Congressional Research Service
Informing the legislative debate since 1914

Tax Provisions in P.L. 119-21, the FY2025 Reconciliation Law

July 29, 2025

Congressional Research Service
https://crsreports.congress.gov
R48611

Congressional Research Service
Informing the legislative debate since 1914

Tax Provisions in P.L. 119-21, the FY2025 Reconciliation Law

P.L. 119-21 (H.R. 1 in the 119th Congress, also referred to as the FY2025 reconciliation act or the One Big Beautiful Bill Act) was enacted into law on July 4, 2025. It was developed and considered as part of the budget reconciliation process triggered by the adoption of H.Con.Res. 14, the Concurrent Resolution on the Budget for FY2025. Subtitles A and C of Title VII of the law contain tax provisions.

Many of the tax provisions are modifications or extensions of provisions of P.L. 115-97, commonly known as the Tax Cuts and Jobs Act or TCJA. Several provisions in the TCJA were set to expire at the end of 2025, or have changed within the past several years. These provisions include changes such as modified individual income tax rates, a higher standard deduction and child tax credit, suspension of personal exemptions, a deduction for pass-through business income, bonus depreciation for business investments, changes to how business research costs are recovered, and changes to the limitation on deducting interest on indebtedness by certain businesses.

This report provides a section-by-section summary of the tax provisions in P.L. 119-21. Specifically, a set of tables describes each provision in the law, by subtitle and chapter, and provides references to related CRS products.

SUMMARY

R48611

July 29, 2025

Anthony A. Cilluffo, Coordinator
Analyst in Public Finance

Nicholas E. Buffie
Analyst in Public Finance

Grant A. Driessen
Acting Section Research Manager

Jane G. Gravelle
Senior Specialist in Economic Policy

Mark P. Keightley
Specialist in Economics

Donald J. Marples
Specialist in Public Finance

Brendan McDermott
Analyst in Public Finance

Contents

Tables

Contacts

On July 4, 2025, P.L. 119-21 (H.R. 1 in the 119th Congress, also known as the FY2025 reconciliation act or the One Big Beautiful Bill Act) was enacted. It was developed and considered as part of the budget reconciliation process triggered by the adoption of H.Con.Res. 14, the Concurrent Resolution on the Budget for FY2025.[1] It makes changes to a variety of programs across the federal government. This report focuses on parts of Title VII, specifically the tax provisions in Subtitle A and the debt limit increase in Subtitle C.

Many of the tax provisions are extensions or modifications of similar provisions in P.L. 115-97, commonly known as the Tax Cuts and Jobs Act or TCJA. For background on TCJA generally, and the expiring provisions in particular, see

- CRS Report R47846, *Reference Table: Expiring Provisions in the "Tax Cuts and Jobs Act" (TCJA, P.L. 115-97)*, by Donald J. Marples and Brendan McDermott;
- CRS Report R48286, *Expiring Provisions of P.L. 115-97 (the Tax Cuts and Jobs Act): Economic Issues*, coordinated by Jane G. Gravelle; and
- CRS Report R48485, *Economic Effects of the Tax Cuts and Jobs Act*, by Jane G. Gravelle and Donald J. Marples.

CRS previously published a summary of the tax provisions in the House-passed version of H.R. 1. For the House-passed version, see CRS Report R48550, *Tax Provisions in H.R. 1, the One Big Beautiful Bill Act: House-Passed Version*, coordinated by Anthony A. Cilluffo.

This report summarizes the tax provisions included in Subtitle A and the debt limit increase in Subtitle C of Title VII of the law. More specifically

- Subtitle A, Chapter 1 extends many of the expiring TCJA provisions affecting individuals and families, including reduced income tax rates, the increased standard deduction, the elimination of personal exemptions, the expanded child tax credit, increased exemptions for the estate and gift tax and alternative minimum tax, the deduction for pass-through business income, and others. Several of these provisions are increased beyond their levels in the TCJA, including an increase in the standard deduction and a temporary personal exemption available to seniors. This chapter also provides for a state and local tax (SALT) deduction cap of $40,000 for most taxpayers in tax year 2025, provides for annual increases for tax years 2026 through 2029, and permanently resets the limit at $10,000 for most taxpayers beginning in tax year 2030.
- Subtitle A, Chapter 2 enacts new deductions for tip income, qualified overtime pay, and car loan interest paid on vehicles assembled in the United States, as well as a new type of tax-deferred individual retirement account (IRA) for children, called Trump Accounts.
- Subtitle A, Chapter 3 extends several of the expiring TCJA provisions for businesses, including bonus depreciation, deductions for research and experimental expenditures, and a higher income limit for the deduction of business interest. This chapter also includes extensions and modifications related to several international corporate tax provisions.
- Subtitle A, Chapter 4 generally expands a number of tax incentives available for children and families, education, community development, and small businesses.

[1] For background on the budget resolution, see CRS Report R48532, *H.Con.Res. 14: The Budget Resolution for FY2025*, by Drew C. Aherne and Megan S. Lynch.

    - For children and families, this chapter includes an expansion of the employer-provided child care credit, changes to the adoption credit, an expansion of the child and dependent care credit, and other changes.
    - For education, this chapter includes a new tax credit for contributions to scholarship-granting organizations for elementary and secondary schools, a permanent exclusion from income of employer payments on student loans, expansion of the types of qualifying expenses for tax-advantaged education savings accounts, changes to the private college and university endowment tax, and other changes.
    - For community development, this chapter permanently expands the Opportunity Zone program, low-income housing tax credit, and New Markets Tax Credits. It makes changes to charitable deductions, including reinstating and expanding a charitable giving deduction for taxpayers who do not itemize and implementing floors for charitable deductions by individuals who itemize and by corporations. It also makes changes to the tax treatment of disaster-related personal casualty losses.
    - For small businesses, this chapter expands the income exclusion for qualified small business stock gains, changes certain business transaction tax reporting requirements, changes tax treatment of certain sound recording production costs, allows lenders to exclude a portion of interest income received on loans secured by agricultural property, and eliminates the firearms transfer tax on certain types of firearms.
- Subtitle A, Chapter 5 makes changes to a number of energy-related tax provisions, including early termination of many energy-related tax incentives, such as the tax credits for clean vehicles and the production and investment tax credits for clean electricity. It also modifies the clean fuel production credit, the tax treatment of intangible drilling and development costs, and the tax treatment of certain energy-related income received by publicly traded partnerships
- Subtitle A, Chapter 6 makes changes to several business provisions, including provisions related to net operating loss limitations, payments from partnerships to partners, and excessive employee remuneration. It creates a 1% excise tax on certain remittance transfers. It also makes changes related to tax administration, including to enforcement of COVID employee retention credit claims, requirements for Social Security numbers to claim several education-related tax credits, and other changes.
- Subtitle D increases the maximum amount of allowable public debt (the “debt limit”) by $5.0 trillion.

The first set of tables in this report provide a section-by-section summary of the tax provisions in the law, identify the relationship (if any) between the provision and TCJA, and provide links to relevant CRS reports.

- **Table 1** summarizes tax provisions in Subtitle A, Chapter 1—Providing Permanent Tax Relief for Middle-Class Families;
- **Table 2** summarizes tax provisions in Subtitle A, Chapter 2—Delivering on Presidential Priorities to Provide New Middle-Class Tax Relief;
- **Table 3** summarizes tax provisions in Subtitle A, Chapter 3—Establishing Certainty and Competitiveness for American Job Creators;
- **Table 4** summarizes tax provisions in Subtitle A, Chapter 4—Investing in American Families, Communities, and Small Businesses;
- **Table 5** summarizes tax provisions in Subtitle A, Chapter 5—Ending Green New Deal Spending, Promoting America-First Energy, and Other Reforms;
- **Table 6** summarizes tax provisions in Subtitle A, Chapter 6—Enhancing Deduction and Income Tax Credit Guardrails, and Other Reforms;
- **Table 7** summarizes the increase to the debt limit in Subtitle C—Increase in Debt Limit.

This report does not include a summary of Section 70531, "Modifications to De Minimis Entry Privilege for Commercial Shipments," since it is not a tax provision.

Table 1. Subtitle A, Chapter 1—Providing Permanent Tax Relief for Middle-Class Families and Workers

Section Title	Description	CRS Resources
Extension and Enhancement of Reduced Rates *Section 70101 of the law* *Section 1 of the IRC*	Under the TCJA, the marginal individual income tax rates are 10%, 12%, 22%, 24%, 32%, 35%, and 37%. This provision makes permanent the individual income tax rates that the TCJA instituted through 2025. It also raises the income thresholds at which the 12% and 22% brackets begin by accounting for one additional year of inflation (that which occurred from 2016 to 2017) in the cost-of-living adjustment calculation. The TCJA did not change the tax rates on capital gains and dividends. This provision applies from 2026 onward. This provision is an extension of TCJA with modifications. This section is related to Section 110001 of the House-passed version of H.R. 1.	CRS Report RL34498, *Federal Individual Income Tax Brackets, Standard Deduction, and Personal Exemption: 1988 to 2025*, by Brendan McDermott. CRS Report R48313, *Overview of the Federal Tax System in 2024*, by Donald J. Marples and Brendan McDermott.
Extension and Enhancement of Increased Standard Deduction *Section 70102 of the law* *Section 63 of the IRC*	To calculate taxable income, taxpayers who do not itemize their deductions subtract the standard deduction from their adjusted gross income (AGI). The TCJA increased the standard deduction through 2025. Under the TCJA, the standard deduction in 2025 was generally set to $15,000 for single filers, $22,500 for head of household filers, and $30,000 for married joint filers.	CRS Report RL34498, *Federal Individual Income Tax Brackets, Standard Deduction, and Personal Exemption: 1988 to 2025*, by Brendan McDermott. CRS Report R48313, *Overview of the Federal Tax System in*

Section Title	Description	CRS Resources
	This provision makes permanent the TCJA's increase to the standard deduction and permanently raises it further, to $15,750 for single filers, $23,625 for head of household filers, and $31,500 for married joint filers in 2025. This provision is an extension of TCJA with modifications. This provision applies from 2025 onward. This section is related to Section 110002 of the House-passed version of H.R. 1.	*2024*, by Donald J. Marples and Brendan McDermott.
Termination of Deduction for Personal Exemptions Other than Temporary Senior Deduction *Section 70103 of the law* *Section 151 of the IRC*	Before TCJA, to calculate taxable income taxpayers could subtract the appropriate number of personal exemptions for themselves, their spouse (if married), and their dependents from their adjusted gross income (AGI). TCJA temporarily suspended the deduction for personal exemptions for tax years 2018 through 2025. This provision makes permanent the TCJA's temporary suspension of personal exemptions. It also temporarily creates a new $6,000 deduction for taxpayers (and their spouses, if married filing jointly) who are age 65 or older, from 2025 through 2028. This amount is reduced by 6% of a taxpayer's modified adjusted gross income above $75,000 ($150,000 for those married filing jointly). Taxpayers are required to provide work-authorized Social Security numbers to qualify. Taxpayers cannot claim the deduction for dependents who are seniors. Taxpayers can claim the senior deduction regardless of whether they itemize their deductions. This provision is an extension of TCJA with modifications. This provision applies from 2025 onward. This section is related to Sections 110003 and 110103 of the House-passed version of H.R. 1.	CRS Report RL34498, *Federal Individual Income Tax Brackets, Standard Deduction, and Personal Exemption: 1988 to 2025*, by Brendan McDermott. CRS Report R48313, *Overview of the Federal Tax System in 2024*, by Donald J. Marples and Brendan McDermott.
Extension and Enhancement of Increased Child Tax Credit *Section 70104 of the law* *Section 24 of the IRC*	The child tax credit lets taxpayers reduce their federal income tax liability by a maximum credit amount per child. Taxpayers with little or no federal income tax liability can potentially receive the refundable portion of the credit, with that portion being known as the additional child tax credit, or ACTC. The TCJA set the maximum child credit at $2,000 per child (it had previously been $1,000) and the maximum ACTC at $1,700 per child (2025 figure, adjusted for inflation). TCJA also temporarily required the child for whom a taxpayer claims the credit to have a work-eligible Social Security number (SSN); created a $500 nonrefundable credit (not adjusted for inflation) for dependents who are not qualifying children; and raised the income level at which the credit begins phasing out, among other changes. All of these changes apply through tax year 2025.	CRS Report R41873, *The Child Tax Credit: How It Works and Who Receives It*, by Brendan McDermott. CRS In Focus IF12820, *Selected Issues in Tax Policy: The Child Tax Credit*, by Brendan McDermott. CRS Report R48312, *Noncitizen Eligibility for the Child Tax Credit: In Brief*, coordinated by Abigail F. Kolker.

Section Title	Description	CRS Resources
	This provision makes permanent the TJCA's changes to the credit and permanently raises the maximum credit to $2,200 per child (adjusted for inflation). Whereas the pre-TCJA credit began phasing out after $75,000 of income for single filers and $110,000 for married couples, the TCJA reforms—which P.L. 119-21 makes permanent—increased the income limits to $200,000 for single filers and $400,000 for married couples filing jointly. This provision also requires the taxpayer to provide a work-eligible SSN for themselves (or, if married filing jointly, either themselves or their spouse) and the child for whom they are claiming the credit. This provision is an extension of TCJA with modifications. This provision generally applies from 2025 onward. This section is related to Section 110004 of the House-passed version of H.R. 1.	
Extension and Enhancement of Deduction for Qualified Business Income *Section 70105 of the law* *Section 199A of the IRC*	Pass-through business income is taxed according to ordinary individual income tax rates. The TCJA created a tax deduction equal to 20% of qualified business income. For taxpayers with taxable income above certain thresholds, the deduction is limited to the greater of 50% of W-2 wages, or 25% of W-2 wages plus 2.5% multiplied by depreciable property (equipment and structures). Specified service trades or businesses (SSTBs) generally may not claim the deduction except in specific circumstances. The deduction limitation and SSTB limitation do not apply if taxable income is less than $197,300 (single) or $394,600 (married) in 2025. These limitations are phased in over a $50,000 (single) and $100,000 (married) range, and thus apply fully if a taxpayer's income is at or above $247,300 (single) and $494,600 (married). This provision makes the deduction permanent and increases the income phaseout ranges from $50,000 to $75,000 (single) and from $100,000 to $150,000 (married). The provision also creates a $400 minimum deduction for taxpayers with at least $1,000 of qualified business income. This provision applies starting after December 31, 2025. This section is related to Section 110005 of the House-passed version of H.R. 1.	

Section Title	Description	CRS Resources
Extension and Enhancement of Increased Estate and Gift Tax Exemption Amounts *Section 70106 of the law* *Section 2010 of the IRC*	Estates and gifts are taxed at 40% in excess of a lifetime exemption. The lifetime estate and gift tax exemption of $10 million (indexed for inflation and currently $13.99 million) was scheduled to revert to $5 million in 2026 (indexed for inflation and previously projected to be $7.14 million in 2026). This provision increases the lifetime estate and gift exemption to $15 million per decedent who dies after 2025. The exemption amount is indexed for inflation. This provision is an extension of TCJA with modifications. This provision applies starting after December 31, 2025. This section is related to Section 110006 of the House-passed version of H.R. 1.	CRS In Focus IF12846, *Selected Issues in Tax Reform: The Estate and Gift Tax*, by Jane G. Gravelle. CRS Report R48183, *The Estate and Gift Tax: An Overview*, by Jane G. Gravelle.
Extension of Increased Alternative Minimum Tax Exemption Amounts and Modification of Phaseout Thresholds *Section 70107 of the law* *Section 55 of the IRC*	The alternative minimum tax (AMT) is imposed at fixed rates (26% and 28%) on a broader base than the regular income tax and with a large exemption. Taxpayers pay the AMT if it exceeds the regular tax. The exemption in 2025 is $137,000 for joint returns and $88,100 for unmarried filers. This exemption phases out for married joint filers with incomes over $1,252,700 and $626,350 for unmarried filers in 2025. The higher rate of 28% is imposed on AMT taxable income up to $239,000. These amounts are all indexed for inflation. These provisions were scheduled to revert to lower levels in 2026. Exemptions were projected to equal $109,800 for joint returns and $70,600 for unmarried returns, and the 28% tax would have been imposed at $209,200 for joint returns and $156,900 for single returns in that year. This provision makes the increased individual alternative minimum tax exemption amounts and higher phaseout thresholds permanent. It lowers the income level at which the exemption begins to phase out to $1,000,000 for joint filers and $500,000 for unmarried filers. It also increases the phaseout rate of the AMT exemption for higher-income taxpayers from 25% of income above the phaseout threshold to 50% of income above the phaseout threshold. This provision applies starting after December 31, 2025. This section is related to Section 110007 of the House-passed version of H.R. 1.	
Extension and Modification of Limitation on Deduction for Qualified Residence Interest *Section 70108 of the law* *Section 163 of the IRC*	Taxpayers who itemize their deductions may deduct interest paid on the first $750,000 ($375,000 for married filing separately) of mortgage debt (combined for first and second homes). The TCJA reduced those limitations from $1,000,000 and $500,000 (for married filing separately), respectively. The TCJA mortgage	CRS In Focus IF12789, *Selected Issues in Tax Policy: The Mortgage Interest Deduction*, by Mark P. Keightley. CRS Report R46429, *An Economic Analysis of the*

Section Title	Description	CRS Resources
	amount limitation previously applied to new loans incurred from December 15, 2017, through December 31, 2025. No deduction is allowed for interest payments made for new or existing home equity debt if such debt is used for purposes unrelated to the property securing the loan regardless of when the home equity debt was incurred. Taxpayers with mortgage debt incurred outside of the window noted above and who itemize their deductions may deduct interest on the first $1 million ($500,000 for married filing separately) of combined mortgage debt. This provision makes the lower mortgage debt thresholds for new loans incurred after December 15, 2017, permanent. It also allows certain mortgage acquisition insurance payments to be included in this deduction. This provision is an extension of TCJA with modifications. This provision applies starting after December 31, 2025. This section is related to Section 110008 of the House-passed version of H.R. 1.	*Mortgage Interest Deduction*, by Mark P. Keightley. CRS Report R46685, *An Analysis of the Geographic Distribution of the Mortgage Interest Deduction: Before and After the 2017 Tax Revision (P.L. 115-97)*, by Mark P. Keightley.
Extension and Modification of Limitation on Casualty Loss Deduction *Section 70109 of the law* *Section 165 of the IRC*	Taxpayers who itemize their deductions can generally claim a deduction for uncompensated personal casualty and theft losses, subject to limitations. The TCJA limited this deduction to losses associated with a disaster declared by the President under Section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, through tax year 2025. This provision makes the TCJA limitation of this deduction permanent. It also expands the deduction to include losses resulting from certain disasters recognized by both the governor of the state and the Secretary of the Treasury. This provision is an extension of TCJA with no or minor modifications. This provision applies from 2026 onward. This section is related to Section 110009 of the House-passed version of H.R. 1.	CRS In Focus IF12574, *The Nonbusiness Casualty and Theft Loss Deduction*, by Brendan McDermott.
Termination of Miscellaneous Itemized Deductions Other than Educator Expenses *Section 70110 of the law* *Section 67 of the IRC*	The TCJA temporarily suspended the itemized deduction for miscellaneous expenses for tax years 2018 through 2025. Prior to enactment of the TCJA, individuals who itemized their deductions could deduct miscellaneous expenses to the extent that such expenses exceeded 2% of their adjusted gross incomes (AGIs). Expenses subject to the 2% floor generally related to the costs of accruing income or undertaking certain financial transactions. Such expenses included unreimbursed job expenses (including for educators), home office expenses, investment	CRS Insight IN11119, *Unreimbursed Employee Job Expenses and the Suspension of the Miscellaneous Itemized Deduction*, by Gary Guenther. For further information about IN11119, congressional clients may contact Nicholas E. Buffie.

Section Title	Description	CRS Resources
	management fees, tax preparation fees, convenience fees for debit and credit cards, dues paid to a professional society or labor union, and certain other expenses. This provision makes the suspension of miscellaneous itemized deductions permanent, effectively repealing these deductions. This provision also removes unreimbursed job expenses for eligible educators from the list of miscellaneous itemized deductions. Taxpayers can already deduct up to $250 per educator in such expenses as an above-the-line deduction. It also extends the itemized deduction for unreimbursed educator expenses to include equipment for health or physical education courses and to equipment used by administrators or coaches in the course of coaching at a school. (These expenses did not previously qualify for the above-the-line deduction). This provision is an extension of TCJA with some modifications. This provision applies to taxable years beginning after December 31, 2025. This section is related to Section 110010 of the House-passed version of H.R. 1.	CRS Report R42872, *Tax Deductions for Individuals: A Summary*, by Sean Lowry. For further information about R42872, congressional clients may contact Nicholas E. Buffie.
Limitation on Tax Benefit of Itemized Deductions *Section 70111 of the law* *Section 68 of the IRC*	Individual taxpayers may claim itemized deductions in place of the standard deduction. Itemized deductions are specific "items" that taxpayers may choose to deduct from their taxable incomes. Itemized deductions are typically based on taxpayer expenses, so for normal income tax filings, only taxpayers with itemized expenses in excess of the standard deduction will benefit from itemizing their deductions. The TCJA suspended the Pease limitation on overall itemized deductions through 2026. Prior to the enactment of the TCJA, the Pease limitation reduced a taxpayer's total itemized deduction amounts by 3% of the difference between the taxpayer's adjusted gross income (AGI) and a threshold amount ($261,500 for single filers and $313,800 for married couples in 2017; adjusted for inflation). The Pease limitation was not allowed to reduce a taxpayer's itemized deductions more than 80%, and it did not apply to the deductions for wagering losses, casualty and theft losses, out-of-pocket medical and dental expenses, or investment interest. This provision establishes a new overall limitation on itemized deductions that would differ from both pre-TCJA law (Pease limitation) and the TCJA (no Pease limitation). The provision reduces the overall value of itemized deductions by 2/37ths of the lesser of (1) the total value of itemized deductions claimed; and (2) the amount by which the sum of taxable	CRS Report R48571, *The Limitation on Itemized Deductions in H.R. 1, the One Big Beautiful Bill Act (House-Passed Version)*, by Nicholas E. Buffie. CRS Insight IN12517, *Selected Issues in Tax Reform: Itemized Deductions*, by Nicholas E. Buffie. CRS Report R42872, *Tax Deductions for Individuals: A Summary*, by Sean Lowry. For further information about R42872, congressional clients may contact Nicholas E. Buffie. CRS In Focus IF12893, *Selected Issues in Tax Reform: The Deduction for State and Local Taxes*, by Grant A. Driessen. CRS Report R46246, *The SALT Cap: Overview and Analysis*, by Grant A. Driessen. CRS Report R48183, *The Estate and Gift Tax: An Overview*, by Jane G. Gravelle.

Section Title	Description	CRS Resources
	income and all itemized deductions exceeds the dollar amount at which the 37% bracket begins with respect to the taxpayer. (The latter value equals zero for all taxpayers with incomes below the 37% marginal tax bracket cutoff, excluding them from any limitation effects.) The limitation does not apply to qualified business income (QBI) deduction claims under Section 199A of the IRC. In addition, because the QBI deduction is not an itemized deduction, QBI deduction amounts are not factored into the sum of taxable income and itemized deductions described in (2) above. This overall limitation is applied after the application of limitations for specific itemized deductions such as the limitation on state and local tax deductions (in Section 70120 of P.L. 119-21). This provision is an extension of TCJA with modifications. This provision applies to all tax years starting in tax year 2026. This section is related to Section 110011 of the House-passed version of H.R. 1.	
Extension and Modification of Qualified Transportation Fringe Benefits *Section 70112 of the law* *Section 132 of the IRC*	Before the enactment of the TCJA, individuals could deduct up to $20 per month of qualified employer reimbursements for bicycle commuting expenses from their taxable wages (potentially lowering both their income taxes and their payroll taxes). The TCJA began counting bicycle commuting reimbursements as taxable wage income for the employee; however, the employers providing such reimbursement could count it as a deductible business expense and thereby decrease their tax payments. A similar fringe benefit exclusion of $325 per month (in 2025; adjusted for inflation) is available for certain other transportation expenses. This provision permanently repeals the qualified bicycle commuting reimbursement exclusion. For transportation fringe benefits other than bicycle commuting, the provision adds an additional year of inflation adjustment (that which occurred from 1997 to 1998). This provision is an extension of TCJA with modifications. This provision applies to taxable years beginning after December 31, 2025. This section is related to Section 110012 of the House-passed version of H.R. 1.	

Section Title	Description	CRS Resources
Extension and Modification of Limitation on Deduction and Exclusion for Moving Expenses *Section 70113 of the law* *Sections 132 and 217 of the IRC*	Prior to the enactment of the TCJA, all taxpayers—including taxpayers claiming the standard deduction and taxpayers itemizing their deductions—could deduct moving expenses from their taxable incomes if the purpose of the move was to relocate for work. The deduction was subject to certain restrictions based on the individual's employment status and the distance of the move. Such restrictions did not apply to members of the Armed Forces, though they did apply to members of the intelligence community. The TCJA suspended this deduction for tax years 2018-2025 for all taxpayers except for members of the Armed Forces. This provision permanently extends the suspension of the exclusion and deduction for moving expenses. The provision also adds members of the intelligence community (as defined in Section 3 of the National Security Act of 1947, 50 U.S.C. 3003) to the list of those excepted from the suspension. This provision effectively permanently limits the deduction to members of the Armed Forces and members of the intelligence community. This provision is an extension of TCJA with no or minor modifications. This provision applies to taxable years beginning after December 31, 2025. This section is related to Section 110013 of the House-passed version of H.R. 1.	
Extension and Modification of Limitation on Wagering Losses *Section 70114 of the law* *Section 165 of the IRC*	Taxpayers with gambling income may be able to deduct gambling losses from that income. Under prior law, casual gamblers could only deduct losses from the gambling activity itself (such as losing bets) up to the amount of gambling income, and only if the taxpayer itemized deductions. Professional gamblers could additionally claim other allowable business deductions (such as the cost of travel), but all deductions together (gambling losses and business deductions) were limited by the amount of gambling income. This treatment for professional gamblers was due to temporary changes made by TCJA. Before TCJA, a series of court decisions allowed professional gamblers to use business expenses to deduct losses in excess of the losses of gambling activity itself. This provision makes two changes to deductions for wagering losses. First, it limits the deduction for all wagering losses (for casual and professional gamblers) to 90% of the loss amount. For example, a taxpayer with a $100 loss could deduct $90. Second, it permanently extends the limitation on gambling losses for professional gamblers. This provision is an extension of TCJA with modifications.	

Section Title	Description	CRS Resources
	This provision applies starting after December 31, 2025. This section is related to Section 110014 of the House-passed version of H.R. 1.	
Extension and Enhancement of Increased Limitation on Contributions to ABLE Accounts *Section 70115 of the law* *Section 529A of the IRC*	ABLE accounts are tax-advantaged savings accounts for qualifying individuals with disabilities ("designated beneficiaries"). Generally, an ABLE account cannot receive aggregate contributions in a given year in excess of the annual gift tax exclusion, which is $19,000 in 2025. The TCJA allowed designated beneficiaries who are employed to contribute to their ABLE account an additional amount above the annual gift-tax exclusion through 2025. This additional amount is the lesser of (1) the applicable federal poverty level for a one-person household in the prior year, or (2) the beneficiary's compensation for the year. A beneficiary cannot contribute this additional amount for the year if any contribution is made on their behalf to certain defined contribution plans. This provision makes permanent the TCJA's additional contribution amount. It also increases the standard contribution limit, currently the gift tax exclusion, by calculating it as the level of the gift tax exclusion adjusted to account for one additional year of inflation (that which occurred from 1996 to 1997). This provision is an extension of TCJA with modifications. This provision applies from 2026 onward. This section is related to Section 110015 of the House-passed version of H.R. 1.	CRS In Focus IF10363, *Achieving a Better Life Experience (ABLE) Programs*, by William R. Morton and Kirsten J. Colello. CRS Report R47492, *Tax-Advantaged Savings Accounts: Overview and Policy Considerations*, by Brendan McDermott.
Extension and Enhancement of Savers Credit Allowed for ABLE Contributions *Section 70116 of the law* *Section 25B of the IRC*	The Saver's Credit is a nonrefundable credit of up to $1,000 for those who make qualifying contributions to specific savings vehicles such as qualifying retirement accounts. The TCJA let designated beneficiaries of ABLE accounts claim the Saver's Credit for qualifying contributions to their ABLE accounts through 2025. P.L. 117-328 scheduled the Saver's Credit to expire from 2027 onward, when a new benefit would take effect: a "Saver's Match," for which contributions to ABLE accounts would not qualify. This provision makes permanent the TCJA's allowance of the Saver's Credit to ABLE account beneficiaries. As such, from 2027 onward only contributions to ABLE accounts by ABLE account designated beneficiaries will qualify for the Saver's Credit. The provision also increases the maximum Saver's Credit to $1,050 starting in 2027. This provision is an extension of TCJA with modifications. This provision applies from 2026 onward.	CRS In Focus IF10363, *Achieving a Better Life Experience (ABLE) Programs*, by William R. Morton and Kirsten J. Colello. CRS In Focus IF11159, *The Retirement Savings Contribution Credit and the Saver's Match*, by Brendan McDermott. CRS Report R47492, *Tax-Advantaged Savings Accounts: Overview and Policy Considerations*, by Brendan McDermott.

Section Title	Description	CRS Resources
	This section is related to Section 110016 of the House-passed version of H.R. 1.	
Extension of Rollovers from Qualified Tuition Programs to ABLE Accounts Permitted *Section 70117 of the law* *Section 529 of the IRC*	This provision makes permanent the TCJA's allowance of tax-free rollovers from a qualified tuition plan (also known as a "529 plan") account to an ABLE account, subject to the standard ABLE account contribution limit, provided that the accounts have the same designated beneficiary (or the designated beneficiaries of the two accounts are members of the same family). This allowance was previously scheduled to expire after 2025. This provision is an extension of TCJA with no or minor modifications. This provision applies from 2026 onward. This section is related to Section 110017 of the House-passed version of H.R. 1.	CRS In Focus IF10363, *Achieving a Better Life Experience (ABLE) Programs*, by William R. Morton and Kirsten J. Colello. CRS Report R47492, *Tax-Advantaged Savings Accounts: Overview and Policy Considerations*, by Brendan McDermott.
Extension of Treatment of Certain Individuals Performing Services in the Sinai Peninsula and Enhancement to Include Additional Areas *Section 70118 of the law* *Sections 2, 112, 692, 2201, 3401, 4253, 6013, and 7508 of the IRC*	Under current law, members of the Armed Forces serving in a combat zone and their families are entitled to several tax benefits, including certain exemptions from income, payroll, and estate taxes, and an extension of certain tax deadlines. Typically, an area must be designated as a combat zone by the President by executive order under Section 112 for these tax benefits to apply. The TCJA created a temporary statutory presumption that military duty performed in the Sinai Peninsula is in a combat zone. This provision extends this statutory presumption that military duty performed in the Sinai Peninsula is in a combat zone. It also extends similar treatment to military duty performed in Kenya, Mali, Burkina Faso, and Chad. These extensions are permanent, as long as any member of the Armed Forces is entitled to special pay for duty subject to hostile fire or imminent danger in that location. This provision is an extension of TCJA with modifications. This provision applies starting on January 1, 2026. This section is related to Section 110018 of the House-passed version of H.R. 1.	
Extension and Modification of Exclusion from Gross Income of Student Loans Discharged on Account of Death or Disability *Section 70119 of the law* *Section 108 of the IRC*	Under prior law, taxpayers could exclude all discharged student loans from income through 2025. This provision permanently extends the TCJA's exclusion from gross income of student loans discharged due to the death or total permanent disability of the student, but does not extend the general exclusion, which was added after the TCJA. It also requires that the student have a work-eligible Social Security number to qualify. This provision is an extension of TCJA with modifications. This provision applies from 2026 onward.	CRS Report R41967, *Higher Education Tax Benefits: Brief Overview and Budgetary Effects*, by Margot L. Crandall-Hollick and Brendan McDermott.

Section Title	Description	CRS Resources
	This section is related to Section 110019 of the House-passed version of H.R. 1.	
Limitation on Individual Deductions for Certain State and Local Taxes, Etc. *Section 70120 of the law* *Existing Sections 164 and 275 and New Section 6659 of the IRC*	Individual taxpayers who itemize their deductions may claim a deduction for state and local taxes paid (SALT deduction). Eligible tax payments include certain real estate taxes, personal property taxes, and either income taxes or sales taxes. The TCJA limited SALT deduction claims to $10,000 (or $5,000 for married taxpayers filing separately) for taxes not paid in the carrying on of a trade or business. It also prohibited SALT claims on taxes paid on foreign real property. Both changes were scheduled to expire after the 2025 tax year. Following enactment of the TCJA, many state and local governments made changes to the tax treatment of various activities, including of pass-through entities, and to charitable donations, which may have lowered the exposure of their residents to the SALT deduction limitation. This provision adjusts the limitation on SALT deduction claims in tax year 2025 and provides for a limitation on SALT deduction claims in tax years 2026 and beyond. The limitation in tax year 2025 is set to $40,000 ($20,000 for married individuals filing separately); in each subsequent year through tax year 2029, the limitation increases by 1% from its value the previous year. The limitation reverts to $10,000 ($5,000 for married individuals filing separately) in tax year 2030 and in subsequent years. This provision lowers the SALT limitation for taxpayers with higher incomes for tax years 2025 through 2029, in each case reducing the limitation by 30% of the amount by which a taxpayer's modified adjusted gross income exceeds a certain threshold. In tax year 2025, the applicable threshold is $500,000 ($250,000 for married individuals filing separately), and that value will increase by 1% of the previous year's level for each year from 2026 through 2029. In all years, the limitation will not be reduced below $10,000 ($5,000 for married individuals filing separately). This provision is an extension of TCJA with modifications. The provision applies starting after December 31, 2024. This section is related to Section 112018 of the House-passed version of H.R. 1.	CRS Report R46246, *The SALT Cap: Overview and Analysis*, by Grant A. Driessen. CRS Report RL32781, *Federal Deductibility of State and Local Taxes*, by Grant A. Driessen. CRS In Focus IF12893, *Selected Issues in Tax Reform: The Deduction for State and Local Taxes*, by Grant A. Driessen.

Source: CRS analysis of the text of P.L. 119-21.

Notes: "IRC" is the Internal Revenue Code. "TCJA" is P.L. 115-97, commonly referred to as the Tax Cuts and Jobs Act. Within the description, "Section" citations refer to the section within the IRC, unless otherwise noted. All references to the "House-passed version of H.R. 1" refer to the version passed by the House on May 22, 2025.

Table 2. Subtitle A, Chapter 2—Delivering on Presidential Priorities to Provide New Middle-Class Tax Relief

Section Title	Description	CRS Resources
No Tax on Tips *Section 70201 of the law* *New Section 224 of the IRC*	This provision creates a new income tax deduction of up to $25,000 for qualified tip income (not adjusted for filing status). Qualified tip income is cash tips received through work in an occupation that traditionally and customarily receives tips. Such tips must be paid voluntarily, determined by the payor, and not subject to negotiation, among other rules. Tips earned by nonemployee workers (such as independent contractors) can qualify to the extent they exceed the cost of goods sold and other expenses, losses, or deductions allocable to the service provided. Taxpayers cannot claim the deduction if they work in a specified service trade or business for purposes of the qualified business income deduction, and cannot claim both the qualified business income deduction and the new tip income deduction for the same income. The $25,000 maximum is reduced by $100 for each $1,000 the filer earned above $150,000 ($300,000 for those married filing jointly). The deduction is only available to taxpayers if they have a work-authorized SSN, and is disallowed for those married filing separately. The provision is only available if tips are reported separately from other income on an information return. Taxpayers can claim this deduction in addition to the standard deduction. The deduction effectively exempts qualified tip income from income tax. However, that tip income is still subject to payroll taxes (such as for Social Security and Medicare hospital insurance). Under permanent law, food and beverage businesses at which tipping is customary can receive a credit (the "tip credit") against their income tax liability for payroll taxes paid on tips exceeding the amount needed to meet a wage of $5.15 per hour for each tipped employee. This provision extends the tip credit to certain beauty service businesses, and calculates it in such industries based on the tips needed to meet the federal minimum wage during the month in which the tips were received. This provision applies from 2025 through 2028. This section is related to Section 110101 of the House-passed version of H.R. 1.	CRS In Focus IF12728, *Taxation of Tip Income*, by Brendan McDermott.
No Tax on Overtime *Section 70202 of the law* *New Section 225 of the IRC*	This provision creates a new income tax deduction of up to $12,500 ($25,000 for those married filing jointly) for qualified overtime compensation, meaning the additional 50% of the regular rate of pay that employers must pay for overtime under Section 7 of the Fair Labor Standards Act. Qualified overtime compensation	CRS In Focus IF13005, *Individual Federal Income Tax and Overtime Compensation*, by Brendan McDermott, Sarah A. Donovan, and Jon O. Shimabukuro.

Section Title	Description	CRS Resources
	does not include the regular rate of pay or any qualified tip income. The maximum deduction is reduced by $100 for each $1,000 the filer earned above $150,000 ($300,000 for those married filing jointly). The deduction is only available to taxpayers if they have a work-eligible SSN and is disallowed for those married filing separately. Claimants must have qualified overtime compensation accounted for separately on information returns. Taxpayers can claim this deduction in addition to the standard deduction. Qualified overtime compensation is still subject to payroll taxes (such as for Social Security and Medicare hospital insurance). This provision applies from 2025 through 2028. This section is related to Section 110102 of the House-passed version of H.R. 1.	
No Tax on Car Loan Interest *Section 70203 of the law* *New Section 6050AA and existing Section 163 of the IRC*	This provision provides an above-the-line deduction for up to $10,000 of interest paid on indebtedness incurred after December 31, 2024, and used to purchase a car, minivan, van, SUV, pickup truck, or motorcycle, the final assembly of which occurs within the United States. The deduction phases out at a rate of $200 for each $1,000 of modified adjusted gross income above $100,000 (or $200,000 if married filing jointly). This provision is available for tax years 2025 through 2028. This section is related to Section 110104 of the House-passed version of H.R. 1.	
Trump Accounts and Contribution Pilot Program *Section 70204 of the law* *New Sections 128, 139J, 530A, 6434, and 6659 and existing Sections 529A, 4973, 6213, and 6693 of the IRC*	This provision creates a new type of tax-deferred individual retirement account (IRA) for young people, called a Trump account. The account must be established before the beneficiary reaches 18 years of age, and the beneficiary must have a work-authorized Social Security number before the Trump account is established. The Trump account will either be opened automatically for the beneficiary by the Secretary of the Treasury, or by someone else if the Secretary has not opened a Trump account yet. Contributors may contribute up to $5,000 per year (this amount is adjusted annually for inflation after 2027) in cash (not assets such as stocks) until the beneficiary is age 18, starting in 2026. After the beneficiary reaches age 18, Trump account contributions follow the same rules as traditional IRAs. The account must be invested in a diversified index fund of U.S. stocks and must minimize fees and expenses. Distributions are not allowed before the beneficiary turns age 18. After age 18, distributions follow the same rules as for traditional IRAs. The amount of the distribution allocable to posttax	CRS Report R48554, *Child Savings Accounts: Overview and Analysis*, by Brendan McDermott. CRS Report R47492, *Tax-Advantaged Savings Accounts: Overview and Policy Considerations*, by Brendan McDermott. CRS Report RL34397, *Traditional and Roth Individual Retirement Accounts (IRAs): A Primer*, by Elizabeth A. Myers.

Section Title	Description	CRS Resources
	contributions from individuals (the beneficiary, parents, etc.) is exempt from tax. Pretax contributions, including from employers, charities, and the government, are taxable as ordinary income. Investment returns on any contribution are subject to tax. Distributions before the beneficiary reaches age 59½ may be subject to an additional 10% tax, unless an exception applies, following traditional IRA rules. Some of these exceptions include withdrawals for higher education expenses, up to $1,000 per year for an emergency personal expense, up to $10,000 for first-time homebuyers, certain medical expenses, up to $5,000 per child for birth or adoption expenses, and certain other uses. Contributions are allowed from several sources. The provision allows employers to contribute up to $2,500 (adjusted for inflation after 2027) tax-free to the Trump accounts of employees or their dependents. Tax-free contributions are also allowed from state or local governments and from 501(c)(3) tax-exempt organizations, provided they contribute an equal amount to a qualified group of either (1) all children, (2) all children in a certain geographic area, or (3) all children born in one or more calendar years. This provision also creates a new one-time refundable tax credit of $1,000 for each qualifying child, which will be contributed to the child's Trump account. To be eligible for the one-time tax credit, the child must be born between January 1, 2025, and December 31, 2028, and be a U.S. citizen. The provision establishes penalties for improper claims for the credit. This provision also provides for appropriations of $410 million to the Department of the Treasury to implement this section. This provision applies after December 31, 2025. This section is related to Sections 110115 and 110116 of the House-passed version of H.R. 1.	

Source: CRS analysis of the text of P.L. 119-21.

Notes: "IRC" is the Internal Revenue Code. "TCJA" is P.L. 115-97, commonly referred to as the Tax Cuts and Jobs Act. Within the description, "Section" citations refer to the section within the IRC, unless otherwise noted. All references to the "House-passed version of H.R. 1" refer to the version passed by the House on May 22, 2025.

Table 3. Subtitle A, Chapter 3—Establishing Certainty and Competitiveness for American Job Creators

Section Title	Description	CRS Resources
Subchapter A—Permanent U.S. Business Tax Reform and Boosting Domestic Investment		
Full Expensing for Certain Business Property *Section 70301 of the law* *Section 168 of the IRC*	Assets such as equipment and buildings are depreciated over time. Prior to the TCJA, bonus depreciation for equipment, purchased software, and structures with recovery periods no more than 20 years allowed an immediate deduction of 50% for assets placed in service in 2017, 40% in 2018, and 30% in 2019. Long-lived property was not eligible. The phasedown was delayed for certain property, including property with a long production period The TCJA allowed full and immediate expensing (100% bonus depreciation) through 2022; the bonus percentage is reduced by 20% per year for four years starting in 2023. The TCJA excluded regulated public utilities (but eliminated the interest limit for these assets) and added theatrical movies and television programs to eligible assets. The phasedown was delayed for property with a long production period, and for computer software. Expensing is not available to real estate and farming businesses that elect out of the limit on interest deductions. This provision provides for 100% bonus depreciation for property acquired and placed in service after January 19, 2025. This provision is an extension of TCJA with no or minor modifications. This section is related to Section 111001 of the House-passed version of H.R. 1.	CRS Report RL31852, *The Section 179 and Section 168(k) Expensing Allowances: Current Law, Economic Effects, and Selected Policy Issues*, by Gary Guenther. For further information about RL31852, congressional clients may contact Mark P. Keightley. CRS Report R48153, *Marginal Effective Tax Rates on Investment and the Expiring 2017 Tax Cuts*, by Jane G. Gravelle and Mark P. Keightley.
Full Expensing of Domestic Research and Experimental Expenditures *Section 70302 of the law* *Section 174 and 280C of the IRC*	Prior to the TCJA, research expenditures could be deducted immediately (expensed). Research expenditures are also eligible for a credit, and the amount expensed was reduced by this credit (called a basis adjustment). The TCJA required, effective in 2022, that costs for domestic research be amortized and recovered in equal amounts over 5 years (foreign research amounts were recovered over 15 years). It also altered the basis adjustment in a way that appeared to effectively eliminate it. This provision restores the domestic research expensing and full basis adjustment rule. It allows small businesses with gross receipts of $31 million or less to retroactively deduct research expenditures made after December 31, 2021, and allows all businesses to deduct any remaining research expenditures over one or two years. This provision is an extension of TCJA with modifications. This provision applies to tax years beginning after December 31, 2024.	CRS Report RL31181, *Federal Research Tax Credit: Current Law and Policy Issues*, by Gary Guenther. CRS In Focus IF12815, *How the "Tax Cuts and Jobs Act" (TCJA, P.L. 115-97) Changed Cost Recovery and the Tax Credit for Research*, by Jane G. Gravelle and Mark P. Keightley.

Section Title	Description	CRS Resources
	This section is related to Section 111002 of the House-passed version of H.R. 1.	
Modification of Limitation on Business Interest *Section 70303 of the law* *Section 163 of the IRC*	Prior to the TCJA, the deduction for net interest was limited to 50% of adjusted taxable income for firms with a debt-equity ratio above 1.5. (Adjusted taxable income is income before taxes, interest deductions, and depreciation, amortization, or depletion deductions.) Interest above the limitation could be carried forward indefinitely. The TCJA limited deductible interest to 30% of adjusted taxable income for businesses with gross receipts greater than $31 million in 2025 (adjusted for inflation annually). The provision also had an exception for floor plan financing (often used by automotive dealers) for motor vehicles. Under the law prior to TCJA and the temporary provisions of the TCJA, this interest limit applied to earnings (income) before interest, taxes, depreciation, amortization, or depletion (referred to as EBITDA). After 2021, the TCJA changed the measure of income to earnings (income) before interest and taxes (referred to as EBIT). Because EBIT is after the deduction of depreciation, amortization, and depletion, it results in a smaller base and thus a smaller amount of eligible interest deductions. The temporary broader base (EBITDA), which expired in 2021, allowed more interest deductions. The more generous rules for measuring the adjusted taxable income base are more beneficial to businesses with depreciable assets, although affected businesses might be able to avoid some of the change in the deduction rules by leasing assets from financial institutions, such as banks, that generally have interest income. This provision reinstates EBITDA as the basis for the 30% limit on interest deducted as a share of income and expands the definition of "motor vehicle" for purposes of deducting interest on floor plan finance to include certain trailers and campers. This provision is an extension of TCJA with modifications. This provision applies starting after December 31, 2024. This section is related to Section 111003 of the House-passed version of H.R. 1.	CRS Report R48286, *Expiring Provisions of P.L. 115-97 (the Tax Cuts and Jobs Act): Economic Issues*, coordinated by Jane G. Gravelle. CRS Report R48153, *Marginal Effective Tax Rates on Investment and the Expiring 2017 Tax Cuts*, by Jane G. Gravelle and Mark P. Keightley. CRS Report RL32254, *Small Business Tax Benefits: Current Law*, by Gary Guenther. For further information about RL32254, congressional clients may contact Anthony A. Cilluffo.
Extension and Enhancement of Paid Family and Medical Leave Credit *Section 70304 of the law* *Section 45S of the IRC*	Under TCJA, employers can receive a tax credit for paid leave wages paid to certain employees. The credit is 12.5% of paid leave wages if the wages are 50% of the employee's usual wages, increasing up to 25% of paid leave wages for 100% wage replacement. Only paid leave wages paid to employees who worked for the employer for one year with wages at or below $93,000 in 2024 (the amount adjusts each year) qualify. The employer's	CRS In Focus IF11141, *Employer Tax Credit for Paid Family and Medical Leave*, by Anthony A. Cilluffo. CRS Report R44835, *Paid Family and Medical Leave in the United States*, by Sarah A. Donovan.

Section Title	Description	CRS Resources
	policy must cover all eligible employees, including part-time workers who only work a few hours a week, and meet minimum benefits requirements. Benefits paid pursuant to a state or local government requirement are disregarded for both the credit amount and the minimum benefits requirement, which means employers in areas with paid leave requirement laws would be unlikely to qualify for the credit, even if they provide benefits above the legal minimum. Before P.L. 119-21, this credit was set to expire at the end of 2025. This provision permanently extends the credit while making several changes. It allows employers to apply premiums paid on a paid leave insurance policy toward the credit, regardless of whether an employee claimed leave under that policy that year. It allows benefits required by a state or local government to apply toward meeting the minimum benefits requirement, but not toward the amounts paid for calculating the credit. Leave wages paid to employees who only worked for their employer for six months can qualify at the employer's choice. Part-time employees will be eligible employees required to be covered by the policy only if the employee customarily works at least 20 hours per week. This provision is an extension of TCJA with modifications. This provision applies starting after December 31, 2025. This section is related to Section 110106 of the House-passed version of H.R. 1.	
Exceptions from Limitations on Deduction for Business Meals *Section 70305 of the law* *Section 274 of the IRC*	TCJA included a provision with delayed implementation that would deny a deduction for certain meals provided to employees for the convenience of the employer starting after December 31, 2025 (meaning that this restriction has not yet been implemented). This provision modifies the denial of deduction in several ways. First, it allows a deduction for expenses related to goods or services sold for adequate and full value, such as an employee paying the same rate charged to the general public. Second, it allows a deduction for certain meals provided to crew members of a commercial vessel or an oil or gas platform or drilling rig. Third, it allows a deduction for meals provided on a fishing vessel, or in a fish processing facility located in rural Alaska. This provision applies to amounts paid or incurred after December 31, 2025. This section is related to Section 111006 of the House-passed version of H.R. 1.	

Section Title	Description	CRS Resources
Increased Dollar Limitations for Expensing of Certain Depreciable Business Assets *Section 70306 of the law* *Section 179 of the IRC*	Under prior-law IRC Section 179, taxpayers may expense (deduct the full amount of) investment in qualified long-life property (tangible personal property, software, and qualified improvement property) up to $1 million. The eligible amount is phased out after investment reaches $2.54 million. These amounts are indexed for inflation and are $1.25 million and $3.13 million in 2025. Because of the investment amount limitation, Section 179 is mostly used by smaller businesses. The provision permanently increases these amounts to $2.5 million and $4.0 million, with amounts indexed for inflation after 2025. This provision applies to property placed into service after December 31, 2024. This section is related to Section 111103 of the House-passed version of H.R. 1.	CRS Report RL31852, *The Section 179 and Section 168(k) Expensing Allowances: Current Law, Economic Effects, and Selected Policy Issues*, by Gary Guenther. For further information about RL31852, congressional clients may contact Mark P. Keightley.
Special Depreciation Allowance for Qualified Production Property *Section 70307 of the law* *Section 168 of the IRC*	Under current law, the cost of nonresidential real property is depreciated over 39 years and the cost of residential real property is recovered over 27.5 years, both using the straight-line method. Certain qualified nonresidential improvement property is recovered over 15 years and eligible for bonus depreciation. When property is sold, a portion of the property that reflects depreciation deductions is recaptured—that is, added to income and taxed at ordinary rates rather than capital gains tax rates. For tangible personal assets (called Section 1245 property), such as equipment, all depreciation is recaptured. For real property (Section 1250 property), depreciation in excess of straight line is recaptured. Real property acquired after 1986 is subject to straight-line depreciation and, therefore, not subject to recapture except for bonus depreciation for improvement property. This provision provides for an elective 100% bonus depreciation for nonresidential property used in manufacturing, production, or refining of tangible property where original use begins with the taxpayer. *Production* includes only agricultural and chemical production. *Qualified production property* does not include space not used for manufacturing, production, or refining, such as office space, parking lots, and sales floors. Depreciation is recaptured in full upon sale (Section 1245 rules apply). If within the first 10 years the property is no longer used as production property, depreciation is recaptured at that time. This provision applies to property acquired after January 19, 2025, and before January 1, 2029, and applies to property placed in service after the date of enactment. This section is related to Section 111101 of the House-passed version of H.R. 1.	

Section Title	Description	CRS Resources
Enhancement of Advanced Manufacturing Investment Credit *Section 70308 of the law* *Section 48D of the IRC*	Under prior law, the Advanced Manufacturing Investment Credit was a tax credit for 25% of qualifying investments in advanced manufacturing facilities for property beginning construction no later than December 31, 2026. For purposes of this credit, advanced manufacturing facilities are facilities that primarily manufacture semiconductors or semiconductor manufacturing equipment. This provision permanently increases the credit to 35%. This provision would apply to property placed in service after December 31, 2025. The House-passed version of H.R. 1 did not include any similar provision.	
Spaceports Are Treated Like Airports Under Exempt Facility Bond Rules *Section 70309 of the law* *Sections 141, 142, and 146 of the IRC*	All interest income earned from state and local bonds issued for activities considered to be for a public purpose is exempt from federal income taxation. Bonds that are not for public purposes are termed private-activity bonds (PABs) because they provide significant benefits to private individuals or businesses. These projects are generally ineligible for tax-exempt financing. However, activities that fail each test but that Congress considers to provide both public and private benefits are categorized as *qualified* and can be financed with qualified PABs, which are tax exempt. Only qualified activities included in the IRC can be financed with tax-exempt PABs. About 30 types of issuances are eligible for the qualified PAB subsidy. Some qualified PABs are also subject to an annual, state-specific issuance cap intended to limit the benefits provided through the subsidy. The value of bonds issued for these activities by all governmental units in a state is limited to the greater of $130 per resident or $388.8 million in 2025. This provision expands the list of qualified PABs to include bonds issued for certain facilities associated with spaceports. It would also create rules and procedures for spaceport bonds similar to those already in place for airports (a category eligible for qualified PABs under current law). As with airports, qualified PABs for spaceports would not be subject to the annual volume cap. This provision applies to bond obligations issued after the date of enactment. The House-passed version of H.R. 1 did not include any similar provision.	CRS In Focus IF12969, *Selected Issues in Tax Reform: Federal Subsidies for Municipal Bond Interest*, by Grant A. Driessen. CRS Report RL31457, *Private Activity Bonds: An Introduction*, by Grant A. Driessen. CRS Report RL30638, *Tax-Exempt Bonds: A Description of State and Local Government Debt*, by Grant A. Driessen.

Section Title	Description	CRS Resources
Subchapter B—Permanent America-First International Tax Reforms		
Part I—Foreign Tax Credit		
Modifications Related to Foreign Tax Credit Limitation *Section 70311 of the law* *Section 904 of the IRC*	U.S. shareholders of controlled foreign corporations (CFCs) are subject to a minimum tax on global intangible low-taxed income (GILTI), after allowing for certain deductions. A credit is allowed for 80% of any foreign taxes paid. Credits are limited to the U.S. tax due on that income, which requires a measure of foreign-source income and the deductions attributable to that income. Some deductions are specifically attributable to foreign income, but some are deductions for costs incurred in the United States which benefit both domestic and foreign operations, primarily interest and research expenses. These deductions are allocated to income. The allocation of these costs to income lowers foreign-source income for purposes of the foreign tax credit and potentially reduces the credit. This provision eliminates allocation of these indirect costs. This provision is effective for taxable years beginning after December 31, 2025. The House-passed version of H.R. 1 did not include any similar provision.	CRS Report R45186, *Issues in International Corporate Taxation: The 2017 Revision (P.L. 115-97)*, by Jane G. Gravelle and Donald J. Marples. CRS Report R47003, *Corporate Income Taxation in a Global Economy*, by Jane G. Gravelle, Mark P. Keightley, and Donald J. Marples.
Modifications to Determination of Deemed Paid Credit for Taxes Properly Attributable to Tested Income *Section 70312 of the law* *Sections 960 and 78 of the IRC*	U.S. shareholders of controlled foreign corporations (CFCs) are subject to a minimum tax on global intangible low-taxed income (GILTI), after allowing for certain deductions. A credit is allowed for 80% of any foreign taxes paid. This provision increases the credit to 90% of any foreign taxes paid. This provision is effective for taxable years beginning after December 31, 2025. The House-passed version of H.R. 1 did not include any similar provision.	CRS Report R45186, *Issues in International Corporate Taxation: The 2017 Revision (P.L. 115-97)*, by Jane G. Gravelle and Donald J. Marples. CRS Report R47003, *Corporate Income Taxation in a Global Economy*, by Jane G. Gravelle, Mark P. Keightley, and Donald J. Marples.
Sourcing Certain Income from the Sale of Inventory Produced in the United States *Section 70313 of the law* *Section 904 of the IRC*	Under prior law, income from property held as inventory is apportioned between U.S. and foreign sources based on where the production occurs. The credit for foreign taxes paid is limited to the U.S. tax that would be due on foreign-source income. This provision provides that where an office or fixed place of business is located in a foreign country, 50% of income from property produced in the United States and sold abroad will be allocated to the foreign source-income. This change can increase the foreign tax credit. This provision is effective for taxable years beginning after December 31, 2025. The House-passed version of H.R. 1 did not include any similar provision.	CRS Report R45186, *Issues in International Corporate Taxation: The 2017 Revision (P.L. 115-97)*, by Jane G. Gravelle and Donald J. Marples. CRS Report R47003, *Corporate Income Taxation in a Global Economy*, by Jane G. Gravelle, Mark P. Keightley, and Donald J. Marples.

Section Title	Description	CRS Resources
Part II—Foreign-Derived Deduction Eligible Income and Net CFC Tested Income		
Modification of Deduction for Foreign-Derived Deduction Eligible Income and Net CFC Tested Income *Section 70321 of the law* *Section 250 of the IRC*	Prior law imposed a minimum tax on global intangible low-taxed income (GILTI) of controlled foreign corporations (CFCs), after allowing a deduction for 10% of tangible assets and 50% of the remainder. A deduction is also allowed for foreign-derived intangible income (FDII) for 10% of tangible assets and 37.5% of the remainder. These deduction amounts for the remainder were scheduled to fall to 37.5% for GILTI and 21.875% for FDII after 2025. With the current 21% tax rate, these deductions result in a rate of 10.5% (13.125% after 2025) for GILTI and 13.125% (16.4% after 2025) for FDII. The combined GILTI and FDII deductions are limited to taxable income, and any unused deduction cannot be carried back or forward. This provision reduces the 50% deduction for GILTI to 40% and the 37.5% deduction for FDII to 33.34% and makes these deductions permanent. These deductions create permanent rates of 12.6% for GILTI and 14% for FDII. This provision is effective for taxable years beginning after December 31, 2025. This section is related to Section 111004 of the House-passed version of H.R. 1.	CRS Report R45186, *Issues in International Corporate Taxation: The 2017 Revision (P.L. 115-97)*, by Jane G. Gravelle and Donald J. Marples. CRS Report R47003, *Corporate Income Taxation in a Global Economy*, by Jane G. Gravelle, Mark P. Keightley, and Donald J. Marples.
Determination of Deduction Eligible Income *Section 70322 of the law* *Section 250 of the IRC*	Current law allows a deduction for foreign-derived intangible income (FDII). The deduction is the share of export income in total eligible income (called *deduction eligible income*) times a measure of intangible income, based on reducing eligible income by a deemed return on tangible assets. This income excludes some income sources (such as foreign income earned abroad, reduced by deductions and taxes allocable to such income). This provision is aimed at income derived abroad from assets held in the United States. Two revisions are made in measuring total deduction eligible income in this provision. First, it does not include the sale of property (both intangible property or tangible property subject to depreciation, amortization, or depletion). Second, excluded income is reduced only by deductions and taxes directly related to such income. The changes make total deduction eligible income larger and the FDII deduction larger. The first provision applies to amounts received after June 16, 2025. The second provision applies to taxable years beginning after December 31, 2025. The House-passed version of H.R. 1 did not include any similar provision.	CRS Report R45186, *Issues in International Corporate Taxation: The 2017 Revision (P.L. 115-97)*, by Jane G. Gravelle and Donald J. Marples. CRS Report R47003, *Corporate Income Taxation in a Global Economy*, by Jane G. Gravelle, Mark P. Keightley, and Donald J. Marples.

Section Title	Description	CRS Resources
Rules Related to Deemed Intangible Income *Section 70323 of the law* *Sections 951A and 250 of the IRC*	Prior law imposed a minimum tax on global intangible low-taxed income (GILTI) of controlled foreign corporations (CFCs), after allowing a deduction for 10% of tangible assets and 50% of the remainder. A deduction is also allowed for foreign-derived intangible income (FDII) for 10% of tangible assets and 37.5% of the remainder. This provision eliminates the deductions for 10% of tangible income for GILTI and FDII. This change increases the amount of foreign-source income subject to tax, extending GILTI to cover all income including income from tangible investments, and decreases the amount of income eligible for the FDIII. The term GILTI is struck from the IRC and is replaced by net CFC tested income (NCTI), and the term FDII is replaced by foreign-derived deduction eligible income (FDDEI). This provision is effective for taxable years beginning after December 31, 2025. The House-passed version of H.R. 1 did not include any similar provision.	CRS Report R45186, *Issues in International Corporate Taxation: The 2017 Revision (P.L. 115-97)*, by Jane G. Gravelle and Donald J. Marples. CRS Report R47003, *Corporate Income Taxation in a Global Economy*, by Jane G. Gravelle, Mark P. Keightley, and Donald J. Marples.
Part III—Base Erosion Minimum Tax		
Extension and Modification of Base Erosion Minimum Tax Amount *Section 70331 of the law* *Section 59A of the IRC*	Under prior law, the base erosion and anti-abuse tax (BEAT) provides for an alternative calculation of tax by adding certain payments to related foreign parties (such as interest and royalties) and taxing this income at 10%. Payments for the cost of goods sold are not included. BEAT does not allow tax credits, including the foreign tax credit, except for a temporary allowance of the research credit along with 80% of the low-income housing credit and two energy credits. After 2025, the BEAT rate will rise to 12.5% and no credits will be allowed. BEAT applies to firms with base erosion payments equal to or greater than 3% of total deduction, with a lower rate of 2% applying to certain financial firms. The provision increases the 10% rate to 10.5% and makes this rate and current treatment of credits permanent. This provision is effective for taxable years beginning after December 31, 2025. This section is related to Section 111005 of the House-passed version of H.R. 1.	CRS Report R45186, *Issues in International Corporate Taxation: The 2017 Revision (P.L. 115-97)*, by Jane G. Gravelle and Donald J. Marples. CRS Report R47003, *Corporate Income Taxation in a Global Economy*, by Jane G. Gravelle, Mark P. Keightley, and Donald J. Marples.
Part IV—Business Interest Limitation		
Coordination of Business Interest Limitation with Interest Capitalization Provisions *Section 70341 of the law* *Section 163 of the IRC*	Under prior law, businesses may generally deduct interest paid on business debt. Larger businesses with average annual gross receipts of more than $31 million (the dollar value is adjusted for inflation annually) may be subject to a limitation on the amount of paid interest they may deduct. Previously, one potential workaround for the limitation was to capitalize (add) the interest expense into the asset the debt is used to acquire.	

Section Title	Description	CRS Resources
	Capitalized interest would then be recovered over time through depreciation deductions. Capitalized interest was previously not subject to the interest deduction limitation. This provision changes how the interest deduction limitation applies to capitalized interest. Generally, it subjects capitalized interest to the same limit as regular interest. It exempts certain interest that is statutorily required to be capitalized (including straddles and interest subject to certain inventory rules) from the limitation. This provision applies starting after December 31, 2025. The House-passed version of H.R. 1 did not include any similar provision.	
Definition of Adjusted Taxable Income for Business Interest Limitation *Section 70342 of the law* *Section 163 of the IRC*	Under current law, businesses may generally deduct interest paid on business debt. Larger businesses with average annual gross receipts of more than $31 million (the dollar value is adjusted for inflation annually) may be subject to a limitation on the amount of paid interest they may deduct. This limitation is calculated as the sum of interest income received by the business, floor plan financing interest, and 30% of the business's adjusted taxable income. This provision changes the definition of adjusted taxable income. It removes several international tax-related sources from the income calculation. Specifically, it removes amounts included in income due to the pro rata share of a shareholder's controlled foreign corporation Subpart F income, global intangible low-taxed income (GILTI), and gross-up income deemed paid due to the foreign tax credit, and disallows several deductions related to these sources of income. Removing these amounts from adjusted taxable income reduces the amount, thereby resulting in a smaller maximum business interest deduction for affected taxpayers. This provision would apply starting after December 31, 2025. The House-passed version of H.R. 1 did not include any similar provision.	
Part V—Other International Tax Reforms		
Permanent Extension of Look-Thru Rule for Related Controlled Foreign Corporations *Section 70351 of the law* *Section 954 of the IRC*	Look-through rules effectively allow U.S. corporations to reduce tax paid by allowing them to shift the income of certain foreign subsidiaries in high-tax countries into a lower-taxed foreign subsidiary. The temporary look-through rules were originally enacted in the Tax Increase Prevention and Reconciliation Act of 2005 (P.L. 109-222), for 2006 through 2008, and subsequently extended, most recently through 2025 in the Consolidated Appropriations Act, 2021 (P.L. 116-260).	CRS Report R46800, *Temporary Business-Related Tax Provisions Expiring 2021-2027 and Business "Tax Extenders"*, coordinated by Jane G. Gravelle and Molly F. Sherlock. CRS In Focus IF11392, *H.R. 1865 and the Look-Through Treatment of Payments Between Related Controlled*

Section Title	Description	CRS Resources
	Depending on its source, income earned abroad by foreign-incorporated subsidiaries of U.S. parent corporations is taxed at full rates, not taxed at full rates, or not taxed at all. Tax rules require passive income (such as interest income) and certain types of payments that can be easily manipulated to reduce foreign taxes to be taxed at the full rate (21% for a corporate shareholder) if earned by controlled foreign corporations (CFCs). This income is referred to as Subpart F income. Credits against the U.S. tax imposed are allowed for any foreign taxes paid on this income, and are applied on an overall basis (so that unused foreign taxes in one country can offset taxes paid on income in another country). Other income earned abroad by CFCs is subject to the global intangible low-taxed income (GILTI) provision, which taxes this foreign-source income at half the corporate tax rate (10.5%), after allowing a deduction for a deemed return of 10% on tangible assets. Credits are allowed for 80% of foreign taxes paid. Unless an exception applies, Subpart F income includes dividends, interest, rent, and royalty payments between related firms. These items of income are subject to Subpart F. If they were not subject to subpart F, affiliated firms could shift income and avoid taxation. For example, without Subpart F, a U.S. parent's subsidiary (first-tier subsidiary) in a country without taxes could lend money to its own subsidiary (second-tier subsidiary) in a high-tax country. The interest payments would be deductible in the high-tax country, but no tax would be due in the no-tax country. Thus, an essentially paper transaction would shift income out of the high-tax country. A similar effect might occur if an intangible asset (e.g., a patent) were transferred to the no-tax subsidiary, and then licensed in exchange for a royalty payment by the high-tax subsidiary. Avoidance of Subpart F taxation was made easier in 1997, when U.S. entity classification rules (to be a corporate or noncorporate entity) were simplified to allow checking a box on a form. These "check-the-box" regulations provided a way to avoid treatment of payments as Subpart F income under certain circumstances by allowing firms to elect treatment as an unincorporated entity. The look-through rules expand the scope of check-the-box, as the check-the-box rules do not work in every circumstance. For example, if the related firms do not have the same first-tier parent, check-the-box does not apply. In some cases, because of foreign countries' rules about corporate and noncorporate forms, the check-the-box regulations' classification of some entities as per se corporations make this planning unavailable. In addition, other undesirable tax consequences	*Foreign Corporations*, by Jane G. Gravelle.

Section Title	Description	CRS Resources
	(from the firm's point of view) could occur as a side effect of check-the-box. The look-through rule effectively puts this check-the-box type of planning into the tax code, rather than implementing it as a regulation (which could be altered without legislation), but disconnects it from the check-the-box regulations' creation of a disregarded entity. Related firms do not have to have the parent-child relationship; they can be otherwise related as long as they are under common control. This provision makes the look-through rule permanent. This provision applies starting after December 31, 2025. The House-passed version of H.R. 1 did not include any similar provision.	
Repeal of Election for One-Month Deferral in Determination of Taxable Year of Specified Foreign Corporations *Section 70352 of the law* *Section 898 of the IRC*	U.S.-controlled foreign corporations (CFCs) are generally required to use the same taxable year as their majority U.S. shareholder (e.g., the parent of a subsidiary). They can, however, elect a taxable year beginning one month earlier. This provision repeals that election. This provision applies to taxable years beginning after November 30, 2025. The House-passed version of H.R. 1 did not include any similar provision.	
Restoration of Limitation on Downward Attribution of Stock Ownership in Applying Constructive Ownership Rules *Section 70353 of the law* *New Section 951B of the IRC and existing Section 958 of the IRC*	The constructive ownership rules for purposes of determining 10% U.S. shareholders, whether a corporation is a CFC, and whether parties satisfy certain relatedness tests, were expanded in the 2017 tax revision. Specifically, the new law treats stock owned by a foreign person as attributable to a U.S. entity owned by the foreign person (called *downward attribution*). As a result, stock owned by a foreign person may generally be attributed to (1) a U.S. corporation, 10% of the value of the stock of which is owned, directly or indirectly, by the foreign person; (2) a U.S. partnership in which the foreign person is a partner; and (3) certain U.S. trusts if the foreign person is a beneficiary or, in certain circumstances, a grantor or a substantial owner. The downward attribution rule was originally conceived to deal with inversions. In an inversion, without downward attribution, a subsidiary of the original U.S. parent could lose CFC status if it sold enough stock to the new foreign parent so the U.S. parent no longer had majority ownership. With downward attribution, the ownership of stock by the new foreign parent in the CFC is attributed to the U.S. parent, so that the subsidiary continues its CFC status, making it subject to any tax rules that apply to CFCs (such as Subpart F or GILTI). Foreign parents with a U.S. subsidiary where U.S. persons have a 10% interest could	CRS Report R45186, *Issues in International Corporate Taxation: The 2017 Revision (P.L. 115-97)*, by Jane G. Gravelle and Donald J. Marples.

Section Title	Description	CRS Resources
	cause attribution of ownership that created CFC status for foreign corporations not previously subject to that treatment. This provision restores the pre-TCJA attribution rules. However, it introduces a new provision, Section 951B, which would apply downward attribution rules to the foreign-controlled subsidiary of a foreign-controlled foreign corporation; the subsidiary would be treated as a U.S. person with related corporations potentially subject to CFC status. This provision applies starting after December 31, 2025. The House-passed version of H.R. 1 did not include any similar provision.	
Modifications to Pro Rata Share Rules *Section 70354 of the law* *Section 951 of the IRC*	A U.S. shareholder must include in income their pro rata share of a controlled foreign corporation (CFC) for purposes of paying taxes under Subpart F and GILTI. This pro rata share is reduced to the extent that dividends are paid to other U.S. shareholders. The pro rata share for the year is based on ownership of stock on the last day of the taxable year for any corporation that was a CFC at some time during the year. This provision applies the pro rata share based on the period of stock ownership and the period of time the corporations was a CFC. This provision applies after December 31, 2025. The House-passed version of H.R. 1 did not include any similar provision.	

Source: CRS analysis of the text of P.L. 119-21.

Notes: "IRC" is the Internal Revenue Code. "TCJA" is P.L. 115-97, commonly referred to as the Tax Cuts and Jobs Act. Within the description, "Section" citations refer to the section within the IRC, unless otherwise noted. All references to the "House-passed version of H.R. 1" refer to the version passed by the House on May 22, 2025.

Table 4. Subtitle A, Chapter 4—Investing in American Families, Communities, and Small Businesses

Section Title	Description	CRS Resources
Subchapter A—Permanent Investments in Families and Children		
Enhancement of Employer-Provided Child Care Credit *Section 70401 of the law* *Section 45F of the IRC*	Under prior law, employers that offered child care services to employees could claim a tax credit of up to $150,000 (not adjusted for inflation). The credit was worth 25% of qualified child care expenditures plus 10% of qualified child care resource and referral service expenditures. This provision raises the maximum credit to $500,000 ($600,000 in the case of an eligible small business; both figures adjusted for inflation) and the credit rate for child care expenditures to 40% (50% in the case of an eligible small business).	CRS In Focus IF12379, *The 45F Tax Credit for Employer-Provided Child Care*, by Brendan McDermott, Margot L. Crandall-Hollick, and Conor F. Boyle.

Section Title	Description	CRS Resources
	The provision also makes expenses to third-party intermediaries that contract with child care facilities qualified child care expenditures. Additionally, expenditures on child care facilities that are jointly owned by the taxpayer and others now qualify for the credit. This provision applies from 2026 onward. This section is related to Section 110105 of the House-passed version of H.R. 1.	
Enhancement of Adoption Credit *Section 70402 of the law* *Section 23 of the IRC*	Taxpayers can receive a nonrefundable tax credit equal to their qualifying adoption expenses. In 2025, the maximum adoption tax credit is $17,280 per adoption (adjusted for inflation). This provision makes up to $5,000 (adjusted for inflation) of the credit refundable. This provision applies from 2025 onward. This section is related to Section 110107 of the House-passed version of H.R. 1.	CRS Report R44745, *Adoption Tax Benefits: An Overview*, by Margot L. Crandall-Hollick.
Recognizing Indian Tribal Governments for Purposes of Determining Whether a Child Has Special Needs for Purposes of the Adoption Credit *Section 70403 of the law* *Section 23 of the IRC*	Under prior law, if a state welfare agency (but not an Indian tribal government agency) determined that a child meets the definition of having special needs, the adoptive parents qualified for the maximum adoption tax credit regardless of actual adoption expenses. This provision lets Indian tribal governments make special needs determinations for purposes of the adoption tax credit. This provision applies from 2025 onward. This section is related to Section 110108 of the House-passed version of H.R. 1.	CRS Report R44745, *Adoption Tax Benefits: An Overview*, by Margot L. Crandall-Hollick. For further information about R44745, congressional clients may contact Brendan McDermott.
Enhancement of the Dependent Care Assistance Program *Section 70404 of the law* *Section 129 of the IRC*	Currently, taxpayers can exclude up to $5,000 per year ($2,500 for those married filing separately; not adjusted for inflation) in employer-provided dependent care assistance from their taxable income, subject to various limits and rules. This provision raises the maximum exclusion to $7,500 ($3,750 for those married filing separately; not adjusted for inflation). This provision would apply from 2026 onward. The House-passed version of H.R. 1 did not include any similar provision.	CRS Report R44993, *Child and Dependent Care Tax Benefits: How They Work and Who Receives Them*, by Brendan McDermott, Margot L. Crandall-Hollick, and Conor F. Boyle.
Enhancement of Child and Dependent Care Tax Credit *Section 70405 of the law* *Section 21 of the IRC*	The child and dependent care tax credit (CDCTC) is a nonrefundable tax credit worth a share of a taxpayer's out-of-pocket spending on qualifying caregiving expenses incurred so a taxpayer can work or look for work. Currently, the credit is worth the amount spent (up to $3,000 for one person cared for, or $6,000 for two or more) times a credit rate. The maximum credit rate of 35% declines by one percentage point for each $2,000 a taxpayer's AGI exceeds $15,000, until it reaches 20% for all taxpayers with AGI above $43,000. These thresholds do not vary with a	CRS Report R44993, *Child and Dependent Care Tax Benefits: How They Work and Who Receives Them*, by Brendan McDermott, Margot L. Crandall-Hollick, and Conor F. Boyle.

Section Title	Description	CRS Resources
	taxpayer's filing status and are not adjusted for inflation. Since the credit is nonrefundable, few taxpayers claim the credit at its maximum credit rate. This provision raises the maximum credit rate to 50%, which would then phase down by one percentage point for each $2,000 a taxpayer's AGI exceeds $15,000 (not adjusted for filing status), until reaching 35%. It will remain 35% until a taxpayer's AGI exceeds $75,000 ($150,000 in the case of those married, filing jointly), at which point it will decline by one percentage point for each additional $2,000 ($4,000 for those married, filing jointly) by which the taxpayer's AGI exceeds these thresholds, until reaching 20%. The dollar amounts will not be adjusted for inflation. This provision applies from 2026 onward. The House-passed version of H.R. 1 did not include any similar provision.	
Subchapter B—Permanent Investments in Students and Reforms to Tax-Exempt Institutions		
Tax Credit for Contributions of Individuals to Scholarship Granting Organizations *Section 70411 of the law* *New Sections 25F,139J, and 4969 of the IRC*	This provision creates a nonrefundable income tax credit for charitable contributions made by a taxpayer to scholarship-granting organizations. Among other requirements, scholarship-granting organizations must be tax-exempt, may not be private foundations, and must devote substantially all of their activities to the provision of scholarships for elementary and secondary education expenses for eligible students, defined as individuals who are part of a household with an annual income less than 300% of the area median gross income and who are eligible to enroll in a public elementary or secondary school. Any contribution that receives a credit may not also be claimed as a charitable contribution through IRC Section 170, and the credit must be reduced by the amount of any state credits provided for the contribution. A state's governor (or other entity specified in state law) will have the option of submitting a list of qualifying scholarship organizations to the Department of the Treasury. Only contributions to organizations on such a list will qualify for the credit, and the organization must ensure that contributions eligible for the credit go only to scholarships for students located in the state that listed them. This system makes participation in the tax credit scholarship program voluntary for states. Credit amounts may not exceed $1,700. The credit may be claimed against regular and alternative minimum tax income. Scholarships provided by scholarship-granting organizations are excluded from income by the taxpayer claiming the recipient as a dependent.	CRS Report R45922, *Tax Issues Relating to Charitable Contributions and Organizations*, by Jane G. Gravelle, Donald J. Marples, and Molly F. Sherlock. CRS In Focus IF10713, *Overview of Public and Private School Choice Options*, by Rebecca R. Skinner and Isobel Sorenson.

Section Title	Description	CRS Resources
	The provision applies starting after December 31, 2026. This section is related to Section 110109 of the House-passed version of H.R. 1.	
Exclusion for Employer Payments of Student Loans *Section 70412 of the law* *Section 127 of the IRC*	Under current law, up to $5,250 in annual qualified educational assistance may be excluded from taxable income by both the employee and the employer. Qualifying assistance includes tuition, fees, books, supplies, equipment, and principal or interest on a qualified educational loan. Under prior law, only student loan payments made before January 1, 2026, qualified as educational assistance. This provision allows student loan payments made after December 31, 2025, to qualify as an eligible education assistance expense. It also inflation adjusts the maximum exclusion amount for all qualified educational assistance for years beginning in 2027. The provision is effective for payments made after December 31, 2025. This section is related to Section 110113 of the House-passed version of H.R. 1.	CRS Report R41967, *Higher Education Tax Benefits: Brief Overview and Budgetary Effects*, by Margot L. Crandall-Hollick and Brendan McDermott.
Additional Expenses Treated as Qualified Higher Education Expenses for Purposes of 529 Accounts *Section 70413 of the law* *Section 529 of the IRC*	Current law allows families to save for education using tax-advantaged qualified tuition programs, as provided for in Section 529 of the IRC (also known as 529 plans). Withdrawals up to a limit per beneficiary per year may be used for tuition at an elementary or secondary school. The earnings portion of withdrawals for expenses that do not qualify are subject to tax plus a 10% penalty tax. This provision expands the list of eligible expenses in connection with enrollment or attendance at an elementary or secondary school to include curricular materials, books or other instructional materials, online education materials, tutoring materials, fees for certain tests, fees for dual enrollment in institutions of higher education, and the cost of certain educational therapies for disabled students. The provision also increases the limitation on amounts claimed from $10,000 to $20,000. The provision has several effective dates. The expansion of eligible expenses is effective for distributions made after July 4, 2025. The increased withdrawal limitation is effective starting after December 31, 2025. This section is related to Section 110110 of the House-passed version of H.R. 1.	CRS Report R42807, *Tax-Preferred College Savings Plans: An Introduction to 529 Plans*, by Brendan McDermott.

Section Title	Description	CRS Resources
Certain Postsecondary Credentialing Expenses Treated as Qualified Higher Education Expenses for Purposes of 529 Accounts *Section 70414 of the law* *Section 529 of the IRC*	Current law allows families to save for education using tax-advantaged qualified tuition programs, as provided for in Section 529 of the IRC (also known as 529 plans). The earnings portion of withdrawals used for expenses that do not qualify is subject to a 10% penalty. This provision expands the list of eligible expenses to include qualified postsecondary credentialing expenses, defined as tuition, fees, books, and other supplies required for enrollment or attendance in a qualified program designed to provide certain recognized postsecondary employment credentials. Certain testing and continuing education fees required to obtain or maintain a qualifying credential would also qualify. The provision is effective for distributions made after the date of enactment. This section is related to Section 110111 of the House-passed version of H.R. 1.	CRS Report R42807, *Tax-Preferred College Savings Plans: An Introduction to 529 Plans*, by Brendan McDermott.
Modification of Excise Tax on Investment Income of Certain Private Colleges and Universities *Section 70415 of the law* *Section 4968 of the IRC*	The TCJA created a 1.4% excise tax on net investment income of nonprofit colleges and universities with assets not used to the institution's tax-exempt purpose of at least $500,000 per full-time equivalent (FTE) student and more than 500 full-time students. This tax applied to institutions with more than 50% of their college students located in the United States. It does not apply to state and local institutions. The provision increases the tax rate to 4% for institutions with assets not used to carry out the institution's tax-exempt purpose of $750,000 or more per FTE student, and 8% for those with $2,000,000 or more per FTE student. Institutions only have to pay the tax if they have at least 3,000 FTE students. Investment income includes income from interest on student loans and federally subsidized royalty income. The provision is effective for tax years beginning after December 31, 2025. This section is related to Section 112021 of the House-passed version of H.R. 1.	CRS Report R44293, *College and University Endowments: Overview and Tax Policy Options*, by Molly F. Sherlock et al. CRS Report R45922, *Tax Issues Relating to Charitable Contributions and Organizations*, by Jane G. Gravelle, Donald J. Marples, and Molly F. Sherlock.
Expanding Application of Tax on Excess Compensation Within Tax-Exempt Organizations *Section 70416 of the law* *Section 4690 of the IRC*	Tax-exempt organizations are subject to an excise tax equal to the corporate 21% tax rate on remuneration of covered employees in excess of $1 million plus excess parachute payments. Parachute payments are made to compensate for a change in ownership or control of a corporation. Excess parachute payments are amounts in excess of three times the past five years' compensation. Covered employees are the five highest-compensated employees as well as covered employees in a preceding taxable year beginning after 2017. Tax-exempt organizations include the broad range of exempt organizations, including	

Section Title	Description	CRS Resources
	cooperatives, government entities, and political organizations. The provision expands the definition of covered employees to include all employees or former employees. The provision is effective for tax years beginning after December 31, 2025. This section is related to Section 112020 of the House-passed version of H.R. 1.	
Subchapter C—Permanent Investments in Community Development		
Permanent Renewal and Enhancement of Opportunity Zones *Section 70421 of the law* *Sections 1400Z-1 and 1400Z-2 of the IRC*	Under current law, investments in opportunity zones (OZs) may be eligible for tax incentives. Specifically, capital gains (from non-OZs) can be invested in OZs to receive a tax deferral. Capital gains invested in an OZ for at least five years are eligible for a reduction in capital gains tax. Additionally, the gain in OZ investments (the gain on the invested gain) held for 10 years is not taxed. The deferral of capital gains ends either when the taxpayer terminates a qualifying investment or on December 31, 2026. Opportunity zones are lower-income census tracts that were designated by state and territory governors in several designation rounds starting in 2018. All low-income census tracts in Puerto Rico qualify as OZs under a special rule enacted after Hurricane Maria. Hurricane Maria hit Puerto Rico in September 2017, and OZ status was extended to all census tracts in Puerto Rico in February 2018 (retroactive to the date of enactment of TCJA, December 2017). This provision makes several changes to OZs. It permanently extends the OZ program by creating new 10-year cycles for OZ designations. Capital gains deferrals will end on the earlier of the date the invested gains are sold or exchanged or five years after the investment was made. It ends the special rule granting OZ status to all low-income tracts in Puerto Rico. It changes the definition of "low-income community," and repeals the eligibility of tracts contiguous with low-income tracts. OZ investments held at least five years are eligible for a 10% basis increase (30% for investments in funds that invest predominantly in rural areas). It also creates several reporting requirements related to OZs, including for the funds, for businesses that receive investments from OZ funds, and for the Secretary of the Treasury. It provides $15 million to the Department of the Treasury to implement the reporting requirements. This provision is an extension of TCJA with modifications. This provision has several effective dates. It generally applies starting in taxable years beginning after the date of enactment.	CRS Report R45152, *Tax Incentives for Opportunity Zones*, by Donald J. Marples.

Section Title	Description	CRS Resources
	This section is related to Section 111102 of the House-passed version of H.R. 1.	
Permanent Enhancement of Low-Income Housing Tax Credit *Section 70422 of the law* *Section 42 of the IRC*	The low-income housing tax credit is a subsidy for the construction or rehabilitation of rental housing meeting statutorily determined rent and income limits. To receive the credit a taxpayer must receive an award of "competitive" or "9%" credits from the state in which the investment is made. Alternatively, a taxpayer may receive "noncompetitive" or "4%" credits if at least 50% of the investment is financed by tax-exempt bonds that are subject to limit on private activity bonds. This provision permanently increases state low-income housing credit allocation authority by 12.0%. This provision also reduces the 50% tax-exempt bond financing requirement to 25% for bond obligations issued starting in 2026. This provision applies starting after December 31, 2025. This section is related to Section 111108 of the House-passed version of H.R. 1.	CRS Report RS22389, *An Introduction to the Low-Income Housing Tax Credit*, by Mark P. Keightley. CRS In Focus IF11335, *The Low-Income Housing Tax Credit: Policy Issues*, by Mark P. Keightley.
Permanent Extension of New Markets Tax Credit *Section 70423 of the law* *Section 45D of the IRC*	Under current law, the New Markets Tax Credit (NMTC) is intended to promote community development. NMTCs are claimed through a multistep process. First, a nationwide total credit is set by statute ($5 billion for 2025). Second, the Department of the Treasury (through the Community Development Financial Institutions [CDFI] Fund) allocates the nationwide credit authorization to local Community Development Entities (CDEs) through a competitive application process. The CDEs offer the NMTCs they receive to investors in return for an investment in the CDE. The CDE uses the investments received to make its own investments in low-income areas. The investors claim the NMTC, worth a total of 39% of their investment in the CDE, over seven years. The NMTC's total credit authority had been set to expire after 2025. This provision permanently extends the NMTC with a nationwide total credit authorization of $5 billion each year. It also makes several changes to evergreen the CDFI Fund's carryover authority for unused NMTCs. Previously, all unused NMTC authority was set to expire after 2030. This provision removes the specific date, instead having unused NMTC authority expire five years after it was first issued. This provision applies starting after December 31, 2025. The House-passed version of H.R. 1 did not include any similar provision.	CRS Report RL34402, *New Markets Tax Credit: An Introduction*, by Donald J. Marples.

Section Title	Description	CRS Resources
Permanent and Expanded Reinstatement of Partial Deduction for Charitable Contributions of Individuals who Do Not Elect to Itemize *Section 70424 of the law* *Section 170 of the IRC*	Under prior law, taxpayers generally could only deduct charitable contributions if they itemized their deductions. Most taxpayers do not itemize deductions, so few taxpayers were able to deduct charitable contributions. A limited deduction for taxpayers who do not itemize was available in 2020 and 2021 only. This provision creates a permanent deduction for charitable contributions for taxpayers who do not itemize. Taxpayers who are married filing jointly can deduct charitable contributions up to a maximum of $2,000. The maximum for all other taxpayers is $1,000. This provision applies after December 31, 2025. This section is related to Section 110112 of the House-passed version of H.R. 1.	CRS Report R45922, *Tax Issues Relating to Charitable Contributions and Organizations*, by Jane G. Gravelle, Donald J. Marples, and Molly F. Sherlock.
0.5 Percent Floor on Deduction of Contributions Made by Individuals *Section 70425 of the law* *Section 170 of the IRC*	Under prior law, individuals who itemize their deductions were generally able to deduct the full value of their charitable contributions, starting with the first dollar of value. These contributions were subject to several ceilings determined based upon the type of charitable contribution made and the taxpayer's adjusted gross income. This provision creates a floor on charitable contributions of 0.5% of the taxpayer's adjusted gross income (without applying any net operating loss carrybacks). Effectively, taxpayers will need to subtract 0.5% of their adjusted gross income from their charitable contributions to calculate their allowable deduction. For example, a taxpayer with an adjusted gross income of $100,000 will subtract $500 from their charitable contributions and can deduct the remainder, if any. The floor does not apply to the deduction available to taxpayers who do not itemize their deductions (see above). The provision provides rules on how it applies in cases where charitable contributions are carried forward to or from the current tax year. The provision also permanently extends the higher 60% ceiling limitation on allowable deductions for cash donations to certain charitable organizations. This provision applies starting after December 31, 2025. The House-passed version of H.R. 1 did not include any similar provision.	CRS Report R45922, *Tax Issues Relating to Charitable Contributions and Organizations*, by Jane G. Gravelle, Donald J. Marples, and Molly F. Sherlock.
One-Percent Floor on Deduction of Charitable Contributions Made by Corporations *Section 70426 of the law* *Section 170 of the IRC*	Under prior law, corporations may make deductible contributions to charity up to 10% of taxable income. This provision allows only deductions that exceed 1% of taxable income and that do not exceed 10% of taxable income. This provision will be effective for taxable years beginning after December 31, 2027.	CRS Report R45922, *Tax Issues Relating to Charitable Contributions and Organizations*, by Jane G. Gravelle, Donald J. Marples, and Molly F. Sherlock.

Section Title	Description	CRS Resources
	This section is related to Section 112027 of the House-passed version of H.R. 1.	
Permanent Increase in Limitation on Cover Over of Tax on Distilled Spirits *Section 70427 of the law* *Section 7652 of the IRC*	Under current law, alcohol excise taxes collected on rum imported from Puerto Rico and the U.S. Virgin Islands are partially covered over (transferred to) the respective governments of each territory. Previously, $10.50 of the $13.50 tax per proof gallon was covered over. A higher rate of $13.25 per proof gallon was covered over under a temporary provision from 1999 to 2021. This provision permanently increases the cover over to $13.25 per proof gallon. This provision applies to distilled spirits imported after December 31, 2025. The House-passed version of H.R. 1 did not include any similar provision.	
Nonprofit Community Development Activities in Remote Native Villages *Section 70428 of the law* *Section 501 of the IRC*	The Western Alaska Community Development Quota (CDQ) Program allocates a percentage of all Bering Sea and Aleutian Islands quotas for groundfish, prohibited species, halibut, and crab to eligible communities in order to support economic development. This provision extends tax-exempt status to eligible entities that participate or invest in fisheries in the Bering Sea and Aleutian Islands statistical and reporting areas. The provision also allows assets of wholly owned subsidiaries transferred to the eligible entity no later than 18 months after enactment to be considered tax free. This provision applies beginning on the date of enactment. The House-passed version of H.R. 1 did not include any similar provision.	
Adjustment of Charitable Deduction for Certain Expenses Incurred in Support of Native Alaskan Subsistence Whaling *Section 70429 of the law* *Section 170 of the IRC*	Under prior law, individuals could claim a charitable contribution deduction of up to $10,000 per tax year for certain expenses incurred in carrying out sanctioned whaling activities. The individual claiming the deduction must be recognized by the Alaska Eskimo Whaling Commission as a whaling captain responsible for maintaining and carrying out sanctioned whaling activities. The deduction is limited to the aggregate of the whaling expenses paid by the taxpayer during the tax year in carrying out sanctioned whaling activities. This provision increases the charitable contribution deduction to $50,000 per tax year for tax years beginning after December 31, 2025. The House-passed version of H.R. 1 did not include any similar provision.	

Section Title	Description	CRS Resources
Exception to Percentage of Completion Method of Accounting for Certain Residential Construction Contracts *Section 70430 of the law* *Section 460 of the IRC*	Income from long-term contracts is reported as the earnings accrue rather than at the completion of the contract, based on the share of total costs estimated to be incurred each year. An exception from this rule is provided for home construction contracts (for buildings with four or fewer dwelling units) or for contracts that are completed within two years by firms with $31 million of gross receipts or less (a number adjusted for inflation). The provision expands the exemption to all residential contracts, as well as extending the small builder exemption to contracts completed within two years. The House-passed version of H.R. 1 did not include any similar provision.	
Subchapter D—Permanent Investments in Small Business and Rural America		
Expansion of Qualified Small Business Stock Gain Exclusion *Section 70431 of the law* *Sections 57 and 1202 of the IRC*	Under prior law, taxpayers were eligible to exclude 100% of the gain received from the sale of qualified small business stock acquired after 2010 and held for at least five years. To qualify, the small business issuing the stock must have been a domestic C corporation with assets of $50 million or less that was operating in any industry other than several specified industries, including certain services (such as health, law, engineering, accounting, and performing arts), financial services, farming, extractive industries, and hospitality industries. The taxpayer must have acquired the stock at its original issuance. Taxpayers could exclude up to the greater of $10 million or 10 times the basis per issuer. This provision makes several changes to the tax treatment of qualified small business stock gains. It creates a tiered benefit system, where stock sold after three years is eligible for a 50% exclusion; after four years, a 75% exclusion; and the full 100% exclusion after five or more years. It provides that excluded gains are not considered as a preference item for the alternative minimum tax (thereby reducing liability for that tax). It increases the maximum per-issuer excludible gain to $15 million and removes the 10 times the basis alternative. It also increases the maximum assets for a small business to $75 million. Both the $15 million and $75 million amounts will be adjusted for inflation after 2026. This provision has several effective dates. It generally applies to taxable years starting after the date of enactment, with the asset amount change applying to stock issued after the date of enactment. The House-passed version of H.R. 1 did not include any similar provision.	CRS Report RL32254, *Small Business Tax Benefits: Current Law*, by Gary Guenther. For further information about RL32254, congressional clients may contact Anthony A. Cilluffo.

Section Title	Description	CRS Resources
Repeal of Revision to De Minimis Rules for Third Party Network Transactions *Section 70432 of the law* *Sections 3406 and 6050W of the IRC*	Under current law, third party settlement organizations (TPSOs) must report aggregate information about users' transactions on their platforms to the IRS. A variety of entities qualify as TPSOs, including online marketplaces (such as eBay and Etsy), payment services (such as PayPal and Venmo), and gig economy services (such as Uber and Airbnb). Previously, Section 6050W required information reporting for all taxpayers with aggregate transactions of more than a de minimis threshold of $600 starting in 2022. However, the IRS has offered transition relief in 2022 and every year since, and plans to implement the $600 requirement starting in 2026. This provision permanently changes the information reporting threshold to its level before 2021, which includes two parts. First, the total transaction amount must exceed $20,000. Second, the user must have had at least 200 transactions. The TPSO does not need to send information to the IRS if the user does not meet both requirements. This change does not modify the tax requirements related to TPSO income. It also exempts users with transactions below these limits from backup withholding requirements. The change to the de minimis threshold applies as if included in the American Rescue Plan Act of 2021 (P.L. 117-2). The change to backup withholding requirements applies in 2025 and later. This section is related to Section 111104 of the House-passed version of H.R. 1.	CRS In Focus IF12095, *Payment Settlement Entities and IRS Reporting Requirements*, by Anthony A. Cilluffo. CRS In Focus IF11896, *Tax Treatment of Gig Economy Workers*, by Anthony A. Cilluffo.
Increase in Threshold for Requiring Information Reporting with Respect to Certain Payees *Section 70433 of the law* *Sections 3406, 6041, and 6041A of the IRC*	Under prior law, businesses generally had to file an information return (using a form from the Form 1099 series) with the IRS for business payments of $600 or more. Taxpayers who did not provide the payer with their tax identification number (usually either a Social Security number or IRS-issued employer identification number) may have been subject to backup withholding. This provision permanently increases the reportable payments threshold to $2,000 and provides for an annual inflation adjustment starting in 2027. This new threshold applies to most general business payments and to nonemployee compensation for services. It also applies the same minimum to the requirement for backup withholding. This provision applies to payments made after December 31, 2025. This section is related to Section 111105 of the House-passed version of H.R. 1.	

Section Title	Description	CRS Resources
Treatment of Certain Qualified Sound Recording Productions *Section 70434 of the law* *Sections 168 and 181 of the IRC*	Under prior law, production costs for sound recordings generally must be recovered (deducted from income) over multiple years. Under Section 167, taxpayers are allowed "a reasonable allowance" for exhaustion, wear and tear, and obsolescence. Calculating this allowance for sound recordings is complex, and likely requires making assumptions about the future income generation of the recording in order to use the income forecast allowance method. This provision provides alternative cost recovery options for sound recordings. First, for sound recordings commencing in 2025, creators can immediately deduct up to $150,000 in U.S.-based production costs in the year incurred. It also allows larger productions and productions starting after 2025 but before 2029 to receive faster cost recovery by applying U.S.-based production costs to bonus depreciation under Section 168(k). This provision applies to productions starting in tax years ending after the date of enactment. This section is related to Section 111108 of the House-passed version of H.R. 1.	
Exclusion of Interest on Loans Secured by Rural or Agricultural Real Property *Section 70435 of the law* *New Section 139L of the IRC*	This provision allows for an exclusion of 25% of interest received by a lender on a loan secured by rural or agricultural real estate. This provision likely only applies to commercial loans, because the real estate securing the loan must be (1) used for the production of one or more agricultural products; (2) used in the trade or business of fishing or seafood processing; or (3) an aquaculture facility. The property must be located within the United States, but not necessarily within a rural area if it is used for one of the qualifying business uses. Loans made to specified foreign entities are not eligible for the exclusion. This provision applies to tax years starting after the date of enactment. This section is related to Section 111106 of the House-passed version of H.R. 1.	
Reduction of Transfer and Manufacturing Taxes for Certain Devices *Section 70436 of the law* *Sections 5811 and 5845 of the IRC*	Under prior law, the National Firearms Act imposed a $200 tax on the making or transfer of certain firearms such as short-barreled shotguns, machine guns, destructive devices, and silencers. This provision eliminates the tax except for a machine gun or a destructive device. It also removes the $5 transfer tax on firearms classified as "any other weapon." Taken together, this provision exempts silencers, short-barreled rifles, and short-barreled shotguns from excise tax. The excise tax changes in this provision apply to calendar quarters beginning more than 90 days after the date of enactment. This section is related to Section 112029 of the House-passed version of H.R. 1.	CRS Report R45123, *Guns, Excise Taxes, Wildlife Restoration, and the National Firearms Act*, by R. Eliot Crafton, Jane G. Gravelle, and Jordan B. Cohen.

Section Title	Description	CRS Resources
Treatment of Capital Gains from the Sale of Certain Farmland Property *Section 70437 of the law* *New Section 1062 of the IRC*	Gains realized from the sale of land (including farmland) are generally taxable in the year of the sale. The gain is the amount that the sale proceeds exceed the seller's basis in the property (generally the purchase price with any applicable adjustments). Any income tax liability arising from the sale income is due on the due date of that tax year's return (usually April 15 for individuals), regardless of whether the taxpayer files for an extension. This provision allows taxpayers who sell qualified farmland to a qualified farmer to pay any income tax due on the gain in four equal installments over four years, starting in the year of the sale. To qualify, the farmland property sold must be in the United States and have been used for farming for the 10 years before the sale, and must be subject to a covenant that it will continue to be used for farming for the 10 years after the sale. A qualified farmer is a person or entity that is actively engaged in farming, usually demonstrated by active participation in the business of the farm by contributing capital or labor and by having a risk of loss. Eligible farming activities are defined broadly and include crops, livestock, dairy, poultry, plantations, ranches, nurseries, ranges, greenhouses, orchards, and woodlands. The provision provides special rules in cases where the taxpayer dies, declares bankruptcy, or (for business entities) is sold during the installment payment period. This provision applies to sales or exchanges in taxable years after the date of enactment. The House-passed version of H.R. 1 did not include any similar provision.	
Extension of Rules for Treatment of Certain Disaster-Related Personal Casualty Losses *Section 70438 of the law* *Section 165 of the IRC*	Under permanent law, the nonbusiness casualty and theft loss deduction is available only to those who itemize deductions; only to the extent each casualty exceeds $100; and only to the extent the deduction exceeds 10% of adjusted gross income (AGI). This provision retroactively extends an expansion of the deduction implemented by P.L. 116-260. Under that expansion, taxpayers can take the casualty deduction in addition to the standard deduction, without the 10% of AGI limitation, and with the per-casualty limitation raised from $100 to $500. Losses qualify if they resulted from a major disaster that began between December 28, 2019, and the date of enactment, and for which the President declared a major disaster between January 1, 2020, and 60 days after the date of enactment. P.L. 118-148 previously extended this expansion through December 12, 2024, meaning	CRS In Focus IF12574, *The Nonbusiness Casualty and Theft Loss Deduction*, by Brendan McDermott.

Section Title	Description	CRS Resources
	this provision would in practice apply to casualties from major disasters beginning since that date. This provision applies to disasters that began from December 12, 2024, through July 4, 2025. This section is related to Section 110114 of the House-passed version of H.R. 1.	
Restoration of Taxable REIT Subsidiary Asset Test *Section 70439 of the law* *Section 856 of the IRC*	A real estate investment company (REIT) is a corporation that would otherwise be taxed as a corporation, except that it meets certain tests and faces a number of restrictions, including assets and income that are primarily derived from real estate. Distributions to shareholders are deductible and are taxed as ordinary income, making the tax treatment equivalent to other pass-throughs, such as partnerships. REITs are allowed to have taxable subsidiaries to carry out nonpassive functions, such as services to tenants. No more than 20% of the assets of a REIT may be held in taxable REIT subsidiaries. The share was reduced from 25% to 20% in 2016. This provision increases the allowable share of assets in taxable subsidiaries to 25%. This provision applies starting after December 31, 2025. This provision is related to Section 111112 of the House-passed version of H.R.1.	CRS Report R44421, *Real Estate Investment Trusts (REITs) and the Foreign Investment in Real Property Tax Act (FIRPTA): Overview and Recent Tax Revisions*, by Jane G. Gravelle.

Source: CRS analysis of the text of P.L. 119-21.

Notes: "IRC" is the Internal Revenue Code. "TCJA" is P.L. 115-97, commonly referred to as the Tax Cuts and Jobs Act. Within the description, "Section" citations refer to the section within the IRC, unless otherwise noted. All references to the "House-passed version of H.R. 1" refer to the version passed by the House on May 22, 2025.

Table 5. Subtitle A, Chapter 5—Ending Green New Deal Spending, Promoting America-First Energy, and Other Reforms

Section Title	Description	CRS Resources
Subchapter A—Termination of Green New Deal Subsidies		
Termination of Previously-Owned Clean Vehicle Credit *Section 70501 of the law* *Section 25E of the IRC*	The credit for previously owned clean vehicles, commonly referred to as the used clean vehicle credit or UCVC, was enacted as part of the legislation often referred to as the Inflation Reduction Act of 2022 (IRA; P.L. 117-169). The UCVC provides a tax credit of up to $4,000 for purchases of used electric vehicles, used plug-in hybrid vehicles, or used fuel cell vehicles. Qualifying used vehicles must be sold for $25,000 or less and are subject to additional restrictions. Qualifying taxpayers must have modified adjusted gross income (MAGI) at or below certain thresholds for either the current year or the previous year. The thresholds are $150,000 for married couples, $112,500 for heads of household, and $75,000 for single filers and others. Prior to	CRS In Focus IF12600, *Clean Vehicle Tax Credits*, by Donald J. Marples and Nicholas E. Buffie. CRS In Focus IF12570, *Clean Vehicle Tax Credit Transfers to Car Dealers*, by Nicholas E. Buffie.

Section Title	Description	CRS Resources
	the enactment of P.L. 119-21, the credit applied to vehicles acquired on or before December 31, 2032. Since the beginning of 2024, taxpayers have been allowed to transfer their credits to vehicle dealers. Dealers receiving transferred credits must compensate taxpayers with either a cash payment or a reduced price on the vehicle. Transferred credits may exceed taxpayers' income tax liabilities, effectively making transferred tax credits fully refundable. This provision terminates the credit for vehicles acquired after September 30, 2025. This section is related to Section 112001 of the House-passed version of H.R. 1.	
Termination of Clean Vehicle Credit *Section 70502 of the law* *Section 30D of the IRC*	The clean vehicle credit (CVC) in Section 30D of the IRC was enacted under the Energy Policy Act of 2005 (EPACT05; P.L. 109-58). Prior to the enactment of P.L. 119-21, it had most recently been modified by the IRA. As part of the IRA-modified credit, individuals purchasing a new clean vehicle—including new electric vehicles, plug-in hybrids, and fuel cell vehicles—could claim a CVC of up to $7,500 for vehicles acquired before the end of 2032. Through September 30, 2025, the maximum potential credit ($7,500) is the sum of two amounts: the critical mineral amount ($3,750) and the battery component amount ($3,750), both of which went into effect for vehicles acquired on or after April 18, 2023. (Fuel cell vehicles without batteries that meet other requirements are eligible for the full $7,500 credit.) To claim the critical mineral portion of the credit, a car's battery must have (at least) a certain percentage of its critical minerals that were extracted or processed in the United States or in a country with which the United States has a free trade agreement, or that were recycled in North America. The minimum percentage is 60% in 2025 and was scheduled to rise to 80% for 2027 and later years. To claim the battery component portion of the credit, (at least) a certain percentage of an electric vehicle battery's component parts must be manufactured or assembled in North America. The minimum percentage is 60% in 2025 and was scheduled to rise to 100% for 2029 and later years. In addition, none of the applicable critical minerals or battery components in a qualifying vehicle's battery may come from a foreign entity of concern (FEOC). FEOCs are broadly defined but include companies with jurisdiction in China, North Korea, Russia, or Iran, as well as companies with 25% or higher ownership (measured based on board seats, voting rights, or equity interests)	CRS In Focus IF12600, *Clean Vehicle Tax Credits*, by Donald J. Marples and Nicholas E. Buffie. CRS Insight IN12322, *Foreign Entity of Concern Requirements in the Section 30D Clean Vehicle Credit*, by Nicholas E. Buffie. CRS In Focus IF12570, *Clean Vehicle Tax Credit Transfers to Car Dealers*, by Nicholas E. Buffie. CRS In Focus IF12603, *The Tax Credit Exception for Leased Electric Vehicles*, by Nicholas E. Buffie.

Section Title	Description	CRS Resources
	from certain current or former senior foreign political figures in those four countries. Qualifying clean vehicles must also meet other criteria, including a manufacturer's suggested retail price (MSRP) limit ($80,000 for vans, SUVs, and pickup trucks; $55,000 for other vehicles); a required gross vehicle weight rating (GVWR) of less than 14,000 pounds; and a battery capacity of at least 7 kilowatt hours. Additionally, all qualified vehicles must undergo final assembly in North America. To claim the CVC, taxpayers' MAGI for either the current or previous year must be at or below certain thresholds: $300,000 for married couples, $225,000 for heads of household, and $150,000 for single filers. Since the beginning of 2024, taxpayers have been allowed to transfer their credits to vehicle dealers. Dealers receiving transferred credits must compensate taxpayers with either a cash payment or a reduced price on the vehicle. Transferred credits may exceed taxpayers' income tax liabilities, effectively making transferred credits fully refundable. This provision terminates the credit for vehicles acquired after September 30, 2025. This section is related to Section 112002 of the House-passed version of H.R. 1.	
Termination of Qualified Commercial Clean Vehicles Credit *Section 70503 of the law* *Section 45W of the IRC*	The credit for qualified commercial clean vehicles, sometimes referred to as the 45W credit based on its section of the IRC, allows businesses purchasing new electric vehicles, new plug-in hybrid vehicles, or new fuel cell vehicles to reduce their federal income tax liabilities. Tax-exempt organizations may claim a cash payment of equivalent value to the 45W credit under the IRA's direct payments mechanism. The 45W credit was enacted as part of the IRA in August 2022. The credit has a maximum value of $7,500 for vehicles with a GVWR of less than 14,000 pounds and a maximum of $40,000 for heavier vehicles. For plug-in hybrid vehicles, the credit equals the lesser of the incremental cost of the vehicle (the difference between its price and the price of a gas- or diesel-powered vehicle of similar size and use) or 15% of the vehicle's cost basis. For electric vehicles and fuel cell vehicles, the credit equals the lesser of the incremental cost of the vehicle or 30% of its cost basis. Among other restrictions, qualifying vehicles must have a battery capacity of at least 7 kilowatt hours if the GVWR is less than 14,000 pounds or 15 kilowatt hours otherwise, and must be either mobile machinery as defined in IRC Section 4053(8) or a motor vehicle for use on public roads for purposes of Title II of the Clean Air Act.	CRS In Focus IF12600, *Clean Vehicle Tax Credits*, by Donald J. Marples and Nicholas E. Buffie. CRS In Focus IF12603, *The Tax Credit Exception for Leased Electric Vehicles*, by Nicholas E. Buffie. CRS Insight IN12322, *Foreign Entity of Concern Requirements in the Section 30D Clean Vehicle Credit*, by Nicholas E. Buffie.

Section Title	Description	CRS Resources
	Mobile machinery is defined to include vehicles such as electric tractors while excluding vehicles such as electric golf carts. The 45W credit is nonrefundable (again with the exception of tax-exempt organizations claiming a direct cash payment). Any unused credits may be carried back 1 year or carried forward up to 20 years to offset other years' tax liabilities. Businesses may claim the commercial clean vehicle credit for vehicles leased to customers. In some cases, dealers have reportedly claimed credits for leased passenger vehicles, then used these credits to lower customers' down payments by $7,500. This tax credit exception or leased vehicles loophole allows customers to save up to $7,500 if the vehicle does not match the MSRP restrictions or domestic content rules from the CVC. The Section 45W credit does not contain any domestic content or domestic manufacturing requirements. Taxpayers who are above the CVC income limits can also benefit from the loophole/exception. Prior to the enactment of P.L. 119-21, the 45W credit applied to vehicles acquired before the end of 2032. This provision terminates the credit for vehicles acquired after September 30, 2025. This section is related to Section 112003 of the House-passed version of H.R. 1.	
Termination of Alternative Fuel Vehicle Refueling Property Credit *Section 70504 of the law* *Section 30C of the IRC*	The alternative fuel vehicle refueling property credit (AFVRPC) is a nonrefundable income tax credit that may be claimed by individuals or businesses installing alternative fuel vehicle refueling property at the taxpayer's principal residence or place of business. Clean fuel refueling property is generally any tangible equipment (such as a pump) used to dispense a fuel into a vehicle's tank. Qualifying property includes fuel storage and dispensing units and electric vehicle recharging equipment. A clean fuel is defined as any fuel at least 85% of the volume of which consists of ethanol (E85) or methanol (M85), natural gas, compressed natural gas (CNG), liquefied natural gas, liquefied petroleum gas, and hydrogen, or any mixture of biodiesel and diesel fuel, determined without regard to any use of kerosene and containing at least 20% biodiesel. For the purposes of the credit, electricity is also considered a clean fuel. Costs for vehicle charging equipment—including bidirectional charging equipment and charging stations for electric motorcycles intended for use on public roads—are eligible for the credit. For businesses meeting the prevailing wage and apprenticeship (PWA) requirements set forth in the IRA, the credit is equal to 30% of the cost of purchasing and installing qualified alternative fuel	CRS Report R47675, *Federal Policies to Expand Electric Vehicle Charging Infrastructure*, by Melissa N. Diaz and Corrie E. Clark. CRS Report R46865, *Energy Tax Provisions: Overview and Budgetary Cost*, by Nicholas E. Buffie and Donald J. Marples. CRS Report R48351, *EV Charging Infrastructure: Frequently Asked Questions*, by Melissa N. Diaz.

Section Title	Description	CRS Resources
	vehicle refueling property at a taxpayer's business, up to a limit of $100,000 per property item. For businesses not meeting PWA requirements, the AFVRPC is equal to 6% of purchase and installation costs, also up to a limit of $100,000 per property item. For property installed on a personal residence, the credit is equal to 30% of the purchase and installation costs up to a maximum value of $1,000. Due to modifications enacted under the IRA, since 2023, only qualifying property installed in a nonurban or a low-income census tract has been eligible for the credit. The IRA also modified the AFVRPC in other ways and extended eligibility for the credit through the end of 2032. This provision terminates the AFVRPC for property placed in service after June 30, 2026. This section is related to Section 112004 of the House-passed version of H.R. 1.	
Termination of Energy Efficient Home Improvement Credit *Section 70505 of the law* *Section 25C of the IRC*	Taxpayers may receive an energy-efficient home improvement credit (EEHIC) for making energy-efficiency upgrades to their homes. Purchases of energy-efficient appliances installed at homes that are rented, owned and used as secondary residences, or owned and used as principal residences are eligible for the EEHIC. Upgrades to the insulation, exterior doors, and exterior windows or skylights of homes owned and used as principal residences are also EEHIC-eligible. In addition, home energy audits of taxpayers' principal residences (whether owned or rented) are eligible for the credit. The EEHIC is equal to 30% of the costs of purchasing and installing eligible energy-efficiency equipment. The credit is generally limited to $1,200 per taxpayer and $600 per item, with certain exceptions described in statute. Taxpayers may claim an additional amount of up to $2,000 for installations of electric or natural gas heat pumps, electric or natural gas heat pump water heaters, biomass stoves, and biomass boilers. This $2,000 amount is in addition to the normal $1,200 maximum, allowing taxpayers to receive as much as $3,200 per year from the EEHIC. The EEHIC is nonrefundable, meaning that if the value of the credit exceeds a taxpayer's income tax liability, they may not receive a refund for the difference. Under prior law, the EEHIC was scheduled to expire at the end of 2032. The amendments made by this provision may be subject to interpretation. The provision states: "Section 25C(h) is amended by striking 'placed in service' and all that follows through 'December 31, 2032' and inserting 'placed in service after	CRS Insight IN12422, *Preliminary Data on the IRA Energy Efficient Home Improvement Credit*, by Nicholas E. Buffie. CRS Report R46865, *Energy Tax Provisions: Overview and Budgetary Cost*, by Nicholas E. Buffie and Donald J. Marples. CRS Insight IN12051, *Residential Energy Tax Credits: Changes in 2023*, by Brendan McDermott.

Section Title	Description	CRS Resources
	December 31, 2025'." While IRC Section 25C(h) contains the words "placed in service," it does not contain a reference to the date "December 31, 2032." Both phrases, however, appear in IRC Section 25C(i), pertaining to termination. Although the provision references modify IRC Section 25C(h), pertaining to product identification number requirements for qualifying energy property, policymakers may thus have intended to modify IRC Section 25C(i), and thereby repeal the EEHIC for property placed in service after December 31, 2025. This section is related to Section 112005 of the House-passed version of H.R. 1. Section 112005 would have terminated the credit for property placed in service after December 31, 2025, through amendments to IRC Section 25C(i).	
Termination of Residential Clean Energy Credit *Section 70506 of the law* *Section 25D of the IRC*	The residential clean energy credit (RCEC) was first enacted by the Energy Policy Act of 2005 (P.L. 109-58) and, prior to the enactment of P.L. 119-21, was most recently reinstated and expanded by the IRA. The RCEC subsidizes taxpayer purchases of renewable energy equipment used at taxpayer residences. Individuals and couples installing solar electric panels, solar water heaters, small wind energy property, geothermal heat pumps, and other renewable energy equipment can receive an RCEC equivalent to 30% of the costs of purchasing, assembling, and installing such equipment. Under prior law, the credit was scheduled to phase down to 26% for equipment placed in service in 2033 and to 22% for equipment placed in service in 2034; it would have expired for equipment placed in service after 2034. Both renters and homeowners may claim the credit for domestically located homes in which they reside; landlords who rent property to others are not eligible. The RCEC is nonrefundable, meaning that if a taxpayer's RCEC is greater than their income tax liability, the taxpayer may not receive a refund for the difference. However, unused credit amounts may be carried forward to offset income tax liabilities in future years. This provision terminates the credit for expenditures made after December 31, 2025. This section is related to Section 112006 of the House-passed version of H.R. 1.	CRS Insight IN12423, *Preliminary Data on the IRA Residential Clean Energy Credit*, by Nicholas E. Buffie. CRS Report R46865, *Energy Tax Provisions: Overview and Budgetary Cost*, by Nicholas E. Buffie and Donald J. Marples. CRS Insight IN12051, *Residential Energy Tax Credits: Changes in 2023*, by Brendan McDermott.
Termination of Energy Efficient Commercial Buildings Deduction *Section 70507 of the law* *Section 179D of the IRC*	The energy-efficient commercial buildings deduction allows businesses to deduct the cost of energy-efficient commercial building property installed or placed in service during the taxable year. Qualifying energy-efficient commercial building property includes property installed as part of (1) the interior lighting systems; (2) the	CRS In Focus IF12862, *The Section 179D Energy Efficient Commercial Buildings Deduction*, by Nicholas E. Buffie.

Section Title	Description	CRS Resources
	heating, cooling, ventilation, or hot water systems; or (3) the building envelope. Qualifying equipment must be installed as part of a plan to reduce the total annual energy and power costs with respect to the interior lighting, heating, cooling, ventilation, and hot water systems of the building by 25%or more in comparison to a reference building. The term *reference building* describes buildings meeting only the minimum requirements of American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) Standard 90.1. Although references to the total annual energy and power costs do not include the building envelope, equipment installed as part of the envelope qualifies for the deduction insofar as it affects the energy used by systems (1) and (2) above. Low-rise residential buildings do not qualify for the deduction. For purposes of the deduction, low-rise residential buildings are defined as single-family homes, manufactured houses, buildings that do not use electricity or fossil fuels, and multifamily residences of three or fewer stories. The value of the deduction varies according to compliance with the IRA's prevailing wage and apprenticeship (PWA) requirements, the value of any IRC Section 179D deductions received over the previous three years, and the level of energy efficiency achieved by the relevant equipment. Deduction amounts vary from $0.58 to $5.81 per square foot of the building. An alternative deduction available under Section 179D(f) allows buildings engaged in qualified retrofit plans to deduct the adjusted basis in the retrofitted property. To qualify, the building must be at least five years old, and the qualified retrofit plan must reduce the building's energy use at least 25% relative to the previous year. Both the standard Section 179D deduction and the alternative Section 179D(f) deduction are adjusted annually for inflation. Tax-exempt organizations making energy-efficiency upgrades may transfer the deductible amount to the property designer. This provision terminates the credit for property beginning construction after June 30, 2026. The House-passed version of H.R. 1 did not include any similar provision.	
Termination of New Energy Efficient Home Credit *Section 70508 of the law* *Section 45L of the IRC*	The new energy-efficient home credit is a nonrefundable income tax credit. Certain contractors may receive the credit for building and selling qualifying energy-efficient new homes. For homes acquired after 2021, the credit is $2,500 if the home meets certain Energy Star efficiency standards and is $5,000 if the home is certified as a Department of Energy (DOE) Zero Energy Ready Home (ZERH). For multifamily dwelling units, the credit is $500 per unit meeting certain Energy Star	CRS Report R46865, *Energy Tax Provisions: Overview and Budgetary Cost*, by Nicholas E. Buffie and Donald J. Marples. CRS Report R40913, *Renewable Energy and Energy Efficiency Incentives: A Summary of Federal Programs*, by Lynn J. Cunningham and Claire M. Jordan.

Section Title	Description	CRS Resources
	efficiency standards and $1,000 per unit meeting the DOE ZERH standards. The per-unit credit amounts are increased to $2,500 and $5,000, respectively, if the contractor pays its laborers and mechanics at or above prevailing wage rates in the local construction sector. Under prior law, the credit applied to new energy-efficient homes acquired on or before December 31, 2032. This provision terminates the credit for homes acquired after June 30, 2026. This section is related to Section 112007 of the House-passed version of H.R. 1.	
Termination of Cost Recovery for Energy Property *Section 70509 of the law* *Section 168 of the IRC*	Accelerated depreciation allowances are provided under the modified accelerated cost recovery system (MACRS) for investments in certain energy property. Qualified properties have a five-year recovery period. This provision eliminates a clause in IRC Section 168(e)(3)(B)(vi) applying the five-year recovery period to energy property described in IRC Section 48(a)(e). Such property includes certain solar or wind energy equipment, solar thermal equipment, geothermal equipment, qualified fuel cell property, qualified microturbine property, combined heat and power system property, qualified small wind energy property, waste energy recovery property, energy storage technology, qualified biogas property, microgrid controllers, and equipment beginning construction before 2035 which uses the ground or ground water as a thermal energy source to heat a structure or as a thermal energy sink to cool a structure. IRC Section 168(e)(3)(B)(viii), which applies the five-year recovery period to energy property qualifying for the clean electricity tax credits, is not affected. Energy property described in IRC Section 48(a)(e) which qualifies as zero-emissions technology under the clean electricity tax credits therefore remains eligible for the five-year recovery period. By contrast, energy property described in IRC Section 48(a)(e) which does *not* qualify as zero-emissions under the clean electricity tax credits is no longer eligible for the five-year recovery period. This provision applies to property the construction of which begins after December 31, 2024. The House-passed version of H.R. 1 did not include any similar provision.	

Section Title	Description	CRS Resources
Modifications of Zero-Emission Nuclear Power Production Credit *Section 70510 of the law* *Section 45U of the IRC*	The zero-emission nuclear power production credit is available for the production of electricity from nuclear facilities placed in service before August 16, 2022, that did not previously receive a Section 45J tax credit. Depending on the price of electricity, in addition to other factors, the tax credit may reach a value of up to 1.5 cents (in 2024 dollars) per kilowatt-hour of electricity produced and sold after December 31, 2023. The credit is fully phased out when gross receipts are at or above 4.375 cents per kilowatt-hour in 2024 dollars. The value of the tax credit is partially contingent on the IRA's prevailing wage requirements, though the credit is exempt from the apprenticeship requirements. Under the IRA's direct payments and transferability mechanisms, certain tax-exempt organizations may receive a cash payment of equivalent value to the credit, while taxpaying businesses may sell their tax credits to other taxpaying businesses for cash. The credit does not apply to taxable years beginning after December 31, 2032. The provision adds two "foreign entity" restrictions to IRC Section 45U. First, if the taxpayer is a specified foreign entity under IRC Section 7701(a)(51)(B), the tax credit is disallowed for taxable years beginning after July 4, 2025. Second, if the taxpayer is a foreign-influenced entity under IRC Section 7701(a)(51)(D), the tax credit is disallowed for taxable years beginning after July 4, 2027. This section is related to Section 112012 of the House-passed version of H.R. 1.	CRS Insight IN12557, *Nuclear Power Tax Credits*, by Nicholas E. Buffie. CRS Report R46865, *Energy Tax Provisions: Overview and Budgetary Cost*, by Nicholas E. Buffie and Donald J. Marples. CRS In Focus IF12596, *Tax Credit Transfers and Direct Payments in the Inflation Reduction Act of 2022*, by Nicholas E. Buffie.
Termination of Clean Hydrogen Production Credit *Section 70511 of the law* *Section 45V of the IRC*	The clean hydrogen production credit (CHPC), as enacted under the IRA, is available for the first 10 years that a facility produces clean hydrogen. Taxpayers producing clean hydrogen at qualifying facilities may receive the CHPC based on the amount of hydrogen produced, the lifecycle carbon dioxide equivalent (CO2e) emissions rate of the hydrogen through the point of production, and the taxpayer's compliance with PWA requirements. Qualified facilities must be owned by the taxpayer. For taxpayers meeting PWA requirements, the maximum credit in 2024 was $3.11 per kilogram of qualified clean hydrogen with zero CO2e emissions. Tax credit amounts phase down in a nonlinear, stepwise fashion for higher CO2e emissions rates. Tax-exempt entities including nonprofits, local governments, and rural electric cooperatives may receive direct cash payments in place of traditional income tax credits. Taxable entities may also elect	CRS Report R48196, *Hydrogen Production: Overview and Issues for Congress*, by Lexie Ryan. CRS In Focus IF12602, *The Clean Hydrogen Production Credit: How the Incentives are Structured*, by Nicholas E. Buffie and Martin C. Offutt. CRS In Focus IF12596, *Tax Credit Transfers and Direct Payments in the Inflation Reduction Act of 2022*, by Nicholas E. Buffie.

Section Title	Description	CRS Resources
	to receive direct cash payments for five years, starting with the year a qualified facility is placed in service. The CHPC is also transferable, meaning that credits may be sold from one taxpaying business to another for cash. This provision requires qualifying hydrogen facilities to begin construction before January 1, 2028. Prior law allowed a credit for facilities beginning construction before 2033. This section is related to Section 112013 of the House-passed version of H.R. 1.	
Termination and Restrictions on Clean Electricity Production Credit *Section 70512 of the law* *Sections 45, 45Y, 48E, and 6418 of the IRC*	Qualifying facilities that produce zero-emissions electricity and sell it to an unrelated person or persons (e.g., other businesses) may receive the clean electricity production tax credit (CEPTC) during the first 10 years of the facility's operations. The CEPTC, as enacted under the IRA, is equal to 2.5 cents in 2021 dollars per kilowatt-hour of electricity production (with lower amounts for facility owners not meeting the IRA's PWA requirements). Credit amounts are reduced in proportion to the share of capital financing coming from tax-exempt bonds, up to a maximum reduction of 15%. Taxpayers receiving the CEPTC are eligible for a 10% bonus credit (2% for taxpayers not meeting PWA requirements) if certain shares of the iron, steel, and manufactured products used to construct the facility were produced in the United States. Taxpayers are eligible for a separate 10% bonus credit (2% for taxpayers not meeting PWA requirements) if the facility used to claim the credit is located in an energy community. Bonus credit amounts are calculated after considering any reduction for financing from tax-exempt bonds. Under the IRA's direct payments and transferability mechanisms, certain tax-exempt organizations may receive a cash payment of equivalent value to the CEPTC, while taxpaying businesses may sell their tax credits to other taxpaying businesses for cash. Facilities beginning construction in 2026 or later years are ineligible for direct payments if they do not meet the requirements of the domestic content bonus credit. Facilities beginning construction in 2024 or 2025 receive reduced direct payment amounts if they do not meet those domestic content requirements. New eligibility for the full credit amount is maintained through an "applicable year," which is the later of either 2032 or the year in which greenhouse gas emissions from the domestic electricity sector are less than or equal to 25% of the sector's emissions from 2022. Credit eligibility is then subject to a phaseout. As part of the phaseout, facilities that begin construction during	CRS Report R46865, *Energy Tax Provisions: Overview and Budgetary Cost*, by Nicholas E. Buffie and Donald J. Marples. CRS Report R48428, *Inflation Reduction Act (IRA) Wage and Apprenticeship Requirements: Effect on Tax Credit Values*, by Nicholas E. Buffie. CRS Report R48358, *Domestic Content Requirements for Electricity Tax Credits in the Inflation Reduction Act (IRA)*, by Nicholas E. Buffie. CRS Report R47831, *Federal Economic Assistance for Coal Communities*, by Julie M. Lawhorn et al. CRS Report RL31457, *Private Activity Bonds: An Introduction*, by Grant A. Driessen. CRS In Focus IF12596, *Tax Credit Transfers and Direct Payments in the Inflation Reduction Act of 2022*, by Nicholas E. Buffie.

Section Title	Description	CRS Resources
	the calendar year after the applicable year may receive 100% of the full credit amount; facilities that begin construction two calendar years later may receive 75% of the full amount; and facilities that begin construction three calendar years later may receive 50% of the full amount. No taxpayers may become newly eligible for the credits thereafter. However, because credit eligibility is based on the year a facility begins construction, whereas receipt of the credits is based on when a facility is placed in service, taxpayers may receive the credit after the final year of new eligibility. For example, if the applicable year is 2037, a taxpayer begins construction on a new facility in 2037, and begins providing electricity to consumers in 2040, then the taxpayer could receive the credit for 10 years from 2040 to 2049. Under this provision, to qualify for the CEPTC, wind and solar facilities are required to either (1) begin construction on or before July 4, 2026, or (2) be placed in service on or before December 31, 2027. For other technologies (e.g., nuclear, geothermal), the credit would be 100% for qualified facilities beginning construction before the end of 2033, 75% for facilities beginning construction in 2034, 50% for facilities beginning construction in 2035, and 0% thereafter. In effect, technologies other than wind and solar would be given the same phaseout schedule as under current law, except that the applicable year is 2032 rather than the year in which greenhouse gas emissions from the domestic electricity sector are less than or equal to 25% of the sector's emissions from 2022. In addition, this provision eliminates CEPTC eligibility for solar water heating property, and small wind energy property that is rented or leased to third parties. This provision modifies the definition of "energy community" for purposes of the energy communities bonus tax credit in IRC Section 45. IRC Section 45 authorizes the production tax credit (PTC), which is the predecessor to the CEPTC. The two credits are broadly similar, though the PTC applies to specifically enumerated renewable energy sources, whereas the CEPTC applies to all zero-emissions sources, including nuclear energy but excluding renewable sources with positive greenhouse gas emissions. The modified definition of "energy community" adds metropolitan statistical areas which have, or have had since 2010, 0.17% or greater direct employment related to the advancement of nuclear power, as further defined in subsections (I), (II), (III), and (IV) of IRC Section 45(b)(11)(B)(iv). Because the definition of "energy community" in IRC Section 45(b)(11)(B) is cross-referenced in both IRC Sections 48 and 45Y, this	

Section Title	Description	CRS Resources
	provision effectively allows such "nuclear energy communities" to qualify for bonus credits under the PTC, the investment tax credit (ITC), and the CEPTC. The PTC and ITC apply to facilities beginning construction before 2025, meaning that certain facilities beginning construction before that year but placed in service after that year will become newly eligible for the bonus credit. However, the provision states that nuclear energy communities may not qualify for bonus credits under IRC Section 48E, which authorizes the CEITC. The provision also introduces various restrictions to foreign involvement in qualifying taxpayers' supply chains. The provision will (1) if the facility receives material assistance from a prohibited foreign entity, disallow the tax credit for facilities that start construction after December 31, 2025; (2) if the taxpayer is a specified foreign entity or a foreign-influenced entity, disallow the tax credit for taxable years beginning after the date of enactment; and (3) if the taxpayer made a payment during the previous taxable year to a specified foreign entity pursuant to a contract, agreement, or other arrangement which entitles the specified foreign entity, or an entity related to such specified foreign entity, to exercise effective control over the qualified facility, energy storage technology, or eligible components produced by the taxpayer, disallow the credit for such taxable year. Certain licensing agreements that are entered into or modified after July 4, 2025, are also subject to this restriction. (The application of the third restriction to energy storage technology and component production is immaterial for purposes of the CEPTC, though these restrictions are applied to the CEITC and the Section 45X credit, respectively, through cross-referencing sections in P.L. 119-21.) Certain contracts predating the enactment of P.L. 119-21, or entered into in the years shortly thereafter, are exempt from the material assistance cost ratio calculations used in the first restriction. This provision disallows sales (i.e., transfers) of certain tax credits to specified foreign entities. These credits include (1) the credit for carbon oxide sequestration, (2) the zero-emission nuclear power production credit, (3) the advanced manufacturing production credit, (4) the CEPTC, (5) the CEITC, and (6) the CFPC. This section is related to Section 112008 of the House-passed version of H.R. 1.	

Section Title	Description	CRS Resources
Termination and Restrictions on Clean Electricity Investment Credit *Section 70513 of the law* *Section 48E of the IRC*	The clean electricity investment tax credit (CEITC), as enacted by the IRA, may be claimed by facilities producing electricity from any zero-emissions energy source. For taxpayers complying with the IRA's PWA requirements, the CEITC is equal to 30% of taxpayers' capital investment costs (defined in statute as "basis"; 6% for firms not meeting PWA requirements), and qualifying facilities must be placed in service after December 31, 2024. Energy storage technology is also eligible for the credit. Credit amounts are reduced in proportion to the share of capital financing coming from tax-exempt bonds, up to a maximum reduction of 15%. Taxpayers receiving the CEITC are eligible for a 10 percentage-point bonus credit (2 percentage points for taxpayers not meeting PWA requirements) if certain shares of the iron, steel, and manufactured products used to construct the facility were produced in the United States. Taxpayers are eligible for a separate 10 percentage-point bonus credit (2 percentage points for taxpayers not meeting PWA requirements) if the facility used to claim the credit is located in an energy community. Bonus credit amounts are calculated without considering any reduction for financing from tax-exempt bonds. Solar and wind facilities (and energy storage technology installed with such facilities) with a maximum net output of less than 5 megawatts, as measured in alternating current, may qualify for a low-income communities bonus credit. The bonus is 10 percentage points for facilities located in a low-income community or on Indian land, and is 20 percentage points for facilities that are part of a qualified low-income residential building project or a qualified low-income economic benefit project. No more than 1.8 gigawatts of electric capacity may be claimed under this bonus credit program each year, though unused electric capacity from one year may be carried over to future years, including pre-2025 amounts carried over from the ITC. The low-income communities bonus credit does not depend on compliance with PWA requirements. Under the IRA's direct payments and transferability mechanisms, certain tax-exempt organizations may receive a cash payment of equivalent value to the CEITC, while taxpaying businesses may sell their tax credits to other taxpaying businesses for cash. Facilities beginning construction in 2026 or later years are ineligible for direct payments if they do not meet certain domestic content requirements. Facilities beginning construction in 2024 or 2025 receive	CRS Report R48358, *Domestic Content Requirements for Electricity Tax Credits in the Inflation Reduction Act (IRA)*, by Nicholas E. Buffie. CRS Report R48428, *Inflation Reduction Act (IRA) Wage and Apprenticeship Requirements: Effect on Tax Credit Values*, by Nicholas E. Buffie. CRS In Focus IF12596, *Tax Credit Transfers and Direct Payments in the Inflation Reduction Act of 2022*, by Nicholas E. Buffie. CRS Report R47405, *Oil and Gas Technology and Geothermal Energy Development*, by Morgan Smith.

Section Title	Description	CRS Resources
	reduced credit amounts if they do not meet those requirements. Under prior law, taxpayers were eligible for the credit through an "applicable year," which is the later of either 2032 or the year in which greenhouse gas emissions from the domestic electricity sector are less than or equal to 25% of the sector's emissions from 2022. Credit eligibility was then subject to a phaseout. As part of the phaseout, facilities that begin construction during the calendar year after the applicable year would have received 100% of the full credit amount; facilities that begin construction two calendar years later would have received 75% of the full amount; and facilities that begin construction three calendar years later would have received 50% of the full amount. No taxpayers may become newly eligible for the credits thereafter. However, because credit eligibility is based on the year a facility begins construction, whereas receipt of the credits is based on when a facility is placed in service, taxpayers may receive the credit after the final year of eligibility. For example, if the final year of eligibility was 2037, a facility begins construction that year, and the facility is placed in service in 2040, the facility owner would have been able to claim the CEITC in 2040. In this example, facilities that begin construction after 2037 would not be eligible for the CEITC, regardless of when they are placed in service. Under this provision, to qualify for the CEITC, wind and solar facilities are required to either (1) begin construction on or before July 4, 2026, or (2) be placed in service on or before December 31, 2027. For other technologies (e.g., nuclear, geothermal), including energy storage technology, the credit will be 100% for qualified facilities beginning construction before the end of 2033, 75% for facilities beginning construction in 2034, 50% for facilities beginning construction in 2035, and 0% thereafter. In effect, technologies other than wind and solar will be given the same phaseout schedule as under prior law, except that the applicable year is 2032 rather than the year in which greenhouse gas emissions from the domestic electricity sector are less than or equal to 25% of the sector's emissions from 2022. For combined solar-and-storage and wind-and-storage systems, the wind and solar electricity-generating technologies will be subject to the quicker phaseout described above, while the colocated storage technologies will be subject to the slower phaseout for other technologies. This provision allows fuel cell property, as defined in IRC Section 48, to qualify for the CEITC. Qualifying fuel cell property is eligible for a 30% credit if construction begins on the property after	

Section Title	Description	CRS Resources
	December 31, 2025. The credit's value is not affected by PWA requirements or bonus credit amounts. Unlike other energy sources, fuel cell property may have positive greenhouse gas emissions while qualifying for the credit. In addition, this provision eliminates CEITC eligibility for solar water heating property and small wind energy property that is rented or leased to third parties. The provision also introduces various restrictions to foreign involvement in qualifying taxpayers' supply chains. The provision will (1) if the facility or interconnection property receives material assistance from a prohibited foreign entity, disallow the tax credit for facilities that start construction after December 31, 2025; (2) if the taxpayer is a specified foreign entity or a foreign-influenced entity, disallow the tax credit for taxable years beginning after the date of enactment; and (3) if the taxpayer made a payment during the previous taxable year to a specified foreign entity pursuant to a contract, agreement, or other arrangement which entitles the specified foreign entity, or an entity related to such specified foreign entity, to exercise effective control over the qualified facility or energy storage technology, disallow the credit for such taxable year. Certain licensing agreements that are entered into or modified after July 4, 2025, are also subject to this restriction. The provision also adds credit recapture rules for facilities making payments to prohibited foreign entities. Additionally, the provision changes the manufactured product domestic content thresholds for the domestic content bonus credit in the CEITC. The manufactured product domestic content thresholds for the bonus credit in the CEITC are different from the thresholds for the bonus credit in the CEPTC, direct payments in the CEITC, and direct payments in the CEPTC. As discussed in CRS Report R48358, *Domestic Content Requirements for Electricity Tax Credits in the Inflation Reduction Act (IRA)*, this may have been due to a drafting error in the IRA. This provision would align the annual thresholds for the CEITC bonus credit with the thresholds for the CEPTC bonus credit, CEITC direct payments, and CEPTC direct payments, with the exception that offshore wind facilities beginning construction in 2027 would have a domestic content threshold of 55% (as opposed to 45%) under the provision. The new thresholds would apply to facilities beginning construction on or after June 16, 2025, with the thresholds changing by year. Finally, this provision eliminates a 10% (2% in the case of taxpayers not meeting PWA requirements) credit for investments in qualified microturbine property from the ITC. Prior to the enactment of	

Section Title	Description	CRS Resources
	P.L. 119-21, the 10% ITC for microturbine property was limited to property beginning construction before January 1, 2025, so the scope of this restriction is likely to be limited. The provision also prevents microturbine property from qualifying for ITC bonus credits. This section is related to Section 112009 of the House-passed version of H.R. 1.	
Phase-out and Restrictions on Advanced Manufacturing Production Credit *Section 70514 of the law* *Section 45X of the IRC*	The advanced manufacturing production credit, as enacted by the IRA, subsidizes the domestic production of certain inverters, solar energy components, wind energy components, battery components, and critical minerals. Credit amounts differ according to the type of good being produced. Annual tax credits are calculated based on the year a product is sold, which may differ from the year it is produced. For most eligible components, businesses may receive full credits for goods sold from 2023 through 2029, then may receive 75% of normal credit amounts for goods sold in 2030, 50% for goods sold in 2031, and 25% for goods sold in 2032. The credit expires for most credit-eligible products in 2033. Under prior law, there was a permanent tax credit for critical minerals, which were not subject to the phaseout schedule described above. Goods qualifying for the credit must be produced in the United States. Tax-exempt entities including nonprofits, local governments, and rural electric cooperatives may receive direct cash payments in place of traditional income tax credits. Taxable entities may also elect to receive direct cash payments for five years, starting with the year a qualified facility is placed in service. Taxable entities cannot make this election after 2032. The advanced manufacturing production credit is also transferable, meaning that credits may be sold from one taxpaying business to another for cash. The provision phases out the advanced manufacturing production credit for critical minerals. Critical minerals are now eligible for 75% of normal credit amounts for minerals produced in 2031, 50% for minerals produced in 2032, 25% for minerals produced in 2033, and 0% thereafter. This phaseout schedule does not apply to metallurgical coal. The provision adds "metallurgical coal which is suitable for use in the production of steel" to the list of qualifying critical minerals. Qualifying metallurgical coal is eligible for a tax credit equal to 2.5% of production costs (as opposed to 10% for other critical minerals) and must be produced no later than December 31, 2029.	CRS In Focus IF12809, *The Section 45X Advanced Manufacturing Production Credit*, by Nicholas E. Buffie. CRS In Focus IF12596, *Tax Credit Transfers and Direct Payments in the Inflation Reduction Act of 2022*, by Nicholas E. Buffie.

Section Title	Description	CRS Resources
	Under the provision, wind energy components produced and sold after December 31, 2027, are not eligible for the credit. The provision modifies IRC Section 45X(d)(4), which stated under previous law that taxpayers are treated as having sold an eligible component to an unrelated person if such component is integrated, incorporated, or assembled into another eligible component which is sold to an unrelated person (i.e., another business). In effect, Section 45X(d)(4) allowed eligible components integrated into other eligible components to receive the credit multiple times. The provision modifies IRC Section 45X(d)(4) such that if an eligible "primary component" is integrated, incorporated, or assembled into a "secondary component" produced at the same manufacturing facility, and if the secondary component is sold to an unrelated person, then the credit may be allowed for the sale of the secondary component only if at least 65% of the total direct material costs paid or incurred by the taxpayer to produce such secondary component are attributable to primary components mined, produced, or manufactured in the United States. This modification applies to components sold during taxable years beginning after December 31, 2026. The provision also applies three "foreign entity" restrictions to qualifying taxpayers or their supply chains. First, in the case of taxable years beginning after the date of enactment, for products sold before 2030, eligible components cannot include property which includes any material assistance from a prohibited foreign entity. Second, the provision disallows the tax credit for specified foreign entities and foreign-influenced entities. Third, if the taxpayer, under IRC Section 7701(a)(51)(D)(i)(II), is determined to have made a payment during the previous taxable year to a specified foreign entity pursuant to a contract, agreement, or other arrangement which entitles the specified foreign entity (or an entity related to the specified foreign entity) to exercise effective control over certain facilities, technologies, or production processes of the taxpayer, then the credit is disallowed for the taxable year when the payment is made. This rule applies to taxable years beginning after the date of enactment. The term prohibited foreign entity and its applicable subdefinitions (e.g., specified foreign entity, foreign-influenced entity, and foreign-controlled entity) are the same as established in Section 70512 of P.L. 119-21. The provision also requires that battery modules qualifying for the credit must be comprised of all other essential equipment needed for battery functionality, such as current collector assemblies	

Section Title	Description	CRS Resources
	and voltage sense harnesses, or any other essential energy collection equipment. This section is related to Section 112014 of the House-passed version of H.R. 1.	
Restriction on the Extension of Advanced Energy Project Credit Program *Section 70515 of the law* *Section 48C of the IRC*	The qualifying advanced energy project credit (QAEPC) is a competitively awarded tax credit for investments in selected advanced energy property. The base credit rate is 6%, with an increased 30% credit rate allowed for projects meeting PWA requirements. Under the IRA, $10 billion was allocated for advanced energy property tax credits, $4 billion of which were required to be deployed in energy communities that had not previously received tax credits under Section 48C. As of January 2025, all $10 billion of new funding enacted under the IRA had been awarded to QAEPC applicants. Under the IRA's *direct payments* and *transferability* mechanisms, certain tax-exempt organizations may receive a cash payment of equivalent value to the QAEPC, while taxpaying businesses may sell their tax credits to other taxpaying businesses for cash. A QAEPC applicant who receives a tax credit certification must place their project in service within two years. Under prior law, if the project was not placed in service by the end of those two years, the certification became invalid and could potentially be revoked. Revoked amounts had to be reissued to other taxpayers. For example, if an applicant who qualified for a $30 million tax credit had their credit revoked, $30 million of new funding would be made available to other QAEPC applicants. This provision removes the prior reissuance requirement for revoked funds. Under the provision, in the example above, if an applicant who qualifies for a $30 million tax credit has their credit revoked, no new funding will be made available to other QAEPC applicants. This provision took effect on July 4, 2025. The House-passed version of H.R. 1 did not include any similar provision.	CRS Report R46865, *Energy Tax Provisions: Overview and Budgetary Cost*, by Nicholas E. Buffie and Donald J. Marples. CRS Report R48428, *Inflation Reduction Act (IRA) Wage and Apprenticeship Requirements: Effect on Tax Credit Values*, by Nicholas E. Buffie. CRS In Focus IF12596, *Tax Credit Transfers and Direct Payments in the Inflation Reduction Act of 2022*, by Nicholas E. Buffie.
Subchapter B—Enhancement of America-First Energy Policy		
Extension and Modification of Clean Fuel Production Credit *Section 70521 of the law* *Sections 40A, 45Z, 4101, 6418, and 6426 of the IRC*	The clean fuel production credit (CFPC), as enacted under the IRA, subsidizes the costs of producing transportation fuels with low lifecycle greenhouse gas emissions. Fuels qualifying for the credit must be deemed suitable for use as a fuel in a highway vehicle or aircraft and must be sold to "unrelated persons" as defined in IRC Section 52(b). In Notice of Proposed Rulemaking (NPRM) 2025-10, the IRS states that "actual use as a fuel in a highway vehicle or aircraft is not required"; the NPRM clarifies that certain fuels ordinarily used to power ships may qualify for the CFPC if they meet	CRS In Focus IF12502, *The Section 45Z Clean Fuel Production Credit*, by Nicholas E. Buffie. CRS In Focus IF12847, *Sustainable Aviation Fuel (SAF): Production Pathways*, by Kelsi Bracmort. CRS In Focus IF12596, *Tax Credit Transfers and Direct Payments in the Inflation*

Section Title	Description	CRS Resources
	the criterion of being "suitable for use" in highway vehicles or aircraft.	*Reduction Act of 2022*, by Nicholas E. Buffie.
	Two other criteria define eligibility for the CFPC. First, production facilities used to claim the credit must be located in the United States or its possessions (i.e., Puerto Rico, Guam, and other territories). Second, to be considered clean, fuel produced at such facilities must have a lifecycle emissions rate of no more than 50 kilograms of CO2 or CO2 equivalent per 1 million British Thermal Units (mmBTU). Lifecycle emissions are meant to measure the total impact of a fuel on greenhouse gas emissions (not just the emissions when the fuel is burned), including emissions associated with producing the fuel and with producing feedstocks (i.e., raw materials, including from plants or animal waste) used to make the fuel. For greenhouse gases other than CO2, the term CO2 equivalent refers to the quantity of CO2 that would produce the same amount of global warming as the given non-CO2 greenhouse gas.	CRS Report R46865, *Energy Tax Provisions: Overview and Budgetary Cost*, by Nicholas E. Buffie and Donald J. Marples.
	For fuel production meeting the criteria described above, the credit operates on a sliding scale in which fuels with lifecycle greenhouse gas emissions rated closer to zero receive larger credits. Credit amounts also differ according to taxpayers' compliance with PWA requirements. Under previous law, credit amounts also differed for aviation fuel and nonaviation fuel. For aviation fuel producers, the CFPC had a maximum value of $1.75 per gallon for firms meeting PWA requirements and $0.35 for firms not meeting PWA requirements. For nonaviation fuel producers, the CFPC has and had a maximum value of $1.00 per gallon for firms meeting PWA requirements and $0.20 for firms not meeting PWA requirements.	
	Under prior law, the CFPC could be claimed for fuel produced after December 31, 2024, and sold on or before December 31, 2027. The CFPC, in effect, consolidated and replaced several credits for specific fuels that expired at the end of 2024 under prior law, including credits for biodiesel, biodiesel mixtures, agri-biodiesel, renewable diesel, second-generation biofuel, mid-level ethanol blends, sustainable aviation fuel, alternative fuels, and alternative fuels mixtures.	
	This provision modifies the CFPC in various ways. First, under the provision, qualifying fuels produced after 2025 must use feedstocks produced or grown in the United States, Canada, or Mexico.	
	Second, the provision modifies the emissions rates tables used to determine lifecycle greenhouse gas emissions in three ways: (1) it prohibits negative emissions rates (except as noted below); (2) it	

Section Title	Description	CRS Resources
	prohibits the effects of indirect land use changes from being counted in lifecycle emissions estimates (which affects emissions calculations for agriculture-based fuels such as corn ethanol); and (3) it requires the Secretary of the Treasury (who is tasked with publishing new emissions rate tables every year) to publish distinct emissions rates for fuels using dairy manure, swine manure, poultry manure, and such other sources as are determined appropriate by the Secretary. Notwithstanding (l) above, these distinct emissions rates can be negative. These changes to the emissions rate tables apply to emissions rates published for transportation fuel produced after December 31, 2025. Third, this provision adds foreign entity restrictions based on the definitions of specified foreign entity and foreign-influenced entity in Section 70512 of the law. (Section 70512 modifies the CEPTC.) For taxable years beginning after July 4, 2025, specified foreign entities cannot receive the CFPC. For taxable years beginning after July 4, 2027, foreign-influenced entities are barred from receiving the tax credit. Fourth, this provision disallows the credit for fuels produced from other fuels qualifying for the credit. The provision states that the Secretary of the Treasury shall issue such regulations or other guidance as the Secretary determines necessary to carry out this reform. Fifth, the provision modifies IRC Section 45Z(f)(3). Under prior law, Section 45Z(f)(3) stated that persons were to be treated as related to each other if such persons would be treated as a single employer under the regulations prescribed under IRC Section 52(b). In the case of a corporation which is a member of an affiliated group of corporations filing a consolidated return, such corporation was to be treated as selling fuel to an unrelated person if such fuel was sold to such a person by another member of such group. This provision modifies IRC Section 45Z(f)(3) by allowing the Secretary to prescribe additional related person rules similar to the rule in existing statute for entities which are not described in the existing statute. The provision states that this may include rules for related persons with respect to which the taxpayer has reason to believe fuel will be sold to an unrelated person in a manner described in Subsection (a)(4). Sixth, the provision disallows the sustainable aviation fuel excise tax credit under IRC Section 6426(k) for any gallons of sustainable aviation fuel eligible for the CFPC. The provision further terminates the Section 6426(k) credit for any fuel sale or fuel use for any period after September 30, 2025.	

Section Title	Description	CRS Resources
	Seventh, the provision eliminates the higher credit amounts previously available for sustainable aviation fuel as opposed to qualifying nonaviation fuels. In effect, this reduces the maximum credit rate for aviation fuel from $1.75 to $1.00 per gallon. This change applies to fuel produced after 2025. Eighth, this provision corrects a misreferenced IRC section in P.L. 117-69 the IRA. Section 13704(b)(5) of P.L. 117-169 inserted registration requirements for the CFPC after the phrase "section 6426(k)(3)" in IRC Section 4101(a)(1). However, IRC Section 4101(a)(1) does not mention "section 6426(k)(3)." This provision inserts the registration requirements from the IRA after the phrase "section 40B" in IRC Section 4101(a)(1). This change applies to transportation fuel sold after 2024. Ninth, this provision extends eligibility for the CFPC to all otherwise-eligible fuels sold on or before December 31, 2029. This represents a two-year extension of the credit relative to current law. Tenth, this provision temporarily revives and enhances the previously expired small agri-biodiesel producer credit in IRC Section 40A. Under prior law, the credit only applied to fuels sold or used through the end of 2024; in effect, the credit expired at the beginning of 2025. This provision reinstates the credit for fuel sold or used between July 1, 2025, and December 31, 2026. During this time, the value of the credit is doubled from 10 cents (the pre-2025 amount) to 20 cents per gallon. The provision allows taxpayers to claim both the CFPC and the small agri-biodiesel producer credit for the same fuel. Fuel is only eligible for the credit if it is derived from feedstocks produced or grown in the United States, Canada, or Mexico. Finally, the provision makes the small agri-biodiesel producer credit eligible for tax credit transferability, allowing taxpaying businesses to sell the credit to other taxpaying businesses for cash. (The provision does not make the credit eligible for direct payments to nontaxable entities.) This section is related to Section 111111 of the House-passed version of H.R. 1.	
Restrictions on Carbon Oxide Sequestration Credit *Section 70522 of the law* *Section 45Q of the IRC*	Taxpayers may claim the carbon oxide sequestration credit per metric ton of qualified carbon oxide captured and disposed of or used by a taxpayer. Under prior law, for taxpayers complying with the IRA's PWA requirements, the credit amounts were $85 per metric ton of carbon oxide that was captured and geologically sequestered, $60 per metric ton that was reused, $180 per metric ton that was captured using direct air capture (DAC) technologies and then	CRS In Focus IF11455, *The Section 45Q Tax Credit for Carbon Sequestration*, by Angela C. Jones and Donald J. Marples. CRS Report R44902, *Carbon Capture and Sequestration (CCS) in the United States*, by

Section Title	Description	CRS Resources
	geologically sequestered, and $130 per metric ton for carbon oxide captured using DAC that was utilized in a qualified manner. These amounts were scheduled to remain in place through the end of 2026 and would have been adjusted annually for inflation starting in 2027. Taxpayers not meeting the PWA requirements received tax credits that were one-fifth as large, and credit amounts were reduced in proportion to the share of capital financing coming from tax-exempt bonds, up to a maximum reduction of 15%. Under the IRA's direct payments and transferability mechanisms, certain tax-exempt organizations may receive a cash payment of equivalent value to the credit, while taxpaying businesses may sell their tax credits to other taxpaying businesses for cash. This provision enacts two changes. First, if the taxpayer is a specified foreign entity under IRC Section 7701(a)(51)(B) or a foreign-influenced entity under IRC Section 7701(a)(51)(D), the provision disallows the tax credit for tax years beginning after July 4, 2025. Second, the provision allows carbon oxide used prior to geological sequestration to receive the same credit rate as prior law allowed for carbon oxide not used prior to geological sequestration. In other words, all carbon oxide is made eligible for the $85 and $180 amounts described above rather than the $60 and $130 amounts. This "parity" rule applies to facilities and equipment placed in service after the date of enactment. This section is related to Section 112011 of the House-passed version of H.R. 1.	Angela C. Jones and Ashley J. Lawson. CRS Report R46865, *Energy Tax Provisions: Overview and Budgetary Cost*, by Nicholas E. Buffie and Donald J. Marples. CRS In Focus IF12596, *Tax Credit Transfers and Direct Payments in the Inflation Reduction Act of 2022*, by Nicholas E. Buffie.
Intangible Drilling and Development Costs Taken into Account for Purposes of Computing Adjusted Financial Statement Income *Section 70523 of the law* *Sections 56A and 263 of the IRC*	Firms engaged in the exploration and development of oil, gas, or geothermal properties have the option of expensing (deducting in the year paid or incurred) rather than capitalizing (recovering such costs through depletion or depreciation) certain intangible drilling and development costs (IDCs). Expensing is an exception to general tax rules that provide for the capitalization of costs related to generating income from capital assets. In lieu of expensing, firms have the option of amortizing IDCs in equal amounts over a five-year period. Under previous law, expensed IDCs were a part of adjusted financial statement income (AFSI), which is used to calculate the alternative minimum tax paid by certain C corporations. This provision reduces AFSI by the amount expensed for IDCs and disregards any depletion expense on the corporation's financial statement. This provision applies to taxable years starting after December 31, 2025. The House-passed version of H.R. 1 did not include any similar provision.	

Section Title	Description	CRS Resources
Income from Hydrogen Storage, Carbon Capture, Advanced Nuclear, Hydropower, and Geothermal Energy Added to Qualifying Income of Certain Publicly Traded Partnerships *Section 70524 of the law* *Section 7704 of the IRC*	Publicly traded partnerships are generally treated as corporations. The exception from this rule occurs if at least 90% of its gross income is derived from interest, dividends, real property rents, or certain other types of qualifying income. Qualifying income includes income derived from certain energy-related activities, such as fossil fuel or geothermal exploration, development, mining, production, refining, transportation, and marketing. This provision expands qualifying income to include income from the transportation or storage of sustainable aviation fuels, liquified hydrogen, or compressed hydrogen; facilities that generate or store electricity and carbon capture facilities or equipment, either of which must capture at least half of its total carbon oxide; advanced nuclear electricity facilities; geothermal and hydropower facilities producing electricity or thermal energy; certain equipment used to produce, distribute, or use energy derived from a geothermal deposit; or equipment which uses the ground or ground water as a thermal energy source to heat a structure or as a thermal energy sink to cool a structure. This provision applies to taxable years beginning after December 31, 2025. The House-passed version of H.R. 1 did not include any similar provision.	CRS Report R41893, *Master Limited Partnerships: A Policy Option for the Renewable Energy Industry*, by Molly F. Sherlock and Mark P. Keightley.
Allow for Payments to Certain Individuals Who Dye Fuel *Section 70525 of the law* *New section 6435 of the IRC*	Diesel fuel and kerosene are exempt from federal excise tax if used for an exempt use (for example, in an off-highway business use, such as on a farm or in certain construction machinery) or by an exempt user (for example, a state or local government). Taxpayers can receive this tax benefit in one of two ways: they can purchase previously taxed fuel and then claim a tax refund from the IRS, or they can purchase nontaxed dyed fuel. For the latter process, the producer must dye the fuel before it is taxed under prior law. This provision modifies the procedure for producing eligible dyed fuel. Producers are able to dye previously taxed fuel and claim a refund themselves for doing so. This provision does not modify tax-exempt uses. This provision applies to eligible fuel dyed on or after 180 days after the date of enactment. The House-passed version of H.R. 1 did not include any similar provision.	

Source: CRS analysis of the text of P.L. 119-21.

Notes: "IRC" is the Internal Revenue Code. "TCJA" is P.L. 115-97, commonly referred to as the Tax Cuts and Jobs Act. Within the description, "Section" citations refer to the section within the IRC, unless otherwise noted. All references to the "House-passed version of H.R. 1" refer to the version passed by the House on May 22, 2025.

Table 6. Subtitle A, Chapter 6—Enhancing Deduction and Income Tax Credit Guardrails, and Other Reforms

Section Title	Description	CRS Resources
Modification and Extension of Limitation on Excess Business Losses of Noncorporate Taxpayers *Section 70601 of the law* *Sections 108, 461, and 1398 of the IRC*	This provision makes permanent the limitation on excess business losses of noncorporate taxpayers. The TCJA disallowed a deduction in the current year for "excess business losses" and treated such losses as a net operating loss (NOL) carryover to the following year. An excess business loss is the amount that a taxpayer's aggregate deductions attributable to trades and businesses exceed the sum of aggregate gross income or gain attributable to such activities and a threshold amount indexed to inflation. In 2025, the threshold amounts are $313,000 (single) and $626,000 (married). For partnerships and S corporations, this provision is applied at the partner or shareholder level. The provision reset the threshold amounts for 2026 at their 2018 levels ($500,000 for a married filing jointly return and $250,000 for all others), and will annually adjust those amounts for inflation starting in 2026. This provision is an extension of TCJA with modifications. This provision has several effective dates. The change making the limitation permanent applies starting after December 31, 2026. The inflation adjustment to the threshold amounts applies starting after December 31, 2025. This section is related to Section 112026 of the House-passed version of H.R. 1.	
Treatment of Payments from Partnerships to Partners for Property or Services *Section 70602 of the law* *Section 707 of the IRC*	Under prior law, payments from partnerships to partners for property or services that were not in their capacity as partners were treated as independent transactions. Under regulations prescribed by the Secretary of the Treasury, a transaction that was accompanied by a direct or indirect allocation of income was also treated as a payment not in their capacity as partners. This provision was designed to deal with arrangements to allow partnerships not to capitalize property, with the costs deducted over a period of time. This provision changes the language from "Under regulations prescribed" to "Except as provided" by the Secretary. This change gives the Treasury more flexibility in determining whether a transaction should be treated as made in the capacity as a partner. This provision applies to services performed and property transferred after the date of enactment. This section is related to Section 112032 of the House-passed version of H.R. 1.	

Section Title	Description	CRS Resources
Excessive Employee Remuneration from Controlled Group Members and Allocation of Deduction *Section 70603 of the law* *Section 162 of the IRC*	Under prior law, deductible compensation of covered employees of publicly traded corporations was limited to $1 million. Covered employees include the principal executive officer, the principal financial officer, and seven of the most highly compensated officers. Covered employees also include covered employees in a preceding taxable year beginning after 2017. The provision applies an aggregation rule so that the combined deductible compensation by members of a controlled group cannot exceed $1 million. The deduction will be allocated to members based on their share of the covered employee's total compensation. The provision is effective for tax years beginning after December 31, 2025. This section is related to Section 112019 of the House-passed version of H.R. 1.	
Excise Tax on Certain Remittance Transfers *Section 70604 of the law* *New Section 4475 of the IRC*	This provision creates a new, permanent 1% excise tax on remittance transfers. The excise tax is paid by the sender and collected by the transfer provider at the time the remittance transfer is sent. In this context, a remittance is an electronic transfer of funds of more than $15 from someone in the United States to a specific person in a foreign country. The tax only applies when the sender provides cash or a similar physical payment (such as a check or money order) to the transfer provider. Remittance transfers sent directly from an account subject to the Bank Secrecy Act (including accounts in certain financial institutions, such as banks, credit unions, and certain securities brokers) or that are paid by a credit or debit card issued in the United States are exempt from the tax. The excise tax applies to transfers made after December 31, 2025. This section is related to Section 112104 of the House-passed version of H.R. 1.	
Enforcement Provisions with Respect to COVID-Related Employee Retention Credits *Section 70605 of the law* *Sections 3134 and 6676 of the IRC*	The COVID employee retention credit (COVID ERC) was available during parts of 2020 and 2021 to employers for wages paid during periods when the employer was subject to a government-ordered shutdown due to COVID-19 and to employers that experienced a significant revenue loss due to COVID-19. Following a surge in employers filing amended tax returns to claim the COVID ERC and concerns from the IRS that many of the amended claims were ineligible, the IRS announced a processing moratorium starting in September 2023. The IRS subsequently announced limited processing of claims filed between September 2023 and January 2024. This provision makes several changes to COVID ERC processing and enforcement. It disallows the credit for any claims filed after January 31, 2024	CRS Insight IN12246, *IRS Processing and Examination of COVID Employee Retention Credit Claims*, by Anthony A. Cilluffo. CRS Insight IN11819, *Early Sunset of the Employee Retention Credit*, by Anthony A. Cilluffo and Molly F. Sherlock. CRS Insight IN11299, *COVID-19: The Employee Retention Tax Credit*, by Molly F. Sherlock. For further information about IN11299,

Section Title	Description	CRS Resources
	(otherwise, the deadline would be April 15, 2025). It increases penalties on COVID ERC promoters, increases due diligence requirements for COVID ERC claims preparers, and extends the period for the IRS to issue assessments related to COVID ERC claims and related amendments to income tax returns. This provision generally applies after the date of enactment. This section is related to Section 112205 of the House-passed version of H.R. 1. That section was subsequently removed from the engrossed version of the act pursuant to H.Res. 492.	congressional clients may contact Anthony A. Cilluffo.
Social Security Number Requirement for American Opportunity and Lifetime Learning Credits *Section 70606 of the law* *Section 25A of the IRC*	The American Opportunity Tax Credit and Lifetime Learning Tax Credit are credits for higher education expenses. This provision requires that to claim these credits taxpayers must provide work-eligible Social Security numbers for themselves and the individual for whom they paid the qualifying expenses for purposes of the credit (if such individual is neither the taxpayer nor the taxpayer's spouse). This provision applies from 2026 onward. This section is related to Section 112105 of the House-passed version of H.R. 1.	CRS Report R42561, *The American Opportunity Tax Credit: Overview, Analysis, and Policy Options*, by Margot L. Crandall-Hollick. For further information about R42561, congressional clients may contact Brendan McDermott. CRS Report R41967, *Higher Education Tax Benefits: Brief Overview and Budgetary Effects*, by Margot L. Crandall-Hollick and Brendan McDermott.
Task Force on the Replacement of Direct File *Section 70607 of the law* *Not a part of the IRC*	During the 2024 tax filing season, the IRS began a pilot Direct File program, which allowed 19 million individual taxpayers in 12 eligible states the option to file their 2023 tax returns directly to the IRS through a secure portal on its website. The pilot was expanded to 25 states for the 2025 tax filing season. This provision appropriates $15 million for FY2026 for a report studying potential designs and issues with public-private partnerships providing for free tax filing options for up to 70% of taxpayers, similar to the goal of the existing Free File Alliance, which would replace the existing Direct File program. The provision requires the report to be delivered to Congress within 90 days of enactment. This section is related to Section 112207 of the House-passed version of H.R. 1.	CRS In Focus IF12654, *IRS Direct File Program: An Overview*, by Grant A. Driessen.

Source: CRS analysis of the text of P.L. 119-21.

Notes: "IRC" is the Internal Revenue Code. "TCJA" is P.L. 115-97, commonly referred to as the Tax Cuts and Jobs Act. Within the description, "Section" citations refer to the section within the IRC, unless otherwise noted. All references to the "House-passed version of H.R. 1" refer to the version passed by the House on May 22, 2025.

Table 7. Subtitle C—Increase in Debt limit

Section Title	Description	CRS Resources
Modification of Limitation on the Public Debt *Section 72001 of the law* *Section 3101 of Title 31, United States Code*	In January 2025, the statutory debt limit was reinstated following a period of suspension and set to $36.1 trillion, a level matching federal debt subject to the limit. The Department of the Treasury implemented extraordinary measures to prevent the debt limit from binding. A March 2025 CBO estimate projected that those measures would be exhausted in August or September 2025, at which time under current law federal spending obligations could only be made to the extent that they were matched with incoming revenues. This provision increased the statutory debt limit by $5.0 trillion, establishing a new limit of $41.1 trillion. This section is related to Section 113001 of the House-passed version of H.R. 1.	CRS In Focus IF10292, *The Debt Limit*, by Grant A. Driessen. CRS Insight IN10837, *Debt Limit Policy Questions: What Are Extraordinary Measures?*, by Grant A. Driessen. CRS Report R47574, *Debt Limit Policy Questions: What Are the Potential Economic Effects of a Binding Federal Debt Limit?*, by Grant A. Driessen.

Source: CRS analysis of the text of P.L. 119-21.

Notes: All references to the "House-passed version of H.R. 1" refer to the version passed by the House on May 22, 2025.

Author Information

Anthony A. Cilluffo, Coordinator
Analyst in Public Finance

Nicholas E. Buffie
Analyst in Public Finance

Grant A. Driessen
Acting Section Research Manager

Jane G. Gravelle
Senior Specialist in Economic Policy

Mark P. Keightley
Specialist in Economics

Donald J. Marples
Specialist in Public Finance

Brendan McDermott
Analyst in Public Finance

Acknowledgments

The authors gratefully acknowledge the contributions of the following individuals at CRS: Valerie Brannon, Legislative Attorney; Eddie Liu, Section Research Manager; Megan Lynch, Specialist on Congress and the Legislative Process; Dave Perkins, Coordinator of Research Planning; and Andrew Schaefer, Editor.

Disclaimer