [Final Senate Language](#): No substantive changes to the SFC Substitute.
- [Final Senate Language revenue estimate](#): \$141.5 billion revenue loss.

Senate Section 70303. Modification of Limitation on Business Interest. (House Section 111003)

- Reinstates the earnings before interest, taxes, depreciation, and amortization (EBITDA) limitation under section 163(j) for taxable years beginning after Dec. 31, 2024, and before Jan. 1, 2030.
- Modifies the definition of “motor vehicle” for purposes of the special floor plan financing interest rules to include trailers and campers towed by, or affixed to, a motor vehicle.
- Effective for taxable years beginning after Dec. 31, 2024, and before Jan. 1, 2030.
- Revenue estimate: \$39.6 billion revenue loss.
- SFC Substitute: Reinstates the EBITDA limitation on a permanent basis.
- Modifies the definition of “motor vehicle” to include certain trailers and campers.
- Adds ordering rules and other special rules for the treatment of capitalized interest.
- Excludes subpart F and GILTI (and associated gross-up amounts under section 78) from adjusted taxable income for purposes of determining the section 163(j) interest limitation.
- Effective for taxable years beginning after Dec. 31, 2024.
- SFC revenue estimate: \$60.5 billion revenue loss.
- [Final Senate Language](#): No substantive changes to the SFC Substitute.
- [Final Senate Language revenue estimate](#): \$60.5 billion revenue loss.

Senate Section 70304. Extension and Enhancement of Paid Family and Medical Leave Credit. (House Section 110106)

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

- Makes credit available in all states and lowers the minimum employee work requirement from one year to six months.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$5.5 billion revenue loss.
- SFC Substitute: Follows the House bill, with removal of the provisions for education outreach to the SBA Women's Business Centers, Service Corps of Retired Executives and Veteran Business Outreach Centers, as well as targeted outreach to employers by the Treasury Department as part of regular IRS communications about Section 45S.
- SFC revenue estimate: \$5.4 billion revenue loss.
- [Final Senate Language](#): No change to the SFC Substitute.
- [Final Senate Language revenue estimate](#): \$5.4 billion revenue loss.

Senate Section 70305. Exceptions from Limitation on Deduction for Business Meals. (House Section 111006)

- Amends the limitation on the deductibility of meals provided at convenience of an employer under section 274(o) to exclude expenses for goods or services (including the use of facilities) that are sold by the taxpayer in a *bona fide* transaction for full and adequate consideration.
- Effective for amounts paid or incurred after Dec. 31, 2025.
- Revenue estimate: \$909 billion revenue loss.
- SFC Substitute: Follows the House bill with expansion of the exception for food and beverages provided to crew members of a commercial vessel to include certain fishing facilities and fish processing facilities.
- Effective for amounts paid or incurred after Dec. 31, 2025.
- SFC revenue estimate: \$32.5 billion revenue gain.
- [Final Senate Language](#): No substantive changes to the SFC Substitute.
- [Final Senate Language revenue estimate](#): \$32.5 billion revenue gain.

Senate Section 70306. Increased Dollar Limitations for Expensing of Certain Depreciable Business Assets. (House Section 111103)

- Increases the maximum amount a taxpayer may expense under section 179 to \$2.5 million and increases the phaseout threshold amount to \$4 million, each amount indexed for inflation after 2025.
- Effective for property placed in service in taxable years beginning after Dec. 31, 2024.
- Revenue estimate: \$24.8 billion revenue loss.
- SFC Substitute: No change to the House bill.
- SFC revenue estimate: \$24.8 billion revenue loss.
- [Final Senate Language](#): No change to the SFC Substitute.
- [Final Senate Language revenue estimate](#): \$24.8 billion revenue loss.

Senate Section 70307. Special Depreciation Allowance for Qualified Production Property. (House Section 111101)

- Allows taxpayers an elective 100% depreciation allowance for the cost of qualified production property.

- Requires qualifying property to be nonresidential real property used as an integral part of the manufacturing, production or refining of tangible personal property, and placed in service in the United States or a U.S. territory. Original use of the property must begin with the taxpayer.
- Requires construction of the property to begin after Jan. 19, 2025, and before Jan. 1, 2029, and the property must be placed in service after the date of enactment of the bill and before Jan. 1, 2033.
- Treats property acquired after Jan. 19, 2025, and before Jan. 1, 2029, as satisfying the construction and original use requirements if the acquired property was not used in a qualified production activity by any person at any time between Jan. 1, 2021, and May 12, 2025.
- Excludes from expensing any portion of the property used for offices, administrative services, lodging, parking, sales activities, research activities, software engineering activities or other functions unrelated to manufacturing, production or refining of tangible personal property.
- Applies recapture rules if the use of the property changes within 10 years after being placed in service.
- Effective for property placed in service after the date of enactment.
- Revenue estimate: \$147.9 billion revenue loss.
- SFC Substitute: Follows the House bill, but requires property to be placed in service by Jan. 1, 2031, and excludes facilities preparing food and beverages sold at retail.
- SFC revenue estimate: \$141.4 billion revenue loss.
- Final Senate Language: No change to the SFC Substitute.
- Final Senate Language revenue estimate: \$141.4 billion revenue loss.

Senate Section 70308. Enhancement of Advanced Manufacturing Investment Credit.

- Increases to 30% the current 25% credit for qualified investments in new buildings, facilities and other depreciable tangible property integral to the operation of a facility to manufacture semiconductors or semiconductor manufacturing equipment by an eligible taxpayer.
- Continues to apply to eligible qualified property placed in service after 2022 and the construction begins before Jan. 1, 2027.
- SFC revenue estimate: \$8.6 billion revenue loss.
- Final Senate Language: Increases the current-law 25% credit to 35% (from 30% in the original the SFC Substitute).
- Final Senate Language revenue estimate: \$14.9 billion revenue loss.

[NEW] Senate Section 70309. Spaceports are treated like airports under exempt facility bond rules.

- Treats spaceports like airports for purposes of tax-exempt bond financing rules.
- Defines spaceports to include related facilities located at or in close proximity to a launch site or reentry site.
- Allows manufacturing facilities and industrial parks to be treated as part of a spaceport.
- Provides that facility shall not be required to be available for public use.
- Allows spaceport to be located on land leased by a governmental unit from the United States.
- Allows payment of rent, user fees, or other charges by the United States (or agency or instrumentality thereof) in exchange for use of the spaceport.
- Final Senate Language revenue estimate: \$1 billion revenue loss.

Subchapter B – Permanent America-First International Tax Reforms

Part I – Foreign Tax Credit

Senate Section 70311. Rules for Allocation of Certain Deductions to Foreign Source “Net CFC Tested Income” (fka Global Intangible Low-Taxed Income) for Purposes of Foreign Tax Credit Limitation.

- Limits the deduction of a U.S. shareholder for purposes of determining the foreign tax credit limitation applicable to Net CFC Tested income (formerly the GILTI category) to: (1) the section 250 deduction (and any foreign tax deduction allowed for taxes on such income) and (2) any deduction directly allocable to such income. All other related deductions are to be allocated and/or apportioned to U.S.-sourced income.
- Effective for taxable years beginning after Dec. 31, 2025.
- SFC revenue estimate: \$29.7 billion revenue loss.
- Final Senate Language: Revises the rules for deductions allocable to Net CFC Tested Income to include any deduction allowed under Section 250(a)(1)(B) including taxes allowed with respect to such amounts and any deduction directly allocable to Net CFC Tested Income while excluding interest expense and research and experimental expenses attributable to such income.
- Requires any amount or deduction apportioned to such income to be allocated or apportioned only to income from sources within the United States.
- Final Senate Language revenue estimate: \$29.7 billion revenue loss.

Senate Section 70312. Modifications to Determination of Deemed Paid Credit for Taxes Properly Attributable to Tested Income.

- Increases the deemed paid credit for Net CFC Tested Income to 90% (currently 80%) of the corporation’s inclusion percentage multiplied by the aggregate foreign taxes paid or accrued on the tested income.
- Bases the inclusion percentage on the domestic corporation’s Net CFC Tested Income divided by the aggregate amount of its pro-rata share of the tested income.
- Effective for taxable years beginning Dec. 31, 2025.
- SFC revenue estimate: \$24.7 billion revenue loss.
- Final Senate Language: With respect to distributions of previously taxed Net CFC Tested Income made after June 28, 2025, no foreign tax is allowed for 10% of the foreign tax paid, accrued or deemed paid with respect to such income.
- Final Senate Language revenue estimate: \$24.7 billion revenue loss.

Senate Section 70313. Sourcing Certain Income from the Sale of Inventory Produced in the United States.

- Amends section 904(b) to limit the amount of foreign-source taxable income from the sale of exchange inventory produced in the United States to 50% of the total tax income from the sale or exchange of such inventory.
- Effective for taxable years beginning after Dec. 31, 2025.
- SFC revenue estimate: \$6.6 billion revenue loss.

- [Final Senate Language](#): Clarifies the provision to ensure its application to inventory produced inside the United States and sold or exchanged outside the United States.
- [Final Senate Language revenue estimate](#): \$6.4 billion revenue loss.

Part II – Foreign-Derived Deduction Eligible Income (fka Foreign-Derived Intangible Income) and Net CFC Tested Income (fka Global Intangible Low-Taxed Income)

Senate Section 70321. Modification of Deduction for Foreign-Derived Deduction Eligible Income and Net CFC Tested Income. (House Section 111004)

- Makes permanent the current 50% deduction with respect to global intangible low-taxed income (GILTI), preventing the reduced deduction that would effectively increase the GILTI tax rate from 10.5% to 13.125% in 2026.
- Preserves the current 37.5% deduction for exports of domestically produced goods under the Foreign-Derived Intangible Income (FDII) deduction.
- Effective for taxable years beginning after Dec. 31, 2025.
- [House Manager's Amendment](#): Reduces the GILTI deduction from 50% to 49.2% and reduces the FDII deduction from 37.5% to 36.5%.
- [Revenue estimate](#): \$134.4 billion revenue loss
- [SFC Substitute](#): Decreases the section 250 deduction percentage to 33.34% (currently 37.5%) for FDII and 40% (currently 50%) for GILTI.
- Results in a 14% effective tax rate for both FDII and GILTI, when coupled with the change in the deemed paid tax credit.
- Effective for taxable years beginning after Dec. 31, 2025.
- [SFC revenue estimate](#): \$55 billion revenue gain.
- [Final Senate Language](#): No substantive changes to the SFC Substitute.
- [Final Senate Language revenue estimate](#): \$55 billion revenue gain.

Senate Section 70322. Determination of Deduction Eligible Income. (House Section 111004)

- Modifies the definition of deduction eligible income (DEI) for purposes of determining a corporation's Foreign-Derived Intangible Income (FDII) as follows:
 - DEI does not include any gain from the sale or disposition of property that gives rise to rent or royalties from sales or distributions occurring after June 16, 2025.
 - DEI does not include foreign personal holding company income where a qualifying electing fund election has been made with respect to amounts received or accrued after June 16, 2025.
 - For taxable years beginning after Dec. 31, 2025, DEI is reduced by expenses and deductions directly related to such income.
- Effective for taxable years beginning after Dec. 31, 2025.
- [SFC revenue estimate](#): \$6.7 billion revenue loss.
- [Final Senate Language](#): Expands the provision explicitly to include all intangible property enumerated in Section 367(d)(4).
- [Final Senate Language revenue estimate](#): \$7.6 billion revenue loss.

Senate Section 70323. Rules Related to Deemed Intangible Income. (House Section 111004)

- Eliminates FDII's deemed tax income return deduction (DTIR) and GILTI's net deemed tangible income return deduction (NDTIR).
- Renames FDII as foreign-derived deduction eligible income (FDDEI), as a result of the elimination of DTIR and NDTIR, and eliminates the term GILTI from the Internal Revenue Code.
- Effective for taxable years beginning after Dec. 31, 2025.
- SFC revenue estimate: \$6.6 billion revenue loss.
- [Final Senate Language](#): No substantive changes to the SFC Substitute.
- [Final Senate Language revenue estimate](#): \$6.6 billion revenue loss.

Part III – Base Erosion Minimum Tax

Senate Section 70331. Modifications to Base Erosion Minimum Tax. (House Section 111005)

- Makes permanent the 10% (11% for banks and registered security dealers) Base Erosion Minimum Tax (BEAT) tax rate, preventing the increase to 12.5% in 2026.
- Preserves the treatment of certain tax credits under the BEAT rules.
- Effective for taxable years beginning after Dec. 31, 2025.
- House Manager's Amendment: Increases the BEAT tax rate from 10% to 10.1%.
- Revenue estimate: \$31.1 billion revenue loss.
- SFC Substitute: Adjusts the BEAT tax rate to 14%.
- Eliminates the requirement to reduce a corporation's regular tax liability by, in general, all credits.
- Decreases the "de minimis" base erosion percentage from 3% to 2%.
- Exempts from the definition of a base erosion payment, payments that are subject to an effective foreign tax rate that is greater than 90% of the highest rate in section 11 (i.e., greater than 18.9%).
- Treats capitalized interest other than interest capitalized under section 263(g) or 263A(f) as a base erosion payment.
- Effective for taxable years beginning Dec. 31, 2025.
- SFC revenue estimate: \$48.1 billion revenue loss.
- [Final Senate Language](#): Replaces the four provisions under the SFC Substitute with an increase in the BEAT tax rate from 10% to 10.5% and permanent extension of the current-law treatment of certain tax credits under the BEAT.
- [Final Senate Language revenue estimate](#): \$2 billion revenue gain.

Part IV – Business Interest Limitation

Senate Section 70341. Coordination of Business Interest Limitation with Interest Capitalization Provisions. (House Section 70341)

- Requires the Section 163(j) business interest limitation to be calculated prior to the application of any interest capitalization provision.
- Excludes interest that is capitalized under Section 263(g) or 263A(f) from definition of business interest for purposes of the business interest limitation.
- Applies allowed business interest deduction first to amounts that would be capitalized and the remainder, if any, to amounts that would be deducted.

- Excludes application of interest capitalization provisions to any business interest carried forward.
- Effective for taxable years beginning after Dec. 31, 2025.
- SFC revenue estimate: \$11.6 billion revenue gain.
- [Final Senate Language](#): No change to the SFC Substitute.
- [Final Senate Language revenue estimate](#): \$11.6 billion revenue gain.

Senate Section 70342. Definition of Adjusted Taxable Income for Business Interest Limitation.

- Excludes subpart F and GILTI inclusions and the associated Section 78 gross-up amounts, as well as amounts determined under Section 956, from Applicable Taxable Income for purposes of determining the business interest limitation.
- Effective for taxable years beginning after Dec. 31, 2025.
- SFC revenue estimate: \$10.4 billion revenue gain.
- [Final Senate Language](#): Adds to the exclusion the related portion of the deductions allowed under section 245A(a).
- [Final Senate Language revenue estimate](#): \$10.2 billion revenue gain.

Part V – Other International Tax Reforms

Senate Section 70351. Permanent Extension of Look-Thru Rule for Controlled Foreign Corporations.

- Makes permanent the CFC look-through rule of section 954(c)(6), scheduled to expire for tax years beginning after Dec. 31, 2025.
- Effective for taxable years of foreign corporations beginning after Dec. 31, 2025, and to taxable years of U.S. shareholders in which or with which such taxable years of foreign corporations end.
- SFC revenue estimate: \$9.4 billion revenue loss.
- [Final Senate Language](#): No substantive changes to the SFC Substitute.
- [Final Senate Language revenue estimate](#): \$9.7 billion revenue loss.

Senate Section 70352. Repeal of Election for One-Month Deferral in Determination of Taxable Year of Specified Foreign Corporations.

- Repeals the election for a one-month deferral year for specified foreign corporation requiring such corporation to use the taxable year of its majority U.S. shareholder as its taxable year.
- Effective for taxable years beginning after Nov. 30, 2025.
- SFC revenue estimate: \$785 million revenue gain.
- [Final Senate Language](#): No substantive changes to the SFC Substitute.
- [Final Senate Language revenue estimate](#): \$785 million revenue gain.

Senate Section 70353. Restoration of Limitation on Downward Attribution of Stock Ownership in Applying Constructive Ownership Rules.

- Restores the limitation on downward attribution of stock ownership of former section 958(b)(4) when applying the constructive ownership rules.

- Adds new section 951B to allow downward attribution from a foreign person in cases where a U.S. shareholder owns more than 50% of the stock of the foreign corporation and downward attribution would apply absent the provision of section 958(b)(4).
- Provides regulatory authority for guidance that treats a foreign-controlled U.S. shareholder or a foreign-controlled foreign corporation as a U.S. shareholder or as a controlled foreign corporation and to provide guidance with respect to the treatment of passive foreign investment companies.
- Effective for taxable years of foreign corporations beginning after Dec. 31, 2025, and to taxable years of U.S. shareholders in which or with which such taxable years of foreign corporations end.
- SFC revenue estimate: \$3.4 billion revenue loss.
- [Final Senate Language](#): No substantive changes to the SFC Substitute beyond providing some limited authority to the Treasury Secretary with respect to the effective date.
- [Final Senate Language revenue estimate](#): \$3.4 billion revenue loss.

Senate Section 70354. Modifications to Pro Rata Share Rules.

- Provides that if a foreign corporation is a CFC at any time during the year, each U.S. shareholder must include its pro-rata share of the corporations Subpart F income and each U.S. shareholder that owns stock in the CFC on the last day of the year must include its pro-rata share of the amount computed under section 956 relating to investment in earnings of U.S. property.
- Effective for taxable years of foreign corporations beginning after Dec. 31, 2025, and to taxable years of U.S. shareholders in which or with which such taxable years of foreign corporations end.
- SFC revenue estimate: \$16.4 billion revenue gain.
- [Final Senate Language](#): Follows the SFC Substitute and provides a transition rule for dividends paid or deemed paid with respect to dividends paid on or before June 28, 2025, to the extent that the U.S. shareholder did not own such CFC during the taxable year on or before such date, or the dividend was paid or deemed paid after June 28, 2025, and before the CFC's first taxable year beginning after Dec. 31, 2025.
- [Final Senate Language revenue estimate](#): \$16.3 billion revenue gain.

CHAPTER 4 – INVESTING IN AMERICAN FAMILIES, COMMUNITIES, AND SMALL BUSINESSES

Subchapter A – Permanent Investments in Families and Children

Senate Section 70401. Enhancement of Employer-Provided Child Care Credit. (House Section 110105)

- Increases the employer-provided child care credit to 40% of qualified child care expenditures (50% for eligible small businesses) in addition to maintaining the 10% credit for qualified referral expenses.
- Increases the total credit limit to \$500,000 (\$600,000 for small businesses), adjusted for inflation.
- Defines small business as those with gross receipts of less than or equal to \$25 million (inflation-adjusted) based on the five-year period preceding the taxable year. In 2025, the inflation-adjusted small business gross receipts threshold is \$31 million.

- Expands the definition of qualified child care expenditures to include amounts paid or incurred under a contract with a third-party that contracts with one or more qualified child care facilities to provide child care services. In addition, the definition of qualified child care facilities is expanded to allow for qualified child care facilities that are jointly owned or operated by the taxpayer and other entities or persons.
- Effective for amounts paid or incurred after Dec. 31, 2025.
- Revenue estimate: \$731 million revenue loss.
- SFC Substitute: No change to the House bill.
- SFC revenue estimate: \$731 million revenue loss.
- [Final Senate Language](#): No change to the SFC Substitute.
- [Final Senate Language revenue estimate](#): \$731 million revenue loss.

Senate Section 70402. Enhancement of Adoption Credit. (House Section 110107)

- Treats up to \$5,000 of the adoption tax credit as refundable, with the refundable amount indexed for inflation starting in 2026. Current law permits up to \$17,280 of qualified adoption expenses for 2025.
- Caps the five-year carryforward of unused adoption credits at the nonrefundable portion (e.g., \$12,280 in 2025).
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$2.3 billion revenue loss.
- SFC Substitute: No change to the House bill.
- SFC revenue estimate: \$2.3 billion revenue loss.
- [Final Senate Language](#): No change to the SFC Substitute.
- [Final Senate Language revenue estimate](#): \$2.3 billion revenue loss.

Senate Section 70403. Recognizing Indian Tribal Governments for Purposes of Determining Whether a Child Has Special Needs for Purposes of the Adoption Credit. (House Section 110108)

- Provides an Indian tribal government the same authority as a state for purposes of determining whether a child has “special needs” for purposes of the adoption tax credit.
- Effective for taxable years beginning after Dec. 31, 2024.
- Revenue estimate: \$1 million revenue loss.
- SFC Substitute: No change to the House bill.
- SFC revenue estimate: \$1 million revenue loss.
- [Final Senate Language](#): No change to the SFC Substitute.
- [Final Senate Language revenue estimate](#): \$1 million revenue loss.

Senate Section 70404. Enhancement of the Dependent Care Assistance Program.

- Increases the maximum tax-free dependent care assistance contribution limits from \$2,500 for individuals (\$5,000 for married couples) to \$3,750 for individuals (\$7,500) for married couples.
- Effective for taxable years beginning after Dec. 31, 2025.
- SFC revenue estimate: \$6 billion revenue loss.
- [Final Senate Language](#): No change to the SFC Substitute.
- [Final Senate Language revenue estimate](#): \$6 billion revenue loss.

Senate Section 70405. Enhancement of Child and Dependent Care Tax Credit.

- Increases the top dependent care credit rate from 35% to 50%, while the base rate remains at 20%. The income phaseout threshold stays at \$15,000; for every \$2,000 in adjusted gross income (AGI) above this amount, the credit rate decreases by 1 percentage point.
- Applies the 35% credit rate to individuals with AGI between \$43,000 and \$75,000.
- Reduces the credit rate for individuals with AGI above \$75,000 from 35% to 20%, decreasing by 1 percentage point for each additional \$2,000 in AGI. The credit rate plateaus at 20% for individuals with AGI over \$105,000, and individuals with AGI over \$105,000 do not receive an increased credit rate.
- Effective for taxable years beginning after Dec. 31, 2025.
- SFC revenue estimate: \$9.2 billion revenue loss.
- [Final Senate Language](#): No change to the SFC Substitute.
- [Final Senate Language revenue estimate](#): \$9.2 billion revenue loss.

Subchapter B – Permanent Investments in Students and Reforms to Tax-Exempt Institutions

Senate Section 70411. Tax Credit for Contributions of Individuals to Scholarship Granting Organizations. (House Section 110109)

- Creates a new 100% tax credit for individual taxpayers who make qualified contributions to a scholarship granting organization (as defined in the statute) in tax years 2026 through 2029.
- Limits the credit amount to the greater of 10% of the taxpayer's gross income or \$5,000.
- Caps the amount of credits available to \$4 billion per year.
- Effective for taxable years ending after Dec. 31, 2025.
- Revenue estimate: \$20.4 billion revenue loss.
- SFC Substitute: Makes the credit permanent.
- Delays implementation to tax years beginning after 2026 to allow time for program development.
- SFC revenue estimate: \$26 billion revenue loss.
- [Final Senate Language](#): Creates a 100% new tax credit of \$1,700 for contributions to scholarship granting organizations.
- [Makes the credit permanent.](#)
- [There is no cap on the amount of credit dollars available.](#)
- [Delays implementation until 2027 to allow time for the program to development.](#)
- [Final Senate Language revenue estimate](#): \$26 billion revenue loss.

Senate Section 70412. Exclusion for Employer Payments of Student Loans. (House Section 110113)

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

- Effective for payments made after Dec. 31, 2025.
- Revenue estimate: \$11.2 billion revenue loss.
- SFC Substitute: No change to the House bill.
- SFC revenue estimate: \$11.2 billion revenue loss.
- [Final Senate Language](#): No change to the SFC Substitute.
- [Final Senate Language revenue estimate](#): \$11.2 billion revenue loss.

Senate Section 70413. Additional Expenses Treated as Qualified Higher Education Expenses for Purposes of 529 Accounts. (House Section 110110)

- Expands qualified higher education expenses to include curriculum and curricular materials, books or other instructional materials, online educational materials, tuition for certain tutoring or educational classes outside of the home, fees for certain tests, fees for dual enrollment in an institution of higher education, and certain educational therapies for students with disabilities incurred while enrolled an elementary or secondary public, private or religious school or in connection with a homeschool.
- Effective for distributions made after the date of enactment.
- Revenue estimate: \$145 million revenue loss. (*Note: The revenue estimates for Sections 110110 and 110111 are aggregated in one estimate.)
- SFC Substitute: Follows the House bill and removes the required connection with a homeschool from the expansion of qualified higher education expenses.
- SFC revenue estimate: \$130 million revenue loss.
- [Final Senate Language](#): Increases the limitation on expenditures for elementary or secondary public, private or religious school from \$10,000 to \$20,000 for taxable years beginning after Dec. 31, 2025.
- [Final Senate Language revenue estimate](#): \$997 million revenue loss.

Senate Section 70414. Certain Postsecondary Credentialing Expenses Treated as Qualified Higher Education Expenses for Purposes of 529 Accounts. (House Section 110111)

- Expands qualified higher education expenses to include expenses incurred in attending a postsecondary credential program that awards postsecondary employment credentials, including a postsecondary employment credential that is industry recognized, an apprenticeship that is registered and certified with the Secretary of Labor under the National Apprenticeship Act, any occupational or professional license issued or recognized by a state or the federal government, and any recognized postsecondary credential as defined under section 3 of the Workforce Innovation and Opportunity Act.
- Effective for distributions made after the date of enactment.
- Revenue estimate: See revenue estimate and note for section 110110.
- SFC Substitute: No change to the House bill.
- SFC revenue estimate: \$130 million revenue loss.
- [Final Senate Language](#): No change to the SFC Substitute.
- [Final Senate Language revenue estimate](#): \$997 million revenue loss.

Senate Section 70415. Modification of Excise Tax on Investment Income of Certain Private Colleges and Universities. (House Section 112021)

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

- 4% of net investment income if the student-adjusted endowment is over \$750,000 and not in excess of \$2 million; and
 - 8% of net investment income if the student-adjusted endowment is over \$2 million.
- Creates an exemption for colleges and universities that do participate in a program under the Title IV Higher Education Act of 1965.
- Effective for taxable years beginning after Dec. 31, 2025.
- SFC revenue estimate: \$3.8 billion revenue gain.
- [Final Senate Language](#): Eliminates the exemption for colleges that do not have Title IV funds.
- [Creates an exemption for colleges that have less than 3,000 tuition-paying students.](#)
- [Final Senate Language revenue estimate](#): \$761 million revenue gain.

Senate Section 70416. Expanding Application of Tax on Excess Compensation Within Tax-Exempt Organizations. (House Section 112020)

- Expands the definition of “covered employee” to any employee (including any former employee) of an applicable tax-exempt organization, eliminating the current limitation of the excise tax to (a) the five highest compensated employees in the taxable year and (b) covered employees in any other taxable year after 2016.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$3.84 billion revenue gain.
- SFC Substitute: No change to the House bill.
- SFC revenue estimate: \$3.8 billion revenue gain.
- [Final Senate Language](#): No change to the SFC Substitute.
- [Final Senate Language revenue estimate](#): \$3.8 billion revenue gain.

Subchapter C – Permanent Investments in Community Development

Senate Section 70421. Permanent Renewal and Enhancement of Opportunity Zones. (House Section 111102)

- Allows for the designation of additional qualified Opportunity Zones in effect from Jan. 1, 2027, through Dec. 31, 2033.
- Requires additional qualified Opportunity Zone census tracts to have a poverty rate of at least 20% or median family income that does not exceed 70% of the greater of metropolitan area median family income or statewide median family income (for a nonmetropolitan census tract, the median family income does not exceed 70% of statewide median family income).
- Requires at least 33% of the designated zones in a state to be comprised entirely of rural areas. If there are not enough rural areas to achieve the 33% threshold, all rural areas must be designated. Tracts contiguous with low-income communities are not eligible to be designated.
- Excludes higher income contiguous census tracts from eligibility for designation.
- Provides a 10% step-up in basis when the investment is held at least five years prior to Dec. 31, 2033.
- Provides investments in a rural qualified opportunity fund with a 30% step-up in basis when held at least five years, and the substantial improvement threshold of existing structure is reduced to 50% in rural areas.
- Permits up to \$10,000 of post-tax ordinary income to be invested.

- Applies reporting requirements to Opportunity Zones.
- The designation of additional qualified Opportunity Zones is effective for amounts invested after the date of enactment; information and data reporting requirements are effective for taxable years beginning after the date of enactment.
- Revenue estimate: \$5.46 billion revenue loss.
- SFC Substitute: Makes Opportunity Zone provisions permanent.
- Provides for rolling 10-year zone designations, rolling deferrals of gain invested and rolling step-up in basis for investment.
- Eliminates the requirement for minimum number of rural opportunity zone designations.
- Requires the first round of Opportunity Zones available under the permanent policy to begin on Jan. 1, 2027.
- SFC revenue estimate: \$65.7 billion revenue gain.
- Final Senate Language: Provides for five-year rolling deferrals of gain invested from date of investment and step-up in basis for investments held for five years.
- Final Senate Language revenue estimate: \$32.2 billion revenue gain.

Senate Section 70422. Permanent Enhancement of Low-Income Housing Tax Credit. (House Section 111108)

- Increases the state housing credit ceiling for each calendar year 2026 through 2029 by multiplying the dollar amount for that year by 1.125.
- Modifies the tax-exempt bond financing requirement to permit a building a 4% credit without receiving a credit allocation if at least 25% (rather than 50%) of the aggregate basis of the building is financed with one or more qualified obligations. A qualified obligation is generally a tax-exempt bond issued after Dec. 31, 2025, before Jan. 1, 2030, and provides the financing for at least 5% of the aggregate basis of the building and the land on which the building is located.
- Provides a temporary increase in housing credit by expanding the definition of difficult development areas to include Indian areas and rural areas in the case of buildings placed in service after Dec. 31, 2025, and before Jan. 1, 2030.
- The increase in state housing ceiling amounts is effective for calendar years after 2025. The modification of the tax-exempt bond financing requirement and the temporary inclusion of Indian areas and rural areas as difficult development areas is effective for buildings placed in service in taxable years beginning after Dec. 31, 2025 (in the case of a building with respect to which any expenditures are treated as a separate new building under section 42(e), both the existing building and the separate new building are treated as having been placed in service on the date the expenditures are treated as placed in service under section 42(e)(4)).
- Revenue estimate: \$14.1 billion revenue loss.
- SFC Substitute: Permanently increases the state housing credit ceiling.
- Eliminates the temporary expansion of the definition of difficult development areas to include Indian and rural areas for the purposes of qualifying for the credit.
- Effective for calendar years beginning after, and buildings placed in service in taxable years beginning after Dec. 31, 2025.
- SFC revenue estimate: \$15.7 billion revenue loss.
- Final Senate Language: No change to the SFC Substitute.
- Final Senate Language revenue estimate: \$15.7 billion revenue loss.

Senate Section 70423. Permanent Extension of the New Markets Tax Credit.

- Makes permanent the New Market Tax Credit, which would otherwise expire after Dec. 31, 2025.
- Effective for calendar years beginning after Dec. 31, 2025.
- SFC revenue estimate: \$5.2 billion revenue loss.
- [Final Senate Language: No change to the SFC Substitute.](#)
- [Final Senate Language revenue estimate: \\$5.2 billion revenue loss.](#)

Senate Section 70424. Permanent Deduction for Charitable Contributions Made by Individuals Who Do Not Elect to Itemize. (House Section 110112)

- Partially reinstates the above-the-line deduction for charitable contributions for taxpayers who claim the standard deduction in taxable years 2025 through 2028.
- Limits the deduction to \$150 for single filers and \$300 for joint filers.
- Effective for taxable years beginning after Dec. 31, 2024.
- Revenue estimate: \$6.9 billion revenue loss.
- SFC Substitute: Follows the House bill, making the deduction permanent, with a deduction limited to \$1,000 for single filers and \$2,000 for joint filers.
- Effective for taxable years beginning after Dec. 31, 2025.
- SFC revenue estimate: \$73.8 billion revenue loss.
- [Final Senate Language: No change to the SFC Substitute.](#)
- [Final Senate Language revenue estimate: \\$73.7 billion revenue loss.](#)

Senate Section 70425. 0.5% Floor on Deduction of Charitable Contributions Made by Individuals Who Elect to Itemize.

- Allows a charitable deduction for contributions made by individuals who elect to itemize only to the extent that aggregate contributions exceed 0.5% of the taxpayer's contribution base.
- Permits contributions disallowed under the 0.5% floor to be carried forward only from years in which the taxpayer exceeds the limit.
- Makes permanent the increased contribution limit for cash gifts to certain qualified charitable organizations.
- Effective for tax years beginning after Dec. 31, 2025.
- SFC revenue estimate: \$64.9 billion revenue gain.
- [Final Senate Language: No change to the SFC Substitute.](#)
- [Final Senate Language revenue estimate: \\$64.9 billion revenue gain.](#)

Senate Section 70426. 1% Floor on Deduction of Charitable Contributions Made by Corporations. (House Section 112027)

- Allows a corporate charitable deduction only to the extent that aggregate contributions exceed 1% of the taxpayer taxable income and does not exceed 10% of the corporation's taxable income, with contributions in excess of the 10% limit carried forward five subsequent tax years.
- Permits contributions disallowed under the 1% floor to be carried forward only from years in which the taxpayer's contributions exceed the 10% limit.

- Effective for tax years beginning after Dec. 31, 2025.
- Revenue estimate: \$16.6 billion revenue gain.
- SFC Substitute: No change to the House bill.
- SFC revenue estimate: \$16.6 billion revenue gain.
- Final Senate Language: No change to the SFC Substitute.
- Final Senate Language revenue estimate: \$16.6 billion revenue gain.

[NEW] Senate Section 70427. Permanent Increase in Limitation on Cover Over of Tax on Distilled Spirits.

- Amends § 7652(f)(1) to permanently increase the limit of cover over dollars paid to Puerto Rico or the Virgin Islands per proof gallon of spirits manufactured in those U.S. territories and sold in the United States from \$10.50 to \$13.25.
- Applies to all spirits manufactured in Puerto Rico or the Virgin Islands and imported into the United States after Dec. 31, 2025.
- Final Senate Language revenue estimate: \$2 billion revenue loss.

[NEW] Senate Section 70428. Nonprofit Community Development Activities in Remote Native Villages.

- Allows the existing nonprofit corporations part of the Western Alaska Community Development Quota Program to exempt any gain or income derived from a trade or business that is substantially related to participation or investment in fisheries, including harvesting, processing, transportation, sales and marketing of fish and fish products of the Bering Sea and Aleutian Islands statistical and reporting areas.
- Expands the exemption to the assets and income of any wholly owned subsidiary whose activities are substantially related to participation or investment in fisheries if the assets (including the liquidation of a subsidiary) are transferred not later than 18 months after the date of enactment.
- Effective as of the date of enactment and for so long as the Magnuson-Stevens Fishery Conservation and Management Act remains in effect.
- Final Senate Language revenue estimate: \$3 million revenue loss.

[NEW] Senate Section 70429. Adjustment of Charitable Deduction for Certain Expenses Incurred in Support of Native Alaskan Subsistence Whaling.

- Increases cap on deduction available to individuals recognized by the Alaska Eskimo Whaling Commission as a whaling captain who maintain and carry out sanctioned whaling activities from \$10,000 to \$50,000.
- Effective for tax years beginning after Dec. 31, 2025.
- Final Senate Language revenue estimate: \$5 million revenue loss.

[NEW] Senate Section 70430. Exception to Percentage of Completion Method of Accounting for Certain Residential Construction Contracts.

- Strikes “home construction contract” in 26 USC 460(e)(1) (Special Rules for Long-Term Contracts) and replaces it with “residential construction contract,” thus creating an exception for such contracts.

- Lengthens the estimated period of time for such contracts from two years to three years.
- JCT cost estimate: \$2.1 billion revenue loss.
- Changes effective date to “taxable years beginning” after the date of enactment.
- [Final Senate Language revenue estimate](#): \$2.1 billion revenue loss.

Subchapter D – Permanent Investments in Small Business and Rural America

Senate Section 70431. Expansion of Qualified Small Business Stock Gain Exclusion.

- Modifies the current qualified small business stock (QSBS) gain exclusion by replacing it with a tiered gain exclusion that operates after the date of enactment, allowing non-corporate taxpayers to exclude 50% of gain from income after three years, 75% after four years and 100% after five years.
- Increases the per-issuer dollar cap to \$15 million for post-enactment shares, indexed for inflation starting in 2027, and otherwise the corporate-level aggregate-asset ceiling is increased to \$75 million also indexed for inflation starting in 2027.
- Effective for stock issued or acquired on, and taxable years beginning after, the date of enactment.
- [SFC revenue estimate](#): \$17.2 billion revenue loss.
- [Final Senate Language](#): No change to the SFC Substitute.
- [Final Senate Language revenue estimate](#): \$17.2 billion revenue loss.

Senate Section 70432. Repeal of Revision to De Minimis Rules for Third-Party Network Transactions. (House Section 111104)

- Amends Section 6050W to require a third-party settlement organization (e.g., PayPal and Venmo) to provide information returns (i.e., Form 1099-K) to participating payees when the amount of reportable payment transactions exceeds both \$20,000 and 200 aggregate transactions (previously \$600 and no transaction minimum).
- Amends Section 3406 correspondingly to increase the backup withholding thresholds but provides an exception if there were reportable payments in settlement of third-party network transactions in the prior calendar year.
- Section 6050W modifications are effective as if included in the American Plan Rescue Act of 2021, and the Section 3406 modifications are effective for calendar years beginning after Dec. 31, 2024.
- [Revenue estimate](#): \$8.9 billion revenue loss.
- [SFC Substitute](#): No change to the House bill.
- [SFC revenue estimate](#): \$8.7 billion revenue loss.
- [Final Senate Language](#): Adds to the exclusion the related portion of the deductions allowed under section 245A(a).
- [Final Senate Language revenue estimate](#): \$8.9 billion revenue loss.

Senate Section 70433. Increase in Threshold for Requiring Information Reporting with Respect to Certain Payees. (House Section 111105)

- Amends Sections 6041 and 6041A to increase the threshold for which certain information returns (e.g., Forms 1099-MISC and 1099-NEC) are required to be filed, from an aggregate of \$600 to \$2,000 (indexed for inflation for calendar years after 2026).

- Amends Section 3406 to make a conforming increase to the backup withholding thresholds.
- Effective for payments made after Dec. 31, 2025.
- Revenue estimate: \$4.2 billion revenue loss.
- SFC Substitute: No change to the House bill.
- SFC revenue estimate: \$4.2 billion revenue loss.
- [Final Senate Language](#): No change to the SFC Substitute.
- [Final Senate Language revenue estimate](#): \$4.2 billion revenue loss.

Senate Section 70434. Treatment of Certain Qualified Sound Recording Productions. (House Section 111107)

- Allows qualified sound recording productions, including film, television and theatre productions to expense up to \$150,000 in costs per taxable year under Section 181. Defines a “qualified sound recording production” as a sound recording produced in the United States.
- Allows for qualified sound recording productions placed in service before Jan. 1, 2029, to be eligible for bonus depreciation.
- Effective for taxable years beginning after the date of enactment.
- Revenue estimate: \$153 million revenue loss.
- SFC Substitute: Follows the House bill and expands eligibility for bonus depreciation for all qualified sound recording productions, not just those placed in service before Jan. 1, 2029.
- Effective for productions commencing in taxable years ending after the date of enactment.
- SFC revenue estimate: \$153 million revenue loss.
- [Final Senate Language](#): No change to the SFC Substitute.
- [Final Senate Language revenue estimate](#): \$153 million revenue loss.

Senate Section 70435. Exclusion of Interest on Loans Secured by Rural or Agricultural Real Property. (House Section 111106)

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

- Requires original debt to be incurred in taxable years ending after the date of enactment.
- Effective for original debt incurred in taxable years ending after the date of enactment.
- Revenue estimate: \$1.1 billion revenue loss.
- SFC Substitute: Follows the House bill and removes the requirement that loans must be made before Jan. 1, 2029.
- Effective for taxable years beginning after the date of enactment.
- SFC revenue estimate: \$2 billion revenue loss.
- Final Senate Language: Treats 25% of any qualified real estate loan as a tax-exempt obligation for purposes of disallowing interest deductions on indebtedness incurred by qualified lenders to purchase or carry such loan.
- Modifies coordination with Section 265 with the result that the limitation on expenses and interest related to tax-exempt obligations apply to 25% of any qualified real estate loan.
- Final Senate Language revenue estimate: \$2 billion revenue loss.

Senate Section 70436. Elimination of Tax on Certain Devices Under the National Firearms Act. (House Section 112029)

- Repeals the \$200 transfer excise tax on firearm silencers by removing “silencer” from the definition of a firearm (under 18 U.S.C. 921) for purposes of the National Firearms Act.
- Effective for transfers after the date of enactment.
- House Manager’s Amendment: Also repeals the \$200 excise tax on the production of firearm silencers (under IRC Section 5821), and changes the effective date for calendar quarters beginning more than 90 days after the date of enactment.
- Revenue estimate: \$1.5 billion revenue loss.
- SFC Substitute: Repeals the \$200 transfer tax on firearm silencers, short-barreled rifles and short-barreled shotguns by removing those devices from the definition of “firearm” in the section 5845 instead of removing from the definition of “firearm” in the National Firearms Act.
- Preempts state or local licensing and registration requirements, which are determined by reference to the National Firearms Act, by treating anyone in compliance with federal law to be in compliance with state or local law.
- Changes the effective date to calendar quarters beginning more than 90 days after the date of enactment.
- SFC revenue estimate: \$1.7 billion revenue loss.
- Final Senate Language: For firearms other than machine guns or destructive devices, reduces the \$200 transfer tax to \$0.
- Final Senate Language revenue estimate: \$1.7 billion revenue loss.

[NEW] Senate Section 70437. Treatment of capital gains from the sale of certain farmland property

- Final Senate Language: Allows taxpayer to pay applicable net tax liability with regard to gain from sale or exchange of qualified farmland to a qualified farmer in four equal annual installments.
- Requires acceleration of unpaid installments upon certain conditions, including death, in the case of a C corporation, trust or estate, a liquidation, sale of substantially all of the assets or a cessation of business.

- Provides that in the case of a partnership or S corporation, the election is made at the partner or shareholder level.
- Defines qualified farmer as any individual who is actively engaged in farming.
- Defines qualified farmland property as real property located in the United States, which:
 - Has been used by a taxpayer for farming purposes or leased to a qualified farmer for substantially all of the 10-year period prior to the sale or exchange for farming purposes, and
 - The use of which is restricted to farming purposes for 10 years after the date of sale.
- [Final Senate Language revenue estimate](#): \$7.3 billion revenue loss.

Senate Section ~~70427-70438~~. Extension of Rules for Treatment of Certain Disaster-Related Personal Casualty Losses. (House Section 110114)

- Allows taxpayers to claim disaster-related personal casualty losses, without having to itemize, beyond the current expiration date of Feb. 10, 2025, through the date of enactment.
- [SFC Substitute](#): Follows the House bill, and extends the rule through 30 days after the date of enactment.
- [SFC revenue estimate](#): \$58 million revenue loss.
- [Final Senate Language](#): No change to the SFC Substitute.
- [Final Senate Language revenue estimate](#): \$58 million revenue loss.

[REINSTATED] Senate Section 70439. Restoration of Taxable REIT Subsidiary Asset Test. (House Section 111112)

- Increases the percentage of a real estate investment trust's total assets that may be held in a taxable Real Estate Investment Trust (REIT) subsidiary from 20% to 25%.
- Effective for tax years beginning after Dec. 31, 2025.
- [Revenue estimate](#): \$3.3 billion revenue loss.
- [SFC Substitute](#): Eliminates this provision from the bill.
- [Final Senate Language](#): Restores provision from the House bill.
- [Final Senate Language revenue estimate](#): \$3.2 billion revenue loss.

CHAPTER 5 – ENDING GREEN NEW DEAL SPENDING, PROMOTING AMERICA-FIRST ENERGY AND OTHER REFORMS

Subchapter A – Termination of Green New Deal Subsidies

Senate Section 70501. Termination of Previously Owned Clean Vehicle Credit. (House Section 112001)

- Terminates the Section 25E credit for previously owned vehicles acquired after Dec. 31, 2025 (previously Dec. 31, 2032).
- Effective for vehicles acquired after Dec. 31, 2025.
- [Revenue estimate](#): \$7.4 billion revenue gain.
- [SFC Substitute](#): Terminates the credit for vehicles acquired more than 90 days after the date of enactment.
- [SFC revenue estimate](#): \$7.4 billion revenue gain.
- [Final Senate Language](#): Terminates the credit for previously owned vehicles acquired after Sept. 30, 2025.

- [Final Senate Language revenue estimate: \\$7.4 billion revenue gain.](#)

Senate Section 70502. Termination of Clean Vehicle Credit. (House Section 112002)

- Terminates the Section 30D clean vehicle credit for vehicles placed in service after Dec. 31, 2025 (previously Dec. 31, 2032).
- Provides an exception allowing the credit for clean vehicles placed in service in 2026 if the manufacturer placed in service 200,000 or less “covered vehicles” between Dec. 31, 2009, and Dec. 31, 2025. Defines covered vehicles as those manufactured and sold in the United States that are new, qualified plug-in elective vehicles placed in service before Jan. 1, 2023, or clean vehicles.
- Effective for vehicles placed in service after Dec. 31, 2025.
- Revenue estimate: \$78.5 billion revenue gain.
- SFC Substitute: Does not include the exception from the House and simply terminates the credit for vehicles acquired more than 180 days after the date of enactment.
- SFC revenue estimate: \$78.4 billion revenue gain.
- [Final Senate Language: Terminates the credit for any vehicle acquired after Sept. 30, 2025.](#)
- [Final Senate Language revenue estimate: \\$77.8 billion revenue gain.](#)

Senate Section 70503. ~~Modification and~~ Termination of Qualified Commercial Clean Vehicles Credit. (House Section 112003)

- Terminates the Section 45W credit for qualified commercial clean vehicles placed in service after Dec. 31, 2025 (previously Dec. 31, 2032).
- Provides an exception allowing the credit for vehicles placed in service before Jan. 1, 2033, provided they were acquired pursuant to a written binding contract entered into before May 12, 2025.
- Effective for vehicles acquired after Dec. 31, 2025.
- Revenue estimate: \$104.6 billion revenue gain.
- SFC Substitute: Does not include any provisions from the House. Modifies the rules for vehicles with a gross vehicle weight rating of less than 14,000 pounds, in a variety of ways:
 - Final assembly must occur in North America to be eligible for the credit;
 - No credit is allowed for a vehicle with a manufacturer’s suggested retail price in excess of the limitation amounts listed in section 30D(f)(11); and
 - Excludes such vehicles from being eligible if as described in section 30D(d)(7) (i.e., generally if critical minerals of the battery or its components were extracted, processed or manufactured by a foreign entity of concern), or that do not satisfy sections 30D(e)(1)(A) and 30D(e)(2)(A) (i.e., generally that a specified percentage of the critical minerals in the battery of an electric car were extracted or processed in the United States or a country with which the United States has a free trade agreement, or were recycled in North America).
 - Changes applicability date to vehicles acquired after June 16, 2025.
 - The credit is terminated for any vehicle acquired more than 180 days after enactment.
- SFC revenue estimate: \$108 billion revenue gain.

- [Final Senate Language](#): Does not include any provisions from the SFC Substitute and simply terminates the credit for any vehicle acquired after Sept. 30, 2025.
- [Final Senate Language revenue estimate](#): \$104.5 billion revenue gain.

Senate Section 70504. Termination of Alternative Fuel Vehicle Refueling Property Credit. (House Section 112004)

- Terminates the Section 30C credit for qualified alternative fuel vehicle refueling property placed in service after Dec. 31, 2025 (previously Dec. 31, 2032).
- Effective for property placed in service after Dec. 31, 2025.
- [Revenue estimate](#): \$1.2 billion revenue gain.
- [SFC Substitute](#): Terminates the credit for property placed in service more than 12 months after the date of enactment.
- [SFC revenue estimate](#): \$2 billion revenue gain.
- [Final Senate Language](#): Terminates the credit for property placed in service after June 30, 2026.
- [Final Senate Language revenue estimate](#): \$1.9 billion revenue gain.

Senate Section 70505. Termination of Energy Efficient Home Improvement Credit. (House Section 112005)

- Terminates the Section 25C credit for qualified energy efficiency improvements, residential energy property expenditures and the amount paid for home energy audits after Dec. 31, 2025 (previously Dec. 31, 2032).
- Effective for property placed in service (or property expenditures or audit costs) after Dec. 31, 2025.
- [Revenue estimate](#): \$21.2 billion revenue gain.
- [SFC Substitute](#): Terminates the credit for property placed in service more than 180 days after the date of enactment.
- [SFC revenue estimate](#): \$21.2 billion revenue gain.
- [Final Senate Language](#): Terminates the credit for property placed in service after Dec. 31, 2025.
- [Final Senate Language revenue estimate](#): \$21.2 billion revenue gain.

Senate Section 70506. Termination of Residential Clean Energy Credit. (House Section 112006)

- Terminates the Section 25D residential clean energy credit for property placed in service after Dec. 31, 2025 (previously Dec. 31, 2034).
- Effective for property placed in service after Dec. 31, 2025.
- [Revenue estimate](#): \$77.4 billion revenue gain.
- [SFC Substitute](#): Terminates the credit for property placed in service more than 180 days after the date of enactment.
- [SFC revenue estimate](#): \$77.4 billion revenue gain.
- [Final Senate Language](#): Terminates the credit with respect to any expenditures made after Dec. 31, 2025.
- [Final Senate Language revenue estimate](#): \$77.3 billion revenue gain.

Senate Section 70507. Termination of Energy Efficient Commercial Buildings Deduction.

- Terminates the Section 179D energy efficient commercial buildings deduction with respect to property, the construction of which begins more than 12 months after the date of enactment.
- SFC revenue estimate: \$134 million revenue gain.
- Final Senate Language: Terminates the deduction for property where construction begins after June 30, 2026.
- Final Senate Language revenue estimate: \$134 million revenue gain.

Senate Section 70508. Termination of New Energy Efficient Home Credit. (House Section 112007)

- Terminates the Section 45L new energy efficient home credit for qualifying homes sold after Dec. 31, 2025 (previously Dec. 31, 2032).
- Provides an exception allowing the credit for homes sold in 2026 provided that construction began before May 12, 2025.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$6.0 billion revenue gain.
- SFC Substitute: Does not include the exception from the House and simply terminates the credit for qualifying homes sold more than 12 months after the date of enactment.
- SFC revenue estimate: \$5.4 billion revenue gain.
- Final Senate Language: Terminates the credit for homes sold after June 30, 2026.
- Final Senate Language revenue estimate: \$5.4 billion revenue gain.

Senate Section 70509. Termination of Cost Recovery for Energy Property.

- Amends section 168 and terminates the five-year accelerated cost recovery (through depreciation deductions) for section 45Y qualified facilities, section 48E qualified property and section 48E energy storage technology that is placed in service after the date of enactment.
- As a result, taxpayers will generally need to capitalize and recover such costs over a longer period of time.
- SFC revenue estimate: \$404 million revenue gain.
- Final Senate Language: It terminates the five-year accelerated cost recovery for energy property under section 48(a)(3)(A) that begins construction after Dec. 31, 2024. However, it keeps accelerated recovery for qualified facilities under section 45Y(v)(1)(A), qualified property under Section 48E(b)(2), and energy storage technology under 48E(c)(2).
- Final Senate Language revenue estimate: \$324 million revenue gain.

Senate Section 70510. Modifications of Zero-Emission Nuclear Power Production Credit. (House Section 112012)

- Phases out the Section 45U zero-emission nuclear power production credit by reducing the credit by: (i) 20% for electricity produced and sold in 2029, (ii) 40% for electricity produced and sold in 2030, (iii) 60% for electricity produced and sold in 2031, and (iv) 100% for electricity produced and sold after Dec. 31, 2031.
- Disallows the credit for any taxable year beginning after the date of enactment for any specified foreign entity.
- Disallows the credit for any taxable year beginning two years after the date of enactment for any foreign-influenced entity.

- Terminates transferability of the credit for electricity produced and sold after Dec. 31, 2027.
- Effective for taxable years beginning after the date of enactment, except for the repeal of credit transferability, which is effective for electricity produced and sold after Dec. 31, 2027.
- House Manager's Amendment: Removes the credit phase-out and terminates the credit for taxable years beginning after Dec. 31, 2031. Revises the bill so that the credit is still transferable.
- Revenue estimate: \$3.8 billion revenue gain.
- SFC Substitute: Similar to the House in that it disallows the credit for any taxable year beginning after the date of enactment for any specified foreign entity, and disallows the credit for any taxable year beginning two years after the date of enactment for any foreign-influenced entity (without regard to section 7701(a)(51)(D)(i)(II)).
- SFC revenue estimate: Negligible revenue effect.
- Final Senate Language: It makes major changes to the prior proposal and simply (1) disallows the credit for taxable years after enactment if the taxpayer is a specified foreign entity, and (2) disallows the credit for any taxable year beginning more than two years after enactment if the taxpayer is a foreign influenced entity under section 7701(a)(51)(D), without regard to clause (i)(II) (i.e., the effective control rules).
- Final Senate Language revenue estimate: Negligible revenue effect.

Senate Section 70511. Termination of Clean Hydrogen Production Credit. (House Section 112013)

- Repeals the credit for a qualified clean hydrogen production facility for facilities that do not begin construction before Jan. 1, 2026 (previously Jan. 1, 2033).
- Effective for facilities that begin construction after Dec. 31, 2025.
- Revenue estimate: \$9.2 billion revenue gain.
- SFC Substitute: No change to the House bill.
- SFC revenue estimate: \$7.1 billion revenue gain.
- Final Senate Language: Terminates the credit for facilities that do not begin construction before Jan. 1, 2028.
- Final Senate Language revenue estimate: \$5.9 billion revenue gain.

Senate Section 70512. ~~Phase-out~~ Termination and Restrictions on Clean Electricity Production Credit. (House Section 112008)

- Phases out the Section 45Y clean electricity production credit by reducing the credit by: (i) 20% for facilities placed in service in 2029, (ii) 40% for facilities placed in service in 2030, (iii) 60% for facilities placed in service in 2031, and (iv) 100% for facilities placed in service after Dec. 31, 2031.
- Amends the definition of "qualified facility" to exclude any facility that begins construction more than one year after the date of enactment if the construction of such facility includes material assistance from a prohibited foreign entity.
- Disallows the credit for any taxable year beginning after the date of enactment for any specified foreign entity.
- Disallows the credit for any taxable year beginning two years after the date of enactment for any foreign-influenced entity.

- Disallows the credit for any taxable year beginning two years after the date of enactment if the taxpayer makes certain payments: (i) to a prohibited foreign entity in an amount equal to or exceeding 5% of the taxpayer's total payments related to electricity production during the taxable year, or (ii) to more than one prohibited foreign entity if the aggregate amount of such payments equals or exceeds 15% of the taxpayer's total payments related to electricity production during the taxable year.
- Terminates the transferability of the credit for facilities that begin construction more than two years after the date of enactment.
- Effective for taxable years beginning after the date of enactment, except the repeal of credit transferability, which is effective for credits generated by facilities that begin construction more than two years after the date of enactment.
- House Manager's Amendment: Removes the credit phase-out and terminates the credit for facilities (1) that commence construction more than 60 days after the date of enactment, or (2) are placed in service after Dec. 31, 2028. An exception continues the credit for advanced nuclear facilities and nuclear facilities with reactor designs approved by the Nuclear Regulatory Commission, provided construction (or expansion with respect to reactor designs approved by the NRC) begins before Jan. 1, 2029. Revises the bill such that facilities beginning construction after Dec. 31, 2025, are not qualified facilities if construction includes material assistance from a prohibited foreign entity. Revises the bill so that the credit is still transferable. Provides that no credit is allowed for any qualified solar water heating expenditure, qualified solar electric property expenditure, or qualified small wind energy property expenditure if the taxpayer rents or leases such property to a third party during the taxable year and the lessee would qualify for a Section 25D residential clean energy credit if the lessee owned such property.
- Revenue estimate: \$28.8 billion revenue gain.
- SFC Substitute: Amends the credit phase commencement period so that it starts after 2032 (regardless of how emissions compare to 2022).
- Changes the phase-out percentages for wind and solar facilities by reducing (and eliminating) the credit for such facilities by (i) by 40% if construction begins in 2026, (ii) 80% if construction begins in 2027, and (iii) 100% if construction begins after Dec. 31, 2027. An exception is provided for such facilities (such that phase-outs are the same as non-wind and solar facilities) that (i) have more than 1,000 megawatts of nameplate electricity generation capacity, and (ii) more than 25% of which is placed on land owned or controlled by the United States for which a right-of-way grant or lease was executed on or before June 16, 2025, by the Bureau of Land Management.
- Disallows the credit for facilities that begin construction after Dec. 31, 2025, if construction includes material assistance from a prohibited foreign entity (a specified foreign entity or a foreign-influenced entity).
- Disallows the credit for any taxable year beginning after the date of enactment for any prohibited foreign entity.
- Whether a taxpayer is a specified foreign entity or a foreign-influenced entity is generally determined as of the last day of the applicable taxable year. However, for the first taxable year after the date of enactment, the determination is made as of the first day of such taxable year.
- The term "specified foreign entity" generally refers to various types of foreign entities that are related to or controlled by foreign adversary nations, as well as foreign-controlled entities.

- The term “foreign-controlled entity” generally refers to certain foreign nationals and governments and entities that are controlled by them.
- The term “foreign-influenced entity” generally refers to an entity with respect to which one or more specified foreign entities have certain characteristics evidencing effective control, such as certain ownership percentages, rights to appoint board members or officers, and certain contractual arrangements. The Treasury Secretary is directed to issue guidance, but until such time, the provision lists a variety of contractual rights that each constitute effective control.
 - Note: While similar in many respects, these terms do contain differences from those used in the House bill (e.g., exceptions and additional requirements for publicly traded companies and different percentage ownership thresholds).
 - The term “material assistance from a prohibited foreign entity” generally looks to a cost ratio in excess of certain threshold amounts based on costs attributed to a prohibited specified entity. The calculations are complex (and an extended six-year assessment period for the IRS to determine deficiencies is included), and a comprehensive description is beyond the scope of this document. However, very generally, the threshold percentage:
 - For a qualified facility or energy storage technology (i) is 40% if construction begins in 2026, (ii) is 45% if construction begins in 2027, (iii) is 50% if construction begins in 2028, (iv) is 55% if construction begins in 2029, and (v) is 60% if construction begins after Dec. 31, 2029;
 - For solar energy components under section 45X(c)(3)(A), the percentage is (i) 50% if sold in 2026, (ii) 60% if sold in 2027, (iii) 70% if sold in 2028, (iv) 80% if sold in 2029, and (v) 85% if sold after Dec. 31, 2029;
 - For wind energy components under section 45X(c)(4)(A), the percentage is (i) 85% if sold in 2026, and (ii) 90% if sold in 2027;
 - For inverters described in sections 45X(c)(2)(B) through (g), the percentage is (i) 50% if sold in 2026, (ii) 55% if sold in 2027, (iii) 60% if sold in 2028, (iv) 65% if sold in 2029, and (v) 70% if sold after Dec. 31, 2029;
 - For qualifying battery components under section 45X(c)(5)(A), the percentage is (i) 60% if sold in 2026, (ii) 65% if sold in 2027, (iii) 70% if sold in 2028, (iv) 80% if sold in 2029, and (v) 85% if sold after Dec. 31, 2029; and
 - For applicable critical minerals under section 45X(c)(6), the percentage is (i) 0% if sold after Dec. 31, 2025, and before Jan. 1, 2030, (ii) 25% if sold in 2030, (iii) 30% if sold in 2031, (iv) 40% if sold in 2032, and (v) 50% if sold after Dec. 31, 2032.
- Disallows the section 45Y credit with respect to wind or solar facilities if the taxpayer rents or leases the property to a third party during the taxable year.
- For facilities that begin construction after Dec. 31, 2025, the SFC eliminates the exception (from meeting certain domestic standards) in section 45(g)(12)(D) to the phaseout for elective payment of the credit.
- Amends section 6418 to prohibit transferring credits under sections 45Q, 45U, 45X, 45Y, 45Z and 48E to specified foreign entities.

- Includes penalty provisions for substantial misstatements on certifications provided after Dec. 31, 2025, by suppliers for manufactured products, eligible components, constituent elements, materials or subcomponents of eligible components.
- Except as provided above, effective for taxable years beginning after the date of enactment.
- SFC revenue estimate: \$24.2 billion revenue gain.
- Final Senate Language: Instead of a phaseout, the final Senate language terminates the section 45Y credit for wind and solar facilities placed in service after Dec. 31, 2027. Effective for facilities that begin construction more than 12 months after the date of enactment.
- For purposes of determining whether there is material assistance from a prohibited foreign entity, the following applicable threshold percentages were updated for qualified facilities: (i) 40% if construction begins in 2026, (ii) 45% if construction begins in 2027, (iii) 50% if construction begins in 2028, (iv) 55% if construction begins in 2029, and (v) 60% if construction begins after Dec. 31, 2029.
- While the adjusted percentage for applicable critical minerals under section 45X(c)(6) did not change, the Secretary is directed to issue new thresholds (that equal or exceed existing thresholds) by Dec. 31, 2027, taking into account domestic geographic availability, supply chain constraints, domestic processing capacity needs, and national security concerns.
- For credits other than section 48E, amends the section 45(b)(11) definition of “energy community” to also include advanced nuclear facilities under section 45J(d)(2), which has a metropolitan statistical area that has (or, at any time after Dec. 31, 2009, had) 0.17% or greater direct employment advancing nuclear power.
- In determining whether a taxpayer is a foreign-influenced entity under the effective control rules, there is change to the effective dates, such that a taxpayer is not subject to effective control pursuant to a contractual provision provided that the agreement was entered into before the effective date and not modified thereafter (previously June 16, 2025).
- Note: While similar in many respects to the SFC Substitute, there are changes to the foreign entity-related definitions, rules and exceptions (e.g., for certain publicly traded companies), and a comprehensive description of such changes is beyond the scope of this document.
- Final Senate Language revenue estimate: \$24.9 billion revenue gain.

Senate Section 70513. ~~Phase-out~~ Termination and Restrictions on Clean Electricity Investment Credit. (House Section 112009)

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

- Disallows the credit for any taxable year beginning after the date of enactment for any specified foreign entity.
- Disallows the credit for any taxable year beginning two years after the date of enactment for any foreign-influenced entity.
- Disallows the credit for any taxable year beginning two years after the date of enactment if the taxpayer makes certain payments: (i) to a single prohibited foreign entity in an amount equal to or exceeding 5% of the taxpayer's total payments related to electricity production or storage or energy during the taxable year, or (ii) to more than one prohibited foreign entity if the aggregate amount of such payments equals or exceeds 15% of the taxpayer's total payments related to electricity production or storage of energy during the taxable year.
- Modifies the Section 48E credit recapture rules such that if a specified taxpayer (i.e., a taxpayer that has been allowed a Section 48E credit for any taxable year beginning more than two years after the date of enactment) makes an applicable payment (i.e., a payment to a prohibited foreign entity meeting a certain value threshold) during the 10-year period following placement in service, 100% of the credit for that property is recaptured, effectively extending the recapture period for Section 48E property with respect to which a payment to a prohibited foreign entity has been made.
- Terminates the transferability of the credit for facilities and energy storage technology for which construction begins more than two years after the date of enactment.
- Modifies the Section 48E(h)(4) low-income communities bonus credit such that the environmental justice capacity limitation may not be allocated after Dec. 31, 2031, no excess capacity limitation may be carried over to any year after such date, and facilities that have been awarded low-income communities bonus credits must be placed in service by the earlier of the date that is four years after the date such facilities have been allocated environmental justice capacity by the Treasury Secretary or Dec. 31, 2031, effectively ending the low-income communities bonus credit after 2031.
- Effective for taxable years beginning after the date of enactment, except the repeal of credit transferability applies to facilities for which construction begins more than two years after the date of enactment.
- House Manager's Amendment: Removes the credit phase-out and terminates the credit for facilities (1) that commence construction more than 60 days after the date of enactment, or (2) are placed in service after Dec. 31, 2028. An exception allows the credit for advanced nuclear facilities provided that construction begins before Jan. 1, 2029. Revises the bill such that facilities and energy storage technology beginning construction after Dec. 31, 2025, are not qualified facilities or energy storage property if construction includes material assistance from a prohibited foreign entity. Revises the bill so that the credit is still transferable, but the low-income bonus credit is effectively terminated after 2028. Provides that no credit is allowed for any qualified solar water heating expenditure, qualified solar electric property expenditure, or qualified small wind energy property expenditure if the taxpayer rents or leases such property to a third party during the taxable year and the lessee would qualify for a Section 25D residential clean energy credit if the lessee owned such property.
- Revenue estimate: \$171.8 billion revenue gain.
- SFC Substitute: For wind and solar facilities (but excluding energy storage technology placed in service at any such facility), the SFC phases out the section 48E credit (i) by 40% if construction

begins in 2026, (ii) by 80% if construction begins in 2027, and (iii) eliminates the credit for wind and solar facilities that begin construction after Dec. 31, 2027.

- Disallows the credit after the date of enactment for prohibited foreign entities.
- For facilities or property that begin construction after Dec. 31, 2025, the credit is disallowed if material assistance is provided by a prohibited foreign entity.
- Effective for any taxable year beginning more than two years after the date of enactment, the credit recapture rules are modified such that if a taxpayer makes an applicable payment under section 7701(a)(51)(D)(i)(II) (i.e., generally, a payment to a prohibited foreign entity) during the 10-year period following the placement in service, 100% of the credit for that property is recaptured, effectively extending the recapture period for section 48E property with respect to which a payment to a prohibited foreign entity has been made.
- Disallows the credit for certain solar and wind property, for taxable years beginning after the date of enactment, if the property is rented or leased to a third party during the year.
- Starting on June 16, 2025, the domestic content percentages are adjusted to: (i) 40% (20% for offshore wind) if construction begins before June 16, 2025, (ii) 45% (27.5% for offshore wind) if construction begins on or after June 16, 2025, and before Jan. 1, 2026, (iii) 50% (35% for offshore wind) if construction begins during calendar year 2026, and (iv) 55% if construction begins after Dec. 31, 2026.
- SFC revenue estimate: \$168.8 billion revenue gain.
- Final Senate Language: Instead of a phaseout, the final Senate language terminates the section 45E credit for wind and solar facilities (but not energy storage technology at a wind or solar facility) placed in service after Dec. 31, 2027. Effective for facilities that begin construction more than 12 months after the date of enactment.
- Includes language to make clear that the domestic content percentages apply to energy storage technology (in addition to qualified facilities).
- Eliminates the credit for energy property under section 48(a)(2)(A)(ii) (i.e., that is not otherwise enumerated under section 48(a)(2)(A)(i) such as qualified fuel cell property, qualified biogas property, etc.) that begins construction on or after June 16, 2025.
- Provides that qualified fuel cell property can be a qualified facility without regard to whether the anticipated greenhouse gas emissions rate is not greater than zero (and section 48E(g) with respect to recapture of the credit does not apply), and provides that the rate of the credit with respect to such property is 30% of the qualified investment (though it may not be increased or otherwise adjusted). This provision is effective for property that begins construction after Dec. 31, 2025.
- Final Senate Language revenue estimate: \$165.7 billion revenue gain.

Senate Section 70514. Phase-out and Restrictions on Advanced Manufacturing Production Credit. (House Section 112014)

- Accelerates the phase-out of the Section 45X advanced manufacturing production credit, repealing the credit for eligible components sold after Dec. 31, 2031.
- Disallows the credit for wind energy components sold after Dec. 31, 2027.
- Disallows the credit for any taxable year beginning after the date of enactment for any specified foreign entity.

- Disallows the credit for any taxable year beginning more than two years after the date of enactment for any foreign-influenced entity.
- Amends the definition of “eligible component” for taxable years beginning more than two years after the date of enactment to exclude any property: (i) that includes any material assistance from a prohibited foreign entity, or (ii) is produced subject to a licensing agreement valued above \$1 million with a prohibited foreign entity, effectively disallowing the credit for property produced with a material amount of assistance from certain foreign entities of concern.
- Disallows the credit for any taxable year beginning more than two years after the date of enactment if the taxpayer makes certain payments: (i) to a single prohibited foreign entity in an amount equal to or exceeding 5% of the taxpayer’s total payments related to the production of eligible components within such eligible component category (i.e., solar energy components, wind energy components, certain inverters, qualifying battery components and applicable critical minerals) during the taxable year, or (ii) to more than one prohibited foreign entity if the aggregate amount of such payments equals or exceeds 15% of the taxpayer’s total payments related to the production of eligible components within such eligible component category during the taxable year.
- Terminates transferability of the credit attributable to components sold after Dec. 31, 2027.
- Effective for taxable years beginning after the date of enactment, except for the repeal of credit transferability, which is effective for components sold after Dec. 31, 2027.
- Revenue estimate: \$44.2 billion revenue gain.
- SFC Substitute: Strikes section 45X(d)(4) relating to the sale of integrated components for components sold during taxable years beginning after Dec. 31, 2026. Phases out (and eliminates) the credit for applicable critical minerals (i) by 25% for critical minerals produced during 2031, (ii) by 50% for critical minerals produced during 2032, (iii) by 75% for critical minerals produced during 2033, and (iv) by 100% for critical minerals produced after Dec. 31, 2033. Terminates credit for wind energy components produced and sold after Dec. 31, 2027. Disallows the credit for taxable years beginning after the date of enactment for property which includes assistance from a prohibited foreign entity. Disallows the credit for taxable years beginning after the date of enactment for prohibited foreign entities.
- SFC revenue estimate: \$50.7 billion revenue gain.
- Final Senate Language: With respect to the integrated components rule in Section 45X(d)(4), if one component (primary component) is incorporated into another component (secondary component), and such secondary component is sold to an unrelated person, the primary component is also treated as sold to an unrelated person if (1) both components were produced in the same manufacturing facility, and (2) at least 65% of the total direct material costs to produce the secondary component are attributable to primary components produced in the United States. This provision is effective for components sold in taxable years beginning after Dec. 31, 2025. The other changes below apply to taxable years beginning after the date of enactment.
- Keeps the same phaseout for applicable critical minerals but carves out metallurgical coal.
- Amends the definition of battery module under section 45X(c)(5)(B)(iii) to require (in addition to the existing requirements) that it be comprised of all other essential equipment needed for battery functionality (e.g., current collector assemblies and voltage sense harnesses).

- Amends the definition of applicable critical minerals under section 45X(c)(6) to include metallurgical coal suitable for use in the production of steel, regardless of whether such production occurs in the U.S., and providing for a 2.5% (rather than 10%) credit amount rate with respect thereto.
- [Final Senate Language revenue estimate](#): \$50 billion revenue gain.

Senate Section 70515. Restriction on the Extension of Advanced Energy Project Credit Program.

- If the certification for any section 48C qualifying advanced energy project was revoked (e.g., because a project was not timely placed in service), the credits allocated to such project were able to be reissued to other projects. The SFC amends section 48C such that if a certification is revoked, the previously allocated credits are no longer able to be reissued.
- Effective on the date of enactment.
- [SFC revenue estimate](#): Negligible revenue effect.
- [Final Senate Language](#): No changes.
- [Final Senate Language revenue estimate](#): Negligible revenue effect.

Subchapter B – Enhancement of America-First Energy Policy

Senate Section 70521. Extension and Modification of Clean Fuel Production Credit. (House Section 111111)

- Extends the Section 45Z clean fuel production credit for transportation fuel sold before Jan 1, 2032 (previously Jan. 1, 2028).
- Requires that the feedstock for transportation fuel sold after Dec. 31, 2025, be produced or grown in the United States, Mexico or Canada.
- For taxable years beginning after Dec. 31, 2025, excludes from lifecycle greenhouse gas emissions rates emissions attributed to indirect land use change and for fuels derived from animal manure, there will be separate rates based on the type of manure (including but not limited to dairy manure, swine manure and poultry manure).
- Disallows the credit for any taxable year beginning after the date of enactment for any specified foreign entity (which generally includes foreign terrorist organizations, those on the specially designated nationals and blocked person list maintained by OFAC, foreign entities determined to be engaged in unauthorized conduct that is detrimental to the national security or foreign policy of the United States, and other similar entities as described in new Section 7701(a)(51)(B)).
- Disallows the credit for any taxable year beginning two years after the date of enactment for any foreign-influenced entity (which generally includes a specified foreign entity has authority to appoint a covered officer or one or more specified foreign entities have a sufficient ownership stake in the applicable entity, as described in new Section 7701(a)(51)(D)).
- The prohibition on foreign feedstocks applies to transportation fuel sold after Dec. 31, 2025; emission rate determinations apply to emission rates published for taxable years beginning after Dec. 31, 2025; the credit extension is effective on the date of enactment; and the restrictions on foreign entities apply to taxable years beginning after the date of enactment.
- [Revenue estimate](#): \$45.4 billion revenue loss. (*Note: The revenue estimates for Sections 111111 and 112010 are aggregated in one estimate.)

- SFC Substitute: Reduces the credit by 20% for fuel produced after Dec. 31, 2025, to the extent produced from feedstocks produced or grown outside the United States.
- For fuel produced after Dec. 31, 2025, negative emissions rates are generally prohibited. However, the Treasury Department is permitted to provide distinct emissions rates for feedstock from various animal manures, which may be less than zero.
- For fuel produced after Dec. 31, 2025, lifecycle GHG emissions rates shall be adjusted to exclude emissions attributed to indirect land use change.
- Extends the credit to fuel sold before Jan. 1, 2032.
- Includes provisions to avoid double credits under sections 45Z and 6426 for fuel sold after Dec. 31, 2024, and terminates the section 6426(k) credit for sustainable aviation fuel sold after Sept. 30, 2025.
- Eliminates the special rates applicable to sustainable aviation fuel produced after Dec. 31, 2025.
- Disallows the credit for taxable years beginning after the date of enactment for specified foreign entities.
- Disallows the credit for taxable years beginning more than two years after the date of enactment for foreign-influenced entities (without regard to section 7701(a)(51(D)(i)(II)).
- SFC revenue estimate: \$57.1 billion revenue loss.
- Final Senate Language: Requires that the feedstock for transportation fuel sold after Dec. 31, 2025, be produced or grown in the United States, Mexico or Canada (as opposed to a reduction in the credit amount for foreign feedstocks).
- Requires (rather than permits) the Secretary to provide distinct emissions rates with respect to fuels derived from animal manure, which may be less than zero.
- Shortens the duration of the credit so that it only applies to fuel sold before Jan. 1, 2030 (as opposed to Jan. 1, 2032).
- For any sustainable aviation fuel in a qualified mixture, no credit shall be permitted under section 6426(k) for which a credit under section 45Z is available, for fuel sold or used before, on, or after the date of enactment.
- For fuel sold or used after June 30, 2025, adds a provision that extends the section 40A(b)(4) small agri-biodiesel credit to fuel sold before Jan. 1, 2025, increases the value of such credit from 10 cents to 20 cents per gallon, allows it to be claimed in addition to any section 45Z credit, and also allows such credit to be transferable under section 6418.
- Final Senate Language revenue estimate: \$25.7 billion revenue loss.

Senate Section 70522. Restrictions on Carbon Oxide Sequestration Credit. (House Section 112011)

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

- Revenue estimate: \$18.0 billion revenue gain.
- SFC Substitute: Disallows the credit for taxable years beginning after the date of enactment for specified foreign entities or foreign influenced entities (without regard to section 7701(a)(51)(D)(i)(II)). For facilities or equipment placed in service after Dec. 31, 2022, it conforms credit values for captured carbon oxide that is: (1) disposed of in secure geological storage, (2) utilized as a tertiary injectant in a qualified enhanced oil or natural gas recovery project and disposed of in secure geological storage, and (3) utilized (pursuant to section 45Q(f)(5)). Amends the applicable dollar amount such that it becomes indexed for inflation starting in 2028 (instead of 2027 under current law).
- SFC revenue estimate: \$14.2 billion revenue loss.
- Final Senate Language: Similar to the SFC Substitute, but (1) the parity/conforming credit values for secure geological storage, tertiary injectants in qualified enhanced oil or natural gas recovery project and disposed of in secure geological storage, and utilized (pursuant to section 45Q(f)(5)) applies to facilities or projects placed in service after the date of enactment (instead of after Dec. 31, 2022), and (2) the applicable dollar amount becomes indexed for inflation in 2027 (instead of 2028).
- Final Senate Language revenue estimate: \$14.2 billion revenue loss.

Senate Section 70523. Intangible Drilling and Development Costs Taken Into Account for Purposes of Computing Adjusted Financial Statement Income.

- The corporate alternative minimum tax is based on adjusted financial statement income ("AFSI"). This provision would amend section 56A (which defines and determines how AFSI is computed) by requiring that AFSI (i) be reduced by any deduction allowed for intangible drilling and development costs in oil and gas well and geothermal wells under sections 263(c), 59(e) or 291(b)(2), and (ii) disregard depletion expense that is taken into account on the taxpayer's applicable financial statement with respect to the intangible drilling and development costs.
- Effective for taxable years beginning after Dec. 31, 2025.
- SFC revenue estimate: \$427 million revenue loss.
- Final Senate Language: No changes.
- Final Senate Language revenue estimate: \$427 million revenue loss.

Senate Section 70524. Income from Hydrogen Storage, Carbon Capture, Advanced Nuclear, Hydropower, and Geothermal Energy Added to Qualifying Income of Certain Publicly Traded Partnerships Treated as Corporations. (House Section 112016)

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

- SFC Substitute: Expands qualifying income for publicly traded partnerships to include income and gains from: (1) the production of electricity or thermal energy using geothermal or qualified hydropower production, and (2) the operation of equipment (i) used to produce, distribute or use energy derived from a geothermal deposit and (ii) which uses the ground or ground water as a thermal energy source to heat a structure or as a thermal energy sink to cool a structure.
- SFC revenue estimate: \$3.2 billion revenue loss.
- Final Senate Language: Substantially similar to the SFC Substitute. With respect to qualified facilities, there is a clarifying change that, with respect to qualified facilities, it is without regard to the date that construction of the facility or equipment is required to begin (whereas the SFC Substitute provided it was without regard to the date that construction of the facility is required to begin).
- Final Senate Language revenue estimate: \$3.2 billion revenue loss.

Senate Section 70525. Allow for Payments to Certain Individuals Who Dye Fuel.

- Adds new section 6435 to create a refund mechanism for federal fuel excise taxes that were actually paid on diesel or kerosene fuel that was indelibly dyed (and used in a non-taxable manner) pursuant to section 4082(a).
- Effective for eligible indelibly dyed diesel fuel or kerosene removed on or after the date that is 180 days after the date of enactment.
- SFC revenue estimate: \$6 million revenue loss.
- Final Senate Language: No changes.
- Final Senate Language revenue estimate: \$6 million revenue loss.

Subchapter C – Other Reforms

[REINSTATED] Section 70531. Modifications to De Minimis Entry Privilege for Commercial Shipments. (House Section 112030)

- Repeals the de minimis privilege worldwide, under Section 321 of the Tariff Act of 1930, which generally allows shipments bound for American businesses and consumers valued under \$800 to enter the United States free of duties or taxes, and increases penalties for violators.
- SFC Substitute: Eliminates this provision from the bill.
- Final Senate Language: Restores the provision from the House bill and creates an additional penalty (\$5,000 for the first violation and \$10,000 for each subsequent violation); repeals commercial shipping exception; and becomes effective July 1, 2027.
- Final Senate Language revenue estimate: Not estimated by JCT.

CHAPTER 6 – ENHANCING DEDUCTION AND INCOME TAX CREDIT GUARDRAILS, AND OTHER REFORMS

Subchapter A – Enhancing Deduction Guardrails and Other Reforms

Senate Section ~~70602~~ 70601. Extension and Modification of Limitation on Excess Business Losses of Noncorporate Taxpayers. (House Section 112026)

- Makes permanent the limitation on excess business loss (EBL) of a taxpayer other than a corporation.
- Modifies the limitation on excess business losses by adding “specified losses” to the calculation of EBL, which allows the full amount of the specified loss (not reduced by the 80% limitation

under section 172(a)) attributable to an EBL disallowance to increase the subsequent year's aggregate deductions used in calculating such year's excess business loss. A specified loss is treated as an NOL arising from the original taxable year incurred.

- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$26.5 billion revenue gain.
- SFC Substitute: Makes permanent the limitation on EBLs of a taxpayer other than a corporation.
- Provides that current year disallowed EBLs after Dec. 31, 2024, are carried forward to the succeeding taxable year and included in the calculation of aggregate deductions for purposes of such year.
- Extends EBL carryover tax attributes to beneficiaries upon termination of estates or trusts.
- Subjects EBL carryovers to the tax attribute reduction rules applicable to cancellation of debt income under Section 108 and carryover of tax attributes in Section 1398.
- Postpones effectiveness until taxable years beginning after Dec. 31, 2026.
- SFC revenue estimate: \$8.4 billion revenue gain.
- Final Senate Language: Leaves permanent the limitation on EBLs. Removes all restrictions on carryover EBLs that were in the SFC Substitute. Updates the base year for inflation adjustments to 2024.
- Final Senate Language revenue estimate: \$641 million revenue gain.

Senate Section ~~70603~~-70602. Treatment of Payments from Partnerships to Partners for Property or Services. (House Section 112032)

- Clarifies that the rules under section 707(a), regarding the treatment of payments to partners for property or services, are self-executing and are not dependent on the issuance of Treasury Regulations to be effective.
- Effective to services performed, and property transferred, after the date of enactment.
- Revenue estimate: \$12.4 billion revenue gain.
- SFC Substitute: No change to the House bill.
- SFC revenue estimate: \$12.4 billion revenue gain.
- Final Senate Language: No changes.
- Final Senate Language revenue estimate: \$12.4 billion revenue gain.

Senate Section ~~70604~~-70603. Excessive Employee Remuneration from Controlled Group Members and Allocation of Deduction. (House Section 112019)

- Applies aggregation rules to specified covered employees of controlled groups to prevent the use of related entities to structure around the Section 162(m) \$1 million executive compensation deduction limitation.
- Defines "controlled group" to refer to groups treated as a single employer for certain benefit purposes.
- Defines "specified covered employee" to refer to: (i) the principal executive officer (PEO) or principal financial officer (PFO) of a publicly traded corporation, (ii) the three highest (aside from the PEO or PFO) compensated employees of a publicly traded corporation, (iii) any employee of the publicly traded corporation who was covered by (i) or (ii) for any taxable year beginning after Dec. 31, 2016, and (iv) for tax years beginning after Dec. 31, 2026, any employee of a

member of the aggregated group (other than the persons listed in (i) or (ii)) who would be among the five highest compensated employees of the aggregated controlled group.

- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$15.7 billion revenue gain.
- SFC Substitute: States that this limitation will be based on the aggregate compensation received from all entities within the controlled group. Any resulting deduction limitation will be allocated proportionally among the controlled group members that pay compensation to the relevant employees.
- SFC revenue estimate: \$15.7 billion revenue gain.
- Final Senate Language: No change to the SFC Substitute.
- Final Senate Language revenue estimate: \$15.7 billion revenue gain.

Senate Section ~~70606~~-70604. Excise Tax on Certain Remittance Transfers. (House Section 112105)

- Imposes a 3.5% excise tax on remittance transfers to be paid by the sender, with remittance transfer providers to collect excise taxes, and remit such tax quarterly to the Secretary of the Treasury.
- Imposes secondary liability on remittance transfer providers for any tax that is not paid at the time of the transfer.
- Creates an exception for remittance transfers that are sent by verified U.S. citizens or U.S. nationals.
- Creates a refundable tax credit for any excise taxes required to be paid by taxpayers with valid Social Security numbers.
- Effective for transfers made after Dec. 31, 2025; the tax credit available to senders that are U.S. citizens is effective for taxable years after Dec. 31, 2025.
- SFC Substitute: Creates an exception for remittance transfers sent from accounts subject to the Bank Secrecy Act, or are funded with a debit card or a credit card issued in the United States.
- SFC revenue estimate: \$1 billion revenue gain.
- Final Senate Language: Lowers the Remittance Tax from 3.5% to 1%, and limits tax to cash or similar transactions (e.g., cash, money order, cashier's check or similar physical instruments). This provision would become effective for remittance transfers after Dec. 31, 2025.
- Final Senate Language revenue estimate: \$10 billion revenue gain.

Subchapter B — Enhancing Tax Credit Guardrails and Other IRS Reforms

Senate Section ~~70611~~-70605. Enforcement Provisions with Respect to COVID-Related Employee Retention Credits. (House Section 112205)

- Defines an ERTC promoter as any person who provides aid, assistance or advice related to an affidavit, refund, claim or other document concerning an ERTC, if:
 - The person meets the materiality standard—meaning more than 20% of their gross receipts in a year come from ERTC-related services and they charge fees based on the size of the refund or credit; or
 - The person meets the gross receipts test—meaning more than 50% of their revenue comes from ERTC-related services, or those services account for over 20% of their revenue and exceed \$500,000 (certified PEOs are excluded).

- Increases the penalty for ERTC promoters under section 6701 to the greater of \$200,000 (\$10,000 for individuals) or 75% of the promoter's gross income from ERTC-related services, and applies retroactively to actions taken since the ERTC was enacted.
- Requires ERTC promoters to meet due diligence requirements regarding a taxpayer's eligibility for or amount of the ERTC, with a \$1,000 assessable penalty for each failure to comply.
- Establishes a "knows or has reason to know" threshold for failure to meet due diligence standards with respect to aiding and abetting penalties on understatements of tax liability after the date of enactment.
- Provides a 90-day grace period after the date of enactment for ERTC promoters to comply with new disclosure and list-keeping requirements for pre-enactment activities, without imposing duplicative reporting for obligations already required under existing law.
- Bars ERTC refunds or credits after the date of enactment unless the original claim was filed by Jan. 31, 2024, while allowing amended claims that reduce excessive amounts to be treated as part of the timely original filing.
- Extends the ERTC statute of limitations to six years after the latest of the original return filing date, the deemed filing date under current law or the date the ERTC claim is submitted.
- Effective as of the date of enactment, with exceptions:
 - Penalty changes apply retroactively to aid provided after March 12, 2020;
 - Due diligence rules apply prospectively;
 - No ERTC refunds are allowed after the date of enactment unless filed by Jan. 31, 2024; and
 - The extended statute of limitations applies to assessments made after the date of enactment.
- Revenue estimate: \$6.3 billion revenue gain.
- SFC Substitute: Changes the effective date such that all provisions take effect upon enactment, with no retroactive penalties for ERTC promoters.
- Modifies penalty structure to not increase high-penalty framework for promoters; the \$1,000 per violation penalty remains unchanged.
- SFC revenue estimate: \$1.6 billion revenue gain.
- [Final Senate Language](#): No change to the SFC Substitute.
- [Final Senate Language revenue estimate](#): \$1.6 billion revenue gain.

Senate Section ~~70612~~-70606. Social Security Number Requirement for American Opportunity and Lifetime Learning Credits. (House Section 112105)

- Requires a student claiming the American Opportunity Tax Credit and Lifetime Learning Credit (or a taxpayer filing on behalf of the student) to have a Social Security number in order to qualify for the credit.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$891 billion revenue gain.
- SFC Substitute: No change to the House bill.
- SFC revenue estimate: \$869 million revenue gain.

- [Final Senate Language](#): Removes requirement for the submission of a married individual's spouse's Social Security number for said individual to claim the American Opportunity Tax Credit.
- [Final Senate Language revenue estimate](#): \$639 million revenue gain.

Senate Section ~~70614~~-70607. Task Force on the Termination of Direct File. (House Section 112206)

- Terminates the IRS Direct File Program, through which the IRS prepares and files tax returns for eligible taxpayers.
- Requires a report to Congress on the feasibility of enhancing the existing IRS Free File Program, a public-private partnership through which the lowest 70% of income earners are eligible for free preparation and filing of their federal income tax return.
- [SFC Substitute](#): No change to the House bill.
- [SFC revenue estimate](#): Negligible revenue effect.
- [Final Senate Language](#): Deletes subsection (a) terminating the Direct File project and changes the language previously in subsection (b) on creating a task force on "enhancing and establishing" public-private partnerships that are focused on providing free tax filing.
- [Final Senate Language revenue estimate](#): No revenue effect.

Subtitle B – Health Care

CHAPTER 1 – MEDICAID

The health care provisions are covered by BHFS's Health team in [Key Differences in Provisions Between Draft Senate and House-Passed Reconciliation Bill](#).

CHAPTER 2 – MEDICARE

Senate Section 71201. Limiting Medicare Coverage of Certain Individuals. (House Section 112103)

- Limits Medicare benefit coverage to U.S. citizens, aliens who are lawfully admitted for permanent residency, certain aliens who are physically present in the United States as parolees but are citizens or nationals of Cuba, and individuals who lawfully reside in the United States in accordance with a Compact of Free Association.
- Requires the Social Security Commissioner to identify those ineligible for Medicare benefits not later than six months after the date of enactment, with the notice of ineligibility required to be given and benefits terminated as of one year after the date of enactment.
- Effective one year after the date of enactment.
- [Revenue estimate](#): \$5.4 billion revenue gain.
- [SFC Substitute](#): No change to the House bill.
- [SFC revenue estimate](#): Estimate to be provided by the Congressional Budget Office.
- [Final Senate Language](#): Changes the Cuban reference to expand it to aliens who have been granted status of Cuban and Haitian entrants as defined in section 501(e) of the Refugee Education Assistance Act of 1980. Changes the Social Security Commissioner review to identifying those ineligible for Medicare benefits not later than one year after the date of enactment, with notice of ineligibility required to be given and benefits terminated as of 18 months after the date of enactment. Effective 18 months after date of enactment.

- [Final Senate Language revenue estimate](#): Estimate to be provided by the Congressional Budget Office.

CHAPTER 3 – HEALTH TAX

Subchapter A – Improving Eligibility Criteria

Senate Section 71301. Permitting Premium Tax Credits Only for Certain Individuals. (House Section 112101)

- Modifies the “lawfully present” standard to limit ACA premium tax credit and cost-sharing reduction eligibility to those who are “eligible aliens”—aliens who are lawfully admitted for permanent residency, certain aliens who are physically present in the United States as parolees but are citizens or nationals of Cuba, and individuals who lawfully reside in the United States in accordance with a Compact of Free Association.
- Effective for taxable years beginning after Dec. 31, 2026, and plan years beginning on or after Jan. 1, 2027.
- [Revenue estimate](#): \$79.1 billion revenue gain.
- [SFC Substitute](#): Removes the cost-sharing reduction cross reference to Section 1402 of PPACA (42 U.S.C. 18071(e)) and changes the effective date to taxable years beginning after Dec. 31, 2026.
- [SFC revenue estimate](#): \$79.1 billion revenue gain.
- [Final Senate Language](#): Changes the Cuban reference to expand it to aliens who have been granted status of Cuban and Haitian entrants as defined in section 501(e) of the Refugee Education Assistance Act of 1980.
- [Final Senate Language revenue estimate](#): \$74.5 billion revenue gain.

Senate Section 71302. Disallowing Premium Tax Credit During Periods of Medicaid Ineligibility Due to Alien Status. (House Section 112102)

- Eliminates the exception that allows lawfully present aliens who report income below 100% of the federal poverty level and are in their five-year Medicaid waiting period because of their immigration status to receive premium tax credits.
- Effective for taxable years beginning after Dec. 31, 2025.
- [Revenue estimate](#): \$49.7 billion revenue gain.
- [SFC Substitute](#): No change to the House bill.
- [SFC revenue estimate](#): \$49.7 billion revenue gain.
- [Final Senate Language](#): No change to the SFC Substitute.
- [Final Senate Language revenue estimate](#): \$49.7 billion revenue gain.

Subchapter B – Preventing Waste, Fraud, and Abuse

*The JCT has estimated a [\\$41.3 billion](#) revenue loss because of interactions of health policies in [Subtitle B Chapter 3 Subchapters A and B \[1\]\[2\]\[15\]\[16\]](#).

Senate Section 71303. Requiring Verification of Eligibility for the Premium Tax Credit. (House Section 112201)

- Requires the Exchange to verify an applicant's eligibility annually to enroll in a health plan, to receive advance payment and reduced cost-sharing, before enrolling any individual.
- Requires applicable enrollment information to be provided or verified by the applicant, including income, any immigration status, any health coverage status or eligibility for coverage, place of residence, family size and any information that the Secretary of the Treasury, in consultation with the Secretary of Health and Human Services, determines is necessary to verify eligibility.
- Prohibits passive reenrollment.
- Effective for taxable years beginning after Dec. 31, 2027.
- Revenue estimate: \$41.3 billion revenue gain.
- SFC Substitute: Drops cost-reduction-sharing eligibility from enrollment verification and adds waivers for enrollment during special enrollment periods due to change in family size and use of data from reliable third-party sources as elements of enrollment verification.
- SFC revenue estimate: \$41.3 billion revenue gain.
- Final Senate Language: [Changes the date that the Exchange must comply with 45 C.F.R. section 155.305\(f\)\(4\) to requirements published in the *Federal Register* on June 25, 2025.](#)
- Final Senate Language revenue estimate: [\\$41.3 billion revenue gain.](#)

Senate Section 71304. Disallowing Premium Tax Credit in Case of Certain Coverage Enrolled in During Special Enrollment Period. (House Section 112202)

- Prohibits premium assistance tax credits or advance payment of premium assistance tax credits for special enrollment periods tied to household incomes as a percentage of the poverty line.
- Restricts the receipt of premium assistance credits (and advance payments) to individuals who enroll in health coverage (through an exchange) to those who do so based on qualifying events or change in circumstances.
- Effective for plans enrolled in during calendar months beginning after the third calendar month ending after the date of enactment.
- Revenue estimate: \$41.0 billion revenue gain.
- SFC Substitute: Follows the House bill and changes the effective date to taxable years beginning after Dec. 31, 2025.
- SFC revenue estimate: \$40.8 billion revenue gain.
- Final Senate Language: [No change to the SFC Substitute.](#)
- Final Senate Language revenue estimate: [\\$40.8 billion revenue gain.](#)

Senate Section 71305. Eliminating Limitation on Recapture of Advance Payment of Premium Tax Credit. (House Section 112203)

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

- SFC Substitute: Adds an exception for individuals to be treated as applicable taxpayers if, at the time of enrollment in a qualified health plan on the Exchange, the projected annual household income equaled or exceeded 100% of poverty level and an advance payment of the credit was received, and the actual household income was less than 100% of poverty level, unless the individual intentionally or with reckless disregard for the facts, provided incorrect information to the Exchange.
- SFC revenue estimate: \$19.5 billion revenue gain.
- Final Senate Language: Removes the exception for taxpayers having projected annual household income equal to or exceeding 100% of poverty level who receive advance payment of credits when their actual household income is less than 100% of poverty level from being subject to recapture.
- Final Senate Language revenue estimate: \$19.5 billion revenue gain.

[NEW] Senate Section 71306. Permanent Extension of Safe Harbor for Absence of Deductible for Telehealth Services.

- Permanently allows high-deductible health plans to provide telehealth and other remote care services without requiring members to meet a deductible first.
- Effective for plan years beginning after Dec. 31, 2024.
- Final Senate Language revenue estimate: \$4.3 billion revenue loss.

[REINSTATED] Senate Section 71307. Allowance of Bronze and Catastrophic Plans in Connection with Health Savings Accounts. House Section 110206.

- Treats any Bronze or Catastrophic plan offered in the individual market on an Exchange as a high-deductible health plan (HDHP).
- Effective for months beginning after Dec. 31, 2025.
- Revenue estimate: \$3.6 billion revenue loss.
- SFC Substitute: Eliminated this provision from the bill.
- Final Senate Language: Restores provision from the House bill.
- Final Senate Language revenue estimate: \$3.5 billion revenue loss.

[REINSTATED] Senate Section 71308. Treatment of Direct Primary Care Service Arrangements. House Section 110205.

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

- [Final Senate Language](#): Restores provision from the House bill.
- [Final Senate Language revenue estimate](#): \$2.8 billion revenue loss.

Subtitle C – Increase in Debt Limit

Senate Section 72001. Modification of Limitation on the Public Debt. (House Section 113001)

- Increases the statutory debt limit by \$4 trillion.
- [Revenue estimate](#): No revenue effect.
- [SFC Substitute](#): Increases the statutory debt limit by \$5 trillion.
- [SFC Revenue Estimate](#): Estimate to be provided by the Congressional Budget Office.
- [Final Senate Language](#): No change to the SFC Substitute.
- [Final Senate Language revenue estimate](#): Estimate to be provided by the Congressional Budget Office.

Subtitle D – Unemployment

[NEW] Senate Section 73001. Ending Unemployment Payments to Jobless Millionaires.

- Disallows the use of federal funds to provide unemployment compensation benefits to an individual whose annual wages are equal to or exceed \$1 million.
- Creates self-certification and verification process to verify compliance with the rule and requires state agencies to recover overpayments that exist by reason of violating the rule.
- [Final Senate Language revenue estimate](#): None provided.

PROVISIONS ELIMINATED IN FINAL SENATE LANGUAGE

~~[ELIMINATED] Senate Section 70361. Enforcement of Remedies Against Unfair Foreign Taxes. (House Section 112028)~~

- Adds new section 899 to the tax code that increases the tax of an “applicable person” of a foreign discriminatory country—generally a foreign individual, business, trust, nonprofit organization or government of a foreign discriminatory country—by 5 percentage points per year up to a maximum of 20 percentage points. The new provision would not apply in the case of a foreign country that is not a foreign discriminatory country.
- Defines an unfair foreign tax to include an undertaxed profits rule (UTPR) tax, a digital services tax (DST), diverted profits tax, and to the extent provided by the Secretary of the Treasury, an extraterritorial tax, discriminatory tax or any other tax enacted with a public or stated purpose that it be borne disproportionately by a U.S. person.
- Applies the increased rate to the following U.S. taxes:
 - 30% rate imposed on fixed, determinable, annual, or periodic (FDAP) income, certain capital gains and certain other U.S. income earned by a nonresident alien individual,
 - Individual income tax imposed on a nonresident alien individual’s effectively connected income (ECI) but only to the extent imposed on gains/losses from the disposition of U.S. real property interests,
 - 30% rate imposed on FDAP and certain other U.S.-sourced income of a foreign corporation,

- 21% income tax rate imposed on the ECI of a foreign corporation,
 - 30% rate imposed on dividend equivalent amounts, and
 - 4% rate imposed on U.S.-sourced gross investment income of a foreign private foundation.
- Substitutes income-tax treaty rates, if applicable, for the rates noted above.
- Modifies the Base Erosion and Anti-Abuse Tax (BEAT) of a corporation that is more than 50% owned by applicable persons to increase BEAT liability by disregarding the BEAT annual gross receipts or base erosion percentage, increasing the BEAT tax rate to 12.5%, reducing regular tax by all allowable tax credits, not reducing base erosion tax benefits by amounts on which tax is imposed or withheld, and computing base erosion payments without regard to the service cost exception and any amount (other than the purchase price of depreciable or amortizable property or inventory) that would have been a base erosion payment but for the fact that the taxpayer capitalizes the amount.
- Applies the increase in the tax rate with respect to an applicable person of a foreign discriminatory country on the first day of the first calendar year beginning on or after the later of: (1) 90 days after the date of enactment of section 988; (2) 180 days after the date of enactment of the unfair tax that causes the country to be a discriminatory foreign country; or (3) the first date that an unfair foreign tax begins to apply.
- Suspends penalties and/or interest for the failure to deduct or withhold the additional tax before Jan. 1, 2027, if the withholding agent demonstrates to the satisfaction of the Secretary of the Treasury that best efforts were made to do so in a timely manner.
- Effective as of the date of enactment.
- Revenue estimate: \$116.3 billion revenue gain.
- SFC Substitute: Increases various tax rates of applicable taxpayers by 5 percentage points a year not to exceed 15 percentage points.
- BEAT provisions modified to expand its application to applicable taxpayers by:
 - Eliminating the gross receipts threshold,
 - Reducing the threshold percentage of base erosion payments from 2% (3% in current law) to 0.5%, and
 - Expanding the taxable base to include:
 - Tax withheld under section 1441 or 1442 on payments subject to tax under section 871 or 881,
 - Certain related-party services,
 - Payments subject to sufficient foreign tax (i.e., the high tax exception), and
 - Certain capitalized payments to foreign related parties.
- Applies increased rates to applicable taxpayers beginning on the applicable date, which is the first day of the first calendar year beginning on or after the latest of:
 - One year after the date of enactment,
 - 180 days after the enactment of the unfair tax that causes the country to be treated as an offending country, or
 - The first day that the unfair tax applies.
- Applies increased rates on withholding and changes to the rates and the base expansion on BEAT applies to taxable years beginning on or after the later of:
 - One year after the date of enactment,
 - 180 days after the enactment of the unfair foreign tax, or

- The first day that an unfair foreign tax applies and before the last day on which the foreign country imposes the unfair tax.
- Withholding at the increased rates is subject to a safe harbor such that withholding does not apply until the offending foreign country is listed as such by the Treasury Secretary and, in the case of an applicable person that is 50% or more owned by a foreign corporation (other than a publicly held corporation) or 50% or more by other applicable persons, is listed by the Treasury Secretary for less than 30 days. No penalties or interest will be imposed with respect to failures by withholding agents to deduct withholding taxes before Jan. 1, 2027.
- SFC revenue estimate: \$52.2 billion revenue gain.

[ELIMINATED] Senate Section 70605-70604. Third-Party Litigation Funding Reform.

- This section establishes a new tax framework for third-party litigation financing titled “Chapter 50B – Litigation Financing” to the tax code.
- Covered third-party funders must pay a tax equal to the highest individual income tax rate plus 3.8% on profits (called “qualified litigation proceeds”) generated from litigation financing agreements.
- Applicable at the entity level for partnerships and S corporations and applies to both domestic and foreign entities that finance litigation, including sovereign wealth funds.
- Defines Litigation Financing Agreement (LFA) that covers most agreements where a funder gains a direct or indirect interest in litigation proceeds. Exceptions exist for agreements below \$10,000 or those that only seek loan repayment (within capped interest rates).
- Establishes rules for gains from litigation financing and states it cannot be offset by other losses and exclude certain exemptions (e.g., injury awards or foreign government exclusions).
- Includes a withholding requirement for parties to the litigation (or their law firms) to withhold 50% of the applicable tax rate from proceeds due to funders.
- Establishes a compliance and reporting requirement where responsible parties must withhold and remit the tax, though funders ultimately report the income and can claim withheld amounts as credits.
- Removes litigation financing proceeds from the capital asset definition, therefore making it not subject to capital gains treatment.
- New exclusion from gross income is created for “qualified litigation proceeds,” suggesting proceeds may be tax-exempt for some recipients.
- Effective for taxable years starting after Dec. 31, 2025.
- SFC revenue estimate: \$2.5 billion revenue gain.
- Final Senate Language: Changes the applicable rate to 31.8 percent of any qualified litigation proceeds received by a covered party.
- Final Senate Language revenue estimate: \$1.4 billion revenue gain.

[ELIMINATED] Senate Section 70613. Earned Income Tax Credit Reforms. (House Section 112205)

- Directs the Secretary of the Treasury to establish a certification program to claim the Earned Income Tax Credit (EITC) and prevent multiple taxpayers from claiming the same qualifying child for EITC purposes.

- Requires IRS notice to taxpayers under the certification program if multiple taxpayers attempt to claim the same child in a given tax year. If the taxpayers attempt the same action the following year, they will be given a notice disallowing their EITC claims unless the taxpayer responds to the notice with documentation proving evidence of eligibility, or unless the Secretary of the Treasury can establish which taxpayer can claim the qualifying child.
- Provides transition rules under the program for taxable years 2025, 2026 and 2027, with the program scheduled to be fully operational for tax years beginning after 2027.
- Creates a task force for the purposes of researching how to improve the administration of the EITC, including verifying income and using automated databases to reduce improper payments, fraud and abuse.
- Increases the maximum EITC amount for Purple Heart recipients.
- The proposal establishing the certification system is effective for tax years beginning after Dec. 31, 2024; creation of the task force is effective on the date of enactment; and increased EITC for Purple Heart recipients is effective for tax years beginning after Dec. 31, 2025.
- Revenue estimate: \$15.3 billion revenue gain.
- SFC Substitute: Specifies criteria for guidelines to which the Treasury Secretary may issue a taxpayer an “EITC Certificate” for the purposes of claiming the credit.
- Clarifies that Purple Heart recipients who are not eligible for the EITC would not receive it.
- SFC revenue estimate: \$15.2 billion revenue gain.
- [Final Senate Language](#): [Eliminates this provision from the bill.](#)

[ELIMINATED] ~~Senate Section 70615. Increase in Penalties for Unauthorized Disclosures of Taxpayer Information. (House Section 112207)~~

- Increases the maximum fine under the Internal Revenue Code for the unauthorized disclosure of taxpayer information to \$250,000 and increases the maximum term of imprisonment to 10 years.
- Clarifies that, for a willful disclosure, a separate violation occurs with respect to each taxpayer whose return or return information is disclosed.
- SFC Substitute: No change to the House bill.
- SFC revenue estimate: Negligible revenue effect.
- [Final Senate Language](#):

PROVISIONS ELIMINATED IN SFC BILL

[ELIMINATED] ~~Section 110201. Treatment of Health Reimbursement Arrangements Integrated with Individual Market Coverage.~~

- Generally, codifies regulations finalized in 2019 allowing employees to utilize employer funded health reimbursement arrangements (HRAs) to purchase qualified coverage in the individual market (ICHRAs).
- Modifies the 2019 rule to:

- Allow CHOICE arrangements that otherwise satisfy the requirements prescribed in the bill to also satisfy the requirement of section 2715 of the PHS Act to provide a summary of benefits and coverage;
- Allow employers that offer their employees a fully insured plan in the small group market to offer employees a choice between that plan and a CHOICE arrangement; and
- Require employers to provide required notices no later than 60 days before the beginning of the plan year.
- Renames ICHRAs as Custom Health Option and Individual Care Expense (CHOICE) arrangements.
- Effective for plan years beginning after Dec. 31, 2025.
- Revenue estimate: \$492 million revenue loss (*Note: The revenue estimates for Sections 110201, 110202, and 110203 are aggregated in one estimate.)
- SFC Substitute: Eliminates this provision from the bill.

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

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

[ELIMINATED] ~~Section 110203. Employer Credit for CHOICE Arrangement.~~

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

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

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

[ELIMINATED] ~~Section 110207. On-Site Employee Clinics.~~

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

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

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

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

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

~~[ELIMINATED] Section 110210. FSA And HRA Terminations or Conversions to Fund HSAs.~~

- Permits conversions of Flexible Spending Account (FSA) and Health Reimbursement Account (HRA) balances into an HSA contribution upon enrolling in an HDHP.
- Caps the conversion amount at the annual FSA contribution limit – \$3,300 in 2025 (\$6,600 in the case of an eligible individual who has family coverage under an HDHP).

- Requires distributions to be made in connection with the employee establishing coverage under an HDHP, and the employee must not have been covered under an HDHP during the four-year period preceding the establishment of such coverage.
- Effective for distributions made after Dec. 31, 2025.
- Revenue estimate: \$363 million revenue loss.
- SFC Substitute: Eliminates this provision from the bill.

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

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

[ELIMINATED] ~~Section 110212. Contributions Permitted If Spouse Has Health Flexible Spending Arrangement.~~

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

[ELIMINATED] ~~Section 110213. Increase In Health Savings Account Contribution Limitation for Certain Individuals.~~

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

[ELIMINATED] Section 110214. Regulations.

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

[ELIMINATED] Section 111109. Increased Gross Receipts Threshold for Small Manufacturing Businesses.

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

[ELIMINATED] Section 111110. Global Intangible Low-Taxed Income Determined Without Regard to Certain Income Derived from Services Performed in The Virgin Islands.

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

[ELIMINATED] Section 111201. Expanding the Definition of Rural Emergency Hospital Under the Medicare Program.

- Establishes a look-back period from Dec. 26, 2020, to Jan. 1, 2014, for hospitals that were qualifying rural hospitals during that time, but closed before Dec. 27, 2020, allowing such hospitals to reopen and apply to become enrolled under Medicare as a licensed rural emergency hospital.
- Restricts hospitals reopened and located less than 35 miles from the nearest hospital, critical access hospital or another rural emergency hospital, from eligibility for the 5% increase in outpatient payments.

- Restricts hospitals reopened and located less than 10 miles from the nearest hospital, critical access hospital or another rural emergency hospital, from eligibility for the rural emergency hospital facility fee.
- Effective on or after Jan. 1, 2027.
- Revenue estimate: \$806 billion revenue gain.
- SFC Substitute: Eliminates this provision from the bill.

[ELIMINATED] ~~Section 112010. Repeal of Transferability of Clean Fuel Production Credit.~~

- Terminates the transferability of the Section 45Z clean fuel production credit attributable to fuel produced after Dec. 31, 2027.
- Effective for fuel produced after Dec. 31, 2027.
- Revenue estimate: See revenue estimate and note for Section 111111.
- SFC Substitute: Eliminates this provision from the bill.

[ELIMINATED] ~~Section 112015. Phase-out of Credit for Certain Energy Property.~~

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

[ELIMINATED] ~~Section 112017. Limitation on Amortization of Certain Sports Franchises.~~

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

[ELIMINATED] ~~Section 112022. Increase in Rate of Tax on Net Investment Income of Certain Private Foundations.~~

- Increases the excise tax rate on private foundations based on the value of the assets, with the following brackets and rates:
 - Assets less than \$50 million – 1.39%
 - Assets between \$50 million and less than \$250 million – 2.78%

- Assets between \$250 million and less than \$5 billion – 5%
- Assets more than \$5 billion – 10%
- Effective for tax years beginning after the date of enactment.
- Revenue estimate: \$15.9 billion revenue gain.
- SFC Substitute: Eliminates this provision from the bill.

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

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

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

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

[ELIMINATED] Section 112025. Exclusion of Research Income Limited to Publicly Available Research.

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

[ELIMINATED] Section 112031. Limitation on Drawback of Taxes Paid with Respect to Substituted Merchandise.

- Revises the amount of drawback granted under the Code or the Tariff Act of 1930 on the export or destruction of substituted merchandise for purposes of drawback of tax imposed under chapter 52 of the Code (tobacco products and related products), with the revised amount not permitted to exceed the amount of taxes paid (and not returned by refund, credit, or drawback) on the substituted merchandise.
- Current law makes certain importers of tobacco products eligible for a refund of certain duties or taxes paid when a product is imported and refunded when the product is exported. In some

cases, an importer may qualify for a refund of tax paid on an imported good, even though the corresponding export product is not subject to tax.

- Effective for claims filed on or after July 1, 2026.
- Revenue estimate: \$12.1 billion revenue gain.
- SFC Substitute: Eliminates this provision from the bill.

[ELIMINATED] ~~Section 112208. Restriction on Regulation of Contingency Fees with Respect to Tax Returns, etc.~~

- Restricts the Treasury Department from regulating, prohibiting or restricting the use of contingency fees in connection with tax returns, claims for refund or documents in connection with tax returns prepared on behalf of a taxpayer.
- Effectively ends Circular 230 rule that prohibited most tax preparation services from being performed on a contingency basis.
- SFC Substitute: Eliminates this provision from the bill.

PROVISIONS ELIMINATED IN HOUSE BILL

[ELIMINATED] ~~Section 111106. Repeal of Excise Tax on Indoor Tanning Services.~~

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

[ELIMINATED] ~~Section 112025. Name and Logo Royalties Treated as Unrelated Business Taxable Income.~~

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

[ELIMINATED] ~~Section 112102. Certain Aliens Treated as Ineligible for Premium Tax Credit.~~

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

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

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

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

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

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

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

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