

117TH CONGRESS
2D SESSION

S. 4060

To amend the Internal Revenue Code of 1986 to provide for inflation rebates,
and for other purposes.

IN THE SENATE OF THE UNITED STATES

APRIL 7, 2022

Mr. REED (for himself, Mr. WHITEHOUSE, Mrs. FEINSTEIN, and Mr. MERKLEY) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide
for inflation rebates, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Food and Fuel Family
5 Savings Act”.

6 **SEC. 2. INFLATION REBATES TO INDIVIDUALS.**

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

1 **“SEC. 6428C. INFLATION REBATES TO INDIVIDUALS.**

2 “(a) IN GENERAL.—In the case of an eligible indi-
3 vidual, there shall be allowed as a credit against the tax
4 imposed by subtitle A for the first taxable year beginning
5 in 2022 an amount equal to the inflation rebate amount
6 determined for such taxable year.

7 “(b) INFLATION REBATE AMOUNT.—For purposes of
8 this section, the term ‘inflation rebate amount’ means,
9 with respect to any taxpayer for any taxable year, the sum
10 of—

11 “(1) \$600 (\$1,200 in the case of a joint re-
12 turn), plus

13 “(2) \$600 multiplied by the number of depend-
14 ents of the taxpayer for such taxable year.

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

18 “(1) any nonresident alien individual,

19 “(2) any individual who is a dependent of an-
20 other taxpayer for a taxable year beginning in the
21 calendar year in which the individual’s taxable year
22 begins, and

23 “(3) an estate or trust.

24 “(d) LIMITATION BASED ON ADJUSTED GROSS IN-
25 COME.—

1 “(1) IN GENERAL.—The amount of the credit
 2 allowed by subsection (a) (determined without re-
 3 gard to this subsection and subsection (f)) shall be
 4 reduced (but not below zero) by the amount which
 5 bears the same ratio to such credit (as so deter-
 6 mined) as—

7 “(A) the excess of—

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

10 “(ii) \$40,000, bears to

11 “(B) \$5,000.

12 “(2) SPECIAL RULES.—

13 “(A) JOINT RETURN OR SURVIVING
 14 SPOUSE.—In the case of a joint return or a sur-
 15 viving spouse (as defined in section 2(a)), para-
 16 graph (1) shall be applied by substituting
 17 ‘\$80,000’ for ‘\$40,000’ and ‘\$10,000’ for
 18 ‘\$5,000’.

19 “(B) HEAD OF HOUSEHOLD.—In the case
 20 of a head of household (as defined in section
 21 2(b)), paragraph (1) shall be applied by sub-
 22 stituting ‘\$60,000’ for ‘\$40,000’ and ‘\$7,500’
 23 for ‘\$5,000’.

24 “(e) DEFINITIONS AND SPECIAL RULES.—

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

4 “(2) IDENTIFICATION NUMBER REQUIRE-
5 MENT.—

6 “(A) IN GENERAL.—In the case of a re-
7 turn other than a joint return, the \$600
8 amount in subsection (b)(1) shall be treated as
9 being zero unless the taxpayer includes the
10 valid identification number of the taxpayer on
11 the return of tax for the taxable year.

12 “(B) JOINT RETURNS.—In the case of a
13 joint return, the \$1,200 amount in subsection
14 (b)(1) shall be treated as being—

15 “(i) \$600 if the valid identification
16 number of only 1 spouse is included on the
17 return of tax for the taxable year, and

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

20 “(C) DEPENDENTS.—A dependent shall
21 not be taken into account under subsection
22 (b)(2) unless the valid identification number of
23 such dependent is included on the return of tax
24 for the taxable year.

25 “(D) VALID IDENTIFICATION NUMBER.—

1 “(i) IN GENERAL.—For purposes of
2 this paragraph, the term ‘valid identifica-
3 tion number’ means a social security num-
4 ber issued to an individual by the Social
5 Security Administration on or before the
6 due date for filing the return for the tax-
7 able year.

8 “(ii) ADOPTION TAXPAYER IDENTI-
9 FICATION NUMBER.—For purposes of sub-
10 paragraph (C), in the case of a dependent
11 who is adopted or placed for adoption, the
12 term ‘valid identification number’ shall in-
13 clude the adoption taxpayer identification
14 number of such dependent.

15 “(E) SPECIAL RULE FOR MEMBERS OF
16 THE ARMED FORCES.—Subparagraph (B) shall
17 not apply in the case where at least 1 spouse
18 was a member of the Armed Forces of the
19 United States at any time during the taxable
20 year and the valid identification number of at
21 least 1 spouse is included on the return of tax
22 for the taxable year.

23 “(F) COORDINATION WITH CERTAIN AD-
24 VANCE PAYMENTS.—In the case of any payment
25 determined pursuant to subsection (g)(6), a

valid identification number shall be treated for purposes of this paragraph as included on the taxpayer's return of tax if such valid identification number is available to the Secretary as described in such subsection.

“(G) MATHEMATICAL OR CLERICAL ERROR AUTHORITY.—Any omission of a correct valid identification number required under this paragraph shall be treated as a mathematical or clerical error for purposes of applying section 6213(g)(2) to such omission.

“(3) CREDIT TREATED AS REFUNDABLE.—The credit allowed by subsection (a) shall be treated as allowed by subpart C of part IV of subchapter A of chapter 1.

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

“(1) REDUCTION OF REFUNDABLE CREDIT.—

The amount of the credit which would (but for this paragraph) be allowable under subsection (a) shall be reduced (but not below zero) by the aggregate refunds and credits made or allowed to the taxpayer (or, except as otherwise provided by the Secretary, any dependent of the taxpayer) under subsection (g). Any failure to so reduce the credit shall be treated

1 as arising out of a mathematical or clerical error
2 and assessed according to section 6213(b)(1).

3 “(2) JOINT RETURNS.—Except as otherwise
4 provided by the Secretary, in the case of a refund
5 or credit made or allowed under subsection (g) with
6 respect to a joint return, half of such refund or cred-
7 it shall be treated as having been made or allowed
8 to each individual filing such return.

9 “(3) COORDINATION WITH POSSESSIONS OF
10 THE UNITED STATES.—For purposes of this sub-
11 section, payments made under subsection (g) include
12 payments made by any jurisdiction other than the
13 United States under section 6428C(g) of the income
14 tax law of such jurisdiction, and payments made by
15 possessions to which section 2(b)(2) of the Food and
16 Fuel Family Savings Act pursuant to a plan de-
17 scribed in such section. In carrying out this section,
18 the Secretary shall coordinate with each possession
19 of the United States to prevent any application of
20 this paragraph that is inconsistent with the purposes
21 of this subsection.

22 “(g) ADVANCE REFUNDS AND CREDITS.—

23 “(1) IN GENERAL.—Subject to paragraphs (5)
24 and (6), each individual who was an eligible indi-
25 vidual for such individual’s first taxable year begin-

ning in 2020 shall be treated as having made a payment against the tax imposed by chapter 1 for such taxable year in an amount equal to the advance refund amount for such taxable year.

“(2) ADVANCE REFUND AMOUNT.—

“(A) IN GENERAL.—For purposes of paragraph (1), the advance refund amount is the amount that would have been allowed as a credit under this section for such taxable year if this section (other than subsection (f) and this subsection) had applied to such taxable year.

“(B) TREATMENT OF DECEASED INDIVIDUALS.—For purposes of determining the advance refund amount with respect to such taxable year—

“(i) any individual who was deceased before January 1, 2022, shall be treated for purposes of applying subsection (e)(2) in the same manner as if the valid identification number of such person was not included on the return of tax for such taxable year (except that subparagraph (E) thereof shall not apply),

“(ii) notwithstanding clause (i), in the case of a joint return with respect to which

1 only 1 spouse is deceased before January
2 1, 2022, such deceased spouse was a mem-
3 ber of the Armed Forces of the United
4 States at any time during the taxable year,
5 and the valid identification number of such
6 deceased spouse is included on the return
7 of tax for the taxable year, the valid identi-
8 fication number of 1 (and only 1) spouse
9 shall be treated as included on the return
10 of tax for the taxable year for purposes of
11 applying subsection (e)(2)(B) with respect
12 to such joint return, and

13 “(iii) no amount shall be determined
14 under subsection (e)(2) with respect to any
15 dependent of the taxpayer if the taxpayer
16 (both spouses in the case of a joint return)
17 was deceased before January 1, 2022.

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

19 “(A) TIMING.—

20 “(i) IN GENERAL.—The Secretary
21 shall, subject to the provisions of this title,
22 refund or credit any overpayment attrib-
23 utable to this section as rapidly as pos-
24 sible.

1 “(ii) DEADLINE.—No refund or credit
2 shall be made or allowed under this sub-
3 section after December 31, 2022.

4 “(B) MANNER.—

5 “(i) IN GENERAL.—Notwithstanding
6 any other provision of law (including sec-
7 tion 913 of the Electronic Fund Transfer
8 Act (15 U.S.C. 1693k)), the Secretary
9 shall disburse refunds payable under this
10 subsection by means of a Treasury-spon-
11 sored account (as defined in section 208.2
12 of title 31, Code of Federal Regulations)
13 which is limited to uses at grocery stores
14 and for gasoline.

15 “(ii) APPLICATION TO POSSES-
16 SIONS.—In the case of a possession de-
17 scribed in section 2(b)(1) of the Food and
18 Fuel Family Savings Act, refunds payable
19 under this subsection shall be disbursed in
20 a manner determined by the Secretary, in
21 consultation with the chief executive officer
22 of such possession, to be best suited to
23 meet the purposes of this section and, to
24 the extent possible, subject to the same

1 limitations applicable to refunds made
2 under clause (i).

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

6 “(5) APPLICATION TO INDIVIDUALS WHO HAVE
7 FILED A RETURN OF TAX FOR 2021.—

8 “(A) APPLICATION TO 2021 RETURNS
9 FILED AT TIME OF INITIAL DETERMINATION.—
10 If, at the time of any determination made pur-
11 suant to paragraph (3), the individual referred
12 to in paragraph (1) has filed a return of tax for
13 the individual’s first taxable year beginning in
14 2021, paragraph (1) shall be applied with re-
15 spect to such individual by substituting ‘2021’
16 for ‘2020’.

17 “(B) ADDITIONAL PAYMENT.—

18 “(i) IN GENERAL.—In the case of any
19 individual who files, before the additional
20 payment determination date, a return of
21 tax for such individual’s first taxable year
22 beginning in 2021, the Secretary shall
23 make a payment (in addition to any pay-
24 ment made under paragraph (1)) to such
25 individual equal to the excess (if any) of—

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

7 “(II) the amount of any payment
 8 made with respect to such individual
 9 under paragraph (1).

10 “(ii) ADDITIONAL PAYMENT DETER-
 11 MINATION DATE.—The term ‘additional
 12 payment determination date’ means the
 13 earlier of—

14 “(I) the date which is 90 days
 15 after the 2021 calendar year filing
 16 deadline, or

17 “(II) September 1, 2022.

18 “(iii) 2021 CALENDAR YEAR FILING
 19 DEADLINE.—The term ‘2021 calendar year
 20 filing deadline’ means the date specified in
 21 section 6072(a) with respect to returns for
 22 calendar year 2021.

23 “(6) APPLICATION TO CERTAIN INDIVIDUALS
 24 WHO HAVE NOT FILED A RETURN OF TAX FOR 2020
 25 OR 2021 AT TIME OF DETERMINATION.—In the case

1 of any individual who, at the time of any determina-
2 tion made pursuant to paragraph (3), has filed a tax
3 return for neither the year described in paragraph
4 (1) nor for the year described in paragraph (5)(A),
5 the Secretary shall, consistent with rules similar to
6 the rules of section 6428A(f)(5), apply paragraph
7 (1) on the basis of information available to the Sec-
8 retary and shall, on the basis of such information,
9 determine the advance refund amount with respect
10 to such individual without regard to subsection (d)
11 unless the Secretary has reason to know that such
12 amount would otherwise be reduced by reason of
13 such subsection.

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

19 “(h) REGULATIONS.—The Secretary shall prescribe
20 such regulations or other guidance as may be necessary
21 or appropriate to carry out the purposes of this section,
22 including—

23 “(1) regulations or other guidance providing
24 taxpayers the opportunity to provide the Secretary
25 information sufficient to allow the Secretary to make

1 payments to such taxpayers under subsection (g)
2 (including the determination of the amount of such
3 payment) if such information is not otherwise avail-
4 able to the Secretary, and

5 “(2) regulations or other guidance to ensure to
6 the maximum extent administratively practicable
7 that, in determining the amount of any credit under
8 subsection (a) and any credit or refund under sub-
9 section (g), an individual is not taken into account
10 more than once, including by different taxpayers and
11 including by reason of a change in joint return sta-
12 tus or dependent status between the taxable year for
13 which an advance refund amount is determined and
14 the taxable year for which a credit under subsection
15 (a) is determined.

16 “(i) OUTREACH.—The Secretary shall carry out a ro-
17 bust and comprehensive outreach program to ensure that
18 all taxpayers described in subsection (h)(1) learn of their
19 eligibility for the advance refunds and credits under sub-
20 section (g); are advised of the opportunity to receive such
21 advance refunds and credits as provided under subsection
22 (h)(1); and are provided assistance in applying for such
23 advance refunds and credits.”.

24 (b) TREATMENT OF CERTAIN POSSESSIONS.—

1 (1) PAYMENTS TO POSSESSIONS WITH MIRROR
2 CODE TAX SYSTEMS.—The Secretary of the Treas-
3 ury shall pay to each possession of the United States
4 which has a mirror code tax system amounts equal
5 to the loss (if any) to that possession by reason of
6 the amendments made by this section. Such
7 amounts shall be determined by the Secretary of the
8 Treasury based on information provided by the gov-
9 ernment of the respective possession.

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

24 (3) INCLUSION OF ADMINISTRATIVE EX-
25 PENSES.—The Secretary of the Treasury shall pay

1 to each possession of the United States to which the
 2 Secretary makes a payment under paragraph (1) or
 3 (2) an amount equal to the lesser of—

4 (A) the increase (if any) of the administra-
 5 tive expenses of such possession—

6 (i) in the case of a possession de-
 7 scribed in paragraph (1), by reason of the
 8 amendments made by this section, and

9 (ii) in the case of a possession de-
 10 scribed in paragraph (2), by reason of car-
 11 rying out the plan described in such para-
 12 graph, or

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

15 The amount described in subparagraph (A) shall be
 16 determined by the Secretary of the Treasury based
 17 on information provided by the government of the
 18 respective possession.

19 (4) COORDINATION WITH CREDIT ALLOWED
 20 AGAINST UNITED STATES INCOME TAXES.—No cred-
 21 it shall be allowed against United States income
 22 taxes under section 6428C of the Internal Revenue
 23 Code of 1986 (as added by this section), nor shall
 24 any credit or refund be made or allowed under sub-
 25 section (g) of such section, to any person—

1 (A) to whom a credit is allowed against
 2 taxes imposed by the possession by reason of
 3 the amendments made by this section, or

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

6 (5) MIRROR CODE TAX SYSTEM.—For purposes
 7 of this subsection, the term “mirror code tax sys-
 8 tem” means, with respect to any possession of the
 9 United States, the income tax system of such posses-
 10 sion if the income tax liability of the residents of
 11 such possession under such system is determined by
 12 reference to the income tax laws of the United
 13 States as if such possession were the United States.

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

20 (c) ADMINISTRATIVE PROVISIONS.—

21 (1) DEFINITION OF DEFICIENCY.—Section
 22 6211(b)(4)(A) of the Internal Revenue Code of 1986
 23 is amended by inserting “6428C,” after “6428B,”.

24 (2) EXCEPTION FROM REDUCTION OR OFF-
 25 SET.—Any refund payable by reason of section

1 6428C(g) of the Internal Revenue Code of 1986 (as
 2 added by this section), or any such refund payable
 3 by reason of subsection (b) of this section, shall not
 4 be—

5 (A) subject to reduction or offset pursuant
 6 to subsection (c), (d), (e), or (f) of section 6402
 7 of the Internal Revenue Code of 1986 or any
 8 similar authority permitting offset, or

9 (B) reduced or offset by other assessed
 10 Federal taxes that would otherwise be subject
 11 to levy or collection.

12 (3) CONFORMING AMENDMENTS.—

13 (A) Paragraph (2) of section 1324(b) of
 14 title 31, United States Code, is amended by in-
 15 serting “6428C,” after “6428B,”.

16 (B) The table of sections for subchapter B
 17 of chapter 65 of the Internal Revenue Code of
 18 1986 is amended by inserting after the item re-
 19 lating to section 6428B the following new item:

“Sec. 6428C. Inflation rebates to individuals.”.

20 (d) OTHER PROVISIONS.—

21 (1) EXCEPTION FROM REDUCTION OR OFF-
 22 SET.—

23 (A) IN GENERAL.—The right of any per-
 24 son to any applicable payment under this sec-
 25 tion shall not be transferable or assignable, at

1 law or in equity, and no applicable payment
 2 shall be subject to, execution, levy, attachment,
 3 garnishment, or other legal process, or the op-
 4 eration of any bankruptcy or insolvency law.

5 (B) APPLICABLE PAYMENT.— For pur-
 6 poses of this subsection, the term “applicable
 7 payment” means—

8 (i) any advance refund amount paid
 9 pursuant to section 6428C(g) of Internal
 10 Revenue Code of 1986 (as added by this
 11 section),

12 (ii) any payment made by a posses-
 13 sion of the United States with a mirror
 14 code tax system (as defined in subsection
 15 (b) of this section) pursuant to such sub-
 16 section which corresponds to a payment
 17 described in clause (i), and

18 (iii) any payment made by a posses-
 19 sion of the United States without a mirror
 20 code tax system (as so defined) pursuant
 21 to subsection (b) of this section.

22 (2) AGENCY INFORMATION SHARING AND AS-
 23 SISTANCE.—

24 (A) IN GENERAL.—The Commissioner of
 25 Social Security, the Railroad Retirement Board,

1 and the Secretary of Veterans Affairs shall each
2 provide the Secretary of the Treasury (or the
3 Secretary's delegate) such information and as-
4 sistance as the Secretary of the Treasury (or
5 the Secretary's delegate) may require for pur-
6 poses of—

7 (i) making payments under section
8 6428C(g) of the Internal Revenue Code of
9 1986 to individuals described in section
10 6428A(f)(5)(A) thereof, or

11 (ii) providing administrative assist-
12 ance to a possession of the United States
13 to allow such possession to promptly dis-
14 tribute payments under subsection (b) to
15 its residents.

16 (B) EXCHANGE OF INFORMATION WITH
17 POSSESSIONS.—Any information provided to the
18 Secretary of the Treasury (or the Secretary's
19 delegate) pursuant to subparagraph may be ex-
20 changed with a possession of the United States
21 in accordance with the applicable tax coordina-
22 tion agreement for information exchange and
23 administrative assistance that the Internal Rev-
24 enue Service has agreed to with such posses-
25 sion.

1 (e) APPROPRIATIONS.—

2 (1) IN GENERAL.—Immediately upon the enact-
3 ment of this Act, in addition to amounts otherwise
4 available, there are appropriated for fiscal year
5 2022, out of any money in the Treasury not other-
6 wise appropriated:

7 (A) \$1,464,500,000 to remain available
8 until September 30, 2024 for necessary ex-
9 penses for the Internal Revenue Service for the
10 administration of the advance payments, the
11 provision of taxpayer assistance, and the fur-
12 therance of integrated, modernized, and secure
13 Internal Revenue Service systems, of which up
14 to \$20,000,000 is available for premium pay for
15 services related to the development of informa-
16 tion technology as determined by the Commis-
17 sioner of the Internal Revenue occurring be-
18 tween January 1, 2022 and December 31,
19 2023, and all of which shall supplement and not
20 supplant any other appropriations that may be
21 available for this purpose.

22 (B) \$7,000,000 to remain available with-
23 out fiscal year limitation, for necessary ex-
24 penses for the Bureau of the Fiscal Service to
25 carry out this section (and the amendments

made by this section), which shall supplement and not supplant any other appropriations that may be available for this purpose, and

(C) \$8,000,000 to remain available until September 30, 2024, for the Treasury Inspector General for Tax Administration for the purposes of overseeing activities related to the administration of this section (and the amendments made by this section), which shall supplement and not supplant any other appropriations that may be available for this purpose.

(2) SOCIAL SECURITY ADMINISTRATION.—For an additional amount for “Social Security Administration— Limitation on Administrative Expenses”, \$38,000,000, to remain available until September 30, 2023.

(3) RAILROAD RETIREMENT BOARD.—For an additional amount for “Railroad Retirement Board—Limitation on Administration”, \$8,300, to remain available until September 30, 2023.

SEC. 3. SURCHARGE ON HIGH INCOME INDIVIDUALS, ESTATES, AND TRUSTS.

(a) IN GENERAL.—Part I of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after section 1 the following new section:

1 **“SEC. 1A. SURCHARGE ON HIGH INCOME INDIVIDUALS, ES-**
 2 **TATES, AND TRUSTS.**

3 “(a) GENERAL RULE.—In the case of a taxpayer
 4 other than a corporation, there is hereby imposed (in addi-
 5 tion to any other tax imposed by this subtitle) a tax equal
 6 to the sum of—

7 “(1) 5 percent of so much of the modified ad-
 8 justed gross income of the taxpayer as exceeds—

9 “(A) \$10,000,000, in the case of any tax-
 10 payer not described in subparagraph (B) or
 11 (C),

12 “(B) \$5,000,000, in the case of a married
 13 individual filing a separate return, and

14 “(C) \$200,000, in the case of an estate or
 15 trust, plus

16 “(2) 3 percent of so much of the modified ad-
 17 justed gross income of the taxpayer as exceeds—

18 “(A) \$25,000,000, in the case of any tax-
 19 payer not described in subparagraph (B) or
 20 (C),

21 “(B) \$12,500,000, in the case of a married
 22 individual filing a separate return, and

23 “(C) \$500,000, in the case of an estate or
 24 trust.

25 “(b) MODIFIED ADJUSTED GROSS INCOME.—For
 26 purposes of this section, the term ‘modified adjusted gross

1 income' means adjusted gross income reduced by any de-
 2 duction (not taken into account in determining adjusted
 3 gross income) allowed for investment interest (as defined
 4 in section 163(d)) or business interest (as defined in sec-
 5 tion 163(j)). In the case of an estate or trust, adjusted
 6 gross income shall be determined as provided in section
 7 67(e), and reduced by the amount allowed as a deduction
 8 under section 642(c).

9 “(c) SPECIAL RULES.—

10 “(1) NONRESIDENT ALIENS AND FOREIGN
 11 TRUSTS.—In the case of a nonresident alien indi-
 12 vidual (other than an individual described in section
 13 876(a) or 877(a)) or a foreign trust, only amounts
 14 taken into account in connection with the tax im-
 15 posed under section 871(b) shall be taken into ac-
 16 count under this section.

17 “(2) CITIZENS AND RESIDENTS LIVING ABROAD
 18 AND CERTAIN BONA FIDE RESIDENTS OF POSSES-
 19 SIONS.—Each dollar amount which is applicable to
 20 any taxpayer under subsection (a) shall be decreased
 21 (but not below zero) by the excess (if any) of—

22 “(A) the sum of—

23 “(i) amounts excluded from the tax-
 24 payer's gross income under section 911,

1 “(ii) amounts excluded from the tax-
 2 payer’s gross income under section 931,
 3 and

4 “(iii) amounts excluded from the tax-
 5 payer’s gross income under section 933,
 6 over

7 “(B) the sum of—

8 “(i) amounts of any deductions or ex-
 9 clusions disallowed under section 911(d)(6)
 10 with respect to the amounts described in
 11 subparagraph (A)(i),

12 “(ii) amounts of any deductions or ex-
 13 clusions disallowed under section 931(b)
 14 with respect to the amounts described in
 15 subparagraph (A)(ii), and

16 “(iii) amounts of any deductions or
 17 exclusions disallowed under section 933
 18 with respect to the amounts described in
 19 subparagraph (A)(iii).

20 “(3) CERTAIN TRUSTS.—Subsection (a) shall
 21 not apply to—

22 “(A) a trust all the unexpired interests in
 23 which are devoted to one or more of the pur-
 24 poses described in section 170(c)(2)(B),

1 “(B) an electing settlement trust (as de-
 2 fined in section 646(h)), or

3 “(C) a cemetery perpetual care fund de-
 4 scribed in section 642(i).

5 “(4) NOT TREATED AS TAX IMPOSED BY THIS
 6 CHAPTER FOR CERTAIN PURPOSES.—The tax im-
 7 posed under this section shall not be treated as tax
 8 imposed by this chapter for purposes of determining
 9 the amount of any credit under this chapter (other
 10 than sections 27 and 901).

11 “(5) ELECTING SMALL BUSINESS TRUSTS.—For
 12 purposes of the determination of adjusted gross in-
 13 come, section 641(c)(1)(A) shall not apply and all
 14 portions of any electing small business trust shall be
 15 treated as a single trust.

16 “(d) REGULATIONS.—The Secretary shall issue such
 17 regulations or other guidance as may be necessary or ap-
 18 propriate to carry out the purposes of this section, includ-
 19 ing regulations or other guidance to prevent the avoidance
 20 of the purposes of this section.”.

21 (b) COORDINATION WITH CERTAIN PROVISIONS.—

22 (1) INTEREST ON CERTAIN DEFERRED TAX LI-
 23 ABILITY.—Section 453A(c) of the Internal Revenue
 24 Code of 1986 is amended by redesignating para-

graph (6) as paragraph (7) and by inserting after paragraph (5) the following new paragraph:

“(6) SURCHARGE ON HIGH INCOME INDIVIDUALS TAKEN INTO ACCOUNT IN DETERMINING MAXIMUM RATE OF TAX.—For purposes of paragraph (3)(B), the maximum rate of tax in effect under section 1 shall be treated as being equal to the sum of such rate and the rates in effect under paragraphs (1) and (2) of section 1A(a).”.

(2) ALIEN RESIDENTS OF PUERTO RICO, GUAM, AMERICAN SAMOA, OR THE NORTHERN MARIANA ISLANDS.—Section 876(a) of such Code is amended by striking section 1 and inserting “sections 1 and 1A”.

(3) EXPATRIATION TO AVOID TAX.—Section 877(b) of such Code is amended by inserting “and section 1A” after “section 1 or 55”.

(4) LIMITATION ON FOREIGN TAX CREDIT.—Section 904(b)(3)(E) of such Code is amended—

(A) in clause (i)(I), by inserting “increased by the sum of the rates set forth in paragraphs (1) and (2) of section 1A(a)” after “(whichever applies)”,

(B) in clause (i)(II) by inserting “increased by the sum of the rates set forth in

1 paragraphs (1) and (2) of section 1A(a)” after
 2 “section 1(h)”, and

3 (C) in clause (ii), by striking “referred to
 4 in” and inserting “determined under”.

5 (5) ELECTION BY INDIVIDUALS TO BE SUBJECT
 6 TO TAX AT CORPORATE RATES.—Section 962(a)(1)
 7 of such Code is amended by inserting “, 1A,” after
 8 “sections 1”.

9 (6) INTEREST ON CERTAIN TAX DEFERRAL.—
 10 Section 1291(c)(2) of such Code is amended by add-
 11 ing at the end the following: “For purposes of the
 12 preceding sentence, the highest rate of tax in effect
 13 under section 1 shall be treated as being equal to
 14 the sum of such rate and the rates in effect under
 15 paragraphs (1) and (2) of section 1A(a).”.

16 (7) AVERAGING OF FARM INCOME.—Section
 17 1301(a) of such Code is amended by striking “sec-
 18 tion 1” both places it appears and inserting “sec-
 19 tions 1 and 1A”.

20 (8) TITLE 11 CASES.—Section 1398(c)(2) of
 21 such Code is amended by inserting “and tax shall be
 22 imposed under section 1A by treating the estate as
 23 a married individual filing a separate return” before
 24 the period at the end.

1 (9) WITHHOLDING OF TAX ON FOREIGN PART-
 2 NERS' SHARE OF EFFECTIVELY CONNECTED IN-
 3 COME.—Section 1446(b)(2) of such Code is amended
 4 by adding at the end the following flush sentence:
 5 “For purposes of subparagraph (A), the highest rate
 6 of tax in effect under section 1 shall be treated as
 7 being equal to the sum of such rate and the rates
 8 in effect under paragraphs (1) and (2) of section
 9 1A(a).”.

10 (10) RELIEF FROM JOINT AND SEVERAL LI-
 11 ABILITY ON JOINT RETURN.—Section 6015(d)(2)(B)
 12 of such Code is amended by inserting “, 1A,” after
 13 “section 1”.

14 (11) PARTNERSHIP ADJUSTMENTS.—

15 (A) Section 6225(b)(1) of such Code is
 16 amended by adding at the end the following
 17 flush sentence:

18 “For purposes of subparagraph (B), the highest rate
 19 of tax in effect under section 1 shall be treated as
 20 being equal to the sum of such rate and the rates
 21 in effect under paragraphs (1) and (2) of section
 22 1A(a).”.

23 (B) Section 6225(c)(4)(A) of such Code is
 24 amended—

1 (i) by striking “subsection (b)(1)(A)”
 2 and inserting “subsection (b)(1)(B)”, and
 3 (ii) by striking “or” at the end of
 4 clause (i), by adding “or” at the end of
 5 clause (ii), and by inserting after clause
 6 (ii) the following new clause:
 7 “(iii) is not an individual subject to
 8 one or both of the rates of tax in effect
 9 under paragraphs (1) and (2) of section
 10 1A(a),”.

11 (12) REQUIRED PAYMENTS FOR ENTITIES
 12 ELECTING NOT TO HAVE REQUIRED TAXABLE
 13 YEAR.—Section 7519(b) of such Code is amended by
 14 inserting “and increased by the sum of the rates in
 15 effect under paragraphs (1) and (2) of section
 16 1A(a)” before the period at the end.

17 (c) CLERICAL AMENDMENT.—The table of sections
 18 for part I of subchapter A of chapter 1 of such Code is
 19 amended by inserting after the item relating to section 1
 20 the following new item:

“Sec. 1A. Surcharge on high income individuals.”.

21 (d) EFFECTIVE DATE.—The amendments made by
 22 this section shall apply to taxable years beginning after
 23 December 31, 2021.

1 **SEC. 4. MODIFICATION OF CORPORATE TAX RATE.**

2 (a) IN GENERAL.—Section 11(b) of the Internal Rev-
3 enue Code of 1986 is amended to read as follows:

4 “(b) AMOUNT OF TAX.—

5 “(1) IN GENERAL.—The amount of the tax im-
6 posed by subsection (a) shall be the sum of—

7 “(A) 18 percent of so much of the taxable
8 income as does not exceed \$400,000,

9 “(B) 21 percent of so much of the taxable
10 income as exceeds \$400,000 but does not ex-
11 ceed \$5,000,000, and

12 “(C) 26.5 percent of so much of the tax-
13 able income as exceeds \$5,000,000.

14 In the case of a corporation which has taxable in-
15 come in excess of \$10,000,000 for any taxable year,
16 the amount of tax determined under the preceding
17 sentence for such taxable year shall be increased by
18 the lesser of (i) 3 percent of such excess, or (ii)
19 \$287,000.

20 “(2) CERTAIN PERSONAL SERVICE CORPORA-
21 TION NOT ELIGIBLE FOR GRADUATED RATES.—Not-
22 withstanding paragraph (1), the amount of the tax
23 imposed by subsection (a) on the taxable income of
24 a qualified personal service corporation (as defined
25 in section 448(d)(2)) shall be equal to 26.5 percent
26 of the taxable income.”.

1 (b) CONFORMING AMENDMENTS.—

2 (1) Section 1561 of the Internal Revenue Code
3 of 1986 is amended to read as follows:

4 **“SEC. 1561. LIMITATION ON CERTAIN MULTIPLE TAX BENE-**
5 **FITS IN THE CASE OF CERTAIN CONTROLLED**
6 **CORPORATIONS.**

7 “(a) IN GENERAL.—The component members of a
8 controlled group of corporations on a December 31 shall,
9 for their taxable years which include such December 31,
10 be limited for purposes of this subtitle to—

11 “(1) amounts in each taxable income bracket in
12 the subparagraphs of section 11(b)(1) which do not
13 aggregate more than the maximum amount in each
14 such bracket to which a corporation which is not a
15 component member of a controlled group is entitled,
16 and

17 “(2) one \$250,000 (\$150,000 if any component
18 member is a corporation described in section
19 535(c)(2)(B)) amount for purposes of computing the
20 accumulated earnings credit under section 535(c)(2)
21 and (3).

22 The amounts specified in paragraph (1) shall be divided
23 equally among the component members of such group on
24 such December 31 unless all of such component members
25 consent (at such time and in such manner as the Secretary

1 shall by regulations prescribe) to an apportionment plan
 2 providing for an unequal allocation of such amounts. The
 3 amounts specified in paragraph (2) shall be divided equal-
 4 ly among the component members of such group on such
 5 December 31 unless the Secretary prescribes regulations
 6 permitting an unequal allocation of such amounts. Not-
 7 withstanding paragraph (1), in applying the last sentence
 8 of section 11(b)(1) to such component members, the tax-
 9 able income of all such component members shall be taken
 10 into account and any increase in tax under such last sen-
 11 tence shall be divided among such component members in
 12 the same manner as amounts under paragraph (1).

13 “(b) CERTAIN SHORT TAXABLE YEARS.—If a cor-
 14 poration has a short taxable year which does not include
 15 a December 31 and is a component member of a controlled
 16 group of corporations with respect to such taxable year,
 17 then for purposes of this subtitle—

18 “(1) the amount in each taxable income bracket
 19 in the tax table in section 11(b) of such corporation
 20 for such taxable year, and

21 “(2) the amount to be used in computing the
 22 accumulated earnings credit under section 535(c)(2)
 23 and (3) of such corporation for such taxable year,
 24 shall be the amount specified in subsection (a)(1) or (2),
 25 as the case may be, divided by the number of corporations

1 which are component members of such group on the last
 2 day of such taxable year. For purposes of the preceding
 3 sentence, section 1563(b) shall be applied as if such last
 4 day were substituted for ‘December 31’.”.

5 (2) The table of sections for part II of sub-
 6 chapter B of chapter 6 of such Code is amended by
 7 striking the item relating to section 1561 and insert-
 8 ing the following:

“Sec. 1561. Limitation on certain multiple tax benefits in the case of certain
 controlled corporations.”.

9 (c) EFFECTIVE DATE.—The amendments made by
 10 this section shall apply to taxable years beginning after
 11 December 31, 2021.

12 (d) NORMALIZATION REQUIREMENTS.—

13 (1) IN GENERAL.—A normalization method of
 14 accounting shall not be treated as being used with
 15 respect to any public utility property for purposes of
 16 section 167 or 168 of the Internal Revenue Code of
 17 1986 if the taxpayer, in computing its cost of service
 18 for ratemaking purposes and reflecting operating re-
 19 sults in its regulated books of account, reduces the
 20 tax reserve deficit less rapidly or to a lesser extent
 21 than such reserve would be reduced under the aver-
 22 age rate assumption method.

1 (2) ALTERNATIVE METHOD FOR CERTAIN TAX-
 2 PAYERS.—If, as of the first day of the taxable year
 3 that includes the date of enactment of this Act—

4 (A) the taxpayer was required by a regu-
 5 latory agency to compute depreciation for public
 6 utility property on the basis of an average life
 7 or composite rate method, and

8 (B) the taxpayer’s books and underlying
 9 records did not contain the vintage account
 10 data necessary to apply the average rate as-
 11 sumption method,

12 the taxpayer will be treated as using a normalization
 13 method of accounting if, with respect to such juris-
 14 diction, the taxpayer uses the alternative method for
 15 public utility property that is subject to the regu-
 16 latory authority of that jurisdiction.

17 (3) DEFINITIONS.—For purposes of this sub-
 18 section—

19 (A) TAX RESERVE DEFICIT.—The term
 20 “tax reserve deficit” means the excess of—

21 (i) the amount which would be the
 22 balance in the reserve for deferred taxes
 23 (as described in section 168(i)(9)(A)(ii) of
 24 the Internal Revenue Code of 1986, or sec-
 25 tion 167(l)(3)(G)(ii) or 168(3)(3)(B)(ii) of

1 such Code as in effect on the day before
 2 the date of the enactment of the Tax Re-
 3 form Act of 1986) if the amount of such
 4 reserve were determined by assuming that
 5 the corporate rate increases provided in
 6 the amendments made by this section were
 7 in effect for all prior periods, over

8 (ii) the balance in such reserve as of
 9 the day before such corporate rate in-
 10 creases take effect.

11 (B) AVERAGE RATE ASSUMPTION METH-
 12 OD.—The average rate assumption method is
 13 the method under which the tax reserve deficit
 14 is reduced over the remaining lives of the prop-
 15 erty as used in its regulated books of account
 16 which gave rise to the reserve for deferred
 17 taxes. Under such method, if timing differences
 18 for the property reverse, the amount of the ad-
 19 justment to the reserve for the deferred taxes is
 20 calculated by multiplying—

21 (i) the ratio of the aggregate deferred
 22 taxes for the property to the aggregate
 23 timing differences for the property as of
 24 the beginning of the period in question, by

1 (ii) the amount of the timing dif-
 2 ferences which reverse during such period.

3 (C) ALTERNATIVE METHOD.—The “alter-
 4 native method” is the method in which the tax-
 5 payer—

6 (i) computes the tax reserve deficit on
 7 all public utility property included in the
 8 plant account on the basis of the weighted
 9 average life or composite rate used to com-
 10 pute depreciation for regulatory purposes,
 11 and

12 (ii) reduces the tax reserve deficit rat-
 13 ably over the remaining regulatory life of
 14 the property.

15 (4) TREATMENT OF NORMALIZATION VIOLA-
 16 TION.—If, for any taxable year ending after the date
 17 of the enactment of this Act, the taxpayer does not
 18 use a normalization method of accounting for the
 19 corporate rate increases provided in the amendments
 20 made by this section , such taxpayer shall not be
 21 treated as using a normalization method of account-
 22 ing for purposes of subsections (f)(2) and (i)(9)(C)
 23 of section 168 of the Internal Revenue Code of
 24 1986.

1 (5) REGULATIONS.—The Secretary of the
2 Treasury, or the Secretary’s designee, shall issue
3 such regulations or other guidance as may be nec-
4 essary or appropriate to carry out the purposes of
5 this subsection, including regulations or other guid-
6 ance to provide appropriate coordination between
7 this subsection, section 13001(d) of Public Law
8 115–97, and section 203(e) of the Tax Reform Act
9 of 1986.

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