

COMMITTEE PRINT

Budget Reconciliation Legislative Recommendations Relating to Promoting Economic Security

1 **Subtitle G—Promoting Economic** 2 **Security**

3 **PART 1—2021 RECOVERY REBATES TO** 4 **INDIVIDUALS**

5 **SEC. 9601. 2021 RECOVERY REBATES TO INDIVIDUALS.**

6 (a) IN GENERAL.—Subchapter B of chapter 65 of the
7 Internal Revenue Code of 1986 is amended by inserting
8 after section 6428A the following new section:

9 **“SEC. 6428B. 2021 RECOVERY REBATES TO INDIVIDUALS.**

10 “(a) IN GENERAL.—In the case of an eligible indi-
11 vidual, there shall be allowed as a credit against the tax
12 imposed by subtitle A for the first taxable year beginning
13 in 2021 an amount equal to the 2021 rebate amount de-
14 termined for such taxable year.

15 “(b) 2021 REBATE AMOUNT.—For purposes of this
16 section, the term ‘2021 rebate amount’ means, with re-
17 spect to any taxpayer for any taxable year, the sum of—

18 “(1) \$1,400 (\$2,800 in the case of a joint re-
19 turn), plus

20 “(2) \$1,400 multiplied by the number of de-
21 pendents of the taxpayer for such taxable year.

1 “(c) ELIGIBLE INDIVIDUAL.—For purposes of this
2 section, the term ‘eligible individual’ means any individual
3 other than—

4 “(1) any nonresident alien individual,

5 “(2) any individual who is a dependent of an-
6 other taxpayer for a taxable year beginning in the
7 calendar year in which the individual’s taxable year
8 begins, and

9 “(3) an estate or trust.

10 “(d) LIMITATION BASED ON ADJUSTED GROSS IN-
11 COME.—

12 “(1) IN GENERAL.—The amount of the credit
13 allowed by subsection (a) (determined without re-
14 gard to this subsection and subsection (f)) shall be
15 reduced (but not below zero) by the amount which
16 bears the same ratio to such credit (as so deter-
17 mined) as—

18 “(A) the excess of—

19 “(i) the taxpayer’s adjusted gross in-
20 come for such taxable year, over

21 “(ii) \$75,000, bears to

22 “(B) \$25,000.

23 “(2) SPECIAL RULES.—

24 “(A) JOINT RETURN OR SURVIVING
25 SPOUSE.—In the case of a joint return or a sur-

1 viving spouse (as defined in section 2(a)), para-
2 graph (1) shall be applied by substituting
3 ‘\$150,000’ for ‘\$75,000’ and ‘\$50,000’ for
4 ‘\$25,000’.

5 “(B) HEAD OF HOUSEHOLD.—In the case
6 of a head of household (as defined in section
7 2(b)), paragraph (1) shall be applied by sub-
8 stituting ‘\$112,500’ for ‘\$75,000’ and
9 ‘\$37,500’ for ‘\$25,000’.

10 “(e) DEFINITIONS AND SPECIAL RULES.—

11 “(1) DEPENDENT DEFINED.—For purposes of
12 this section, the term ‘dependent’ has the meaning
13 given such term by section 152.

14 “(2) IDENTIFICATION NUMBER REQUIRE-
15 MENT.—

16 “(A) IN GENERAL.—In the case of a re-
17 turn other than a joint return, the \$1,400
18 amount in subsection (b)(1) shall be treated as
19 being zero unless the taxpayer includes the
20 valid identification number of the taxpayer on
21 the return of tax for the taxable year.

22 “(B) JOINT RETURNS.—In the case of a
23 joint return, the \$2,800 amount in subsection
24 (b)(1) shall be treated as being—

1 “(i) \$1,400 if the valid identification
2 number of only 1 spouse is included on the
3 return of tax for the taxable year, and

4 “(ii) zero if the valid identification
5 number of neither spouse is so included.

6 “(C) DEPENDENTS.—A dependent shall
7 not be taken into account under subsection
8 (b)(2) unless the valid identification number of
9 such dependent is included on the return of tax
10 for the taxable year.

11 “(D) VALID IDENTIFICATION NUMBER.—

12 “(i) IN GENERAL.—For purposes of
13 this paragraph, the term ‘valid identifica-
14 tion number’ means a social security num-
15 ber issued to an individual by the Social
16 Security Administration on or before the
17 due date for filing the return for the tax-
18 able year.

19 “(ii) ADOPTION TAXPAYER IDENTI-
20 FICATION NUMBER.—For purposes of sub-
21 paragraph (C), in the case of a dependent
22 who is adopted or placed for adoption, the
23 term ‘valid identification number’ shall in-
24 clude the adoption taxpayer identification
25 number of such dependent.

1 “(E) SPECIAL RULE FOR MEMBERS OF
2 THE ARMED FORCES.—Subparagraph (B) shall
3 not apply in the case where at least 1 spouse
4 was a member of the Armed Forces of the
5 United States at any time during the taxable
6 year and the valid identification number of at
7 least 1 spouse is included on the return of tax
8 for the taxable year.

9 “(F) COORDINATION WITH CERTAIN AD-
10 VANCE PAYMENTS.—In the case of any payment
11 determined pursuant to subsection (g)(6), a
12 valid identification number shall be treated for
13 purposes of this paragraph as included on the
14 taxpayer’s return of tax if such valid identifica-
15 tion number is available to the Secretary as de-
16 scribed in such subsection.

17 “(G) MATHEMATICAL OR CLERICAL ERROR
18 AUTHORITY.—Any omission of a correct valid
19 identification number required under this para-
20 graph shall be treated as a mathematical or
21 clerical error for purposes of applying section
22 6213(g)(2) to such omission.

23 “(3) CREDIT TREATED AS REFUNDABLE.—The
24 credit allowed by subsection (a) shall be treated as

1 allowed by subpart C of part IV of subchapter A of
2 chapter 1.

3 “(f) COORDINATION WITH ADVANCE REFUNDS OF
4 CREDIT.—

5 “(1) REDUCTION OF REFUNDABLE CREDIT.—

6 The amount of the credit which would (but for this
7 paragraph) be allowable under subsection (a) shall
8 be reduced (but not below zero) by the aggregate re-
9 funds and credits made or allowed to the taxpayer
10 (or, except as otherwise provided by the Secretary,
11 any dependent of the taxpayer) under subsection (g).
12 Any failure to so reduce the credit shall be treated
13 as arising out of a mathematical or clerical error
14 and assessed according to section 6213(b)(1).

15 “(2) JOINT RETURNS.—Except as otherwise
16 provided by the Secretary, in the case of a refund
17 or credit made or allowed under subsection (g) with
18 respect to a joint return, half of such refund or cred-
19 it shall be treated as having been made or allowed
20 to each individual filing such return.

21 “(g) ADVANCE REFUNDS AND CREDITS.—

22 “(1) IN GENERAL.—Subject to paragraphs (5)
23 and (6), each individual who was an eligible indi-
24 vidual for such individual’s first taxable year begin-
25 ning in 2019 shall be treated as having made a pay-

1 ment against the tax imposed by chapter 1 for such
2 taxable year in an amount equal to the advance re-
3 fund amount for such taxable year.

4 “(2) ADVANCE REFUND AMOUNT.—

5 “(A) IN GENERAL.—For purposes of para-
6 graph (1), the advance refund amount is the
7 amount that would have been allowed as a cred-
8 it under this section for such taxable year if
9 this section (other than subsection (f) and this
10 subsection) had applied to such taxable year.

11 “(B) TREATMENT OF DECEASED INDIVID-
12 UALS.—For purposes of determining the ad-
13 vance refund amount with respect to such tax-
14 able year—

15 “(i) any individual who was deceased
16 before January 1, 2021, shall be treated
17 for purposes of applying subsection (e)(2)
18 in the same manner as if the valid identi-
19 fication number of such person was not in-
20 cluded on the return of tax for such tax-
21 able year (except that subparagraph (E)
22 thereof shall not apply),

23 “(ii) notwithstanding clause (i), in the
24 case of a joint return with respect to which
25 only 1 spouse is deceased before January

1 1, 2021, such deceased spouse was a mem-
2 ber of the Armed Forces of the United
3 States at any time during the taxable year,
4 and the valid identification number of such
5 deceased spouse is included on the return
6 of tax for the taxable year, the valid identi-
7 fication number of 1 (and only 1) spouse
8 shall be treated as included on the return
9 of tax for the taxable year for purposes of
10 applying subsection (e)(2)(B) with respect
11 to such joint return, and

12 “(iii) no amount shall be determined
13 under subsection (e)(2) with respect to any
14 dependent of the taxpayer if the taxpayer
15 (both spouses in the case of a joint return)
16 was deceased before January 1, 2021.

17 “(3) TIMING AND MANNER OF PAYMENTS.—

18 “(A) TIMING.—The Secretary shall, sub-
19 ject to the provisions of this title, refund or
20 credit any overpayment attributable to this sub-
21 section as rapidly as possible, consistent with a
22 rapid effort to make payments attributable to
23 such overpayments electronically if appropriate.
24 No refund or credit shall be made or allowed
25 under this subsection after December 31, 2021.

1 “(B) DELIVERY OF PAYMENTS.—Notwith-
2 standing any other provision of law, the Sec-
3 retary may certify and disburse refunds payable
4 under this subsection electronically to—

5 “(i) any account to which the payee
6 received or authorized, on or after January
7 1, 2019, a refund of taxes under this title
8 or of a Federal payment (as defined in sec-
9 tion 3332 of title 31, United States Code),

10 “(ii) any account belonging to a payee
11 from which that individual, on or after
12 January 1, 2019, made a payment of taxes
13 under this title, or

14 “(iii) any Treasury-sponsored account
15 (as defined in section 208.2 of title 31,
16 Code of Federal Regulations).

17 “(C) WAIVER OF CERTAIN RULES.—Not-
18 withstanding section 3325 of title 31, United
19 States Code, or any other provision of law, with
20 respect to any payment of a refund under this
21 subsection, a disbursing official in the executive
22 branch of the United States Government may
23 modify payment information received from an
24 officer or employee described in section
25 3325(a)(1)(B) of such title for the purpose of

1 facilitating the accurate and efficient delivery of
2 such payment. Except in cases of fraud or reck-
3 less neglect, no liability under section 3325,
4 3527, 3528, or 3529 of title 31, United States
5 Code, shall be imposed with respect to pay-
6 ments made under this subparagraph.

7 “(4) NO INTEREST.—No interest shall be al-
8 lowed on any overpayment attributable to this sub-
9 section.

10 “(5) APPLICATION TO INDIVIDUALS WHO HAVE
11 FILED A RETURN OF TAX FOR 2020.—

12 “(A) APPLICATION TO 2020 RETURNS
13 FILED AT TIME OF INITIAL DETERMINATION.—
14 If, at the time of any determination made pur-
15 suant to paragraph (3), the individual referred
16 to in paragraph (1) has filed a return of tax for
17 the individual’s first taxable year beginning in
18 2020, paragraph (1) shall be applied with re-
19 spect to such individual by substituting ‘2020’
20 for ‘2019’.

21 “(B) ADDITIONAL PAYMENT.—

22 “(i) IN GENERAL.—In the case of any
23 individual who files, before the additional
24 payment determination date, a return of
25 tax for such individual’s first taxable year

1 beginning in 2020, the Secretary shall
2 make a payment (in addition to any pay-
3 ment made under paragraph (1)) to such
4 individual equal to the excess (if any) of—

5 “(I) the amount which would be
6 determined under paragraph (1)
7 (after the application of subparagraph
8 (A)) by applying paragraph (1) as of
9 the additional payment determination
10 date, over

11 “(II) the amount of any payment
12 made with respect to such individual
13 under paragraph (1).

14 “(ii) ADDITIONAL PAYMENT DETER-
15 MINATION DATE.—The term ‘additional
16 payment determination date’ means the
17 earlier of—

18 “(I) the date which is 90 days
19 after the 2020 calendar year filing
20 deadline, or

21 “(II) September 1, 2021.

22 “(iii) 2020 CALENDAR YEAR FILING
23 DEADLINE.—The term ‘2020 calendar year
24 filing deadline’ means the date specified in
25 section 6072(a) with respect to returns for

1 calendar year 2020. Such date shall be de-
2 termined after taking into account any pe-
3 riod disregarded under section 7508A if
4 such disregard applies to substantially all
5 returns for calendar year 2020 to which
6 section 6072(a) applies.

7 “(6) APPLICATION TO CERTAIN INDIVIDUALS
8 WHO HAVE NOT FILED A RETURN OF TAX FOR 2019
9 OR 2020 AT TIME OF DETERMINATION.—

10 “(A) IN GENERAL.—In the case of any in-
11 dividual who, at the time of any determination
12 made pursuant to paragraph (3), has filed a tax
13 return for neither the year described in para-
14 graph (1) nor for the year described in para-
15 graph (5)(A), the Secretary may apply para-
16 graph (1) on the basis of information available
17 to the Secretary and, on the basis of such infor-
18 mation, may determine the advance refund
19 amount with respect to such individual without
20 regard to subsection (d).

21 “(B) PAYMENT TO REPRESENTATIVE PAY-
22 EES AND FIDUCIARIES.—In the case of any
23 payment determined pursuant to subparagraph
24 (A), such payment may be made to an indi-
25 vidual or organization serving as the eligible in-

1 dividual’s representative payee or fiduciary for
2 a federal benefit program and the entire
3 amount of such payment so made shall be used
4 only for the benefit of the individual who is en-
5 titled to the payment.

6 “(7) SPECIAL RULE RELATED TO TIME OF FIL-
7 ING RETURN.—Solely for purposes of this sub-
8 section, a return of tax shall not be treated as filed
9 until such return has been processed by the Internal
10 Revenue Service.

11 “(8) NOTICE TO TAXPAYER.—As soon as prac-
12 ticable after the date on which the Secretary distrib-
13 uted any payment to an eligible taxpayer pursuant
14 to this subsection, notice shall be sent by mail to
15 such taxpayer’s last known address. Such notice
16 shall indicate the method by which such payment
17 was made, the amount of such payment, a phone
18 number for an appropriate point of contact at the
19 Internal Revenue Service to report any error with
20 respect to such payment, and such other information
21 as the Secretary determines appropriate.

22 “(9) RESTRICTION ON USE OF CERTAIN PRE-
23 VIOUSLY ISSUED PREPAID DEBIT CARDS.—Payments
24 made by the Secretary to individuals under this sec-
25 tion shall not be in the form of an increase in the

1 balance of any previously issued prepaid debit card
2 if, as of the time of the issuance of such card, such
3 card was issued solely for purposes of making pay-
4 ments under section 6428 or 6428A.

5 “(h) REGULATIONS.—The Secretary shall prescribe
6 such regulations or other guidance as may be necessary
7 or appropriate to carry out the purposes of this section,
8 including—

9 “(1) regulations or other guidance providing
10 taxpayers the opportunity to provide the Secretary
11 information sufficient to allow the Secretary to make
12 payments to such taxpayers under subsection (g)
13 (including the determination of the amount of such
14 payment) if such information is not otherwise avail-
15 able to the Secretary, and

16 “(2) regulations or other guidance to ensure to
17 the maximum extent administratively practicable
18 that, in determining the amount of any credit under
19 subsection (a) and any credit or refund under sub-
20 section (g), an individual is not taken into account
21 more than once, including by different taxpayers and
22 including by reason of a change in joint return sta-
23 tus or dependent status between the taxable year for
24 which an advance refund amount is determined and

1 the taxable year for which a credit under subsection
2 (a) is determined.

3 “(i) OUTREACH.—The Secretary shall carry out a ro-
4 bust and comprehensive outreach program to ensure that
5 all taxpayers described in subsection (h)(1) learn of their
6 eligibility for the advance refunds and credits under sub-
7 section (g); are advised of the opportunity to receive such
8 advance refunds and credits as provided under subsection
9 (h)(1); and are provided assistance in applying for such
10 advance refunds and credits. In conducting such outreach
11 program, the Secretary shall coordinate with other govern-
12 ment, State, and local agencies; federal partners; and com-
13 munity-based nonprofit organizations that regularly inter-
14 face with such taxpayers.”.

15 (b) TREATMENT OF CERTAIN POSSESSIONS.—

16 (1) PAYMENTS TO POSSESSIONS WITH MIRROR
17 CODE TAX SYSTEMS.—The Secretary of the Treas-
18 ury shall pay to each possession of the United States
19 which has a mirror code tax system amounts equal
20 to the loss (if any) to that possession by reason of
21 the amendments made by this section. Such
22 amounts shall be determined by the Secretary of the
23 Treasury based on information provided by the gov-
24 ernment of the respective possession.

1 (2) PAYMENTS TO OTHER POSSESSIONS.—The
2 Secretary of the Treasury shall pay to each posses-
3 sion of the United States which does not have a mir-
4 ror code tax system amounts estimated by the Sec-
5 retary of the Treasury as being equal to the aggre-
6 gate benefits (if any) that would have been provided
7 to residents of such possession by reason of the
8 amendments made by this section if a mirror code
9 tax system had been in effect in such possession.
10 The preceding sentence shall not apply unless the re-
11 spective possession has a plan, which has been ap-
12 proved by the Secretary of the Treasury, under
13 which such possession will promptly distribute such
14 payments to its residents.

15 (3) INCLUSION OF ADMINISTRATIVE EX-
16 PENSES.—The Secretary of the Treasury shall pay
17 to each possession of the United States to which the
18 Secretary makes a payment under paragraph (1) or
19 (2) an amount equal to the lesser of—

20 (A) the increase (if any) of the administra-
21 tive expenses of such possession—

22 (i) in the case of a possession de-
23 scribed in paragraph (1), by reason of the
24 amendments made by this section, and

1 (ii) in the case of a possession de-
2 scribed in paragraph (2), by reason of car-
3 rying out the plan described in such para-
4 graph, or

5 (B) \$500,000 (\$10,000,000 in the case of
6 Puerto Rico).

7 The amount described in subparagraph (A) shall be
8 determined by the Secretary of the Treasury based
9 on information provided by the government of the
10 respective possession.

11 (4) COORDINATION WITH CREDIT ALLOWED
12 AGAINST UNITED STATES INCOME TAXES.—No cred-
13 it shall be allowed against United States income
14 taxes under section 6428B of the Internal Revenue
15 Code of 1986 (as added by this section), nor shall
16 any credit or refund be made or allowed under sub-
17 section (g) of such section, to any person—

18 (A) to whom a credit is allowed against
19 taxes imposed by the possession by reason of
20 the amendments made by this section, or

21 (B) who is eligible for a payment under a
22 plan described in paragraph (2).

23 (5) MIRROR CODE TAX SYSTEM.—For purposes
24 of this subsection, the term “mirror code tax sys-
25 tem” means, with respect to any possession of the

1 United States, the income tax system of such posses-
2 sion if the income tax liability of the residents of
3 such possession under such system is determined by
4 reference to the income tax laws of the United
5 States as if such possession were the United States.

6 (6) TREATMENT OF PAYMENTS.—For purposes
7 of section 1324 of title 31, United States Code, the
8 payments under this subsection shall be treated in
9 the same manner as a refund due from a credit pro-
10 vision referred to in subsection (b)(2) of such sec-
11 tion.

12 (c) ADMINISTRATIVE PROVISIONS.—

13 (1) DEFINITION OF DEFICIENCY.—Section
14 6211(b)(4)(A) of the Internal Revenue Code of 1986
15 is amended by striking “6428, and 6428A” and in-
16 sserting “6428, 6428A, and 6428B”.

17 (2) EXCEPTION FROM REDUCTION OR OFF-
18 SET.—Any refund payable by reason of section
19 6428B(g) of the Internal Revenue Code of 1986 (as
20 added by this section), or any such refund payable
21 by reason of subsection (b) of this section, shall not
22 be —

23 (A) subject to reduction or offset pursuant
24 to section 3716 or 3720A of title 31, United
25 States Code,

1 (B) subject to reduction or offset pursuant
2 to subsection (c), (d), (e), or (f) of section 6402
3 of the Internal Revenue Code of 1986, or

4 (C) reduced or offset by other assessed
5 Federal taxes that would otherwise be subject
6 to levy or collection.

7 (3) CONFORMING AMENDMENTS.—

8 (A) Paragraph (2) of section 1324(b) of
9 title 31, United States Code, is amended by in-
10 sserting “6428B,” after “6428A,”.

11 (B) The table of sections for subchapter B
12 of chapter 65 of the Internal Revenue Code of
13 1986 is amended by inserting after the item re-
14 lating to section 6428A the following new item:

“Sec. 6428B. 2021 recovery rebates to individuals.”.

15 (d) APPROPRIATIONS.—Immediately upon the enact-
16 ment of this Act, in addition to amounts otherwise avail-
17 able, there are appropriated for fiscal year 2021, out of
18 any money in the Treasury not otherwise appropriated:

19 (1) \$1,464,500,000 to remain available until
20 September 30, 2023 for necessary expenses for the
21 Internal Revenue Service for the administration of
22 the advance payments, the provision of taxpayer as-
23 sistance, and the furtherance of integrated, modern-
24 ized, and secure Internal Revenue Service systems,
25 which shall supplement and not supplant any other

1 appropriations that may be available for this pur-
2 pose.

3 (2) \$7,000,000 to remain available until Sep-
4 tember 30, 2022, for necessary expenses for the Bu-
5 reau of the Fiscal Service to carry out this section
6 (and the amendments made by this section), which
7 shall supplement and not supplant any other appro-
8 priations that may be available for this purpose, and

9 (3) \$8,000,000 to remain available until Sep-
10 tember 30, 2023, for the Treasury Inspector General
11 for Tax Administration for the purposes of over-
12 seeing activities related to the administration of this
13 section (and the amendments made by this section),
14 which shall supplement and not supplant any other
15 appropriations that may be available for this pur-
16 pose.

17 (e) FLEXIBILITY WITH RESPECT TO IRS INFORMA-
18 TION TECHNOLOGY EMPLOYEES.—

19 (1) If services performed by an employee of the
20 Internal Revenue Service during the period begin-
21 ning on January 1, 2020, and ending on December
22 31, 2022, are determined by the Commissioner of
23 Internal Revenue to be primarily related to informa-
24 tion technology, any premium pay for such services
25 shall be disregarded in calculating the aggregate of

1 such employee's basic pay and premium pay for pur-
2 poses of a limitation under section 5547(a) of title
3 5, United States Code, or under any other provision
4 of law, whether such employee's pay is paid on a bi-
5 weekly or calendar year basis.

6 (2) Any overtime pay for such services shall be
7 disregarded in calculating any annual limit on the
8 amount of overtime pay payable in a calendar or fis-
9 cal year.

10 (3) With regard to such services, any pay that
11 is disregarded under either paragraph (1) or (2)
12 shall be disregarded in calculating such employees
13 aggregate pay for purposes of the limitations in sec-
14 tions 5307 and 9502 of such title 5.

15 (4) If application of this subsection results in
16 the payment of additional premium pay to a covered
17 employee of a type that is normally creditable as
18 basic pay for retirement or any other purpose, that
19 additional pay shall not—

20 (A) be considered to be basic pay of the
21 covered employee for any purpose; or

22 (B) be used in computing a lump-sum pay-
23 ment to the covered employee for accumulated
24 and accrued annual leave under section 5551 or
25 section 5552 of such title 5.

1 **PART 2—CHILD TAX CREDIT**

2 **SEC. 9611. CHILD TAX CREDIT IMPROVEMENTS FOR 2021.**

3 (a) IN GENERAL.—Section 24 of the Internal Rev-
4 enue Code of 1986 is amended by adding at the end the
5 following new subsection:

6 “(i) SPECIAL RULES FOR 2021.—In the case of any
7 taxable year beginning after December 31, 2020, and be-
8 fore January 1, 2022—

9 “(1) REFUNDABLE CREDIT.—If the taxpayer
10 (in the case of a joint return, either spouse) has a
11 principal place of abode in the United States (deter-
12 mined as provided in section 32) for more than one-
13 half of the taxable year or is a bona fide resident of
14 Puerto Rico (within the meaning of section 937(a))
15 for such taxable year—

16 “(A) subsection (d) shall not apply, and

17 “(B) so much of the credit determined
18 under subsection (a) (after application of sub-
19 paragraph (A)) as does not exceed the amount
20 of such credit which would be so determined
21 without regard to subsection (h)(4) shall be al-
22 lowed under subpart C (and not allowed under
23 this subpart).

24 “(2) 17-YEAR-OLDS ELIGIBLE FOR TREATMENT
25 AS QUALIFYING CHILDREN.—This section shall be
26 applied—

1 “(A) by substituting ‘age 18’ for ‘age 17’
2 in subsection (c)(1), and

3 “(B) by substituting ‘described in sub-
4 section (c) (determined after the application of
5 subsection (i)(2)(A))’ for ‘described in sub-
6 section (c)’ in subsection (h)(4)(A).

7 “(3) CREDIT AMOUNT.—Subsection (h)(2) shall
8 not apply and subsection (a) shall be applied by sub-
9 stituting ‘\$3,000 (\$3,600 in the case of a qualifying
10 child who has not attained age 6 as of the close of
11 the calendar year in which the taxable year of the
12 taxpayer begins)’ for ‘\$1,000’.

13 “(4) REDUCTION OF INCREASED CREDIT
14 AMOUNT BASED ON MODIFIED ADJUSTED GROSS IN-
15 COME.—

16 “(A) IN GENERAL.—The amount of the
17 credit allowable under subsection (a) (deter-
18 mined without regard to subsection (b)) shall be
19 reduced by \$50 for each \$1,000 (or fraction
20 thereof) by which the taxpayer’s modified ad-
21 justed gross income (as defined in subsection
22 (b)) exceeds the applicable threshold amount.

23 “(B) APPLICABLE THRESHOLD AMOUNT.—
24 For purposes of this paragraph, the term ‘ap-
25 plicable threshold amount’ means—

1 “(i) \$150,000, in the case of a joint
2 return or surviving spouse (as defined in
3 section 2(a)) ,

4 “(ii) \$112,500, in the case of a head
5 of household (as defined in section 2(b)),
6 and

7 “(iii) \$75,000, in any other case.

8 “(C) LIMITATION ON REDUCTION.—

9 “(i) IN GENERAL.—The amount of
10 the reduction under subparagraph (A)
11 shall not exceed the lesser of—

12 “(I) the applicable credit increase
13 amount, or

14 “(II) 5 percent of the applicable
15 phaseout threshold range.

16 “(ii) APPLICABLE CREDIT INCREASE
17 AMOUNT.—For purposes of this subpara-
18 graph, the term ‘applicable credit increase
19 amount’ means the excess (if any) of—

20 “(I) the amount of the credit al-
21 lowable under this section for the tax-
22 able year determined without regard
23 to this paragraph and subsection (b),
24 over

1 “(II) the amount of such credit
2 as so determined and without regard
3 to paragraph (3).

4 “(iii) APPLICABLE PHASEOUT
5 THRESHOLD RANGE.—For purposes of this
6 subparagraph, the term ‘applicable phase-
7 out threshold range’ means the excess of—

8 “(I) the threshold amount appli-
9 cable to the taxpayer under subsection
10 (b) (determined after the application
11 of subsection (h)(3)), over

12 “(II) the applicable threshold
13 amount applicable to the taxpayer
14 under this paragraph.

15 “(D) COORDINATION WITH LIMITATION ON
16 OVERALL CREDIT.—Subsection (b) shall be ap-
17 plied by substituting ‘the credit allowable under
18 subsection (a) (determined after the application
19 of subsection (i)(4)(A)’ for ‘the credit allowable
20 under subsection (a)’.”.

21 (b) ADVANCE PAYMENT OF CREDIT.—

22 (1) IN GENERAL.—Chapter 77 of such Code is
23 amended by inserting after section 7527 the fol-
24 lowing new section:

1 **“SEC. 7527A. ADVANCE PAYMENT OF CHILD TAX CREDIT.**

2 “(a) IN GENERAL.—The Secretary shall establish a
3 program for making monthly payments to taxpayers each
4 of which is equal to $\frac{1}{12}$ of the annual advance amount
5 determined with respect to such taxpayer for the calendar
6 year.

7 “(b) ANNUAL ADVANCE AMOUNT.—For purposes of
8 this section—

9 “(1) IN GENERAL.—Except as otherwise pro-
10 vided in this subsection, the term ‘annual advance
11 amount’ means, with respect to any taxpayer for any
12 calendar year, the amount (if any) which is esti-
13 mated by the Secretary as being equal to the
14 amount which would be treated as allowed under
15 subpart C of part IV of subchapter A of chapter 1
16 by reason of section 24(i)(1) for the taxpayer’s tax-
17 able year beginning in such calendar year if—

18 “(A) the status of the taxpayer as a tax-
19 payer described in section 24(i)(1) is deter-
20 mined with respect to the reference taxable
21 year,

22 “(B) the taxpayer’s modified adjusted
23 gross income for such taxable year is equal to
24 the taxpayer’s modified adjusted gross income
25 for the reference taxable year,

1 “(C) the only children of such taxpayer for
2 such taxable year are qualifying children prop-
3 erly claimed on the taxpayer’s return of tax for
4 the reference taxable year, and

5 “(D) the ages of such children (and the
6 status of such children as qualifying children)
7 are determined for such taxable year by taking
8 into account the passage of time since the ref-
9 erence taxable year.

10 “(2) REFERENCE TAXABLE YEAR.—Except as
11 provided in paragraph (3)(A), the term ‘reference
12 taxable year’ means, with respect to any taxpayer
13 for any calendar year, the taxpayer’s taxable year
14 beginning in the preceding calendar year or, in the
15 case of taxpayer who did not file a return of tax for
16 such taxable year, the taxpayer’s taxable year begin-
17 ning in the second preceding calendar year.

18 “(3) MODIFICATIONS DURING CALENDAR
19 YEAR.—

20 “(A) IN GENERAL.—The Secretary may
21 modify, during any calendar year, the annual
22 advance amount with respect to any taxpayer
23 for such calendar year to take into account—

24 “(i) a return of tax filed by such tax-
25 payer during such calendar year (and the

1 taxable year to which such return relates
2 may be taken into account as the reference
3 taxable year), and

4 “(ii) any other information provided
5 by the taxpayer to the Secretary which al-
6 lows the Secretary to determine payments
7 under subsection (a) which, in the aggre-
8 gate during any taxable year of the tax-
9 payer, more closely total the Secretary’s
10 estimate of the amount treated as allowed
11 under subpart C of part IV of subchapter
12 A of chapter 1 by reason of section
13 24(i)(1) for such taxable year of such tax-
14 payer.

15 “(B) ADJUSTMENT TO REFLECT EXCESS
16 OR DEFICIT IN PRIOR PAYMENTS.—In the case
17 of any modification of the annual advance
18 amount under subparagraph (A), the Secretary
19 may adjust the amount of any monthly pay-
20 ment made after the date of such modification
21 to properly take into account the amount by
22 which any monthly payment made before such
23 date was greater than or less than the amount
24 that such payment would have been on the

1 basis of the annual advance amount as so modi-
2 fied.

3 “(4) DETERMINATION OF STATUS.—If informa-
4 tion contained in the taxpayer’s return of tax for the
5 reference taxable year does not establish the status
6 of the taxpayer as being described in section
7 24(i)(1), the Secretary may, for purposes of para-
8 graph (1)(A), infer such status (or the lack thereof)
9 from such information as is so contained or from
10 other sources.

11 “(5) TREATMENT OF CERTAIN DEATHS.—A
12 child shall not be taken into account in determining
13 the annual advance amount under paragraph (1) if
14 the death of such child is known to the Secretary as
15 of the beginning of the calendar year for which the
16 estimate under such paragraph is made.

17 “(c) ON-LINE INFORMATION PORTAL.—The Sec-
18 retary shall establish an on-line portal which allows tax-
19 payers to—

20 “(1) elect not to receive payments under this
21 section, and

22 “(2) provide information to the Secretary which
23 would be relevant to a modification under subsection
24 (b)(3)(B) of the annual advance amount, including
25 information regarding—

1 “(A) a change in the number of the tax-
2 payer’s qualifying children, including by reason
3 of the birth of a child,

4 “(B) a change in the taxpayer’s marital
5 status,

6 “(C) a significant change in the taxpayer’s
7 income, and

8 “(D) any other factor which the Secretary
9 may provide.

10 “(d) NOTICE OF PAYMENTS.—Not later than Janu-
11 ary 31 of the calendar year following any calendar year
12 during which the Secretary makes one or more payments
13 to any taxpayer under this section, the Secretary shall pro-
14 vide such taxpayer with a written notice which includes
15 the taxpayer’s taxpayer identity (as defined in section
16 6103(b)(6)), the aggregate amount of such payments
17 made to such taxpayer during such calendar year, and
18 such other information as the Secretary determines appro-
19 priate.

20 “(e) AUTHORITY TO ADJUST INTERVAL OF PAY-
21 MENTS.—If the Secretary determines that it is not admin-
22 istratively feasible to make monthly payments under this
23 section—

1 “(1) such payments shall be made on the basis
2 of the shortest interval which the Secretary deter-
3 mines is administratively feasible, and

4 “(2) the amount of such payments shall be de-
5 termined by substituting the ratio of the length of
6 such interval to the length of the calendar year for
7 ‘ $\frac{1}{12}$ ’ in subsection (a).

8 “(f) ADMINISTRATIVE PROVISIONS.—

9 “(1) APPLICATION OF DIRECT DEPOSIT RE-
10 QUIREMENT.—Solely for purposes of section 3332 of
11 title 31, United States Code (and notwithstanding
12 the last sentence of subsection (j)(3) thereof), the
13 payments made by the Secretary under subsection
14 (a) shall be treated as Federal payments.

15 “(2) DELIVERY OF PAYMENTS.—Notwith-
16 standing any other provision of law, the Secretary
17 may certify and disburse refunds payable under this
18 section electronically to—

19 “(A) any account to which the payee re-
20 ceived or authorized, on or after January 1,
21 2019, a refund of taxes under this title or a
22 Federal payment (as defined in section 3332 of
23 title 31, United States Code),

24 “(B) any account belonging to a payee
25 from which that individual, on or after January

1 1, 2019, made a payment of taxes under this
2 title, or

3 “(C) any Treasury-sponsored account (as
4 defined in section 208.2 of title 31, Code of
5 Federal Regulations).

6 “(3) WAIVER OF CERTAIN RULES.—Notwith-
7 standing section 3325 of title 31, United States
8 Code, or any other provision of law, with respect to
9 any payment of a refund under this section, a dis-
10 bursing official in the executive branch of the United
11 States Government may modify payment information
12 received from an officer or employee described in
13 section 3325(a)(1)(B) of such title for the purpose
14 of facilitating the accurate and efficient delivery of
15 such payment. Except in cases of fraud or reckless
16 neglect, no liability under section 3325, 3527, 3528,
17 or 3529 of title 31, United States Code, shall be im-
18 posed with respect to payments made under this
19 paragraph.

20 “(4) EXCEPTION FROM REDUCTION OR OFF-
21 SET.—Any payment made to any individual under
22 this section shall not be—

23 “(A) subject to reduction or offset pursu-
24 ant to section 3716 or 3720A of title 31,
25 United States Code,

1 “(B) subject to reduction or offset pursu-
2 ant to subsection (c), (d), (e), or (f) of section
3 6402, or

4 “(C) reduced or offset by other assessed
5 Federal taxes that would otherwise be subject
6 to levy or collection.

7 “(5) ADVANCE PAYMENTS NOT APPLICABLE TO
8 POSSESSIONS OF THE UNITED STATES.—

9 “(A) IN GENERAL.—The advance payment
10 amount determined under this section shall be
11 determined—

12 “(i) by applying section 24(i)(1) with-
13 out regard to the phrase ‘or is a bona fide
14 resident of Puerto Rico (within the mean-
15 ing of section 937(a))’, and

16 “(ii) without regard to section
17 24(k)(3)(C)(ii)(I).

18 “(B) MIRROR CODE POSSESSIONS.—In the
19 case of any possession of the United States with
20 a mirror code tax system (as defined in section
21 24(k)), this section shall not be treated as part
22 of the income tax laws of the United States for
23 purposes of determining the income tax law of
24 such possession.

1 “(g) APPLICATION.—No payments shall be made
2 under the program established under subsection (a) with
3 respect to—

4 “(1) any month beginning before July 1, 2021,
5 or

6 “(2) any month beginning after December 31,
7 2021.

8 “(h) REGULATIONS.—The Secretary shall issue such
9 regulations or other guidance as the Secretary determines
10 necessary or appropriate to carry out the purposes of this
11 section and subsections (i)(1) and (j) of section 24, includ-
12 ing regulations or other guidance which provides for the
13 application of such provisions where the filing status of
14 the taxpayer for a taxable year is different from the status
15 used for determining the annual advance amount.”.

16 (2) RECONCILIATION OF CREDIT AND ADVANCE
17 CREDIT.—Section 24 of such Code, as amended by
18 the preceding provision of this Act, is amended by
19 adding at the end the following new subsection:

20 “(j) RECONCILIATION OF CREDIT AND ADVANCE
21 CREDIT.—

22 “(1) IN GENERAL.—The amount of the credit
23 allowed under this section to any taxpayer for any
24 taxable year shall be reduced (but not below zero) by
25 the aggregate amount of payments made under sec-

1 tion 7527A to such taxpayer during such taxable
2 year. Any failure to so reduce the credit shall be
3 treated as arising out of a mathematical or clerical
4 error and assessed according to section 6213(b)(1).

5 “(2) EXCESS ADVANCE PAYMENTS.—

6 “(A) IN GENERAL.—If the aggregate
7 amount of payments under section 7527A to
8 the taxpayer during the taxable year exceeds
9 the amount of the credit allowed under this sec-
10 tion to such taxpayer for such taxable year (de-
11 termined without regard to paragraph (1)), the
12 tax imposed by this chapter for such taxable
13 year shall be increased by the amount of such
14 excess. Any failure to so increase the tax shall
15 be treated as arising out of a mathematical or
16 clerical error and assessed according to section
17 6213(b)(1).

18 “(B) SAFE HARBOR BASED ON MODIFIED
19 ADJUSTED GROSS INCOME.—

20 “(i) IN GENERAL.—In the case of a
21 taxpayer whose modified adjusted gross in-
22 come (as defined in subsection (b)) for the
23 taxable year does not exceed 200 percent
24 of the applicable income threshold, the
25 amount of the increase determined under

1 subparagraph (A) with respect to such tax-
2 payer for such taxable year shall be re-
3 duced (but not below zero) by the safe har-
4 bor amount.

5 “(ii) PHASE OUT OF SAFE HARBOR
6 AMOUNT.—In the case of a taxpayer whose
7 modified adjusted gross income (as defined
8 in subsection (b)) for the taxable year ex-
9 ceeds the applicable income threshold, the
10 safe harbor amount otherwise in effect
11 under clause (i) shall be reduced by the
12 amount which bears the same ratio to such
13 amount as such excess bears to the appli-
14 cable income threshold.

15 “(iii) APPLICABLE INCOME THRESH-
16 OLD.—For purposes of this subparagraph,
17 the term ‘applicable income threshold’
18 means—

19 “(I) \$60,000 in the case of a
20 joint return or surviving spouse (as
21 defined in section 2(a)),

22 “(II) \$50,000 in the case of a
23 head of household, and

24 “(III) \$40,000 in any other case.

1 “(iv) SAFE HARBOR AMOUNT.—For
2 purposes of this subparagraph, the term
3 ‘safe harbor amount’ means, with respect
4 to any taxable year, the product of—

5 “(I) \$2,000, multiplied by

6 “(II) the excess (if any) of the
7 number of qualified children taken
8 into account in determining the an-
9 nual advance amount with respect to
10 the taxpayer under section 7527A
11 with respect to months beginning in
12 such taxable year, over the number of
13 qualified children taken into account
14 in determining the credit allowed
15 under this section for such taxable
16 year.”.

17 (3) COORDINATION WITH WAGE WITH-
18 HOLDING.—Section 3402(f)(1)(C) of such Code is
19 amended by striking “section 24(a)” and inserting
20 “section 24 (determined after application of sub-
21 section (j) thereof)”.

22 (4) CONFORMING AMENDMENTS.—

23 (A) Section 26(b)(2) of such Code is
24 amended by striking “and” at the end of sub-
25 paragraph (X), by striking the period at the

1 end of subparagraph (Y) and inserting “, and”,
2 and by adding at the end the following new sub-
3 paragraph:

4 “(Z) section 24(j)(2) (relating to excess
5 advance payments).”.

6 (B) Section 6211(b)(4)(A) of such Code,
7 as amended by the preceding provisions of this
8 subtitle, is amended—

9 (i) by striking “24(d)” and inserting
10 “24 by reason of subsections (d) and (i)(1)
11 thereof”, and

12 (ii) by striking “and 6428B” and in-
13 serting “6428B, and 7527A”.

14 (C) Paragraph (2) of section 1324(b) of
15 title 31, United States Code, is amended—

16 (i) by inserting “24,” before “25A”,
17 and

18 (ii) by striking “ or 6431” and insert-
19 ing “6431, or 7527A”.

20 (D) The table of sections for chapter 77 of
21 the Internal Revenue Code of 1986 is amended
22 by inserting after the item relating to section
23 7527 the following new item:

“Sec. 7527A. Advance payment of child tax credit.”.

24 (5) APPROPRIATIONS TO CARRY OUT ADVANCE
25 PAYMENTS.—Immediately upon the enactment of

1 this Act, in addition to amounts otherwise available,
2 there are appropriated for fiscal year 2021, out of
3 any money in the Treasury not otherwise appro-
4 priated:

5 (A) \$397,200,000 to remain available until
6 September 30, 2022, for necessary expenses for
7 the Internal Revenue Service to carry out this
8 section (and the amendments made by this sec-
9 tion), which shall supplement and not supplant
10 any other appropriations that may be available
11 for this purpose, and

12 (B) \$16,200,000 to remain available until
13 September 30, 2022, for necessary expenses for
14 the Bureau of the Fiscal Service to carry out
15 this section (and the amendments made by this
16 section), which shall supplement and not sup-
17 plant any other appropriations that may be
18 available for this purpose.

19 (c) EFFECTIVE DATE.—

20 (1) IN GENERAL.—The amendments made by
21 this section shall apply to taxable years beginning
22 after December 31, 2020.

23 (2) ESTABLISHMENT OF ADVANCE PAYMENT
24 PROGRAM.—The Secretary of the Treasury (or the
25 Secretary's designee) shall establish the program de-

1 scribed in section 7527A of the Internal Revenue
2 Code of 1986 as soon as practicable after the date
3 of the enactment of this Act, except that the Sec-
4 retary shall ensure that the timing of the establish-
5 ment of such program does not interfere with car-
6 rying out section 6428B(g) as rapidly as possible.

7 **SEC. 9612. APPLICATION OF CHILD TAX CREDIT IN POSSES-**
8 **SIONS.**

9 (a) IN GENERAL.—Section 24 of the Internal Rev-
10 enue Code of 1986, as amended by the preceding provi-
11 sions of this Act, is amended by adding at the end the
12 following new subsection:

13 “(k) APPLICATION OF CREDIT IN POSSESSIONS.—

14 “(1) MIRROR CODE POSSESSIONS.—

15 “(A) IN GENERAL.—The Secretary shall
16 pay to each possession of the United States
17 with a mirror code tax system amounts equal to
18 the loss (if any) to that possession by reason of
19 the application of this section (determined with-
20 out regard to this subsection) with respect to
21 taxable years beginning after 2020. Such
22 amounts shall be determined by the Secretary
23 based on information provided by the govern-
24 ment of the respective possession.

1 “(B) COORDINATION WITH CREDIT AL-
2 LOWED AGAINST UNITED STATES INCOME
3 TAXES.—No credit shall be allowed under this
4 section for any taxable year to any individual to
5 whom a credit is allowable against taxes im-
6 posed by a possession of the United States with
7 a mirror code tax system by reason of the appli-
8 cation of this section in such possession for
9 such taxable year.

10 “(C) MIRROR CODE TAX SYSTEM.—For
11 purposes of this paragraph, the term ‘mirror
12 code tax system’ means, with respect to any
13 possession of the United States, the income tax
14 system of such possession if the income tax li-
15 ability of the residents of such possession under
16 such system is determined by reference to the
17 income tax laws of the United States as if such
18 possession were the United States.

19 “(2) PUERTO RICO.—

20 “(A) APPLICATION TO TAXABLE YEARS IN
21 2021.—

22 “(i) For application of refundable
23 credit to residents of Puerto Rico, see sub-
24 section (i)(1).

1 “(ii) For nonapplication of advance
2 payment to residents of Puerto Rico, see
3 section 7527A(f)(5)(A).

4 “(B) APPLICATION TO TAXABLE YEARS
5 AFTER 2021.—In the case of any bona fide resi-
6 dent of Puerto Rico (within the meaning of sec-
7 tion 937(a)) for any taxable year beginning
8 after December 31, 2021—

9 “(i) the credit determined under this
10 section shall be allowable to such resident,
11 and

12 “(ii) subsection (d)(1)(B)(ii) shall be
13 applied without regard to the phrase ‘in
14 the case of a taxpayer with 3 or more
15 qualifying children’.

16 “(3) AMERICAN SAMOA.—

17 “(A) IN GENERAL.—The Secretary shall
18 pay to American Samoa amounts estimated by
19 the Secretary as being equal to the aggregate
20 benefits that would have been provided to resi-
21 dents of American Samoa by reason of the ap-
22 plication of this section for taxable years begin-
23 ning after 2020 if the provisions of this section
24 had been in effect in American Samoa (applied
25 as if American Samoa were the United States

1 and without regard to the application of this
2 section to bona fide residents of Puerto Rico
3 under subsection (i)(1)).

4 “(B) DISTRIBUTION REQUIREMENT.—Sub-
5 paragraph (A) shall not apply unless American
6 Samoa has a plan, which has been approved by
7 the Secretary, under which American Samoa
8 will promptly distribute such payments to its
9 residents.

10 “(C) COORDINATION WITH CREDIT AL-
11 LOWED AGAINST UNITED STATES INCOME
12 TAXES.—

13 “(i) IN GENERAL.—In the case of a
14 taxable year with respect to which a plan
15 is approved under subparagraph (B), this
16 section (other than this subsection) shall
17 not apply to any individual eligible for a
18 distribution under such plan.

19 “(ii) APPLICATION OF SECTION IN
20 EVENT OF ABSENCE OF APPROVED
21 PLAN.—In the case of a taxable year with
22 respect to which a plan is not approved
23 under subparagraph (B)—

24 “(I) if such taxable year begins
25 in 2021, subsection (i)(1) shall be ap-

1 plied by substituting ‘bona fide resi-
2 dent of Puerto Rico or American
3 Samoa’ for ‘bona fide resident of
4 Puerto Rico’, and

5 “(II) if such taxable year begins
6 after December 31, 2021, rules simi-
7 lar to the rules of paragraph (2)(B)
8 shall apply with respect to bona fide
9 residents of American Samoa (within
10 the meaning of section 937(a)).

11 “(4) TREATMENT OF PAYMENTS.—For pur-
12 poses of section 1324 of title 31, United States
13 Code, the payments under this subsection shall be
14 treated in the same manner as a refund due from
15 a credit provision referred to in subsection (b)(2) of
16 such section.”.

17 (b) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to taxable years beginning after
19 December 31, 2020.

1 **PART 3—EARNED INCOME TAX CREDIT**
2 **SEC. 9621. STRENGTHENING THE EARNED INCOME TAX**
3 **CREDIT FOR INDIVIDUALS WITH NO QUALI-**
4 **FYING CHILDREN.**

5 (a) SPECIAL RULES FOR 2021.—Section 32 of the
6 Internal Revenue Code of 1986 is amended by adding at
7 the end the following new subsection:

8 “(n) SPECIAL RULES FOR INDIVIDUALS WITHOUT
9 QUALIFYING CHILDREN.—In the case of any taxable year
10 beginning after December 31, 2020, and before January
11 1, 2022—

12 “(1) DECREASE IN MINIMUM AGE FOR CRED-
13 IT.—

14 “(A) IN GENERAL.—Subsection
15 (c)(1)(A)(ii)(II) shall be applied by substituting
16 ‘the applicable minimum age’ for ‘age 25’.

17 “(B) APPLICABLE MINIMUM AGE.—For
18 purposes of this paragraph, the term ‘applicable
19 minimum age’ means—

20 “(i) except as otherwise provided in
21 this subparagraph, age 19,

22 “(ii) in the case of a specified student
23 (other than a qualified former foster youth
24 or a qualified homeless youth), age 24, and

1 “(iii) in the case of a qualified former
2 foster youth or a qualified homeless youth,
3 age 18.

4 “(C) SPECIFIED STUDENT.—For purposes
5 of this paragraph, the term ‘specified student’
6 means, with respect to any taxable year, an in-
7 dividual who is an eligible student (as defined
8 in section 25A(b)(3)) during at least 5 calendar
9 months during the taxable year.

10 “(D) QUALIFIED FORMER FOSTER
11 YOUTH.—For purposes of this paragraph, the
12 term ‘qualified former foster youth’ means an
13 individual who—

14 “(i) on or after the date that such in-
15 dividual attained age 14, was in foster care
16 provided under the supervision or adminis-
17 tration of an entity administering (or eligi-
18 ble to administer) a plan under part B or
19 part E of title IV of the Social Security
20 Act (without regard to whether Federal as-
21 sistance was provided with respect to such
22 child under such part E), and

23 “(ii) provides (in such manner as the
24 Secretary may provide) consent for entities
25 which administer a plan under part B or

1 part E of title IV of the Social Security
2 Act to disclose to the Secretary informa-
3 tion related to the status of such individual
4 as a qualified former foster youth.

5 “(E) QUALIFIED HOMELESS YOUTH.—For
6 purposes of this paragraph, the term ‘qualified
7 homeless youth’ means, with respect to any tax-
8 able year, an individual who—

9 “(i) is certified by a local educational
10 agency or a financial aid administrator
11 during such taxable year as being either an
12 unaccompanied youth who is a homeless
13 child or youth, or as unaccompanied, at
14 risk of homelessness, and self-supporting,
15 and

16 “(ii) provides (in such manner as the
17 Secretary may provide) consent for local
18 educational agencies and financial aid ad-
19 ministrators to disclose to the Secretary in-
20 formation related to the status of such in-
21 dividual as a qualified homeless youth.

22 Terms used in this subparagraph which are also
23 used in section 480(d)(1) of the Higher Edu-
24 cation Act of 1965 shall have the same meaning
25 as when used in such section.

1 “(2) ELIMINATION OF MAXIMUM AGE FOR
2 CREDIT.—Subsection (c)(1)(A)(ii)(II) shall be ap-
3 plied without regard to the phrase ‘but not attained
4 age 65’.

5 “(3) INCREASE IN CREDIT AND PHASEOUT PER-
6 CENTAGES.—The table contained in subsection
7 (b)(1) shall be applied by substituting ‘15.3’ for
8 ‘7.65’ each place it appears therein.

9 “(4) INCREASE IN EARNED INCOME AND
10 PHASEOUT AMOUNTS.—

11 “(A) IN GENERAL.—The table contained in
12 subsection (b)(2)(A) shall be applied—

13 “(i) by substituting ‘\$9,820’ for
14 ‘\$4,220’, and

15 “(ii) by substituting ‘\$11,610’ for
16 ‘\$5,280’.

17 “(B) COORDINATION WITH INFLATION AD-
18 JUSTMENT.—Subsection (j) shall not apply to
19 any dollar amount specified in this paragraph.”.

20 “(b) INFORMATION RETURN MATCHING.—As soon as
21 practicable, the Secretary of the Treasury (or the Sec-
22 retary’s delegate) shall develop and implement procedures
23 to use information returns under section 6050S (relating
24 to returns relating to higher education tuition and related
25 expenses) to check the status of individuals as specified

1 students for purposes of section 32(n)(1)(B)(ii) of the In-
2 ternal Revenue Code of 1986 (as added by this section).

3 (c) EFFECTIVE DATE.—The amendment made by
4 this section shall apply to taxable years beginning after
5 December 31, 2020.

6 **SEC. 9622. TAXPAYER ELIGIBLE FOR CHILDLESS EARNED**
7 **INCOME CREDIT IN CASE OF QUALIFYING**
8 **CHILDREN WHO FAIL TO MEET CERTAIN**
9 **IDENTIFICATION REQUIREMENTS.**

10 (a) IN GENERAL.—Section 32(c)(1) of the Internal
11 Revenue Code of 1986 is amended by striking subpara-
12 graph (F).

13 (b) EFFECTIVE DATE.—The amendment made by
14 this section shall apply to taxable years beginning after
15 December 31 2020.

16 **SEC. 9623. CREDIT ALLOWED IN CASE OF CERTAIN SEPA-**
17 **RATED SPOUSES.**

18 (a) IN GENERAL.—Section 32(d) of the Internal Rev-
19 enue Code of 1986 is amended—

20 (1) by striking “MARRIED INDIVIDUALS.—In
21 the case of” and inserting the following: “MARRIED
22 INDIVIDUALS.—

23 “(1) IN GENERAL.—In the case of”, and

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

1 “(2) DETERMINATION OF MARITAL STATUS.—

2 For purposes of this section—

3 “(A) IN GENERAL.—Except as provided in
4 subparagraph (B), marital status shall be deter-
5 mined under section 7703(a).

6 “(B) SPECIAL RULE FOR SEPARATED
7 SPOUSE.—An individual shall not be treated as
8 married if such individual—

9 “(i) is married (as determined under
10 section 7703(a)) and does not file a joint
11 return for the taxable year,

12 “(ii) resides with a qualifying child of
13 the individual for more than one-half of
14 such taxable year, and

15 “(iii)(I) during the last 6 months of
16 such taxable year, does not have the same
17 principal place of abode as the individual’s
18 spouse, or

19 “(II) has a decree, instrument, or
20 agreement (other than a decree of divorce)
21 described in section 121(d)(3)(C) with re-
22 spect to the individual’s spouse and is not
23 a member of the same household with the
24 individual’s spouse by the end of the tax-
25 able year.”.

1 (b) CONFORMING AMENDMENTS.—

2 (1) Section 32(c)(1)(A) of such Code is amend-
3 ed by striking the last sentence.

4 (2) Section 32(c)(1)(E)(ii) of such Code is
5 amended by striking “(within the meaning of section
6 7703)”.

7 (3) Section 32(d)(1) of such Code, as amended
8 by subsection (a), is amended by striking “(within
9 the meaning of section 7703)”.

10 (c) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to taxable years beginning after
12 December 31, 2020.

13 **SEC. 9624. MODIFICATION OF DISQUALIFIED INVESTMENT**
14 **INCOME TEST.**

15 (a) IN GENERAL.—Section 32(i) of the Internal Rev-
16 enue Code of 1986 is amended by striking “\$2,200” and
17 inserting “\$10,000”.

18 (b) INFLATION ADJUSTMENT.—Section 32(j)(1) of
19 such Code is amended—

20 (1) in the matter preceding subparagraph (A),
21 by inserting “(2021 in the case of the dollar amount
22 in subsection (i)(1))” after “2015”,

23 (2) in subparagraph (B)(i)—

1 (A) by striking “subsections (b)(2)(A) and
2 (i)(1)” and inserting “subsection (b)(2)(A)”,
3 and

4 (B) by striking “and” at the end,
5 (3) by striking the period at the end of sub-
6 paragraph (B)(ii) and inserting “, and”, and

7 (4) by inserting after subparagraph (B)(ii) the
8 following new clause:

9 “(iii) in the case of the \$10,000
10 amount in subsection (i)(1), ‘calendar year
11 2020’ for ‘calendar year 2016’.”.

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to taxable years beginning after
14 December 31, 2020.

15 **SEC. 9625. APPLICATION OF EARNED INCOME TAX CREDIT**
16 **IN POSSESSIONS OF THE UNITED STATES.**

17 (a) IN GENERAL.—Chapter 77 of the Internal Rev-
18 enue Code of 1986 is amended by adding at the end the
19 following new section:

20 **“SEC. 7530. APPLICATION OF EARNED INCOME TAX CREDIT**
21 **TO POSSESSIONS OF THE UNITED STATES.**

22 “(a) PUERTO RICO.—

23 “(1) IN GENERAL.—With respect to calendar
24 year 2021 and each calendar year thereafter, the
25 Secretary shall, except as otherwise provided in this

1 subsection, make payments to Puerto Rico equal
2 to—

3 “(A) the specified matching amount for
4 such calendar year, plus

5 “(B) in the case of calendar years 2021
6 through 2025, the lesser of—

7 “(i) the expenditures made by Puerto
8 Rico during such calendar year for edu-
9 cation efforts with respect to individual
10 taxpayers and tax return preparers relat-
11 ing to the earned income tax credit, or

12 “(ii) \$1,000,000.

13 “(2) REQUIREMENT TO REFORM EARNED IN-
14 COME TAX CREDIT.—The Secretary shall not make
15 any payments under paragraph (1) with respect to
16 any calendar year unless Puerto Rico has in effect
17 an earned income tax credit for taxable years begin-
18 ning in or with such calendar year which (relative to
19 the earned income tax credit which was in effect for
20 taxable years beginning in or with calendar year
21 2019) increases the percentage of earned income
22 which is allowed as a credit for each group of indi-
23 viduals with respect to which such percentage is sep-
24 arately stated or determined in a manner designed
25 to substantially increase workforce participation.

1 “(3) SPECIFIED MATCHING AMOUNT.—For pur-
2 poses of this subsection—

3 “(A) IN GENERAL.—The term ‘specified
4 matching amount’ means, with respect to any
5 calendar year, the lesser of—

6 “(i) the excess (if any) of—

7 “(I) the cost to Puerto Rico of
8 the earned income tax credit for tax-
9 able years beginning in or with such
10 calendar year, over

11 “(II) the base amount for such
12 calendar year, or

13 “(ii) the product of 3, multiplied by
14 the base amount for such calendar year.

15 “(B) BASE AMOUNT.—

16 “(i) BASE AMOUNT FOR 2021.—In the
17 case of calendar year 2021, the term ‘base
18 amount’ means the greater of—

19 “(I) the cost to Puerto Rico of
20 the earned income tax credit for tax-
21 able years beginning in or with cal-
22 endar year 2019 (rounded to the
23 nearest multiple of \$1,000,000), or

24 “(II) \$200,000,000.

1 “(ii) INFLATION ADJUSTMENT.—In
2 the case of any calendar year after 2021,
3 the term ‘base amount’ means the dollar
4 amount determined under clause (i) in-
5 creased by an amount equal to—

6 “(I) such dollar amount, multi-
7 plied by—

8 “(II) the cost-of-living adjust-
9 ment determined under section 1(f)(3)
10 for such calendar year, determined by
11 substituting ‘calendar year 2020’ for
12 ‘calendar year 2016’ in subparagraph
13 (A)(ii) thereof.

14 Any amount determined under this clause
15 shall be rounded to the nearest multiple of
16 \$1,000,000.

17 “(4) RULES RELATED TO PAYMENTS AND RE-
18 PORTS.—

19 “(A) TIMING OF PAYMENTS.—The Sec-
20 retary shall make payments under paragraph
21 (1) for any calendar year—

22 “(i) after receipt of the report de-
23 scribed in subparagraph (B) for such cal-
24 endar year, and

1 “(ii) except as provided in clause (i),
2 within a reasonable period of time before
3 the due date for individual income tax re-
4 turns (as determined under the laws of
5 Puerto Rico) for taxable years which began
6 on the first day of such calendar year.

7 “(B) ANNUAL REPORTS.—With respect to
8 calendar year 2021 and each calendar year
9 thereafter, Puerto Rico shall provide to the Sec-
10 retary a report which shall include—

11 “(i) an estimate of the costs described
12 in paragraphs (1)(B)(i) and (3)(A)(i)(I)
13 with respect to such calendar year, and

14 “(ii) a statement of such costs with
15 respect to the preceding calendar year.

16 “(C) ADJUSTMENTS.—

17 “(i) IN GENERAL.—In the event that
18 any estimate of an amount is more or less
19 than the actual amount as later deter-
20 mined and any payment under paragraph
21 (1) was determined on the basis of such
22 estimate, proper payment shall be made
23 by, or to, the Secretary (as the case may
24 be) as soon as practicable after the deter-
25 mination that such estimate was inac-

1 curate. Proper adjustment shall be made in
2 the amount of any subsequent payments
3 made under paragraph (1) to the extent
4 that proper payment is not made under the
5 preceding sentence before such subsequent
6 payments.

7 “(ii) ADDITIONAL REPORTS.—The
8 Secretary may require such additional peri-
9 odic reports of the information described in
10 subparagraph (B) as the Secretary deter-
11 mines appropriate to facilitate timely ad-
12 justments under clause (i).

13 “(D) DETERMINATION OF COST OF
14 EARNED INCOME TAX CREDIT.—For purposes
15 of this subsection, the cost to Puerto Rico of
16 the earned income tax credit shall be deter-
17 mined by the Secretary on the basis of the laws
18 of Puerto Rico and shall include reductions in
19 revenues received by Puerto Rico by reason of
20 such credit and refunds attributable to such
21 credit, but shall not include any administrative
22 costs with respect to such credit.

23 “(b) POSSESSIONS WITH MIRROR CODE TAX SYS-
24 TEMS.—

1 “(1) IN GENERAL.—With respect to calendar
2 year 2021 and each calendar year thereafter, the
3 Secretary shall, except as otherwise provided in this
4 subsection, make payments to the Virgin Islands,
5 Guam, and the Commonwealth of the Northern Mar-
6 iana Islands equal to—

7 “(A) 75 percent of the cost to such posses-
8 sion of the earned income tax credit for taxable
9 years beginning in or with such calendar year,
10 plus

11 “(B) in the case of calendar years 2021
12 through 2025, the lesser of—

13 “(i) the expenditures made by such
14 possession during such calendar year for
15 education efforts with respect to individual
16 taxpayers and tax return preparers relat-
17 ing to such earned income tax credit, or

18 “(ii) \$50,000.

19 “(2) APPLICATION OF CERTAIN RULES.—Rules
20 similar to the rules of subparagraphs (A), (B), (C),
21 and (D) of subsection (a)(4) shall apply for purposes
22 of this subsection.

23 “(c) AMERICAN SAMOA.—

24 “(1) IN GENERAL.—With respect to calendar
25 year 2021 and each calendar year thereafter, the

1 Secretary shall, except as otherwise provided in this
2 subsection, make payments to American Samoa
3 equal to—

4 “(A) the lesser of—

5 “(i) 75 percent of the cost to Amer-
6 ican Samoa of the earned income tax cred-
7 it for taxable years beginning in or with
8 such calendar year, or

9 “(ii) \$12,000,000, plus

10 “(B) in the case of calendar years 2021
11 through 2025, the lesser of—

12 “(i) the expenditures made by Amer-
13 ican Samoa during such calendar year for
14 education efforts with respect to individual
15 taxpayers and tax return preparers relat-
16 ing to such earned income tax credit, or

17 “(ii) \$50,000.

18 “(2) REQUIREMENT TO ENACT AND MAINTAIN
19 AN EARNED INCOME TAX CREDIT.—The Secretary
20 shall not make any payments under paragraph (1)
21 with respect to any calendar year unless American
22 Samoa has in effect an earned income tax credit for
23 taxable years beginning in or with such calendar
24 year which allows a refundable tax credit to individ-
25 uals on the basis of the taxpayer’s earned income

1 which is designed to substantially increase workforce
2 participation.

3 “(3) INFLATION ADJUSTMENT.—In the case of
4 any calendar year after 2021, the \$12,000,000
5 amount in paragraph (1)(A)(ii) shall be increased by
6 an amount equal to—

7 “(A) such dollar amount, multiplied by—

8 “(B) the cost-of-living adjustment deter-
9 mined under section 1(f)(3) for such calendar
10 year, determined by substituting ‘calendar year
11 2020’ for ‘calendar year 2016’ in subparagraph
12 (A)(ii) thereof.

13 Any increase determined under this clause shall be
14 rounded to the nearest multiple of \$100,000.

15 “(4) APPLICATION OF CERTAIN RULES.—Rules
16 similar to the rules of subparagraphs (A), (B), (C),
17 and (D) of subsection (a)(4) shall apply for purposes
18 of this subsection.

19 “(d) TREATMENT OF PAYMENTS.—For purposes of
20 section 1324 of title 31, United States Code, the payments
21 under this section shall be treated in the same manner
22 as a refund due from a credit provision referred to in sub-
23 section (b)(2) of such section.”.

1 (b) CLERICAL AMENDMENT.—The table of sections
2 for chapter 77 of the Internal Revenue Code of 1986 is
3 amended by adding at the end the following new item:

“Sec. 7530. Application of earned income tax credit to possessions of the
United States.”.

4 **SEC. 9626. TEMPORARY SPECIAL RULE FOR DETERMINING**
5 **EARNED INCOME FOR PURPOSES OF EARNED**
6 **INCOME TAX CREDIT.**

7 (a) IN GENERAL.—If the earned income of the tax-
8 payer for the taxpayer’s first taxable year beginning in
9 2021 is less than the earned income of the taxpayer for
10 the taxpayer’s first taxable year beginning in 2019, the
11 credit allowed under section 32 of the Internal Revenue
12 Code of 1986 may, at the election of the taxpayer, be de-
13 termined by substituting—

14 (1) such earned income for the taxpayer’s first
15 taxable year beginning in 2019, for

16 (2) such earned income for the taxpayer’s first
17 taxable year beginning in 2021.

18 (b) EARNED INCOME.—

19 (1) IN GENERAL.—For purposes of this section,
20 the term “earned income” has the meaning given
21 such term under section 32(c) of the Internal Rev-
22 enue Code of 1986.

23 (2) APPLICATION TO JOINT RETURNS.—For
24 purposes of subsection (a), in the case of a joint re-

1 turn, the earned income of the taxpayer for the first
2 taxable year beginning in 2019 shall be the sum of
3 the earned income of each spouse for such taxable
4 year.

5 (c) SPECIAL RULES.—

6 (1) ERRORS TREATED AS MATHEMATICAL ER-
7 RORS.—For purposes of section 6213 of the Internal
8 Revenue Code of 1986, an incorrect use on a return
9 of earned income pursuant to subsection (a) shall be
10 treated as a mathematical or clerical error.

11 (2) NO EFFECT ON DETERMINATION OF GROSS
12 INCOME, ETC.—Except as otherwise provided in this
13 subsection, the Internal Revenue Code of 1986 shall
14 be applied without regard to any substitution under
15 subsection (a).

16 (d) TREATMENT OF CERTAIN POSSESSIONS.—

17 (1) PAYMENTS TO POSSESSIONS WITH MIRROR
18 CODE TAX SYSTEMS.—The Secretary of the Treas-
19 ury shall pay to each possession of the United States
20 which has a mirror code tax system amounts equal
21 to the loss (if any) to that possession by reason of
22 the application of the provisions of this section
23 (other than this subsection) with respect to section
24 32 of the Internal Revenue Code of 1986. Such
25 amounts shall be determined by the Secretary of the

1 Treasury based on information provided by the gov-
2 ernment of the respective possession.

3 (2) PAYMENTS TO OTHER POSSESSIONS.—The
4 Secretary of the Treasury shall pay to each posses-
5 sion of the United States which does not have a mir-
6 ror code tax system amounts estimated by the Sec-
7 retary of the Treasury as being equal to the aggre-
8 gate benefits (if any) that would have been provided
9 to residents of such possession by reason of the pro-
10 visions of this section (other than this subsection)
11 with respect to section 32 of the Internal Revenue
12 Code of 1986 if a mirror code tax system had been
13 in effect in such possession. The preceding sentence
14 shall not apply unless the respective possession has
15 a plan, which has been approved by the Secretary of
16 the Treasury, under which such possession will
17 promptly distribute such payments to its residents.

18 (3) MIRROR CODE TAX SYSTEM.—For purposes
19 of this section, the term “mirror code tax system”
20 means, with respect to any possession of the United
21 States, the income tax system of such possession if
22 the income tax liability of the residents of such pos-
23 session under such system is determined by ref-
24 erence to the income tax laws of the United States
25 as if such possession were the United States.

1 (4) TREATMENT OF PAYMENTS.—For purposes
2 of section 1324 of title 31, United States Code, the
3 payments under this section shall be treated in the
4 same manner as a refund due from a credit provi-
5 sion referred to in subsection (b)(2) of such section.

6 **PART 4—DEPENDENT CARE ASSISTANCE**

7 **SEC. 9631. REFUNDABILITY AND ENHANCEMENT OF CHILD**
8 **AND DEPENDENT CARE TAX CREDIT.**

9 (a) IN GENERAL.—Section 21 of the Internal Rev-
10 enue Code of 1986 is amended by adding at the end the
11 following new subsection:

12 “(g) SPECIAL RULES FOR 2021.—In the case of any
13 taxable year beginning after December 31, 2020, and be-
14 fore January 1, 2022—

15 “(1) CREDIT MADE REFUNDABLE.—If the tax-
16 payer (in the case of a joint return, either spouse)
17 has a principal place of abode in the United States
18 (determined as provided in section 32) for more than
19 one-half of the taxable year, the credit allowed under
20 subsection (a) shall be treated as a credit allowed
21 under subpart C (and not allowed under this sub-
22 part).

23 “(2) INCREASE IN DOLLAR LIMIT ON AMOUNT
24 CREDITABLE.—Subsection (c) shall be applied—

1 “(A) by substituting ‘\$8,000’ for ‘\$3,000’
2 in paragraph (1) thereof, and

3 “(B) by substituting ‘\$16,000’ for ‘\$6,000’
4 in paragraph (2) thereof.

5 “(3) INCREASE IN APPLICABLE PERCENTAGE.—
6 Subsection (a)(2) shall be applied—

7 “(A) by substituting ‘50 percent’ for ‘35
8 percent ’, and

9 “(B) by substituting ‘\$125,000’ for
10 ‘\$15,000’.

11 “(4) APPLICATION OF PHASEOUT TO HIGH IN-
12 COME INDIVIDUALS.—

13 “(A) IN GENERAL.—Subsection (a)(2)
14 shall be applied by substituting ‘the phaseout
15 percentage’ for ‘20 percent’.

16 “(B) PHASEOUT PERCENTAGE.—The term
17 ‘phaseout percentage’ means 20 percent re-
18 duced (but not below zero) by 1 percentage
19 point for each \$2,000 (or fraction thereof) by
20 which the taxpayer’s adjusted gross income for
21 the taxable year exceeds \$400,000.”.

22 (b) APPLICATION OF CREDIT IN POSSESSIONS.—Sec-
23 tion 21 of such Code, as amended by subsection (a), is
24 amended by adding at the end the following new sub-
25 section:

1 “(h) APPLICATION OF CREDIT IN POSSESSIONS.—

2 “(1) PAYMENT TO POSSESSIONS WITH MIRROR
3 CODE TAX SYSTEMS.—The Secretary shall pay to
4 each possession of the United States with a mirror
5 code tax system amounts equal to the loss (if any)
6 to that possession by reason of the application of
7 this section (determined without regard to this sub-
8 section) with respect to taxable years beginning in or
9 with 2021. Such amounts shall be determined by the
10 Secretary based on information provided by the gov-
11 ernment of the respective possession.

12 “(2) PAYMENTS TO OTHER POSSESSIONS.—The
13 Secretary shall pay to each possession of the United
14 States which does not have a mirror code tax system
15 amounts estimated by the Secretary as being equal
16 to the aggregate benefits that would have been pro-
17 vided to residents of such possession by reason of
18 this section with respect to taxable years beginning
19 in or with 2021 if a mirror code tax system had
20 been in effect in such possession. The preceding sen-
21 tence shall not apply unless the respective possession
22 has a plan, which has been approved by the Sec-
23 retary, under which such possession will promptly
24 distribute such payments to its residents.

1 “(3) COORDINATION WITH CREDIT ALLOWED
2 AGAINST UNITED STATES INCOME TAXES.—In the
3 case of any taxable year beginning in or with 2021,
4 no credit shall be allowed under this section to any
5 individual—

6 “(A) to whom a credit is allowable against
7 taxes imposed by a possession with a mirror
8 code tax system by reason of this section, or

9 “(B) who is eligible for a payment under
10 a plan described in paragraph (2).

11 “(4) MIRROR CODE TAX SYSTEM.—For pur-
12 poses of this subsection, the term ‘mirror code tax
13 system’ means, with respect to any possession of the
14 United States, the income tax system of such posses-
15 sion if the income tax liability of the residents of
16 such possession under such system is determined by
17 reference to the income tax laws of the United
18 States as if such possession were the United States.

19 “(5) TREATMENT OF PAYMENTS.—For pur-
20 poses of section 1324 of title 31, United States
21 Code, the payments under this subsection shall be
22 treated in the same manner as a refund due from
23 a credit provision referred to in subsection (b)(2) of
24 such section.”.

25 (c) CONFORMING AMENDMENTS.—

1 (1) Section 6211(b)(4)(A) of such Code, as
2 amended by the preceding provisions of this Act, is
3 amended by inserting “21 by reason of subsection
4 (g) thereof,” before “24”.

5 (2) Section 1324(b)(2) of title 31, United
6 States Code (as amended by the preceding provi-
7 sions of this title), is amended by inserting “21,” be-
8 fore “24”.

9 (d) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to taxable years beginning after
11 December 31, 2020.

12 **SEC. 9632. INCREASE IN EXCLUSION FOR EMPLOYER-PRO-**
13 **VIDED DEPENDENT CARE ASSISTANCE.**

14 (a) IN GENERAL.—Section 129(a)(2) of the Internal
15 Revenue Code of 1986 is amended by adding at the end
16 the following new subparagraph:

17 “(D) SPECIAL RULE FOR 2021.—In the
18 case of any taxable year beginning after Decem-
19 ber 31, 2020, and before January 1, 2022, sub-
20 paragraph (A) shall be applied be substituting
21 ‘\$10,500 (half such dollar amount’ for ‘\$5,000
22 (\$2,500’.’”.

23 (b) EFFECTIVE DATE.—The amendment made by
24 this section shall apply to taxable years beginning after
25 December 31, 2020.

1 (c) RETROACTIVE PLAN AMENDMENTS.—A plan that
2 otherwise satisfies all applicable requirements of sections
3 125 and 129 of the Internal Revenue Code of 1986 (in-
4 cluding any rules or regulations thereunder) shall not fail
5 to be treated as a cafeteria plan or dependent care assist-
6 ance program merely because such plan is amended pursu-
7 ant to a provision under this section and such amendment
8 is retroactive, if—

9 (1) such amendment is adopted no later than
10 the last day of the plan year in which the amend-
11 ment is effective, and

12 (2) the plan is operated consistent with the
13 terms of such amendment during the period begin-
14 ning on the effective date of the amendment and
15 ending on the date the amendment is adopted.

16 **PART 5—CREDITS FOR PAID SICK AND FAMILY**
17 **LEAVE**

18 **SEC. 9641. EXTENSION OF CREDITS.**

19 (a) IN GENERAL.—The following provisions of the
20 Families First Coronavirus Response Act are each amend-
21 ed by striking “March 31, 2021” and inserting “Sep-
22 tember 30, 2021”:

23 (1) Section 7001(c)(2)(A).

24 (2) Section 7001(g).

25 (3) Section 7002(b)(2)(B)(i).

1 (4) Section 7002(e).

2 (5) Section 7003(c)(2)(A).

3 (6) Section 7003(g).

4 (7) Section 7004(b)(2)(B)(i).

5 (8) Section 7004(e).

6 (b) CONFORMING AMENDMENT.—Section 7005(a) of
7 such Act is amended by striking “April 1, 2021” and in-
8 serting “October 1, 2021”.

9 **SEC. 9642. INCREASE IN LIMITATIONS ON CREDITS FOR**
10 **PAID FAMILY LEAVE.**

11 (a) INCREASE IN OVERALL LIMITATION ON QUALI-
12 FIED FAMILY LEAVE WAGES.—

13 (1) IN GENERAL.—Section 7003(b)(1)(B) of
14 the Families First Coronavirus Response Act is
15 amended by striking “\$10,000” and inserting
16 “\$12,000”.

17 (2) CONFORMING AMENDMENT.—Section
18 7004(d)(3) of such Act is amended by striking
19 “\$10,000” and inserting “\$12,000”.

20 (b) INCREASE IN QUALIFIED FAMILY LEAVE EQUIV-
21 ALENT AMOUNT FOR SELF-EMPLOYED INDIVIDUALS.—
22 Section 7004(c)(1)(A) of such Act is amended by striking
23 “50” and inserting “60”.

24 (c) COORDINATION WITH DEFINITION OF QUALIFIED
25 FAMILY LEAVE WAGES.—Section 7003(c)(2)(A) of such

1 Act, as amended by the preceding provisions of this part,
2 is amended to read as follows:

3 “(A) which would be so required to be paid
4 if—

5 “(i) section 102(a)(1)(F) of the Fam-
6 ily and Medical Leave Act of 1993 were
7 applied by substituting ‘September 30,
8 2021’ for ‘December 31, 2020’, and

9 “(ii) section 110(b)(2)(B)(ii) of such
10 Act were applied by substituting ‘\$12,000’
11 for ‘\$10,000’, and”.

12 **SEC. 9643. EXPANSION OF LEAVE TO WHICH PAID FAMILY**
13 **LEAVE CREDITS APPLIES.**

14 (a) IN GENERAL.—Section 7003(c)(2)(A) of the
15 Families First Coronavirus Response Act, as amended by
16 the preceding provisions of this part, is amended by strik-
17 ing “and” at the end of clause (i), by redesignating clause
18 (ii) as clause (iii), and by inserting after clause (i) the
19 following new clause:

20 “(ii) section 110(a)(2)(A) of such Act
21 were applied by inserting ‘or any reason
22 for leave described in section 5102(a) of
23 the Families First Coronavirus Response
24 Act’ after ‘public health emergency’, and”.

1 (b) APPLICATION TO CREDIT FOR PAID FAMILY
2 LEAVE FOR SELF-EMPLOYED INDIVIDUALS.—Section
3 7004(b)(2)(B) of such Act is amended by striking “and”
4 at the end of clause (i), by redesignating clause (ii) as
5 clause (iii), and by inserting after clause (i) the following
6 new clause:

7 “(ii) section 110(a)(2)(A) of such Act
8 were applied by inserting ‘or any reason
9 for leave described in section 5102(a) of
10 the Families First Coronavirus Response
11 Act’ after ‘public health emergency’, and”.

12 **SEC. 9644. PAID LEAVE CREDITS ALLOWED FOR LEAVE FOR**
13 **COVID-VACCINATION.**

14 (a) PAID SICK LEAVE CREDIT.—Section
15 7001(c)(2)(A) of the Families First Coronavirus Response
16 Act is amended by striking “and” at the end of clause
17 (i), by redesignating clause (ii) as clause (iii), and by in-
18 serting after clause (i) the following new clause:

19 “(ii) by inserting ‘or the employee is
20 obtaining immunization related to COVID–
21 19 or recovering from any injury, dis-
22 ability, illness, or condition related to such
23 immunization’ after ‘medical diagnosis’ in
24 section 5102(a)(3), and”.

1 (b) PAID SICK LEAVE CREDIT FOR SELF-EMPLOYED
2 INDIVIDUALS.—Section 7002(b)(2)(B)(i) of such Act, as
3 amended by the preceding provisions of this part, is
4 amended to read as follows:

5 “(i) such Act were applied—

6 “(I) by substituting ‘September
7 30, 2021’ for ‘December 31, 2020’ in
8 section 5109 thereof, and

9 “(II) by inserting ‘or the em-
10 ployee is obtaining immunization re-
11 lated to COVID–19 or recovering
12 from any injury, disability, illness, or
13 condition related to such immuniza-
14 tion’ after ‘medical diagnosis’ in sec-
15 tion 5102(a)(3), and”.

16 (c) PAID FAMILY LEAVE CREDIT.—Section
17 7003(c)(2)(A)(ii) of such Act, as amended by the pre-
18 ceding provisions of this part, is amended by inserting “or
19 to obtain immunization related to COVID–19 or to recover
20 from any injury, disability, illness, or condition related to
21 such immunization” after “section 5102(a) of the Fami-
22 lies First Coronavirus Response Act”.

23 (d) PAID FAMILY LEAVE CREDIT FOR SELF-EM-
24 PLOYED INDIVIDUALS.—Section 7004(b)(2)(B)(ii) of such
25 Act, as amended by the preceding provisions of this part,

1 is amended by inserting “or to obtain immunization re-
2 lated to COVID–19 or to recover from any injury, dis-
3 ability, illness, or condition related to such immunization”
4 after “section 5102(a) of the Families First Coronavirus
5 Response Act”.

6 **SEC. 9645. APPLICATION OF NON-DISCRIMINATION RULES.**

7 (a) PAID SICK LEAVE CREDIT.—Section 7001 of the
8 Families First and Coronavirus Response Act is amended
9 by adding at the end the following new subsection:

10 “(j) NON-DISCRIMINATION REQUIREMENT.—No
11 credit shall be allowed under this section to any employer
12 for any calendar quarter if such employer, with respect
13 to the availability of the provision of qualified sick leave
14 wages to which this section otherwise applies for such cal-
15 endar quarter, discriminates in favor of highly com-
16 pensated employees (within the meaning of section 414(q)
17 of the Internal Revenue Code of 1986), full-time employ-
18 ees, or employees on the basis of employment tenure with
19 such employer.”.

20 (b) PAID FAMILY LEAVE CREDIT.—Section 7003 of
21 such Act is amended by adding at the end the following
22 new subsection:

23 “(j) NON-DISCRIMINATION REQUIREMENT.—No
24 credit shall be allowed under this section to any employer
25 for any calendar quarter if such employer, with respect

1 to the availability of the provision of qualified family leave
2 wages to which this section otherwise applies for such cal-
3 endar quarter, discriminates in favor of highly com-
4 pensated employees (within the meaning of section 414(q)
5 of the Internal Revenue Code of 1986), full-time employ-
6 ees, or employees on the basis of employment tenure with
7 such employer.”.

8 **SEC. 9646. RESET OF LIMITATION ON PAID SICK LEAVE.**

9 (a) IN GENERAL.—Section 7001(b)(2) of the Fami-
10 lies First Coronavirus Response Act is amended to read
11 as follows:

12 “(2) OVERALL LIMITATION ON NUMBER OF
13 DAYS TAKEN INTO ACCOUNT.—

14 “(A) LIMITATION APPLICABLE AFTER THE
15 FIRST QUARTER OF 2021.—In the case of cal-
16 endar quarters beginning after March 31, 2021,
17 in any calendar year, the aggregate number of
18 days taken into account under paragraph (1)
19 shall not exceed the excess (if any) of—

20 “(i) 10, over

21 “(ii) the aggregate number of days so
22 taken into account during preceding cal-
23 endar quarters in such calendar year
24 (other than the first quarter of calendar
25 year 2021).

1 “(B) LIMITATION APPLICABLE BEFORE
2 THE SECOND QUARTER OF 2021.—In the case of
3 calendar quarters beginning before April 1,
4 2021, the aggregate number of days taken into
5 account under paragraph (1) for any calendar
6 quarter shall not exceed the excess (if any) of—

7 “(i) 10, over

8 “(ii) the aggregate number of days so
9 taken into account for all preceding cal-
10 endar quarters.”.

11 (b) COORDINATION WITH MANDATE PROVISIONS.—

12 Section 7001(c)(2)(A) of such Act, as amended by the pre-
13 ceding provisions of this part, is amended by striking
14 “and” at the end of clause (ii), by redesignating clause
15 (iii) as clause (iv), and by inserting after clause (ii) the
16 following new clause:

17 “(iii) by applying section 5102(b)(1)
18 of such Act separately with respect to the
19 period before April 1, 2021, and to each
20 calendar year after 2020 (and, in the case
21 of calendar year 2021, without regard to
22 the first quarter thereof), and”.

23 (c) APPLICATION TO SICK LEAVE CREDIT FOR THE
24 SELF-EMPLOYED.—

1 (1) IN GENERAL.—Section 7002(c) of such Act
2 is amended—

3 (A) by striking “(but not more than the
4 applicable number of days)” in paragraph
5 (1)(A) and inserting “(but not more than 10)”,
6 and

7 (B) by striking paragraph (3) and redesignig-
8 nating paragraph (4) as paragraph (3).

9 (2) COORDINATION WITH MANDATE PROVI-
10 SIONS.—Section 7002(b)(2)(B)(i) of such Act, as
11 amended by the preceding provisions of this part, is
12 amended by striking “and” at the end of subclause
13 (I), by striking “and” at the end of subclause (II),
14 and by adding at the end the following new sub-
15 clauses:

16 “(III) by applying section
17 5102(b)(1) of such Act separately
18 with respect to each taxable year, and

19 “(IV) without regard to section
20 5102(b)(3) thereof, and”.

21 **SEC. 9647. CREDITS ALLOWED AGAINST EMPLOYER HOS-**
22 **PITAL INSURANCE TAX.**

23 (a) IN GENERAL.—The following provisions of the
24 Families First Coronavirus Response Act are each amend-

1 ed by striking “section 3111(a)” and inserting “section
2 3111(b)”:

3 (1) Section 7001(a).

4 (2) Section 7001(b)(3).

5 (3) The section 7001(e)(4) which relates to ref-
6 erences to railroad retirement tax.

7 (4) Section 7001(i).

8 (5) Section 7003(a).

9 (6) Section 7003(b)(2).

10 (7) The section 7003(e)(4) which relates to ref-
11 erences to railroad retirement tax.

12 (8) Section 7003(i).

13 (b) CONFORMING AMENDMENTS.—

14 (1) Section 7001(b)(3) of such Act is amended
15 by striking “(reduced by any credits allowed under
16 subsections (e) and (f) of section 3111 of such Code,
17 and section 303(d) of the Taxpayer Certainty and
18 Disaster Tax Relief Act of 2020, for such quarter)”.

19 (2) Section 7001 of such Act is amended by
20 striking subsection (h).

21 (3) Section 7003(b)(2) of such Act is amended
22 by striking “(reduced by any credits allowed under
23 subsections (e) and (f) of section 3111 of such Code,
24 section 7001 of this Act, and section 303(d) of the
25 Taxpayer Certainty and Disaster Tax Relief Act of

1 2020, for such quarter)” and inserting “(reduced by
2 any credits allowed under section 7001 of this Act)”.

3 (4) Section 7003 of such Act is amended by
4 striking subsection (h).

5 (5) Section 7005(a) of such Act is amended by
6 striking “section 3111(a)” both places it appears
7 and inserting “section 3111(b)”.

8 (6) Section 7005 of such Act is amended by
9 striking subsection (c).

10 **SEC. 9648. APPLICATION OF CREDITS TO CERTAIN GOVERN-**
11 **MENTAL EMPLOYERS.**

12 (a) CREDIT FOR PAID SICK LEAVE.—Section
13 7001(e) of the Families First Coronavirus Response Act
14 is amended—

15 (1) by striking the paragraph (4) which relates
16 to certain governmental employers, and

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

19 “(5) CERTAIN GOVERNMENTAL EMPLOYERS.—
20 No credit shall be allowed under this section to the
21 Government of the United States or to any agency
22 or instrumentality thereof. The preceding sentence
23 shall not apply to any organization described in sec-
24 tion 501(c)(1) of the Internal Revenue Code of 1986

1 and exempt from tax under section 501(a) of such
2 Code.”.

3 (b) CREDIT FOR PAID FAMILY LEAVE.—Section
4 7003(e) of such Act is amended—

5 (1) by striking the paragraph (4) which relates
6 to certain governmental employers, and

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

9 “(5) CERTAIN GOVERNMENTAL EMPLOYERS.—
10 No credit shall be allowed under this section to the
11 Government of the United States or to any agency
12 or instrumentality thereof. The preceding sentence
13 shall not apply to any organization described in sec-
14 tion 501(c)(1) of the Internal Revenue Code of 1986
15 and exempt from tax under section 501(a) of such
16 Code.”.

17 **SEC. 9649. GROSS UP OF CREDIT IN LIEU OF EXCLUSION**
18 **FROM TAX.**

19 (a) IN GENERAL.—Section 7005 of the Families
20 First Coronavirus Response Act (as amended by the pre-
21 ceding provisions of this part) is amended—

22 (1) by amending subsection (a) to read as fol-
23 lows:

24 “(a) IN GENERAL.—The credit allowed by section
25 7001 and the credit allowed by section 7003 shall each

1 be increased by the amount of the taxes imposed by sub-
2 sections (a) and (b) of section 3111 and section 3221(a)
3 of the Internal Revenue Code of 1986 on qualified sick
4 leave wages, or qualified family leave wages, for which
5 credit is allowed under such section 7001 or 7003 (respec-
6 tively).”,

7 (2) by striking so much of subsection (b) as
8 precedes paragraph (2) thereof,

9 (3) by redesignating such paragraph (2) as sub-
10 section (b) and adjusting the indentation thereof ac-
11 cordingly, and

12 (4) by striking “paragraph (1)” in such sub-
13 section (b) (as so redesignated) and inserting “sub-
14 section (a)”.

15 (b) COORDINATION WITH DEFINITION OF QUALI-
16 FIED WAGES.—

17 (1) Section 7001(c) of such Act is amended—

18 (A) by striking “and section 7005(a) of
19 this Act,” and

20 (B) by striking “and without regard to sec-
21 tion 7005(a) of this Act”.

22 (2) Section 7003(c) of such Act is amended by
23 striking “wages (as defined” and all that follows
24 through “paid by an employer” and inserting
25 “wages (as defined in section 3121(a) of the Inter-

1 nal Revenue Code of 1986, determined without re-
2 gard to paragraphs (1) through (22) of section
3 3121(b) of such Code) and compensation (as defined
4 in section 3231(e) of the Internal Revenue Code, de-
5 termined without regard to the sentence in para-
6 graph (1) thereof which begins ‘Such term does not
7 include remuneration’) paid by an employer”.

8 **SEC. 9650. EFFECTIVE DATE.**

9 (a) IN GENERAL.—Except as otherwise provided in
10 this section, the amendments made by this part shall apply
11 to amounts paid with respect to calendar quarters begin-
12 ning after March 31, 2021.

13 (b) APPLICATION TO SELF-EMPLOYMENT TAX CRED-
14 ITS.—The amendments made by this part to any provision
15 of section 7002 or 7004 of the Families First Coronavirus
16 Response Act shall apply to taxable years beginning after
17 December 31, 2020.

18 **PART 6—EMPLOYEE RETENTION CREDIT**

19 **SEC. 9651. EXTENSION OF EMPLOYEE RETENTION CREDIT.**

20 (a) IN GENERAL.—Section 2301(m) of the CARES
21 Act is amended by striking “July 1, 2021” and inserting
22 “January 1, 2022”.

23 (b) CREDIT ALLOWED AGAINST EMPLOYER HOS-
24 PITAL INSURANCE TAX.—

1 (1) IN GENERAL.—Subparagraphs (A) and (B)
2 of section 2301(c)(1) of such Act are each amended
3 by striking “section 3111(a)” and inserting “section
4 3111(b)”.

5 (2) CONFORMING AMENDMENTS.—Section
6 2301(b)(2) of such Act is amended—

7 (A) by striking “subsections (e) and (f) of
8 section 3111 of the Internal Revenue Code of
9 1986,” and

10 (B) by striking “, and section 303(d) of
11 the Taxpayer Certainty and Disaster Tax Relief
12 Act of 2020”.

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to calendar quarters beginning
15 after June 30, 2021.

16 **PART 7—PREMIUM TAX CREDIT**

17 **SEC. 9661. IMPROVING AFFORDABILITY BY EXPANDING**
18 **PREMIUM ASSISTANCE FOR CONSUMERS.**

19 (a) IN GENERAL.—Section 36B(b)(3)(A) of the In-
20 ternal Revenue Code of 1986 is amended by adding at the
21 end the following new clause:

22 “(iii) TEMPORARY PERCENTAGES FOR
23 2021 AND 2022.—In the case of a taxable
24 year beginning in 2021 or 2022—

1 “(I) clause (ii) shall not apply for
 2 purposes of adjusting premium per-
 3 centages under this subparagraph,
 4 and

5 “(II) the following table shall be
 6 applied in lieu of the table contained
 7 in clause (i):

“In the case of household income (expressed as a percent of poverty line) within the following income tier:	The initial premium percentage is—	The final premium percentage is—
Up to 150.0 percent	0.0	0.0
150.0 percent up to 200.0 percent	0.0	2.0
200.0 percent up to 250.0 percent	2.0	4.0
250.0 percent up to 300.0 percent	4.0	6.0
300.0 percent up to 400.0 percent	6.0	8.5
400.0 percent and higher	8.5	8.5”.

8 (b) CONFORMING AMENDMENT.—Section 36B(c)(1)
 9 of the Internal Revenue Code of 1986 is amended by add-
 10 ing at the end the following new subparagraph:

11 “(E) TEMPORARY RULE FOR 2021 AND
 12 2022.—In the case of a taxable year beginning
 13 in 2021 or 2022, subparagraph (A) shall be ap-
 14 plied without regard to ‘but does not exceed
 15 400 percent’.”.

16 (c) EFFECTIVE DATE.—The amendments made by
 17 this section shall apply to taxable years beginning after
 18 December 31, 2020.

1 **SEC. 9662. TEMPORARY MODIFICATION OF LIMITATIONS**
2 **ON RECONCILIATION OF TAX CREDITS FOR**
3 **COVERAGE UNDER A QUALIFIED HEALTH**
4 **PLAN WITH ADVANCE PAYMENTS OF SUCH**
5 **CREDIT.**

6 (a) IN GENERAL.—Section 36B(f)(2)(B) of the Inter-
7 nal Revenue Code of 1986 is amended by adding at the
8 end the following new clause:

9 “(iii) TEMPORARY MODIFICATION OF
10 LIMITATION ON INCREASE.—In the case of
11 any taxable year beginning in 2020, for
12 any taxpayer who files for such taxable
13 year an income tax return reconciling any
14 advance payment of the credit under this
15 section, the Secretary shall treat subpara-
16 graph (A) as not applying.”.

17 (b) EFFECTIVE DATE.—The amendment made by
18 this section shall apply to taxable years beginning after
19 December 31, 2019.

20 **SEC. 9663. APPLICATION OF PREMIUM TAX CREDIT IN CASE**
21 **OF INDIVIDUALS RECEIVING UNEMPLOY-**
22 **MENT COMPENSATION DURING 2021.**

23 (a) IN GENERAL.—Section 36B of the Internal Rev-
24 enue Code of 1986 is amended by redesignating subsection
25 (g) as subsection (h) and by inserting after subsection (f)
26 the following new subsection:

1 “(g) SPECIAL RULE FOR INDIVIDUALS WHO RE-
2 CEIVE UNEMPLOYMENT COMPENSATION DURING 2021.—

3 “(1) IN GENERAL.—For purposes of this sec-
4 tion, in the case of a taxpayer who has received, or
5 has been approved to receive, unemployment com-
6 pensation for any week beginning during 2021, for
7 the taxable year in which such week begins—

8 “(A) such taxpayer shall be treated as an
9 applicable taxpayer, and

10 “(B) there shall not be taken into account
11 any household income of the taxpayer in excess
12 of 133 percent of the poverty line for a family
13 of the size involved.

14 “(2) UNEMPLOYMENT COMPENSATION.—For
15 purposes of this subsection, the term ‘unemployment
16 compensation’ has the meaning given such term in
17 section 85(b).

18 “(3) EVIDENCE OF UNEMPLOYMENT COM-
19 PENSATION.—For purposes of this subsection, a tax-
20 payer shall not be treated as having received (or
21 been approved to receive) unemployment compensa-
22 tion for any week unless such taxpayer provides self-
23 attestation of, and such documentation as the Sec-
24 retary shall prescribe which demonstrates, such re-
25 ceipt or approval.

1 “(4) CLARIFICATION OF RULES REMAINING AP-
2 PLICABLE.—

3 “(A) JOINT RETURN REQUIREMENT.—
4 Paragraph (1)(A) shall not affect the applica-
5 tion of subsection (c)(1)(C).

6 “(B) HOUSEHOLD INCOME AND
7 AFFORDABILITY.—Paragraph (1)(B) shall not
8 apply to any determination of household income
9 for purposes of paragraph (2)(C)(i)(II) or
10 (4)(C)(ii) of subsection (c)”.

11 (b) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to taxable years beginning after
13 December 31, 2020.

14 **PART 8—MISCELLANEOUS PROVISIONS**

15 **SEC. 9671. REPEAL OF ELECTION TO ALLOCATE INTEREST,**
16 **ETC. ON WORLDWIDE BASIS.**

17 (a) IN GENERAL.—Section 864 of the Internal Rev-
18 enue Code of 1986 is amended by striking subsection (f).

19 (b) EFFECTIVE DATE.—The amendment made by
20 this section shall apply to taxable years beginning after
21 December 31, 2020.

22 **SEC. 9672. TAX TREATMENT OF TARGETED EIDL ADVANCES.**

23 For purposes of the Internal Revenue Code of
24 1986—

1 (1) amounts received from the Administrator of
2 the Small Business Administration in the form of a
3 Targeted EIDL Advance shall not be included in the
4 gross income of the person that receives such
5 amounts,

6 (2) no deduction shall be denied, no tax at-
7 tribute shall be reduced, and no basis increase shall
8 be denied, by reason of the exclusion from gross in-
9 come provided by paragraph (1), and

10 (3) in the case of a partnership or S corpora-
11 tion that receives such amounts—

12 (A) any amount excluded from income by
13 reason of paragraph (1) shall be treated as tax
14 exempt income for purposes of sections 705 and
15 1366 of the Internal Revenue Code of 1986,
16 and

17 (B) the Secretary of the Treasury (or the
18 Secretary's delegate) shall prescribe rules for
19 determining a partner's distributive share of
20 any amount described in subparagraph (A) for
21 purposes of section 705 of the Internal Revenue
22 Code of 1986.

1 **SEC. 9673. TAX TREATMENT OF RESTAURANT REVITALIZA-**
2 **TION GRANTS.**

3 For purposes of the Internal Revenue Code of
4 1986—

5 (1) amounts received from the Administrator of
6 the Small Business Administration in the form of a
7 Restaurant Revitalization Grant shall not be in-
8 cluded in the gross income of the person that re-
9 ceives such amounts,

10 (2) no deduction shall be denied, no tax at-
11 tribute shall be reduced, and no basis increase shall
12 be denied, by reason of the exclusion from gross in-
13 come provided by paragraph (1), and

14 (3) in the case of a partnership or S corpora-
15 tion that receives such amounts—

16 (A) except as otherwise provided by the
17 Secretary of the Treasury (or the Secretary's
18 delegate), any amount excluded from income by
19 reason of paragraph (1) shall be treated as tax
20 exempt income for purposes of sections 705 and
21 1366 of the Internal Revenue Code of 1986,
22 and

23 (B) the Secretary of the Treasury (or the
24 Secretary's delegate) shall prescribe rules for
25 determining a partner's distributive share of
26 any amount described in subparagraph (A) for

- 1 purposes of section 705 of the Internal Revenue
- 2 Code of 1986.

