

118TH CONGRESS
2D SESSION

H. R. 9431

To amend the Internal Revenue Code of 1986 to exclude from gross income the discharge of indebtedness of certain individuals who are unlawfully or wrongfully detained abroad.

IN THE HOUSE OF REPRESENTATIVES

AUGUST 30, 2024

Mr. BACON (for himself and Mr. GOTTHEIMER) introduced the following bill;
which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to exclude from gross income the discharge of indebtedness of certain individuals who are unlawfully or wrongfully detained abroad.

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 “Hostage Private Debt
5 Tax Freedom Act”.

1 **SEC. 2. EXCLUSION FROM GROSS INCOME OF DISCHARGE**
2 **OF INDEBTEDNESS OF CERTAIN INDIVIDUALS**
3 **UNLAWFULLY OR WRONGFULLY DETAINED**
4 **ABROAD.**

5 (a) IN GENERAL.—Section 108(a)(1) of the Internal
6 Revenue Code of 1986 is amended by striking “or” at the
7 end of subparagraph (D), by striking the period at the
8 end of subparagraph (E) and inserting “, or”, and by add-
9 ing at the end the following new subparagraph:

10 “(F) in the case of a wrongfully detained
11 abroad individual or such individual’s spouse,
12 the indebtedness discharged is specified wrong-
13 fully detained indebtedness.”.

14 (b) RULES RELATED TO WRONGFULLY DETAINED
15 ABROAD INDIVIDUALS.—Section 108 of such Code is
16 amended by adding at the end the following new sub-
17 section:

18 “(j) PROVISIONS RELATED TO WRONGFULLY DE-
19 TAINED ABROAD INDIVIDUALS.—For purposes of this sec-
20 tion—

21 “(1) IN GENERAL.—The term ‘wrongfully de-
22 tained abroad individual’ means any United States
23 national (as defined in section 307 of the Robert
24 Levinson Hostage Recovery and Hostage-Taking Ac-
25 countability Act) if the Secretary of State has deter-
26 mined for purposes of section 302(b) of such Act

1 that there is credible information that such United
2 States national is wrongfully or unlawfully detained
3 abroad.

4 “(2) SPECIFIED WRONGFULLY DETAINED IN-
5 DEBTEDNESS.—

6 “(A) IN GENERAL.—The term ‘specified
7 wrongfully detained indebtedness’ means, with
8 respect to any wrongfully detained abroad indi-
9 vidual, any indebtedness—

10 “(i) which is discharged during the
11 period beginning on the date on which
12 such individual is first wrongfully or un-
13 lawfully detained and ending on the date
14 that is 2 years after the conclusion of such
15 detention, and

16 “(ii) with respect to which the tax-
17 payer elects (at such time and in such
18 manner as the Secretary may provide) the
19 application of this subparagraph.

20 “(B) DOLLAR LIMITATION.—The aggre-
21 gate amount of indebtedness which may be
22 treated as specified wrongfully detained indebt-
23 edness with respect to any wrongfully detained
24 abroad individual (including any amount treat-
25 ed as such indebtedness with respect to such in-

1 dividual’s spouse) for any taxable year shall not
 2 exceed the excess (if any) of \$5,000 over the
 3 aggregate amount so treated for all prior tax-
 4 able years.”.

5 (c) COORDINATION OF EXCLUSIONS.—

6 (1) COORDINATION WITH TITLE 11 EXCLU-
 7 SION.—Section 108(a)(2)(A) of such Code is amend-
 8 ed by striking “and (E)” and inserting “(E), and
 9 (F)”.

10 (2) COORDINATION WITH INSOLVENCY EXCLU-
 11 SION.—Section 108(a)(2) of such Code is amended
 12 by adding at the end the following new subpara-
 13 graph:

14 “(D) WRONGFULLY DETAINED ABROAD
 15 EXCLUSION TAKES PRECEDENCE OVER INSOL-
 16 VENCY AND QUALIFIED FARM INDEBTEDNESS
 17 EXCLUSION UNLESS ELECTED OTHERWISE.—
 18 Subparagraphs (B) and (C) of paragraph (1)
 19 shall not apply to a discharge to which para-
 20 graph (1)(F) applies unless the taxpayer elects
 21 to apply subparagraph (B) or (C) of paragraph
 22 (1) in lieu of paragraph (1)(F).”.

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to discharges of indebtedness after
3 December 31, 2023.

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