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H. R. 1

One Hundred Fifteenth Congress of the United States of America

AT THE FIRST SESSION

Begun and held at the City of Washington on Tuesday, the third day of January, two thousand and seventeen

An Act

To provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I

SECTION 11000. SHORT TITLE, ETC.

(a) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this title an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

Subtitle A—Individual Tax Reform

PART I—TAX RATE REFORM

SEC. 11001. MODIFICATION OF RATES.

26/1(j)

(a) IN GENERAL.—Section 1 is amended by adding at the end the following new subsection:

"(j) MODIFICATIONS FOR TAXABLE YEARS 2018 THROUGH 2025.—

"(1) IN GENERAL.—In the case of a taxable year beginning after December 31, 2017, and before January 1, 2026—

"(A) subsection (i) shall not apply, and

"(B) this section (other than subsection (i)) shall be applied as provided in paragraphs (2) through (6).

"(2) RATE TABLES.—

"(A) MARRIED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSES.—The following table shall be applied in lieu of the table contained in subsection (a):

"If taxable income is:	**The tax is:**
Not over $19,050	10% of taxable income.
Over $19,050 but not over $77,400	$1,905, plus 12% of the excess over $19,050.
Over $77,400 but not over $165,000	$8,907, plus 22% of the excess over $77,400.
Over $165,000 but not over $315,000	$28,179, plus 24% of the excess over $165,000.
Over $315,000 but not over $400,000	$64,179, plus 32% of the excess over $315,000.

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"If taxable income is:	The tax is:
Over $400,000 but not over $600,000	$91,379, plus 35% of the excess over $400,000.
Over $600,000	$161,379, plus 37% of the excess over $600,000.

"(B) HEADS OF HOUSEHOLDS.—The following table shall be applied in lieu of the table contained in subsection (b):

"If taxable income is:	The tax is:
Not over $13,600	10% of taxable income.
Over $13,600 but not over $51,800	$1,360, plus 12% of the excess over $13,600.
Over $51,800 but not over $82,500	$5,944, plus 22% of the excess over $51,800.
Over $82,500 but not over $157,500	$12,698, plus 24% of the excess over $82,500.
Over $157,500 but not over $200,000	$30,698, plus 32% of the excess over $157,500.
Over $200,000 but not over $500,000	$44,298, plus 35% of the excess over $200,000.
Over $500,000	$149,298, plus 37% of the excess over $500,000.

"(C) UNMARRIED INDIVIDUALS OTHER THAN SURVIVING SPOUSES AND HEADS OF HOUSEHOLDS.—The following table shall be applied in lieu of the table contained in subsection (c):

"If taxable income is:	The tax is:
Not over $9,525	10% of taxable income.
Over $9,525 but not over $38,700	$952.50, plus 12% of the excess over $9,525.
Over $38,700 but not over $82,500	$4,453.50, plus 22% of the excess over $38,700.
Over $82,500 but not over $157,500	$14,089.50, plus 24% of the excess over $82,500.
Over $157,500 but not over $200,000	$32,089.50, plus 32% of the excess over $157,500.
Over $200,000 but not over $500,000	$45,689.50, plus 35% of the excess over $200,000.
Over $500,000	$150,689.50, plus 37% of the excess over $500,000.

"(D) MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—The following table shall be applied in lieu of the table contained in subsection (d):

"If taxable income is:	The tax is:
Not over $9,525	10% of taxable income.
Over $9,525 but not over $38,700	$952.50, plus 12% of the excess over $9,525.
Over $38,700 but not over $82,500	$4,453.50, plus 22% of the excess over $38,700.
Over $82,500 but not over $157,500	$14,089.50, plus 24% of the excess over $82,500.
Over $157,500 but not over $200,000	$32,089.50, plus 32% of the excess over $157,500.
Over $200,000 but not over $300,000	$45,689.50, plus 35% of the excess over $200,000.

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"If taxable income is:	The tax is:
Over $300,000	$80,689.50, plus 37% of the excess over $300,000.

"(E) ESTATES AND TRUSTS.—The following table shall be applied in lieu of the table contained in subsection (e):

"If taxable income is:	The tax is:
Not over $2,550	10% of taxable income.
Over $2,550 but not over $9,150	$255, plus 24% of the excess over $2,550.
Over $9,150 but not over $12,500	$1,839, plus 35% of the excess over $9,150.
Over $12,500	$3,011.50, plus 37% of the excess over $12,500.

"(F) REFERENCES TO RATE TABLES.—Any reference in this title to a rate of tax under subsection (c) shall be treated as a reference to the corresponding rate bracket under subparagraph (C) of this paragraph, except that the reference in section 3402(q)(1) to the third lowest rate of tax applicable under subsection (c) shall be treated as a reference to the fourth lowest rate of tax under subparagraph (C).

"(3) ADJUSTMENTS.—

"(A) NO ADJUSTMENT IN 2018.—The tables contained in paragraph (2) shall apply without adjustment for taxable years beginning after December 31, 2017, and before January 1, 2019.

"(B) SUBSEQUENT YEARS.—For taxable years beginning after December 31, 2018, the Secretary shall prescribe tables which shall apply in lieu of the tables contained in paragraph (2) in the same manner as under paragraphs (1) and (2) of subsection (f) (applied without regard to clauses (i) and (ii) of subsection (f)(2)(A)), except that in prescribing such tables—

"(i) subsection (f)(3) shall be applied by substituting 'calendar year 2017' for 'calendar year 2016' in subparagraph (A)(ii) thereof,

"(ii) subsection (f)(7)(B) shall apply to any unmarried individual other than a surviving spouse or head of household, and

"(iii) subsection (f)(8) shall not apply.

"(4) SPECIAL RULES FOR CERTAIN CHILDREN WITH UNEARNED INCOME.—

"(A) IN GENERAL.—In the case of a child to whom subsection (g) applies for the taxable year, the rules of subparagraphs (B) and (C) shall apply in lieu of the rule under subsection (g)(1).

"(B) MODIFICATIONS TO APPLICABLE RATE BRACKETS.—In determining the amount of tax imposed by this section for the taxable year on a child described in subparagraph (A), the income tax table otherwise applicable under this subsection to the child shall be applied with the following modifications:

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"(i) 24-PERCENT BRACKET.—The maximum taxable income which is taxed at a rate below 24 percent shall not be more than the sum of—

"(I) the earned taxable income of such child, plus

"(II) the minimum taxable income for the 24-percent bracket in the table under paragraph (2)(E) (as adjusted under paragraph (3)) for the taxable year.

"(ii) 35-PERCENT BRACKET.—The maximum taxable income which is taxed at a rate below 35 percent shall not be more than the sum of—

"(I) the earned taxable income of such child, plus

"(II) the minimum taxable income for the 35-percent bracket in the table under paragraph (2)(E) (as adjusted under paragraph (3)) for the taxable year.

"(iii) 37-PERCENT BRACKET.—The maximum taxable income which is taxed at a rate below 37 percent shall not be more than the sum of—

"(I) the earned taxable income of such child, plus

"(II) the minimum taxable income for the 37-percent bracket in the table under paragraph (2)(E) (as adjusted under paragraph (3)) for the taxable year.

"(C) COORDINATION WITH CAPITAL GAINS RATES.—For purposes of applying section 1(h) (after the modifications under paragraph (5)(A))—

"(i) the maximum zero rate amount shall not be more than the sum of—

"(I) the earned taxable income of such child, plus

"(II) the amount in effect under paragraph (5)(B)(i)(IV) for the taxable year, and

"(ii) the maximum 15-percent rate amount shall not be more than the sum of—

"(I) the earned taxable income of such child, plus

"(II) the amount in effect under paragraph (5)(B)(ii)(IV) for the taxable year.

"(D) EARNED TAXABLE INCOME.—For purposes of this paragraph, the term 'earned taxable income' means, with respect to any child for any taxable year, the taxable income of such child reduced (but not below zero) by the net unearned income (as defined in subsection (g)(4)) of such child.

"(5) APPLICATION OF CURRENT INCOME TAX BRACKETS TO CAPITAL GAINS BRACKETS.—

"(A) IN GENERAL.—Section 1(h)(1) shall be applied—

"(i) by substituting 'below the maximum zero rate amount' for 'which would (without regard to this paragraph) be taxed at a rate below 25 percent' in subparagraph (B)(i), and

"(ii) by substituting 'below the maximum 15-percent rate amount' for 'which would (without regard

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to this paragraph) be taxed at a rate below 39.6 percent' in subparagraph (C)(ii)(I).

"(B) MAXIMUM AMOUNTS DEFINED.—For purposes of applying section 1(h) with the modifications described in subparagraph (A)—

"(i) MAXIMUM ZERO RATE AMOUNT.—The maximum zero rate amount shall be—

"(I) in the case of a joint return or surviving spouse, $77,200,

"(II) in the case of an individual who is a head of household (as defined in section 2(b)), $51,700,

"(III) in the case of any other individual (other than an estate or trust), an amount equal to ½ of the amount in effect for the taxable year under subclause (I), and

"(IV) in the case of an estate or trust, $2,600.

"(ii) MAXIMUM 15-PERCENT RATE AMOUNT.—The maximum 15-percent rate amount shall be—

"(I) in the case of a joint return or surviving spouse, $479,000 (½ such amount in the case of a married individual filing a separate return),

"(II) in the case of an individual who is the head of a household (as defined in section 2(b)), $452,400,

"(III) in the case of any other individual (other than an estate or trust), $425,800, and

"(IV) in the case of an estate or trust, $12,700.

"(C) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2018, each of the dollar amounts in clauses (i) and (ii) of subparagraph (B) shall be increased by an amount equal to—

"(i) such dollar amount, multiplied by

"(ii) the cost-of-living adjustment determined under subsection (f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2017' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

If any increase under this subparagraph is not a multiple of $50, such increase shall be rounded to the next lowest multiple of $50.

"(6) SECTION 15 NOT TO APPLY.—Section 15 shall not apply to any change in a rate of tax by reason of this subsection.".

26/6695(g)

(b) DUE DILIGENCE TAX PREPARER REQUIREMENT WITH RESPECT TO HEAD OF HOUSEHOLD FILING STATUS.—Subsection (g) of section 6695 is amended to read as follows:

"(g) FAILURE TO BE DILIGENT IN DETERMINING ELIGIBILITY FOR CERTAIN TAX BENEFITS.—Any person who is a tax return preparer with respect to any return or claim for refund who fails to comply with due diligence requirements imposed by the Secretary by regulations with respect to determining—

"(1) eligibility to file as a head of household (as defined in section 2(b)) on the return, or

"(2) eligibility for, or the amount of, the credit allowable by section 24, 25A(a)(1), or 32,

shall pay a penalty of $500 for each such failure.".

26/1 note new

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11002. INFLATION ADJUSTMENTS BASED ON CHAINED CPI.

26/1(f)(3)

(a) IN GENERAL.—Subsection (f) of section 1 is amended by striking paragraph (3) and by inserting after paragraph (2) the following new paragraph:

"(3) COST-OF-LIVING ADJUSTMENT.—For purposes of this subsection—

"(A) IN GENERAL.—The cost-of-living adjustment for any calendar year is the percentage (if any) by which—

"(i) the C-CPI-U for the preceding calendar year, exceeds

"(ii) the CPI for calendar year 2016, multiplied by the amount determined under subparagraph (B).

"(B) AMOUNT DETERMINED.—The amount determined under this clause is the amount obtained by dividing—

"(i) the C-CPI-U for calendar year 2016, by

"(ii) the CPI for calendar year 2016.

"(C) SPECIAL RULE FOR ADJUSTMENTS WITH A BASE YEAR AFTER 2016.—For purposes of any provision of this title which provides for the substitution of a year after 2016 for '2016' in subparagraph (A)(ii), subparagraph (A) shall be applied by substituting 'the C-CPI-U for calendar year 2016' for 'the CPI for calendar year 2016' and all that follows in clause (ii) thereof.".

26/1(f)(6), (7)

(b) C-CPI-U.—Subsection (f) of section 1 is amended by striking paragraph (7), by redesignating paragraph (6) as paragraph (7), and by inserting after paragraph (5) the following new paragraph:

"(6) C-CPI-U.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'C-CPI-U' means the Chained Consumer Price Index for All Urban Consumers (as published by the Bureau of Labor Statistics of the Department of Labor). The values of the Chained Consumer Price Index for All Urban Consumers taken into account for purposes of determining the cost-of-living adjustment for any calendar year under this subsection shall be the latest values so published as of the date on which such Bureau publishes the initial value of the Chained Consumer Price Index for All Urban Consumers for the month of August for the preceding calendar year.

"(B) DETERMINATION FOR CALENDAR YEAR.—The C-CPI-U for any calendar year is the average of the C-CPI-U as of the close of the 12-month period ending on August 31 of such calendar year.".

(c) APPLICATION TO PERMANENT TAX TABLES.—

26/1(f)(2)(A)

(1) IN GENERAL.—Section 1(f)(2)(A) is amended to read as follows:

"(A) except as provided in paragraph (8), by increasing the minimum and maximum dollar amounts for each bracket for which a tax is imposed under such table by the cost-of-living adjustment for such calendar year, determined—

"(i) except as provided in clause (ii), by substituting '1992' for '2016' in paragraph (3)(A)(ii), and

"(ii) in the case of adjustments to the dollar amounts at which the 36 percent rate bracket begins

26/1(f)(2)(A)

or at which the 39.6 percent rate bracket begins, by substituting '1993' for '2016' in paragraph (3)(A)(ii),".

(2) CONFORMING AMENDMENTS.—Section 1(i) is amended—

26/1(i)

(A) by striking "for '1992' in subparagraph (B)" in paragraph (1)(C) and inserting "for '2016' in subparagraph (A)(ii)", and

(B) by striking "subsection (f)(3)(B) shall be applied by substituting '2012' for '1992'" in paragraph (3)(C) and inserting "subsection (f)(3)(A)(ii) shall be applied by substituting '2012' for '2016'".

(d) APPLICATION TO OTHER INTERNAL REVENUE CODE OF 1986 PROVISIONS.—

(1) The following sections are each amended by striking "for 'calendar year 1992' in subparagraph (B)" and inserting "for 'calendar year 2016' in subparagraph (A)(ii)":

26/23(h)(2) (A) Section 23(h)(2).

26/25A(h)(1)(A)(ii), (2)(A)(ii) (B) Paragraphs (1)(A)(ii) and (2)(A)(ii) of section 25A(h).

26/25B(b)(3)(B) (C) Section 25B(b)(3)(B).

26/32(b)(2)(B)(ii)(II), (j)(1)(B)(i), (ii) (D) Subsection (b)(2)(B)(ii)(II), and clauses (i) and (ii) of subsection (j)(1)(B), of section 32.

26/36B(f)(2)(B)(ii)(II) (E) Section 36B(f)(2)(B)(ii)(II).

26/41(e)(5)(C)(i) (F) Section 41(e)(5)(C)(i).

26/42(e)(3)(D)(ii), (h)(3)(H)(i)(II) (G) Subsections (e)(3)(D)(ii) and (h)(3)(H)(i)(II) of section 42.

26/45R(d)(3)(B)(ii) (H) Section 45R(d)(3)(B)(ii).

26/55(d)(4)(A)(ii) (I) Section 55(d)(4)(A)(ii).

26/62(d)(3)(B) (J) Section 62(d)(3)(B).

26/63(c)(4)(B) (K) Section 63(c)(4)(B).

26/125(i)(2)(B) (L) Section 125(i)(2)(B).

26/135(b)(2)(B)(ii) (M) Section 135(b)(2)(B)(ii).

26/137(f)(2) (N) Section 137(f)(2).

26/146(d)(2)(B) (O) Section 146(d)(2)(B).

26/147(c)(2)(H)(ii) (P) Section 147(c)(2)(H)(ii).

26/151(d)(4)(B) (Q) Section 151(d)(4)(B).

26/179(b)(6)(A)(ii) (R) Section 179(b)(6)(A)(ii).

26/219(b)(5)(C)(i)(II), (g)(8)(B) (S) Subsections (b)(5)(C)(i)(II) and (g)(8)(B) of section 219.

26/220(g)(2) (T) Section 220(g)(2).

26/221(f)(1)(B) (U) Section 221(f)(1)(B).

26/223(g)(1)(B) (V) Section 223(g)(1)(B).

26/408A(c)(3)(D)(ii) (W) Section 408A(c)(3)(D)(ii).

26/430(c)(7)(D)(vii)(II) (X) Section 430(c)(7)(D)(vii)(II).

26/512(d)(2)(B) (Y) Section 512(d)(2)(B).

26/513(h)(2)(C)(ii) (Z) Section 513(h)(2)(C)(ii).

26/831(b)(2)(D)(ii) (AA) Section 831(b)(2)(D)(ii).

26/877A(a)(3)(B)(i)(II) (BB) Section 877A(a)(3)(B)(i)(II).

26/2010(c)(3)(B)(ii) (CC) Section 2010(c)(3)(B)(ii).

26/2032A(a)(3)(B) (DD) Section 2032A(a)(3)(B).

26/2503(b)(2)(B) (EE) Section 2503(b)(2)(B).

26/4261(e)(4)(A)(ii) (FF) Section 4261(e)(4)(A)(ii).

26/5000A(c)(3)(D)(ii) (GG) Section 5000A(c)(3)(D)(ii).

26/6323(i)(4)(B) (HH) Section 6323(i)(4)(B).

26/6334(g)(1)(B) (II) Section 6334(g)(1)(B).

26/6601(j)(3)(B) (JJ) Section 6601(j)(3)(B).

26/6651(i)(1) (KK) Section 6651(i)(1).

26/6652(c)(7)(A) (LL) Section 6652(c)(7)(A).

26/6695(h)(1) (MM) Section 6695(h)(1).

26/6698(e)(1)

(NN) Section 6698(e)(1).

26/6699(e)(1)

(OO) Section 6699(e)(1).

26/6721(f)(1)

(PP) Section 6721(f)(1).

26/6722(f)(1)

(QQ) Section 6722(f)(1).

26/7345(f)(2)

(RR) Section 7345(f)(2).

26/7430(c)(1)

(SS) Section 7430(c)(1).

26/9831(d)(2)(D)(ii)(II)

(TT) Section 9831(d)(2)(D)(ii)(II).

(2) Sections 41(e)(5)(C)(ii) and 68(b)(2)(B) are each amended—

26/41(e)(5)(C)(ii), 26/68(b)(2)(B)

(A) by striking "1(f)(3)(B)" and inserting "1(f)(3)(A)(ii)", and

(B) by striking "1992" and inserting "2016".

(3) Section 42(h)(6)(G) is amended—

26/42(h)(6)(G)(i)(II)

(A) by striking "for 'calendar year 1987'" in clause (i)(II) and inserting "for 'calendar year 2016' in subparagraph (A)(ii) thereof", and

26/42(h)(6)(G)(ii)

(B) by striking "if the CPI for any calendar year" and all that follows in clause (ii) and inserting "if the C-CPI-U for any calendar year (as defined in section 1(f)(6)) exceeds the C-CPI-U for the preceding calendar year by more than 5 percent, the C-CPI-U for the base calendar year shall be increased such that such excess shall never be taken into account under clause (i). In the case of a base calendar year before 2017, the C-CPI-U for such year shall be determined by multiplying the CPI for such year by the amount determined under section 1(f)(3)(B).".

26/59(j)(2)(B)

(4) Section 59(j)(2)(B) is amended by striking "for '1992' in subparagraph (B)" and inserting "for '2016' in subparagraph (A)(ii)".

26/132(f)(6)(A)(ii)

(5) Section 132(f)(6)(A)(ii) is amended by striking "for 'calendar year 1992'" and inserting "for 'calendar year 2016' in subparagraph (A)(ii) thereof".

26/162(o)(3)

(6) Section 162(o)(3) is amended by striking "adjusted for changes in the Consumer Price Index (as defined in section 1(f)(5)) since 1991" and inserting "adjusted by increasing any such amount under the 1991 agreement by an amount equal to—

"(A) such amount, multiplied by

"(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, by substituting 'calendar year 1990' for 'calendar year 2016' in subparagraph (A)(ii) thereof".

26/213(d)(10)(B)(ii)

(7) So much of clause (ii) of section 213(d)(10)(B) as precedes the last sentence is amended to read as follows:

"(ii) MEDICAL CARE COST ADJUSTMENT.—For purposes of clause (i), the medical care cost adjustment for any calendar year is the percentage (if any) by which—

"(I) the medical care component of the C-CPI-U (as defined in section 1(f)(6)) for August of the preceding calendar year, exceeds

"(II) such component of the CPI (as defined in section 1(f)(4)) for August of 1996, multiplied by the amount determined under section 1(f)(3)(B).".

26/280F(d)(7)(B)

(8) Subparagraph (B) of section 280F(d)(7) is amended to read as follows:

26/280F(d)(7)(B)

"(B) AUTOMOBILE PRICE INFLATION ADJUSTMENT.—For purposes of this paragraph—

"(i) IN GENERAL.—The automobile price inflation adjustment for any calendar year is the percentage (if any) by which—

"(I) the C-CPI-U automobile component for October of the preceding calendar year, exceeds

"(II) the automobile component of the CPI (as defined in section 1(f)(4)) for October of 1987, multiplied by the amount determined under 1(f)(3)(B).

"(ii) C-CPI-U AUTOMOBILE COMPONENT.—The term 'C-CPI-U automobile component' means the automobile component of the Chained Consumer Price Index for All Urban Consumers (as described in section 1(f)(6)).".

26/911(b)(2)(D)(ii)(II)

(9) Section 911(b)(2)(D)(ii)(II) is amended by striking "for '1992' in subparagraph (B)" and inserting "for '2016' in subparagraph (A)(ii)".

26/1274A(d)(2)

(10) Paragraph (2) of section 1274A(d) is amended to read as follows:

"(2) ADJUSTMENT FOR INFLATION.—In the case of any debt instrument arising out of a sale or exchange during any calendar year after 1989, each dollar amount contained in the preceding provisions of this section shall be increased by an amount equal to—

"(A) such amount, multiplied by

"(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, by substituting 'calendar year 1988' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

Any increase under the preceding sentence shall be rounded to the nearest multiple of $100 (or, if such increase is a multiple of $50, such increase shall be increased to the nearest multiple of $100).".

26/4161(b)(2)(C)(i)(II)

(11) Section 4161(b)(2)(C)(i)(II) is amended by striking "for '1992' in subparagraph (B)" and inserting "for '2016' in subparagraph (A)(ii)".

26/4980I(b)(3)(C)(v)(II)

(12) Section 4980I(b)(3)(C)(v)(II) is amended by striking "for '1992' in subparagraph (B)" and inserting "for '2016' in subparagraph (A)(ii)".

26/6039F(d)

(13) Section 6039F(d) is amended by striking "subparagraph (B) thereof shall be applied by substituting '1995' for '1992'" and inserting "subparagraph (A)(ii) thereof shall be applied by substituting '1995' for '2016'".

26/7872(g)(5)

(14) Section 7872(g)(5) is amended to read as follows:

"(5) ADJUSTMENT OF LIMIT FOR INFLATION.—In the case of any loan made during any calendar year after 1986, the dollar amount in paragraph (2) shall be increased by an amount equal to—

"(A) such amount, multiplied by

"(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, by substituting 'calendar year 1985' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

Any increase under the preceding sentence shall be rounded to the nearest multiple of $100 (or, if such increase is a multiple

26/7872(g)(5)

of $50, such increase shall be increased to the nearest multiple of $100).".

26/1 note new

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

PART II—DEDUCTION FOR QUALIFIED BUSINESS INCOME OF PASS-THRU ENTITIES

SEC. 11011. DEDUCTION FOR QUALIFIED BUSINESS INCOME.

26/199A new

(a) IN GENERAL.—Part VI of subchapter B of chapter 1 is amended by adding at the end the following new section:

"SEC. 199A. QUALIFIED BUSINESS INCOME.

"(a) IN GENERAL.—In the case of a taxpayer other than a corporation, there shall be allowed as a deduction for any taxable year an amount equal to the sum of—

"(1) the lesser of—

"(A) the combined qualified business income amount of the taxpayer, or

"(B) an amount equal to 20 percent of the excess (if any) of—

"(i) the taxable income of the taxpayer for the taxable year, over

"(ii) the sum of any net capital gain (as defined in section 1(h)), plus the aggregate amount of the qualified cooperative dividends, of the taxpayer for the taxable year, plus

"(2) the lesser of—

"(A) 20 percent of the aggregate amount of the qualified cooperative dividends of the taxpayer for the taxable year, or

"(B) taxable income (reduced by the net capital gain (as so defined)) of the taxpayer for the taxable year.

The amount determined under the preceding sentence shall not exceed the taxable income (reduced by the net capital gain (as so defined)) of the taxpayer for the taxable year.

"(b) COMBINED QUALIFIED BUSINESS INCOME AMOUNT.—For purposes of this section—

"(1) IN GENERAL.—The term 'combined qualified business income amount' means, with respect to any taxable year, an amount equal to—

"(A) the sum of the amounts determined under paragraph (2) for each qualified trade or business carried on by the taxpayer, plus

"(B) 20 percent of the aggregate amount of the qualified REIT dividends and qualified publicly traded partnership income of the taxpayer for the taxable year.

"(2) DETERMINATION OF DEDUCTIBLE AMOUNT FOR EACH TRADE OR BUSINESS.—The amount determined under this paragraph with respect to any qualified trade or business is the lesser of—

"(A) 20 percent of the taxpayer's qualified business income with respect to the qualified trade or business, or

"(B) the greater of—

"(i) 50 percent of the W–2 wages with respect to the qualified trade or business, or

26/199A new

"(ii) the sum of 25 percent of the W–2 wages with respect to the qualified trade or business, plus 2.5 percent of the unadjusted basis immediately after acquisition of all qualified property.

"(3) MODIFICATIONS TO LIMIT BASED ON TAXABLE INCOME.—

"(A) EXCEPTION FROM LIMIT.—In the case of any taxpayer whose taxable income for the taxable year does not exceed the threshold amount, paragraph (2) shall be applied without regard to subparagraph (B).

"(B) PHASE-IN OF LIMIT FOR CERTAIN TAXPAYERS.—

"(i) IN GENERAL.—If—

"(I) the taxable income of a taxpayer for any taxable year exceeds the threshold amount, but does not exceed the sum of the threshold amount plus $50,000 ($100,000 in the case of a joint return), and

"(II) the amount determined under paragraph (2)(B) (determined without regard to this subparagraph) with respect to any qualified trade or business carried on by the taxpayer is less than the amount determined under paragraph (2)(A) with respect such trade or business,

then paragraph (2) shall be applied with respect to such trade or business without regard to subparagraph (B) thereof and by reducing the amount determined under subparagraph (A) thereof by the amount determined under clause (ii).

"(ii) AMOUNT OF REDUCTION.—The amount determined under this subparagraph is the amount which bears the same ratio to the excess amount as—

"(I) the amount by which the taxpayer's taxable income for the taxable year exceeds the threshold amount, bears to

"(II) $50,000 ($100,000 in the case of a joint return).

"(iii) EXCESS AMOUNT.—For purposes of clause (ii), the excess amount is the excess of—

"(I) the amount determined under paragraph (2)(A) (determined without regard to this paragraph), over

"(II) the amount determined under paragraph (2)(B) (determined without regard to this paragraph).

"(4) WAGES, ETC.—

"(A) IN GENERAL.—The term 'W–2 wages' means, with respect to any person for any taxable year of such person, the amounts described in paragraphs (3) and (8) of section 6051(a) paid by such person with respect to employment of employees by such person during the calendar year ending during such taxable year.

"(B) LIMITATION TO WAGES ATTRIBUTABLE TO QUALIFIED BUSINESS INCOME.—Such term shall not include any amount which is not properly allocable to qualified business income for purposes of subsection (c)(1).

"(C) RETURN REQUIREMENT.—Such term shall not include any amount which is not properly included in a return filed with the Social Security Administration on

or before the 60th day after the due date (including extensions) for such return.

26/199A new

"(5) ACQUISITIONS, DISPOSITIONS, AND SHORT TAXABLE YEARS.—The Secretary shall provide for the application of this subsection in cases of a short taxable year or where the taxpayer acquires, or disposes of, the major portion of a trade or business or the major portion of a separate unit of a trade or business during the taxable year.

"(6) QUALIFIED PROPERTY.—For purposes of this section:

"(A) IN GENERAL.—The term 'qualified property' means, with respect to any qualified trade or business for a taxable year, tangible property of a character subject to the allowance for depreciation under section 167—

"(i) which is held by, and available for use in, the qualified trade or business at the close of the taxable year,

"(ii) which is used at any point during the taxable year in the production of qualified business income, and

"(iii) the depreciable period for which has not ended before the close of the taxable year.

"(B) DEPRECIABLE PERIOD.—The term 'depreciable period' means, with respect to qualified property of a taxpayer, the period beginning on the date the property was first placed in service by the taxpayer and ending on the later of—

"(i) the date that is 10 years after such date, or

"(ii) the last day of the last full year in the applicable recovery period that would apply to the property under section 168 (determined without regard to subsection (g) thereof).

"(c) QUALIFIED BUSINESS INCOME.—For purposes of this section—

"(1) IN GENERAL.—The term 'qualified business income' means, for any taxable year, the net amount of qualified items of income, gain, deduction, and loss with respect to any qualified trade or business of the taxpayer. Such term shall not include any qualified REIT dividends, qualified cooperative dividends, or qualified publicly traded partnership income.

"(2) CARRYOVER OF LOSSES.—If the net amount of qualified income, gain, deduction, and loss with respect to qualified trades or businesses of the taxpayer for any taxable year is less than zero, such amount shall be treated as a loss from a qualified trade or business in the succeeding taxable year.

"(3) QUALIFIED ITEMS OF INCOME, GAIN, DEDUCTION, AND LOSS.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'qualified items of income, gain, deduction, and loss' means items of income, gain, deduction, and loss to the extent such items are—

"(i) effectively connected with the conduct of a trade or business within the United States (within the meaning of section 864(c), determined by substituting 'qualified trade or business (within the meaning of section 199A)' for 'nonresident alien individual or a foreign corporation' or for 'a foreign corporation' each place it appears), and

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"(ii) included or allowed in determining taxable income for the taxable year.

"(B) EXCEPTIONS.—The following investment items shall not be taken into account as a qualified item of income, gain, deduction, or loss:

"(i) Any item of short-term capital gain, short-term capital loss, long-term capital gain, or long-term capital loss.

"(ii) Any dividend, income equivalent to a dividend, or payment in lieu of dividends described in section 954(c)(1)(G).

"(iii) Any interest income other than interest income which is properly allocable to a trade or business.

"(iv) Any item of gain or loss described in subparagraph (C) or (D) of section 954(c)(1) (applied by substituting 'qualified trade or business' for 'controlled foreign corporation').

"(v) Any item of income, gain, deduction, or loss taken into account under section 954(c)(1)(F) (determined without regard to clause (ii) thereof and other than items attributable to notional principal contracts entered into in transactions qualifying under section 1221(a)(7)).

"(vi) Any amount received from an annuity which is not received in connection with the trade or business.

"(vii) Any item of deduction or loss properly allocable to an amount described in any of the preceding clauses.

"(4) TREATMENT OF REASONABLE COMPENSATION AND GUARANTEED PAYMENTS.—Qualified business income shall not include—

"(A) reasonable compensation paid to the taxpayer by any qualified trade or business of the taxpayer for services rendered with respect to the trade or business,

"(B) any guaranteed payment described in section 707(c) paid to a partner for services rendered with respect to the trade or business, and

"(C) to the extent provided in regulations, any payment described in section 707(a) to a partner for services rendered with respect to the trade or business.

"(d) QUALIFIED TRADE OR BUSINESS.—For purposes of this section—

"(1) IN GENERAL.—The term 'qualified trade or business' means any trade or business other than—

"(A) a specified service trade or business, or

"(B) the trade or business of performing services as an employee.

"(2) SPECIFIED SERVICE TRADE OR BUSINESS.—The term 'specified service trade or business' means any trade or business—

"(A) which is described in section 1202(e)(3)(A) (applied without regard to the words 'engineering, architecture,') or which would be so described if the term 'employees or owners' were substituted for 'employees' therein, or

"(B) which involves the performance of services that consist of investing and investment management, trading,

26/199A new

or dealing in securities (as defined in section 475(c)(2)), partnership interests, or commodities (as defined in section 475(e)(2)).

"(3) EXCEPTION FOR SPECIFIED SERVICE BUSINESSES BASED ON TAXPAYER'S INCOME.—

"(A) IN GENERAL.—If, for any taxable year, the taxable income of any taxpayer is less than the sum of the threshold amount plus $50,000 ($100,000 in the case of a joint return), then—

"(i) any specified service trade or business of the taxpayer shall not fail to be treated as a qualified trade or business due to paragraph (1)(A), but

"(ii) only the applicable percentage of qualified items of income, gain, deduction, or loss, and the W–2 wages and the unadjusted basis immediately after acquisition of qualified property, of the taxpayer allocable to such specified service trade or business shall be taken into account in computing the qualified business income, W–2 wages, and the unadjusted basis immediately after acquisition of qualified property of the taxpayer for the taxable year for purposes of applying this section.

"(B) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A), the term 'applicable percentage' means, with respect to any taxable year, 100 percent reduced (not below zero) by the percentage equal to the ratio of—

"(i) the taxable income of the taxpayer for the taxable year in excess of the threshold amount, bears to

"(ii) $50,000 ($100,000 in the case of a joint return).

"(e) OTHER DEFINITIONS.—For purposes of this section—

"(1) TAXABLE INCOME.—Taxable income shall be computed without regard to the deduction allowable under this section.

"(2) THRESHOLD AMOUNT.—

"(A) IN GENERAL.—The term 'threshold amount' means $157,500 (200 percent of such amount in the case of a joint return).

"(B) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2018, the dollar amount in subparagraph (A) shall be increased by an amount equal to—

"(i) such dollar amount, multiplied by

"(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2017' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

The amount of any increase under the preceding sentence shall be rounded as provided in section 1(f)(7).

"(3) QUALIFIED REIT DIVIDEND.—The term 'qualified REIT dividend' means any dividend from a real estate investment trust received during the taxable year which—

"(A) is not a capital gain dividend, as defined in section 857(b)(3), and

"(B) is not qualified dividend income, as defined in section 1(h)(11).

26/199A new

"(4) QUALIFIED COOPERATIVE DIVIDEND.—The term 'qualified cooperative dividend' means any patronage dividend (as defined in section 1388(a)), any per-unit retain allocation (as defined in section 1388(f)), and any qualified written notice of allocation (as defined in section 1388(c)), or any similar amount received from an organization described in subparagraph (B)(ii), which—

"(A) is includible in gross income, and

"(B) is received from—

"(i) an organization or corporation described in section 501(c)(12) or 1381(a), or

"(ii) an organization which is governed under this title by the rules applicable to cooperatives under this title before the enactment of subchapter T.

"(5) QUALIFIED PUBLICLY TRADED PARTNERSHIP INCOME.—The term 'qualified publicly traded partnership income' means, with respect to any qualified trade or business of a taxpayer, the sum of—

"(A) the net amount of such taxpayer's allocable share of each qualified item of income, gain, deduction, and loss (as defined in subsection (c)(3) and determined after the application of subsection (c)(4)) from a publicly traded partnership (as defined in section 7704(a)) which is not treated as a corporation under section 7704(c), plus

"(B) any gain recognized by such taxpayer upon disposition of its interest in such partnership to the extent such gain is treated as an amount realized from the sale or exchange of property other than a capital asset under section 751(a).

"(f) SPECIAL RULES.—

"(1) APPLICATION TO PARTNERSHIPS AND S CORPORATIONS.—

"(A) IN GENERAL.—In the case of a partnership or S corporation—

"(i) this section shall be applied at the partner or shareholder level,

"(ii) each partner or shareholder shall take into account such person's allocable share of each qualified item of income, gain, deduction, and loss, and

"(iii) each partner or shareholder shall be treated for purposes of subsection (b) as having W–2 wages and unadjusted basis immediately after acquisition of qualified property for the taxable year in an amount equal to such person's allocable share of the W–2 wages and the unadjusted basis immediately after acquisition of qualified property of the partnership or S corporation for the taxable year (as determined under regulations prescribed by the Secretary).

For purposes of clause (iii), a partner's or shareholder's allocable share of W–2 wages shall be determined in the same manner as the partner's or shareholder's allocable share of wage expenses. For purposes of such clause, partner's or shareholder's allocable share of the unadjusted basis immediately after acquisition of qualified property shall be determined in the same manner as the partner's or shareholder's allocable share of depreciation. For purposes of this subparagraph, in the case of an S corporation,

26/199A new

an allocable share shall be the shareholder's pro rata share of an item.

"(B) APPLICATION TO TRUSTS AND ESTATES.—Rules similar to the rules under section 199(d)(1)(B)(i) (as in effect on December 1, 2017) for the apportionment of W–2 wages shall apply to the apportionment of W–2 wages and the apportionment of unadjusted basis immediately after acquisition of qualified property under this section.

"(C) TREATMENT OF TRADES OR BUSINESS IN PUERTO RICO.—

"(i) IN GENERAL.—In the case of any taxpayer with qualified business income from sources within the commonwealth of Puerto Rico, if all such income is taxable under section 1 for such taxable year, then for purposes of determining the qualified business income of such taxpayer for such taxable year, the term 'United States' shall include the Commonwealth of Puerto Rico.

"(ii) SPECIAL RULE FOR APPLYING LIMIT.—In the case of any taxpayer described in clause (i), the determination of W–2 wages of such taxpayer with respect to any qualified trade or business conducted in Puerto Rico shall be made without regard to any exclusion under section 3401(a)(8) for remuneration paid for services in Puerto Rico.

"(2) COORDINATION WITH MINIMUM TAX.—For purposes of determining alternative minimum taxable income under section 55, qualified business income shall be determined without regard to any adjustments under sections 56 through 59.

"(3) DEDUCTION LIMITED TO INCOME TAXES.—The deduction under subsection (a) shall only be allowed for purposes of this chapter.

"(4) REGULATIONS.—The Secretary shall prescribe such regulations as are necessary to carry out the purposes of this section, including regulations—

"(A) for requiring or restricting the allocation of items and wages under this section and such reporting requirements as the Secretary determines appropriate, and

"(B) for the application of this section in the case of tiered entities.

"(g) DEDUCTION ALLOWED TO SPECIFIED AGRICULTURAL OR HORTICULTURAL COOPERATIVES.—

"(1) IN GENERAL.—In the case of any taxable year of a specified agricultural or horticultural cooperative beginning after December 31, 2017, there shall be allowed a deduction in an amount equal to the lesser of—

"(A) 20 percent of the excess (if any) of—

"(i) the gross income of a specified agricultural or horticultural cooperative, over

"(ii) the qualified cooperative dividends (as defined in subsection (e)(4)) paid during the taxable year for the taxable year, or

"(B) the greater of—

"(i) 50 percent of the W–2 wages of the cooperative with respect to its trade or business, or

"(ii) the sum of 25 percent of the W–2 wages of the cooperative with respect to its trade or business,

plus 2.5 percent of the unadjusted basis immediately after acquisition of all qualified property of the cooperative.

26/199A new

"(2) LIMITATION.—The amount determined under paragraph (1) shall not exceed the taxable income of the specified agricultural or horticultural for the taxable year.

"(3) SPECIFIED AGRICULTURAL OR HORTICULTURAL COOPERATIVE.—For purposes of this subsection, the term 'specified agricultural or horticultural cooperative' means an organization to which part I of subchapter T applies which is engaged in—

"(A) the manufacturing, production, growth, or extraction in whole or significant part of any agricultural or horticultural product,

"(B) the marketing of agricultural or horticultural products which its patrons have so manufactured, produced, grown, or extracted, or

"(C) the provision of supplies, equipment, or services to farmers or to organizations described in subparagraph (A) or (B).

"(h) ANTI-ABUSE RULES.—The Secretary shall—

"(1) apply rules similar to the rules under section 179(d)(2) in order to prevent the manipulation of the depreciable period of qualified property using transactions between related parties, and

"(2) prescribe rules for determining the unadjusted basis immediately after acquisition of qualified property acquired in like-kind exchanges or involuntary conversions.

"(i) TERMINATION.—This section shall not apply to taxable years beginning after December 31, 2025.".

(b) TREATMENT OF DEDUCTION IN COMPUTING ADJUSTED GROSS AND TAXABLE INCOME.—

26/62(a)

(1) DEDUCTION NOT ALLOWED IN COMPUTING ADJUSTED GROSS INCOME.—Section 62(a) is amended by adding at the end the following new sentence: "The deduction allowed by section 199A shall not be treated as a deduction described in any of the preceding paragraphs of this subsection.".

26/63(b)(1) to (3)

(2) DEDUCTION ALLOWED TO NONITEMIZERS.—Section 63(b) is amended by striking "and" at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting ", and", and by adding at the end the following new paragraph:

"(3) the deduction provided in section 199A.".

26/63(d)(1) to (3)

(3) DEDUCTION ALLOWED TO ITEMIZERS WITHOUT LIMITS ON ITEMIZED DEDUCTIONS.—Section 63(d) is amended by striking "and" at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting ", and", and by adding at the end the following new paragraph:

"(3) the deduction provided in section 199A.".

26/3402(m)(1)

(4) CONFORMING AMENDMENT.—Section 3402(m)(1) is amended by inserting "and the estimated deduction allowed under section 199A" after "chapter 1".

(c) ACCURACY-RELATED PENALTY ON DETERMINATION OF APPLICABLE PERCENTAGE.—Section 6662(d)(1) is amended by inserting at the end the following new subparagraph:

26/6662(d)(1)(C)

"(C) SPECIAL RULE FOR TAXPAYERS CLAIMING SECTION 199A DEDUCTION.—In the case of any taxpayer who claims the deduction allowed under section 199A for the taxable

26/6662(d)(1)(C)

year, subparagraph (A) shall be applied by substituting '5 percent' for '10 percent'.".

(d) CONFORMING AMENDMENTS.—

26/172(d)(8)

(1) Section 172(d) is amended by adding at the end the following new paragraph:

"(8) QUALIFIED BUSINESS INCOME DEDUCTION.—The deduction under section 199A shall not be allowed.".

26/246(b)(1)

(2) Section 246(b)(1) is amended by inserting "199A," before "243(a)(1)".

26/613(a)

(3) Section 613(a) is amended by inserting "and without the deduction under section 199A" after "and without the deduction under section 199".

26/613A(d)(1)(C) to (F)

(4) Section 613A(d)(1) is amended by redesignating subparagraphs (C), (D), and (E) as subparagraphs (D), (E), and (F), respectively, and by inserting after subparagraph (B), the following new subparagraph:

"(C) any deduction allowable under section 199A,".

26/170(b)(2)(D)(iv) to (vi)

(5) Section 170(b)(2)(D) is amended by striking "and" in clause (iv), by striking the period at the end of clause (v), and by adding at the end the following new clause:

"(vi) section 199A(g).".

26/161 prec.

(6) The table of sections for part VI of subchapter B of chapter 1 is amended by inserting at the end the following new item:

"Sec. 199A. Qualified business income.".

26/62 note new

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11012. LIMITATION ON LOSSES FOR TAXPAYERS OTHER THAN CORPORATIONS.

26/461(l)

(a) IN GENERAL.—Section 461 is amended by adding at the end the following new subsection:

"(l) LIMITATION ON EXCESS BUSINESS LOSSES OF NONCORPORATE TAXPAYERS.—

"(1) LIMITATION.—In the case of taxable year of a taxpayer other than a corporation beginning after December 31, 2017, and before January 1, 2026—

"(A) subsection (j) (relating to limitation on excess farm losses of certain taxpayers) shall not apply, and

"(B) any excess business loss of the taxpayer for the taxable year shall not be allowed.

"(2) DISALLOWED LOSS CARRYOVER.—Any loss which is disallowed under paragraph (1) shall be treated as a net operating loss carryover to the following taxable year under section 172.

"(3) EXCESS BUSINESS LOSS.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'excess business loss' means the excess (if any) of—

"(i) the aggregate deductions of the taxpayer for the taxable year which are attributable to trades or businesses of such taxpayer (determined without regard to whether or not such deductions are disallowed for such taxable year under paragraph (1)), over

"(ii) the sum of—

26/461(l)

"(I) the aggregate gross income or gain of such taxpayer for the taxable year which is attributable to such trades or businesses, plus

"(II) $250,000 (200 percent of such amount in the case of a joint return).

"(B) ADJUSTMENT FOR INFLATION.—In the case of any taxable year beginning after December 31, 2018, the $250,000 amount in subparagraph (A)(ii)(II) shall be increased by an amount equal to—

"(i) such dollar amount, multiplied by

"(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting '2017' for '2016' in subparagraph (A)(ii) thereof.

If any amount as increased under the preceding sentence is not a multiple of $1,000, such amount shall be rounded to the nearest multiple of $1,000.

"(4) APPLICATION OF SUBSECTION IN CASE OF PARTNERSHIPS AND S CORPORATIONS.—In the case of a partnership or S corporation—

"(A) this subsection shall be applied at the partner or shareholder level, and

"(B) each partner's or shareholder's allocable share of the items of income, gain, deduction, or loss of the partnership or S corporation for any taxable year from trades or businesses attributable to the partnership or S corporation shall be taken into account by the partner or shareholder in applying this subsection to the taxable year of such partner or shareholder with or within which the taxable year of the partnership or S corporation ends.

For purposes of this paragraph, in the case of an S corporation, an allocable share shall be the shareholder's pro rata share of an item.

"(5) ADDITIONAL REPORTING.—The Secretary shall prescribe such additional reporting requirements as the Secretary determines necessary to carry out the purposes of this subsection.

"(6) COORDINATION WITH SECTION 469.—This subsection shall be applied after the application of section 469.".

26/461 note new

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

PART III—TAX BENEFITS FOR FAMILIES AND INDIVIDUALS

SEC. 11021. INCREASE IN STANDARD DEDUCTION.

26/63(c)(7)

(a) IN GENERAL.—Subsection (c) of section 63 is amended by adding at the end the following new paragraph:

"(7) SPECIAL RULES FOR TAXABLE YEARS 2018 THROUGH 2025.—In the case of a taxable year beginning after December 31, 2017, and before January 1, 2026—

"(A) INCREASE IN STANDARD DEDUCTION.—Paragraph (2) shall be applied—

"(i) by substituting '$18,000' for '$4,400' in subparagraph (B), and

"(ii) by substituting '$12,000' for '$3,000' in subparagraph (C).

"(B) ADJUSTMENT FOR INFLATION.—

26/63(c)(7)

"(i) IN GENERAL.—Paragraph (4) shall not apply to the dollar amounts contained in paragraphs (2)(B) and (2)(C).

"(ii) ADJUSTMENT OF INCREASED AMOUNTS.—In the case of a taxable year beginning after 2018, the $18,000 and $12,000 amounts in subparagraph (A) shall each be increased by an amount equal to—

"(I) such dollar amount, multiplied by

"(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting '2017' for '2016' in subparagraph (A)(ii) thereof.

If any increase under this clause is not a multiple of $50, such increase shall be rounded to the next lowest multiple of $50.".

26/63 note new

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11022. INCREASE IN AND MODIFICATION OF CHILD TAX CREDIT.

26/24(h)

(a) IN GENERAL.—Section 24 is amended by adding at the end the following new subsection:

"(h) SPECIAL RULES FOR TAXABLE YEARS 2018 THROUGH 2025.—

"(1) IN GENERAL.—In the case of a taxable year beginning after December 31, 2017, and before January 1, 2026, this section shall be applied as provided in paragraphs (2) through (7).

"(2) CREDIT AMOUNT.—Subsection (a) shall be applied by substituting '$2,000' for '$1,000'.

"(3) LIMITATION.—In lieu of the amount determined under subsection (b)(2), the threshold amount shall be $400,000 in the case of a joint return ($200,000 in any other case).

"(4) PARTIAL CREDIT ALLOWED FOR CERTAIN OTHER DEPENDENTS.—

"(A) IN GENERAL.—The credit determined under subsection (a) (after the application of paragraph (2)) shall be increased by $500 for each dependent of the taxpayer (as defined in section 152) other than a qualifying child described in subsection (c).

"(B) EXCEPTION FOR CERTAIN NONCITIZENS.—Subparagraph (A) shall not apply with respect to any individual who would not be a dependent if subparagraph (A) of section 152(b)(3) were applied without regard to all that follows 'resident of the United States'.

"(C) CERTAIN QUALIFYING CHILDREN.—In the case of any qualifying child with respect to whom a credit is not allowed under this section by reason of paragraph (7), such child shall be treated as a dependent to whom subparagraph (A) applies.

"(5) MAXIMUM AMOUNT OF REFUNDABLE CREDIT.—

"(A) IN GENERAL.—The amount determined under subsection (d)(1)(A) with respect to any qualifying child shall not exceed $1,400, and such subsection shall be applied without regard to paragraph (4) of this subsection.

"(B) ADJUSTMENT FOR INFLATION.—In the case of a taxable year beginning after 2018, the $1,400 amount in

26/24(h)

subparagraph (A) shall be increased by an amount equal to—

"(i) such dollar amount, multiplied by

"(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting '2017' for '2016' in subparagraph (A)(ii) thereof.

If any increase under this clause is not a multiple of $100, such increase shall be rounded to the next lowest multiple of $100.

"(6) EARNED INCOME THRESHOLD FOR REFUNDABLE CREDIT.—Subsection (d)(1)(B)(i) shall be applied by substituting '$2,500' for '$3,000'.

"(7) SOCIAL SECURITY NUMBER REQUIRED.—No credit shall be allowed under this section to a taxpayer with respect to any qualifying child unless the taxpayer includes the social security number of such child on the return of tax for the taxable year. For purposes of the preceding sentence, the term 'social security number' means a social security number issued to an individual by the Social Security Administration, but only if the social security number is issued—

"(A) to a citizen of the United States or pursuant to subclause (I) (or that portion of subclause (III) that relates to subclause (I)) of section 205(c)(2)(B)(i) of the Social Security Act, and

"(B) before the due date for such return.".

26/24 note new

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11023. INCREASED LIMITATION FOR CERTAIN CHARITABLE CONTRIBUTIONS.

(a) IN GENERAL.—Section 170(b)(1) is amended by redesignating subparagraph (G) as subparagraph (H) and by inserting after subparagraph (F) the following new subparagraph:

26/170(b)(1)(G), (H)

"(G) INCREASED LIMITATION FOR CASH CONTRIBUTIONS.—

"(i) IN GENERAL.—In the case of any contribution of cash to an organization described in subparagraph (A), the total amount of such contributions which may be taken into account under subsection (a) for any taxable year beginning after December 31, 2017, and before January 1, 2026, shall not exceed 60 percent of the taxpayer's contribution base for such year.

"(ii) CARRYOVER.—If the aggregate amount of contributions described in clause (i) exceeds the applicable limitation under clause (i) for any taxable year described in such clause, such excess shall be treated (in a manner consistent with the rules of subsection (d)(1)) as a charitable contribution to which clause (i) applies in each of the 5 succeeding years in order of time.

"(iii) COORDINATION WITH SUBPARAGRAPHS (A) AND (B).—

"(I) IN GENERAL.—Contributions taken into account under this subparagraph shall not be taken into account under subparagraph (A).

26/170(b)(1)(G), (H)

"(II) LIMITATION REDUCTION.—For each taxable year described in clause (i), and each taxable year to which any contribution under this subparagraph is carried over under clause (ii), subparagraph (A) shall be applied by reducing (but not below zero) the contribution limitation allowed for the taxable year under such subparagraph by the aggregate contributions allowed under this subparagraph for such taxable year, and subparagraph (B) shall be applied by treating any reference to subparagraph (A) as a reference to both subparagraph (A) and this subparagraph.".

26/170 note new

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions in taxable years beginning after December 31, 2017.

SEC. 11024. INCREASED CONTRIBUTIONS TO ABLE ACCOUNTS.

(a) INCREASE IN LIMITATION FOR CONTRIBUTIONS FROM COMPENSATION OF INDIVIDUALS WITH DISABILITIES.—

26/529A(b)(2)(B)

(1) IN GENERAL.—Section 529A(b)(2)(B) is amended to read as follows:

"(B) except in the case of contributions under subsection (c)(1)(C), if such contribution to an ABLE account would result in aggregate contributions from all contributors to the ABLE account for the taxable year exceeding the sum of—

"(i) the amount in effect under section 2503(b) for the calendar year in which the taxable year begins, plus

"(ii) in the case of any contribution by a designated beneficiary described in paragraph (7) before January 1, 2026, the lesser of—

"(I) compensation (as defined by section 219(f)(1)) includible in the designated beneficiary's gross income for the taxable year, or

"(II) an amount equal to the poverty line for a one-person household, as determined for the calendar year preceding the calendar year in which the taxable year begins.".

26/529A(b)(2)

(2) RESPONSIBILITY FOR CONTRIBUTION LIMITATION.—Paragraph (2) of section 529A(b) is amended by adding at the end the following: "A designated beneficiary (or a person acting on behalf of such beneficiary) shall maintain adequate records for purposes of ensuring, and shall be responsible for ensuring, that the requirements of subparagraph (B)(ii) are met."

26/529A(b)(7)

(3) ELIGIBLE DESIGNATED BENEFICIARY.—Section 529A(b) is amended by adding at the end the following:

"(7) SPECIAL RULES RELATED TO CONTRIBUTION LIMIT.—For purposes of paragraph (2)(B)(ii)—

"(A) DESIGNATED BENEFICIARY.—A designated beneficiary described in this paragraph is an employee (including an employee within the meaning of section 401(c)) with respect to whom—

"(i) no contribution is made for the taxable year to a defined contribution plan (within the meaning of section 414(i)) with respect to which the requirements of section 401(a) or 403(a) are met,

26/529A(b)(7)

"(ii) no contribution is made for the taxable year to an annuity contract described in section 403(b), and

"(iii) no contribution is made for the taxable year to an eligible deferred compensation plan described in section 457(b).

"(B) POVERTY LINE.—The term 'poverty line' has the meaning given such term by section 673 of the Community Services Block Grant Act (42 U.S.C. 9902).".

(b) ALLOWANCE OF SAVER'S CREDIT FOR ABLE CONTRIBUTIONS BY ACCOUNT HOLDER.—Section 25B(d)(1) is amended by striking "and" at the end of subparagraph (B)(ii), by striking the period at the end of subparagraph (C) and inserting ", and", and by inserting at the end the following:

26/25B(d)(1)(B)(ii) (C), (D)

"(D) the amount of contributions made before January 1, 2026, by such individual to the ABLE account (within the meaning of section 529A) of which such individual is the designated beneficiary.".

26/25B note new

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 11025. ROLLOVERS TO ABLE PROGRAMS FROM 529 PROGRAMS.

(a) IN GENERAL.—Clause (i) of section 529(c)(3)(C) is amended by striking "or" at the end of subclause (I), by striking the period at the end of subclause (II) and inserting ", or", and by adding at the end the following:

26/529(c)(3)(C)(i)(I) to (III)

"(III) before January 1, 2026, to an ABLE account (as defined in section 529A(e)(6)) of the designated beneficiary or a member of the family of the designated beneficiary.

Subclause (III) shall not apply to so much of a distribution which, when added to all other contributions made to the ABLE account for the taxable year, exceeds the limitation under section 529A(b)(2)(B)(i).".

(b) EFFECTIVE DATE.—The amendments made by this section

26/529 note new

shall apply to distributions after the date of the enactment of this Act.

SEC. 11026. TREATMENT OF CERTAIN INDIVIDUALS PERFORMING SERVICES IN THE SINAI PENINSULA OF EGYPT.

26/112 note new

(a) IN GENERAL.—For purposes of the following provisions of the Internal Revenue Code of 1986, with respect to the applicable period, a qualified hazardous duty area shall be treated in the same manner as if it were a combat zone (as determined under section 112 of such Code):

(1) Section 2(a)(3) (relating to special rule where deceased spouse was in missing status).

(2) Section 112 (relating to the exclusion of certain combat pay of members of the Armed Forces).

(3) Section 692 (relating to income taxes of members of Armed Forces on death).

(4) Section 2201 (relating to members of the Armed Forces dying in combat zone or by reason of combat-zone-incurred wounds, etc.).

(5) Section 3401(a)(1) (defining wages relating to combat pay for members of the Armed Forces).

(6) Section 4253(d) (relating to the taxation of phone service originating from a combat zone from members of the Armed Forces).

26/112 note new

(7) Section 6013(f)(1) (relating to joint return where individual is in missing status).

(8) Section 7508 (relating to time for performing certain acts postponed by reason of service in combat zone).

(b) QUALIFIED HAZARDOUS DUTY AREA.—For purposes of this section, the term "qualified hazardous duty area" means the Sinai Peninsula of Egypt, if as of the date of the enactment of this section any member of the Armed Forces of the United States is entitled to special pay under section 310 of title 37, United States Code (relating to special pay; duty subject to hostile fire or imminent danger), for services performed in such location. Such term includes such location only during the period such entitlement is in effect.

(c) APPLICABLE PERIOD.—

(1) IN GENERAL.—Except as provided in paragraph (2), the applicable period is—

(A) the portion of the first taxable year ending after June 9, 2015, which begins on such date, and

(B) any subsequent taxable year beginning before January 1, 2026.

(2) WITHHOLDING.—In the case of subsection (a)(5), the applicable period is—

(A) the portion of the first taxable year ending after the date of the enactment of this Act which begins on such date, and

(B) any subsequent taxable year beginning before January 1, 2026.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the provisions of this section shall take effect on June 9, 2015.

(2) WITHHOLDING.—Subsection (a)(5) shall apply to remuneration paid after the date of the enactment of this Act.

SEC. 11027. TEMPORARY REDUCTION IN MEDICAL EXPENSE DEDUCTION FLOOR.

26/213(f)

(a) IN GENERAL.—Subsection (f) of section 213 is amended to read as follows:

"(f) SPECIAL RULES FOR 2013 THROUGH 2018.—In the case of any taxable year—

"(1) beginning after December 31, 2012, and ending before January 1, 2017, in the case of a taxpayer if such taxpayer or such taxpayer's spouse has attained age 65 before the close of such taxable year, and

"(2) beginning after December 31, 2016, and ending before January 1, 2019, in the case of any taxpayer,

subsection (a) shall be applied with respect to a taxpayer by substituting '7.5 percent' for '10 percent'.".

26/56(b)(1)(B)

(b) MINIMUM TAX PREFERENCE NOT TO APPLY.—Section 56(b)(1)(B) is amended by adding at the end the following new sentence: "This subparagraph shall not apply to taxable years beginning after December 31, 2016, and ending before January 1, 2019".

26/56 note new

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2016.

SEC. 11028. RELIEF FOR 2016 DISASTER AREAS.

(a) IN GENERAL.—For purposes of this section, the term "2016 disaster area" means any area with respect to which a major disaster has been declared by the President under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act during calendar year 2016.

(b) SPECIAL RULES FOR USE OF RETIREMENT FUNDS WITH RESPECT TO AREAS DAMAGED BY 2016 DISASTERS.—

(1) TAX-FAVORED WITHDRAWALS FROM RETIREMENT PLANS.—

(A) IN GENERAL.—Section 72(t) of the Internal Revenue Code of 1986 shall not apply to any qualified 2016 disaster distribution.

(B) AGGREGATE DOLLAR LIMITATION.—

(i) IN GENERAL.—For purposes of this subsection, the aggregate amount of distributions received by an individual which may be treated as qualified 2016 disaster distributions for any taxable year shall not exceed the excess (if any) of—

(I) $100,000, over

(II) the aggregate amounts treated as qualified 2016 disaster distributions received by such individual for all prior taxable years.

(ii) TREATMENT OF PLAN DISTRIBUTIONS.—If a distribution to an individual would (without regard to clause (i)) be a qualified 2016 disaster distribution, a plan shall not be treated as violating any requirement of this title merely because the plan treats such distribution as a qualified 2016 disaster distribution, unless the aggregate amount of such distributions from all plans maintained by the employer (and any member of any controlled group which includes the employer) to such individual exceeds $100,000.

(iii) CONTROLLED GROUP.—For purposes of clause (ii), the term "controlled group" means any group treated as a single employer under subsection (b), (c), (m), or (o) of section 414 of the Internal Revenue Code of 1986.

(C) AMOUNT DISTRIBUTED MAY BE REPAID.—

(i) IN GENERAL.—Any individual who receives a qualified 2016 disaster distribution may, at any time during the 3-year period beginning on the day after the date on which such distribution was received, make one or more contributions in an aggregate amount not to exceed the amount of such distribution to an eligible retirement plan of which such individual is a beneficiary and to which a rollover contribution of such distribution could be made under section 402(c), 403(a)(4), 403(b)(8), 408(d)(3), or 457(e)(16) of the Internal Revenue Code of 1986, as the case may be.

(ii) TREATMENT OF REPAYMENTS OF DISTRIBUTIONS FROM ELIGIBLE RETIREMENT PLANS OTHER THAN IRAS.—For purposes of the Internal Revenue Code of 1986, if a contribution is made pursuant to clause (i) with respect to a qualified 2016 disaster distribution from an eligible retirement plan other than an individual retirement plan, then the taxpayer shall, to the extent of the amount of the contribution, be treated as having

received the qualified 2016 disaster distribution in an eligible rollover distribution (as defined in section 402(c)(4) of the Internal Revenue Code of 1986) and as having transferred the amount to the eligible retirement plan in a direct trustee to trustee transfer within 60 days of the distribution.

(iii) TREATMENT OF REPAYMENTS FOR DISTRIBUTIONS FROM IRAS.—For purposes of the Internal Revenue Code of 1986, if a contribution is made pursuant to clause (i) with respect to a qualified 2016 disaster distribution from an individual retirement plan (as defined by section 7701(a)(37) of the Internal Revenue Code of 1986), then, to the extent of the amount of the contribution, the qualified 2016 disaster distribution shall be treated as a distribution described in section 408(d)(3) of such Code and as having been transferred to the eligible retirement plan in a direct trustee to trustee transfer within 60 days of the distribution.

(D) DEFINITIONS.—For purposes of this paragraph—

(i) QUALIFIED 2016 DISASTER DISTRIBUTION.—Except as provided in subparagraph (B), the term "qualified 2016 disaster distribution" means any distribution from an eligible retirement plan made on or after January 1, 2016, and before January 1, 2018, to an individual whose principal place of abode at any time during calendar year 2016 was located in a disaster area described in subsection (a) and who has sustained an economic loss by reason of the events giving rise to the Presidential declaration described in subsection (a) which was applicable to such area.

(ii) ELIGIBLE RETIREMENT PLAN.—The term "eligible retirement plan" shall have the meaning given such term by section 402(c)(8)(B) of the Internal Revenue Code of 1986.

(E) INCOME INCLUSION SPREAD OVER 3-YEAR PERIOD.—

(i) IN GENERAL.—In the case of any qualified 2016 disaster distribution, unless the taxpayer elects not to have this subparagraph apply for any taxable year, any amount required to be included in gross income for such taxable year shall be so included ratably over the 3-taxable-year period beginning with such taxable year.

(ii) SPECIAL RULE.—For purposes of clause (i), rules similar to the rules of subparagraph (E) of section 408A(d)(3) of the Internal Revenue Code of 1986 shall apply.

(F) SPECIAL RULES.—

(i) EXEMPTION OF DISTRIBUTIONS FROM TRUSTEE TO TRUSTEE TRANSFER AND WITHHOLDING RULES.—For purposes of sections 401(a)(31), 402(f), and 3405 of the Internal Revenue Code of 1986, qualified 2016 disaster distribution shall not be treated as eligible rollover distributions.

(ii) QUALIFIED 2016 DISASTER DISTRIBUTIONS TREATED AS MEETING PLAN DISTRIBUTION REQUIREMENTS.—For purposes of the Internal Revenue Code

of 1986, a qualified 2016 disaster distribution shall be treated as meeting the requirements of sections 401(k)(2)(B)(i), 403(b)(7)(A)(ii), 403(b)(11), and 457(d)(1)(A) of the Internal Revenue Code of 1986.

(2) PROVISIONS RELATING TO PLAN AMENDMENTS.—

(A) IN GENERAL.—If this paragraph applies to any amendment to any plan or annuity contract, such plan or contract shall be treated as being operated in accordance with the terms of the plan during the period described in subparagraph (B)(ii)(I).

(B) AMENDMENTS TO WHICH SUBSECTION APPLIES.—

(i) IN GENERAL.—This paragraph shall apply to any amendment to any plan or annuity contract which is made—

(I) pursuant to any provision of this section, or pursuant to any regulation under any provision of this section, and

(II) on or before the last day of the first plan year beginning on or after January 1, 2018, or such later date as the Secretary prescribes.

In the case of a governmental plan (as defined in section 414(d) of the Internal Revenue Code of 1986), subclause (II) shall be applied by substituting the date which is 2 years after the date otherwise applied under subclause (II).

(ii) CONDITIONS.—This paragraph shall not apply to any amendment to a plan or contract unless such amendment applies retroactively for such period, and shall not apply to any such amendment unless the plan or contract is operated as if such amendment were in effect during the period—

(I) beginning on the date that this section or the regulation described in clause (i)(I) takes effect (or in the case of a plan or contract amendment not required by this section or such regulation, the effective date specified by the plan), and

(II) ending on the date described in clause (i)(II) (or, if earlier, the date the plan or contract amendment is adopted).

(c) SPECIAL RULES FOR PERSONAL CASUALTY LOSSES RELATED TO 2016 MAJOR DISASTER.—

(1) IN GENERAL.—If an individual has a net disaster loss for any taxable year beginning after December 31, 2015, and before January 1, 2018—

(A) the amount determined under section 165(h)(2)(A)(ii) of the Internal Revenue Code of 1986 shall be equal to the sum of—

(i) such net disaster loss, and

(ii) so much of the excess referred to in the matter preceding clause (i) of section 165(h)(2)(A) of such Code (reduced by the amount in clause (i) of this subparagraph) as exceeds 10 percent of the adjusted gross income of the individual,

(B) section 165(h)(1) of such Code shall be applied by substituting "$500" for "$500 ($100 for taxable years beginning after December 31, 2009)",

(C) the standard deduction determined under section 63(c) of such Code shall be increased by the net disaster loss, and

(D) section 56(b)(1)(E) of such Code shall not apply to so much of the standard deduction as is attributable to the increase under subparagraph (C) of this paragraph.

(2) NET DISASTER LOSS.—For purposes of this subsection, the term "net disaster loss" means the excess of qualified disaster-related personal casualty losses over personal casualty gains (as defined in section 165(h)(3)(A) of the Internal Revenue Code of 1986).

(3) QUALIFIED DISASTER-RELATED PERSONAL CASUALTY LOSSES.—For purposes of this paragraph, the term "qualified disaster-related personal casualty losses" means losses described in section 165(c)(3) of the Internal Revenue Code of 1986 which arise in a disaster area described in subsection (a) on or after January 1, 2016, and which are attributable to the events giving rise to the Presidential declaration described in subsection (a) which was applicable to such area.

PART IV—EDUCATION

SEC. 11031. TREATMENT OF STUDENT LOANS DISCHARGED ON ACCOUNT OF DEATH OR DISABILITY.

26/108(f)(5)

(a) IN GENERAL.—Section 108(f) is amended by adding at the end the following new paragraph:

"(5) DISCHARGES ON ACCOUNT OF DEATH OR DISABILITY.—

"(A) IN GENERAL.—In the case of an individual, gross income does not include any amount which (but for this subsection) would be includible in gross income for such taxable year by reasons of the discharge (in whole or in part) of any loan described in subparagraph (B) after December 31, 2017, and before January 1, 2026, if such discharge was—

"(i) pursuant to subsection (a) or (d) of section 437 of the Higher Education Act of 1965 or the parallel benefit under part D of title IV of such Act (relating to the repayment of loan liability),

"(ii) pursuant to section 464(c)(1)(F) of such Act, or

"(iii) otherwise discharged on account of the death or total and permanent disability of the student.

"(B) LOANS DESCRIBED.—A loan is described in this subparagraph if such loan is—

"(i) a student loan (as defined in paragraph (2)), or

"(ii) a private education loan (as defined in section 140(7) of the Consumer Credit Protection Act (15 U.S.C. 1650(7))).".

26/108 note new

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to discharges of indebtedness after December 31, 2017.

SEC. 11032. 529 ACCOUNT FUNDING FOR ELEMENTARY AND SECONDARY EDUCATION.

26/529(c)(7)

(a) IN GENERAL.—

(1) IN GENERAL.—Section 529(c) is amended by adding at the end the following new paragraph:

26/529(c)(7)

"(7) TREATMENT OF ELEMENTARY AND SECONDARY TUITION.—Any reference in this subsection to the term 'qualified higher education expense' shall include a reference to expenses for tuition in connection with enrollment or attendance at an elementary or secondary public, private, or religious school.".

26/529(e)(3)(A)

(2) LIMITATION.—Section 529(e)(3)(A) is amended by adding at the end the following: "The amount of cash distributions from all qualified tuition programs described in subsection (b)(1)(A)(ii) with respect to a beneficiary during any taxable year shall, in the aggregate, include not more than $10,000 in expenses described in subsection (c)(7) incurred during the taxable year.".

26/529 note new

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions made after December 31, 2017.

PART V—DEDUCTIONS AND EXCLUSIONS

SEC. 11041. SUSPENSION OF DEDUCTION FOR PERSONAL EXEMPTIONS.

26/151(d)(4)

(a) IN GENERAL.—Subsection (d) of section 151 is amended—

(1) by striking "In the case of" in paragraph (4) and inserting "Except as provided in paragraph (5), in the case of", and

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

26/151(d)(5)

"(5) SPECIAL RULES FOR TAXABLE YEARS 2018 THROUGH 2025.—In the case of a taxable year beginning after December 31, 2017, and before January 1, 2026—

"(A) EXEMPTION AMOUNT.—The term 'exemption amount' means zero.

"(B) REFERENCES.—For purposes of any other provision of this title, the reduction of the exemption amount to zero under subparagraph (A) shall not be taken into account in determining whether a deduction is allowed or allowable, or whether a taxpayer is entitled to a deduction, under this section.".

(b) APPLICATION TO ESTATES AND TRUSTS.—Section 642(b)(2)(C) is amended by adding at the end the following new clause:

26/642(b)(2)(C)(iii)

"(iii) YEARS WHEN PERSONAL EXEMPTION AMOUNT IS ZERO.—

"(I) IN GENERAL.—In the case of any taxable year in which the exemption amount under section 151(d) is zero, clause (i) shall be applied by substituting '$4,150' for 'the exemption amount under section 151(d)'.

"(II) INFLATION ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2018, the $4,150 amount in subparagraph (A) shall be increased in the same manner as provided in section 6334(d)(4)(C).".

(c) MODIFICATION OF WAGE WITHHOLDING RULES.—

26/3402(a)(2)

(1) IN GENERAL.—Section 3402(a)(2) is amended by striking "means the amount" and all that follows and inserting "means the amount by which the wages exceed the taxpayer's withholding allowance, prorated to the payroll period.".

(2) CONFORMING AMENDMENTS.—

26/3401(e)

(A) Section 3401 is amended by striking subsection (e).

26/3402(f)(1), (2)

(B) Paragraphs (1) and (2) of section 3402(f) are amended to read as follows:

"(1) IN GENERAL.—Under rules determined by the Secretary, an employee receiving wages shall on any day be entitled to a withholding allowance determined based on—

"(A) whether the employee is an individual for whom a deduction is allowable with respect to another taxpayer under section 151;

"(B) if the employee is married, whether the employee's spouse is entitled to an allowance, or would be so entitled if such spouse were an employee receiving wages, under subparagraph (A) or (D), but only if such spouse does not have in effect a withholding allowance certificate claiming such allowance;

"(C) the number of individuals with respect to whom, on the basis of facts existing at the beginning of such day, there may reasonably be expected to be allowable a credit under section 24(a) for the taxable year under subtitle A in respect of which amounts deducted and withheld under this chapter in the calendar year in which such day falls are allowed as a credit;

"(D) any additional amounts to which the employee elects to take into account under subsection (m), but only if the employee's spouse does not have in effect a withholding allowance certificate making such an election;

"(E) the standard deduction allowable to such employee (one-half of such standard deduction in the case of an employee who is married (as determined under section 7703) and whose spouse is an employee receiving wages subject to withholding); and

"(F) whether the employee has withholding allowance certificates in effect with respect to more than 1 employer.

"(2) ALLOWANCE CERTIFICATES.—

"(A) ON COMMENCEMENT OF EMPLOYMENT.—On or before the date of the commencement of employment with an employer, the employee shall furnish the employer with a signed withholding allowance certificate relating to the withholding allowance claimed by the employee, which shall in no event exceed the amount to which the employee is entitled.

"(B) CHANGE OF STATUS.—If, on any day during the calendar year, an employee's withholding allowance is in excess of the withholding allowance to which the employee would be entitled had the employee submitted a true and accurate withholding allowance certificate to the employer on that day, the employee shall within 10 days thereafter furnish the employer with a new withholding allowance certificate. If, on any day during the calendar year, an employee's withholding allowance is greater than the withholding allowance claimed, the employee may furnish the employer with a new withholding allowance certificate relating to the withholding allowance to which the employee is so entitled, which shall in no event exceed the amount to which the employee is entitled on such day.

"(C) CHANGE OF STATUS WHICH AFFECTS NEXT CALENDAR YEAR.—If on any day during the calendar year the

26/3402(f)(1), (2)

withholding allowance to which the employee will be, or may reasonably be expected to be, entitled at the beginning of the employee's next taxable year under subtitle A is different from the allowance to which the employee is entitled on such day, the employee shall, in such cases and at such times as the Secretary shall by regulations prescribe, furnish the employer with a withholding allowance certificate relating to the withholding allowance which the employee claims with respect to such next taxable year, which shall in no event exceed the withholding allowance to which the employee will be, or may reasonably be expected to be, so entitled.".

*

(C) Subsections (b)(1), (b)(2), (f)(3), (f)(4), (f)(5), (f)(7) (including the heading thereof), (g)(4), (l)(1), (l)(2), and (n) of section 3402 are each amended by striking "exemption" each place it appears and inserting "allowance".

26/3402(f)

(D) The heading of section 3402(f) is amended by striking "EXEMPTIONS" and inserting "ALLOWANCE".

26/3402(m)

(E) Section 3402(m) is amended by striking "additional withholding allowances or additional reductions in withholding under this subsection. In determining the number of additional withholding allowances" and inserting "an additional withholding allowance or additional reductions in withholding under this subsection. In determining the additional withholding allowance".

26/3405(a)(3), (4)

(F) Paragraphs (3) and (4) of section 3405(a) (and the heading for such paragraph (4)) are each amended by striking "exemption" each place it appears and inserting "allowance".

26/3405(a)(4)

(G) Section 3405(a)(4) is amended by striking "shall be determined" and all that follows through "3 withholding exemptions" and inserting "shall be determined under rules prescribed by the Secretary".

(d) EXCEPTION FOR DETERMINING PROPERTY EXEMPT FROM LEVY.—Section 6334(d) is amended by adding at the end the following new paragraph:

26/6334(d)(4)

"(4) YEARS WHEN PERSONAL EXEMPTION AMOUNT IS ZERO.—

"(A) IN GENERAL.—In the case of any taxable year in which the exemption amount under section 151(d) is zero, paragraph (2) shall not apply and for purposes of paragraph (1) the term 'exempt amount' means an amount equal to—

"(i) the sum of the amount determined under subparagraph (B) and the standard deduction, divided by

"(ii) 52.

"(B) AMOUNT DETERMINED.—For purposes of subparagraph (A), the amount determined under this subparagraph is $4,150 multiplied by the number of the taxpayer's dependents for the taxable year in which the levy occurs.

"(C) INFLATION ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2018, the $4,150 amount in subparagraph (B) shall be increased by an amount equal to—

"(i) such dollar amount, multiplied by

"(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which

*Sec. 11041(c)(2)(C): 26/3402(b)(1), (2), (f)(3) to (5), (7), (g)(4), (l)(1), (2), (n)

the taxable year begins, determined by substituting '2017' for '2016' in subparagraph (A)(ii) thereof.

26/6334(d)(4)

If any increase determined under the preceding sentence is not a multiple of $100, such increase shall be rounded to the next lowest multiple of $100.

"(D) VERIFIED STATEMENT.—Unless the taxpayer submits to the Secretary a written and properly verified statement specifying the facts necessary to determine the proper amount under subparagraph (A), subparagraph (A) shall be applied as if the taxpayer were a married individual filing a separate return with no dependents.".

(e) PERSONS REQUIRED TO MAKE RETURNS OF INCOME.—Section 6012 is amended by adding at the end the following new subsection:

26/6012(f)

"(f) SPECIAL RULE FOR TAXABLE YEARS 2018 THROUGH 2025.—In the case of a taxable year beginning after December 31, 2017, and before January 1, 2026, subsection (a)(1) shall not apply, and every individual who has gross income for the taxable year shall be required to make returns with respect to income taxes under subtitle A, except that a return shall not be required of—

"(1) an individual who is not married (determined by applying section 7703) and who has gross income for the taxable year which does not exceed the standard deduction applicable to such individual for such taxable year under section 63, or

"(2) an individual entitled to make a joint return if—

"(A) the gross income of such individual, when combined with the gross income of such individual's spouse, for the taxable year does not exceed the standard deduction which would be applicable to the taxpayer for such taxable year under section 63 if such individual and such individual's spouse made a joint return,

"(B) such individual and such individual's spouse have the same household as their home at the close of the taxable year,

"(C) such individual's spouse does not make a separate return, and

"(D) neither such individual nor such individual's spouse is an individual described in section 63(c)(5) who has income (other than earned income) in excess of the amount in effect under section 63(c)(5)(A).".

(f) EFFECTIVE DATE.—

26/151 note new

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 2017.

(2) WAGE WITHHOLDING.—The Secretary of the Treasury may administer section 3402 for taxable years beginning before January 1, 2019, without regard to the amendments made by subsections (a) and (c).

SEC. 11042. LIMITATION ON DEDUCTION FOR STATE AND LOCAL, ETC. TAXES.

(a) IN GENERAL.—Subsection (b) of section 164 is amended

26/164(b)(6)

by adding at the end the following new paragraph:

"(6) LIMITATION ON INDIVIDUAL DEDUCTIONS FOR TAXABLE YEARS 2018 THROUGH 2025.—In the case of an individual and a taxable year beginning after December 31, 2017, and before January 1, 2026—

26/164(b)(6)

"(A) foreign real property taxes shall not be taken into account under subsection (a)(1), and

"(B) the aggregate amount of taxes taken into account under paragraphs (1), (2), and (3) of subsection (a) and paragraph (5) of this subsection for any taxable year shall not exceed $10,000 ($5,000 in the case of a married individual filing a separate return).

The preceding sentence shall not apply to any foreign taxes described in subsection (a)(3) or to any taxes described in paragraph (1) and (2) of subsection (a) which are paid or accrued in carrying on a trade or business or an activity described in section 212. For purposes of subparagraph (B), an amount paid in a taxable year beginning before January 1, 2018, with respect to a State or local income tax imposed for a taxable year beginning after December 31, 2017, shall be treated as paid on the last day of the taxable year for which such tax is so imposed.".

26/164 note new

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2016.

SEC. 11043. LIMITATION ON DEDUCTION FOR QUALIFIED RESIDENCE INTEREST.

(a) IN GENERAL.—Section 163(h)(3) is amended by adding at the end the following new subparagraph:

26/163(h)(3)(F)

"(F) SPECIAL RULES FOR TAXABLE YEARS 2018 THROUGH 2025.—

"(i) IN GENERAL.—In the case of taxable years beginning after December 31, 2017, and before January 1, 2026—

"(I) DISALLOWANCE OF HOME EQUITY INDEBTEDNESS INTEREST.—Subparagraph (A)(ii) shall not apply.

"(II) LIMITATION ON ACQUISITION INDEBTEDNESS.—Subparagraph (B)(ii) shall be applied by substituting '$750,000 ($375,000' for '$1,000,000 ($500,000'.

"(III) TREATMENT OF INDEBTEDNESS INCURRED ON OR BEFORE DECEMBER 15, 2017.—Subclause (II) shall not apply to any indebtedness incurred on or before December 15, 2017, and, in applying such subclause to any indebtedness incurred after such date, the limitation under such subclause shall be reduced (but not below zero) by the amount of any indebtedness incurred on or before December 15, 2017, which is treated as acquisition indebtedness for purposes of this subsection for the taxable year.

"(IV) BINDING CONTRACT EXCEPTION.—In the case of a taxpayer who enters into a written binding contract before December 15, 2017, to close on the purchase of a principal residence before January 1, 2018, and who purchases such residence before April 1, 2018, subclause (III) shall be applied by substituting 'April 1, 2018' for 'December 15, 2017'.

"(ii) TREATMENT OF LIMITATION IN TAXABLE YEARS AFTER DECEMBER 31, 2025.—In the case of taxable years

26/163(h)(3)(F)

beginning after December 31, 2025, the limitation under subparagraph (B)(ii) shall be applied to the aggregate amount of indebtedness of the taxpayer described in subparagraph (B)(i) without regard to the taxable year in which the indebtedness was incurred.

"(iii) TREATMENT OF REFINANCINGS OF INDEBTEDNESS.—

"(I) IN GENERAL.—In the case of any indebtedness which is incurred to refinance indebtedness, such refinanced indebtedness shall be treated for purposes of clause (i)(III) as incurred on the date that the original indebtedness was incurred to the extent the amount of the indebtedness resulting from such refinancing does not exceed the amount of the refinanced indebtedness.

"(II) LIMITATION ON PERIOD OF REFINANCING.—Subclause (I) shall not apply to any indebtedness after the expiration of the term of the original indebtedness or, if the principal of such original indebtedness is not amortized over its term, the expiration of the term of the 1st refinancing of such indebtedness (or if earlier, the date which is 30 years after the date of such 1st refinancing).

"(iv) COORDINATION WITH EXCLUSION OF INCOME FROM DISCHARGE OF INDEBTEDNESS.—Section 108(h)(2) shall be applied without regard to this subparagraph.".

26/163 note new

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11044. MODIFICATION OF DEDUCTION FOR PERSONAL CASUALTY LOSSES.

(a) IN GENERAL.—Subsection (h) of section 165 is amended by adding at the end the following new paragraph:

26/165(h)(5)

"(5) LIMITATION FOR TAXABLE YEARS 2018 THROUGH 2025.—

"(A) IN GENERAL.—In the case of an individual, except as provided in subparagraph (B), any personal casualty loss which (but for this paragraph) would be deductible in a taxable year beginning after December 31, 2017, and before January 1, 2026, shall be allowed as a deduction under subsection (a) only to the extent it is attributable to a Federally declared disaster (as defined in subsection (i)(5)).

"(B) EXCEPTION RELATED TO PERSONAL CASUALTY GAINS.—If a taxpayer has personal casualty gains for any taxable year to which subparagraph (A) applies—

"(i) subparagraph (A) shall not apply to the portion of the personal casualty loss not attributable to a Federally declared disaster (as so defined) to the extent such loss does not exceed such gains, and

"(ii) in applying paragraph (2) for purposes of subparagraph (A) to the portion of personal casualty loss which is so attributable to such a disaster, the amount of personal casualty gains taken into account under paragraph (2)(A) shall be reduced by the portion of such gains taken into account under clause (i).".

26/165 note new

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to losses incurred in taxable years beginning after December 31, 2017.

SEC. 11045. SUSPENSION OF MISCELLANEOUS ITEMIZED DEDUCTIONS.

26/67(g)

(a) IN GENERAL.—Section 67 is amended by adding at the end the following new subsection:

"(g) SUSPENSION FOR TAXABLE YEARS 2018 THROUGH 2025.—Notwithstanding subsection (a), no miscellaneous itemized deduction shall be allowed for any taxable year beginning after December 31, 2017, and before January 1, 2026.".

26/67 note new

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11046. SUSPENSION OF OVERALL LIMITATION ON ITEMIZED DEDUCTIONS.

26/68(f)

(a) IN GENERAL.—Section 68 is amended by adding at the end the following new subsection:

"(f) SECTION NOT TO APPLY.—This section shall not apply to any taxable year beginning after December 31, 2017, and before January 1, 2026.".

26/68 note new

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11047. SUSPENSION OF EXCLUSION FOR QUALIFIED BICYCLE COMMUTING REIMBURSEMENT.

26/132(f)(8)

(a) IN GENERAL.—Section 132(f) is amended by adding at the end the following new paragraph:

"(8) SUSPENSION OF QUALIFIED BICYCLE COMMUTING REIMBURSEMENT EXCLUSION.—Paragraph (1)(D) shall not apply to any taxable year beginning after December 31, 2017, and before January 1, 2026.".

26/132 note new

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11048. SUSPENSION OF EXCLUSION FOR QUALIFIED MOVING EXPENSE REIMBURSEMENT.

26/132(g)

(a) IN GENERAL.—Section 132(g) is amended—

(1) by striking "For purposes of this section, the term" and inserting "For purposes of this section—

"(1) IN GENERAL.—The term", and

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

"(2) SUSPENSION FOR TAXABLE YEARS 2018 THROUGH 2025.—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, subsection (a)(6) shall not apply to any taxable year beginning after December 31, 2017, and before January 1, 2026.".

26/132 note new

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11049. SUSPENSION OF DEDUCTION FOR MOVING EXPENSES.

26/217(k)

(a) IN GENERAL.—Section 217 is amended by adding at the end the following new subsection:

"(k) SUSPENSION OF DEDUCTION FOR TAXABLE YEARS 2018 THROUGH 2025.—Except in the case of an individual to whom subsection (g) applies, this section shall not apply to any taxable

26/217(k)

year beginning after December 31, 2017, and before January 1, 2026.".

26/217 note new

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11050. LIMITATION ON WAGERING LOSSES.

26/165(d)

(a) IN GENERAL.—Section 165(d) is amended by adding at the end the following: "For purposes of the preceding sentence, in the case of taxable years beginning after December 31, 2017, and before January 1, 2026, the term 'losses from wagering transactions' includes any deduction otherwise allowable under this chapter incurred in carrying on any wagering transaction.".

26/165 note new

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11051. REPEAL OF DEDUCTION FOR ALIMONY PAYMENTS.

26/215 Rep., 26/211 prec.*

(a) IN GENERAL.—Part VII of subchapter B is amended by striking section 215 (and by striking the item relating to such section in the table of sections for such subpart).

(b) CONFORMING AMENDMENTS.—

26/61(a)(8) to (15)

(1) CORRESPONDING REPEAL OF PROVISIONS PROVIDING FOR INCLUSION OF ALIMONY IN GROSS INCOME.—

(A) Subsection (a) of section 61 is amended by striking paragraph (8) and by redesignating paragraphs (9) through (15) as paragraphs (8) through (14), respectively.

26/71 Rep., 26/71 prec.

(B) Part II of subchapter B of chapter 1 is amended by striking section 71 (and by striking the item relating to such section in the table of sections for such part).

26/682 Rep., 26/681 prec.

(C) Subpart F of part I of subchapter J of chapter 1 is amended by striking section 682 (and by striking the item relating to such section in the table of sections for such subpart).

(2) RELATED TO REPEAL OF SECTION 215.—

26/62(a)(10)

(A) Section 62(a) is amended by striking paragraph (10).

26/3402(m)(1)

(B) Section 3402(m)(1) is amended by striking "(other than paragraph (10) thereof)".

26/6724(d)(3)(C), (D)

(C) Section 6724(d)(3) is amended by striking subparagraph (C) and by redesignating subparagraph (D) as subparagraph (C).

(3) RELATED TO REPEAL OF SECTION 71.—

26/121(d)(3)(B)

(A) Section 121(d)(3) is amended—

(i) by striking "(as defined in section 71(b)(2))" in subparagraph (B), and

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

26/121(d)(3)(C)

"(C) DIVORCE OR SEPARATION INSTRUMENT.—For purposes of this paragraph, the term 'divorce or separation instrument' means—

"(i) a decree of divorce or separate maintenance or a written instrument incident to such a decree,

"(ii) a written separation agreement, or

"(iii) a decree (not described in clause (i)) requiring a spouse to make payments for the support or maintenance of the other spouse.".

26/152(d)(5)

(B) Section 152(d)(5) is amended to read as follows:

"(5) SPECIAL RULES FOR SUPPORT.—

"(A) IN GENERAL.—For purposes of this subsection—

*Probable intent to amend analysis for part VII of subchapter B of chapter 1 - JW

"(i) payments to a spouse of alimony or separate maintenance payments shall not be treated as a payment by the payor spouse for the support of any dependent, and

"(ii) in the case of the remarriage of a parent, support of a child received from the parent's spouse shall be treated as received from the parent.

26/152(d)(5)

"(B) ALIMONY OR SEPARATE MAINTENANCE PAYMENT.—For purposes of subparagraph (A), the term 'alimony or separate maintenance payment' means any payment in cash if—

"(i) such payment is received by (or on behalf of) a spouse under a divorce or separation instrument (as defined in section 121(d)(3)(C)),

"(ii) in the case of an individual legally separated from the individual's spouse under a decree of divorce or of separate maintenance, the payee spouse and the payor spouse are not members of the same household at the time such payment is made, and

"(iii) there is no liability to make any such payment for any period after the death of the payee spouse and there is no liability to make any payment (in cash or property) as a substitute for such payments after the death of the payee spouse.".

26/219(f)(1)

(C) Section 219(f)(1) is amended by striking the third sentence.

26/220(f)(7)

(D) Section 220(f)(7) is amended by striking "subparagraph (A) of section 71(b)(2)" and inserting "clause (i) of section 121(d)(3)(C)".

26/223(f)(7)

(E) Section 223(f)(7) is amended by striking "subparagraph (A) of section 71(b)(2)" and inserting "clause (i) of section 121(d)(3)(C)".

26/382(l)(3)(B)(iii)

(F) Section 382(l)(3)(B)(iii) is amended by striking "section 71(b)(2)" and inserting "section 121(d)(3)(C)".

26/408(d)(6)

(G) Section 408(d)(6) is amended by striking "subparagraph (A) of section 71(b)(2)" and inserting "clause (i) of section 121(d)(3)(C)".

(4) ADDITIONAL CONFORMING AMENDMENTS.—Section 7701(a)(17) is amended—

26/7701(a)(17)

(A) by striking "sections 682 and 2516" and inserting "section 2516", and

(B) by striking "such sections" each place it appears and inserting "such section".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to—

26/61 note new

(1) any divorce or separation instrument (as defined in section 71(b)(2) of the Internal Revenue Code of 1986 as in effect before the date of the enactment of this Act) executed after December 31, 2018, and

(2) any divorce or separation instrument (as so defined) executed on or before such date and modified after such date if the modification expressly provides that the amendments made by this section apply to such modification.

PART VI—INCREASE IN ESTATE AND GIFT TAX EXEMPTION

SEC. 11061. INCREASE IN ESTATE AND GIFT TAX EXEMPTION.

(a) IN GENERAL.—Section 2010(c)(3) is amended by adding at the end the following new subparagraph:

26/2010(c)(3)(C)

"(C) INCREASE IN BASIC EXCLUSION AMOUNT.—In the case of estates of decedents dying or gifts made after December 31, 2017, and before January 1, 2026, subparagraph (A) shall be applied by substituting '$10,000,000' for '$5,000,000'.".

(b) CONFORMING AMENDMENT.—Subsection (g) of section 2001 is amended to read as follows:

26/2001(g)

"(g) MODIFICATIONS TO TAX PAYABLE.—

"(1) MODIFICATIONS TO GIFT TAX PAYABLE TO REFLECT DIFFERENT TAX RATES.—For purposes of applying subsection (b)(2) with respect to 1 or more gifts, the rates of tax under subsection (c) in effect at the decedent's death shall, in lieu of the rates of tax in effect at the time of such gifts, be used both to compute—

"(A) the tax imposed by chapter 12 with respect to such gifts, and

"(B) the credit allowed against such tax under section 2505, including in computing—

"(i) the applicable credit amount under section 2505(a)(1), and

"(ii) the sum of the amounts allowed as a credit for all preceding periods under section 2505(a)(2).

"(2) MODIFICATIONS TO ESTATE TAX PAYABLE TO REFLECT DIFFERENT BASIC EXCLUSION AMOUNTS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out this section with respect to any difference between—

"(A) the basic exclusion amount under section 2010(c)(3) applicable at the time of the decedent's death, and

"(B) the basic exclusion amount under such section applicable with respect to any gifts made by the decedent.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying and gifts made after December 31, 2017.

26/2001 note new

PART VII—EXTENSION OF TIME LIMIT FOR CONTESTING IRS LEVY

SEC. 11071. EXTENSION OF TIME LIMIT FOR CONTESTING IRS LEVY.

26/6343(b)

(a) EXTENSION OF TIME FOR RETURN OF PROPERTY SUBJECT TO LEVY.—Subsection (b) of section 6343 is amended by striking "9 months" and inserting "2 years".

(b) PERIOD OF LIMITATION ON SUITS.—Subsection (c) of section 6532 is amended—

26/6532(c)(1)

(1) by striking "9 months" in paragraph (1) and inserting "2 years", and

26/6532(c)(2)

(2) by striking "9-month" in paragraph (2) and inserting "2-year".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to—

26/6343 note new

(1) levies made after the date of the enactment of this Act, and

(2) levies made on or before such date if the 9-month period has not expired under section 6343(b) of the Internal Revenue Code of 1986 (without regard to this section) as of such date.

PART VIII—INDIVIDUAL MANDATE

SEC. 11081. ELIMINATION OF SHARED RESPONSIBILITY PAYMENT FOR INDIVIDUALS FAILING TO MAINTAIN MINIMUM ESSENTIAL COVERAGE.

26/5000A(c)(2)(B)(iii)

(a) IN GENERAL.—Section 5000A(c) is amended—

(1) in paragraph (2)(B)(iii), by striking "2.5 percent" and inserting "Zero percent", and

26/5000A(c)(3)(A)

(2) in paragraph (3)—

(A) by striking "$695" in subparagraph (A) and inserting "$0", and

26/5000A(c)(3)(D)

(B) by striking subparagraph (D).

26/5000A note new

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to months beginning after December 31, 2018.

Subtitle B—Alternative Minimum Tax

SEC. 12001. REPEAL OF TAX FOR CORPORATIONS.

(a) IN GENERAL.—Section 55(a) is amended by striking "There" and inserting "In the case of a taxpayer other than a corporation, there".

(b) CONFORMING AMENDMENTS.—

(1) Section 38(c)(6) is amended by adding at the end the following new subparagraph:

"(E) CORPORATIONS.—In the case of a corporation, this subsection shall be applied by treating the corporation as having a tentative minimum tax of zero.".

(2) Section 53(d)(2) is amended by inserting ", except that in the case of a corporation, the tentative minimum tax shall be treated as zero" before the period at the end.

(3)(A) Section 55(b)(1) is amended to read as follows:

"(1) AMOUNT OF TENTATIVE TAX.—

"(A) IN GENERAL.—The tentative minimum tax for the taxable year is the sum of—

"(i) 26 percent of so much of the taxable excess as does not exceed $175,000, plus

"(ii) 28 percent of so much of the taxable excess as exceeds $175,000.

The amount determined under the preceding sentence shall be reduced by the alternative minimum tax foreign tax credit for the taxable year.

"(B) TAXABLE EXCESS.—For purposes of this subsection, the term 'taxable excess' means so much of the alternative minimum taxable income for the taxable year as exceeds the exemption amount.

"(C) MARRIED INDIVIDUAL FILING SEPARATE RETURN.—In the case of a married individual filing a separate return,