

Amendment to the Amendment in the Nature of a Substitute to H.R. 1 Offered by Mr. Brady of Texas

The amendment makes improvements to the amendment in the nature of a substitute relating to the maximum rate on business income of individuals, preserves the adoption tax credit, improves the program integrity of the Child Tax Credit, improves the consolidation of education savings rules, preserves the above-the-line deduction for moving expenses of a member of the Armed Forces on active duty, preserves the current law effective tax rates on C corporation dividends subject to the dividends received deduction, improves the bill's interest expense rules with respect to accrued interest on floor plan financing indebtedness, modifies the treatment of S corporation conversions into C corporations, modifies the tax treatment of research and experimentation expenditures, modifies the treatment of expenses in contingent fee cases, modifies the computation of life insurance tax reserves, modifies the treatment of qualified equity grants, preserves the current law treatment of nonqualified deferred compensation, modifies the transition rules on the treatment of deferred foreign income, improves the excise tax on investment income of private colleges and universities, and modifies rules with respect to political statements made by certain tax-exempt entities.

**AMENDMENT TO THE AMENDMENT IN THE
NATURE OF A SUBSTITUTE TO H.R. 1
OFFERED BY MR. BRADY OF TEXAS**

Page 8, line 25, strike “subsection (b)” and insert “subsections (b) and (e)(3)”.

Page 16, strike lines 6 and 7, and insert the following:

1 “(B) in the case of a married individual fil-
2 ing a separate return, an amount equal to $\frac{1}{2}$
3 of the amount in effect for the taxable year
4 under subparagraph (A), and
5 “(C) in the case of any other individual,
6 \$1,000,000.”.

Page 46, after line 3, insert the following:

7 “(g) REDUCED RATE FOR SMALL BUSINESSES WITH
8 NET ACTIVE BUSINESS INCOME.—
9 “(1) IN GENERAL.—The tax imposed by section
10 1 shall be reduced by 3 percent of the excess (if any)
11 of—
12 “(A) the least of—
13 “(i) qualified active business income,

1 “(ii) taxable income reduced by net
2 capital gain (as defined in section
3 1(h)(11)(A)), or

4 “(iii) the 9-percent bracket threshold
5 amount, over

6 “(B) the excess (if any) of taxable income
7 over the applicable threshold amount.

8 “(2) PHASE-IN OF RATE REDUCTION.—In the
9 case of any taxable year beginning before January 1,
10 2022, paragraph (1) shall be applied by substituting
11 for ‘3 percent’—

12 “(A) in the case of any taxable year begin-
13 ning after December 31, 2017, and before Jan-
14 uary 1, 2020, ‘1 percent’, and

15 “(B) in the case of any taxable year begin-
16 ning after December 31, 2019, and before Jan-
17 uary 1, 2022, ‘2 percent’.

18 “(3) QUALIFIED ACTIVE BUSINESS INCOME.—
19 For purposes of this subsection, the term ‘qualified
20 active business income’ means the excess (if any)
21 of—

22 “(A) any net business income derived from
23 any active business activity, over

24 “(B) any net business loss derived from
25 any active business activity.

1 “(4) 9-PERCENT BRACKET THRESHOLD
2 AMOUNT.—For purposes of this subsection, the term
3 ‘9-percent bracket threshold amount’ means—

4 “(A) in the case of a joint return or sur-
5 viving spouse, \$75,000,

6 “(B) in the case of an individual who is
7 the head of a household (as defined in section
8 2(b)), $\frac{3}{4}$ of the amount in effect for the taxable
9 year under subparagraph (A), and

10 “(C) in the case of any other individual, $\frac{1}{2}$
11 of the amount in effect for the taxable year
12 under subparagraph (A).

13 “(5) APPLICABLE THRESHOLD AMOUNT.—For
14 purposes of this subsection, the term ‘applicable
15 threshold amount’ means—

16 “(A) in the case of a joint return or sur-
17 viving spouse, \$150,000,

18 “(B) in the case of an individual who is
19 the head of a household (as defined in section
20 2(b)), $\frac{3}{4}$ of the amount in effect for the taxable
21 year under subparagraph (A), and

22 “(C) in the case of any other individual, $\frac{1}{2}$
23 of the amount in effect for the taxable year
24 under subparagraph (A).

1 “(6) ESTATES AND TRUSTS.—Paragraph (1)
2 shall not apply to any estate or trust.

3 “(7) INFLATION ADJUSTMENT.—In the case of
4 any taxable year beginning after 2018, the dollar
5 amounts in paragraphs (4)(A) and (5)(A) shall each
6 be increased by an amount equal to—

7 “(A) such dollar amount, multiplied by

8 “(B) the cost-of-living adjustment deter-
9 mined under subsection (c)(2)(A) for the cal-
10 endar year in which the taxable year begins, de-
11 termined by substituting ‘calendar year 2017’
12 for ‘calendar year 2016’ in clause (ii) thereof.

13 If any increase determined under the preceding sen-
14 tence is not a multiple of \$100, such increase shall
15 be rounded to the next lowest multiple of \$100.”.

Page 46, line 4, strike “(g)” and insert “(h)”.

Page 46, line 17, strike “(h)” and insert “(i)”.

Page 47, strike line 25, and all that follows through
page 50, line 10.

Page 50, line 11, strike “(d)” and insert “(e)”.

Page 50, line 15, strike “(e)” and insert “(d)”.

Page 50, line 18, strike “(f)” and insert “(e)”.

Page 62, line 15, strike the space before “section 1(f)(3)”.

Page 64, after line 15, insert the following:

1 (38) Section 219(b)(5)(C)(i)(II) is amended by
2 striking “section 1(f)(3) for the calendar year in
3 which the taxable year begins, determined by sub-
4 stituting ‘calendar year 2007’ for ‘calendar year
5 1992’ in subparagraph (B) thereof” and inserting
6 “section 1(c)(2)(A) for the calendar year in which
7 the taxable year begins, determined by substituting
8 ‘calendar year 2007’ for ‘calendar year 2016’ in
9 clause (ii) thereof”.

10 (39) Section 219(g)(8)(B) is amended by strik-
11 ing “section 1(f)(3) for the calendar year in which
12 the taxable year begins, determined by substituting
13 ‘calendar year 2005’ for ‘calendar year 1992’ in sub-
14 paragraph (B) thereof” and inserting “section
15 1(c)(2)(A) for the calendar year in which the taxable
16 year begins, determined by substituting ‘calendar
17 year 2005’ for ‘calendar year 2016’ in clause (ii)
18 thereof”.

Page 69, strike the text between lines 14 and 15,
and insert the following:

“Sec. 24. Child and family tax credit.”.

Page 72, strike lines 15 through 18.

Page 72, line 19, strike “(c)” and insert “(b)”.

Page 72, line 25, strike “(d)” and insert “(e)”.

Page 73, line 13, strike “(e)” and insert “(d)”.

Page 73, line 18, strike “SUBSECTION (c)” and insert “SUBSECTION (b)”.

Page 73, line 21, strike “SUBSECTION (d)” and insert “SUBSECTION (c)”.

Page 74, strike line 2 and all that follows through page 75, line 4, and insert the following:

1 (a) IDENTIFICATION REQUIREMENTS FOR CHILD
2 AND FAMILY TAX CREDIT.—

3 (1) IN GENERAL.—Section 24(e) is amended to
4 read as follows:

5 “(e) IDENTIFICATION REQUIREMENTS.—

6 “(1) REQUIREMENTS FOR QUALIFYING
7 CHILD.—No credit shall be allowed under this sec-
8 tion to a taxpayer with respect to any qualifying
9 child unless the taxpayer includes the name and so-
10 cial security number of such qualifying child on the
11 return of tax for the taxable year. The preceding
12 sentence shall not prevent a qualifying child from

1 being treated as a dependent described in subsection
2 (a)(2).

3 “(2) OTHER IDENTIFICATION REQUIRE-
4 MENTS.—No credit shall be allowed under this sec-
5 tion with respect to any individual unless the tax-
6 payer identification number of such individual is in-
7 cluded on the return of tax for the taxable year and
8 such identifying number was issued before the due
9 date for filing the return for the taxable year.

10 “(3) SOCIAL SECURITY NUMBER.—For pur-
11 poses of this subsection, the term ‘social security
12 number’ means a social security number issued by
13 the Social Security Administration (but only if the
14 social security number is issued to a citizen of the
15 United States or pursuant to subclause (I) (or that
16 portion of subclause (III) that relates to subclause
17 (I)) of section 205(c)(2)(B)(i) of the Social Security
18 Act).”.

Page 75, starting line 10, strike “required under
section 24(d)(5) (relating to refundable portion of child
tax credit)”.

Page 75, line 12, insert a comma after “TIN”.

Page 75, strike lines 15 through 18.

Page 96, strike lines 6 through 8, and insert the following:

1 (c) CONFORMING AMENDMENTS RELATED TO SEC-
2 TION 222.—

3 (1) Section 62(a) is amended by striking para-
4 graph (18).

5 (2) Section 74(d)(2)(B) is amended by striking
6 “222,”.

7 (3) Section 86(b)(2)(A) is amended by striking
8 “222,”.

9 (4) Section 219(g)(3)(A)(ii) is amended by
10 striking “222,”.

Page 97, after line 15, insert the following:

11 (f) CONFORMING AMENDMENTS RELATED TO SEC-
12 TION 135.—

13 (1) Section 74(d)(2)(B) is amended by striking
14 “135,”.

15 (2) Section 86(b)(2)(A) is amended by striking
16 “135,”.

17 (3) Section 219(g)(3)(A)(ii) is amended by
18 striking “135,”.

Page 97, line 16, strike “(f)” and insert “(g)”.

Page 97, after line 24, insert the following:

1 **SEC. 1205. ROLLOVERS BETWEEN QUALIFIED TUITION PRO-**
2 **GRAMS AND QUALIFIED ABLE PROGRAMS.**

3 (a) ROLLOVERS FROM QUALIFIED TUITION PRO-
4 GRAMS TO QUALIFIED ABLE PROGRAMS.—Section
5 529(c)(3)(C)(i) is amended by striking “or” at the end
6 of subclause (I), by striking the period at the end of sub-
7 clause (II) and inserting “, or”, and by adding at the end
8 the following new subclause:

9 “(III) to an ABLE account (as
10 defined in section 529A(e)(6)) of the
11 designated beneficiary or a member of
12 the family of the designated bene-
13 ficiary.

14 Subclause (III) shall not apply to so much
15 of a distribution which, when added to all
16 other contributions made to the ABLE ac-
17 count for the taxable year, exceeds the lim-
18 itation under section 529A(b)(2)(B).”.

19 (b) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to distributions after December 31,
21 2017.

Page 101, strike lines 21 through 24 and insert the
following:

22 (B) Section 163(h) is amended by striking
23 subparagraphs (E) and (F) in paragraph (4).

Page 102, starting line 7, strike “Rules similar” and all that follows through “the preceding sentence.” on line 9.

Page 102, starting line 19, strike “, and the second sentence of paragraph (4)(A)(i),”.

Page 111, line 7, strike “table of section” and insert “table of sections”.

Page 120, line 23, strike “table of section” and insert “table of sections”.

Page 124, line 7, strike “table of section” and insert “table of sections”.

Page 124, after line 8, insert the following:

1 (b) RETENTION OF MOVING EXPENSES FOR MEM-
2 BERS OF ARMED FORCES.—Section 134(b) is amended by
3 adding at the end the following new paragraph:

4 “(7) MOVING EXPENSES.—The term ‘qualified
5 military benefit’ includes any benefit described in
6 section 217(g) (as in effect before the enactment of
7 the Tax Cuts And Jobs Act).”.

Page 124, line 9, strike “(b)” and insert “(c)”.

Page 124, line 22, strike “(c)” and insert “(d)”.

Page 137, strike lines 1 through 3.

Page 137, line 4, strike “(2)” and insert “(1)”.

Page 137, line 7, strike “(as” and all that follows through “paragraph (1))” on line 8.

Page 137, line 15, strike “(3)” and insert “(2)”.

Page 166, line 20, strike “2023” and insert “2024”.

Page 166, line 24, strike “2023” and insert “2024”.

Page 168, line 13, strike “2023” and insert “2024”.

Page 168, line 23, strike “2023” and insert “2024”.

Page 169, line 2, strike “2023” and insert “2024”.

Page 169, line 9, strike “2023” and insert “2024”.

Page 169, line 11, strike “2023” and insert “2024”.

Page 170, line 11, strike “2023” and insert “2024”.

Page 170, strike lines 16 through 20, and insert the following:

1 “(ii) the cost-of-living adjustment de-
2 termined under section 1(c)(2)(A) of such
3 calendar year by substituting ‘calendar
4 year 2011’ for ‘calendar year 2016’ in
5 clause (ii) thereof.”.

Page 171, line 5, strike “2023” and insert “2024”.

Page 171, line 6, strike “2023” and insert “2024”.

Page 171, line 12, strike “2023” and insert “2024”.

Page 176, strike lines 17 through 21.

Page 190, after line 13, insert the following:

1 (c) REDUCTION IN DIVIDEND RECEIVED DEDUC-
2 TIONS TO REFLECT LOWER CORPORATE INCOME TAX
3 RATES.—

4 (1) DIVIDENDS RECEIVED BY CORPORATIONS.—

5 (A) IN GENERAL.—Section 243(a)(1) is
6 amended by striking “70 percent” and inserting
7 “50 percent”.

8 (B) DIVIDENDS FROM 20-PERCENT OWNED
9 CORPORATIONS.—Section 243(c)(1) is amend-
10 ed—

11 (i) by striking “80 percent” and in-
12 sserting “65 percent”, and

13 (ii) by striking “70 percent” and in-
14 sserting “50 percent”.

15 (C) CONFORMING AMENDMENT.—The
16 heading for section 243(c) is amended by strik-
17 ing “RETENTION OF 80-PERCENT DIVIDEND
18 RECEIVED DEDUCTION” and inserting “IN-
19 CREASED PERCENTAGE”.

1 (2) DIVIDENDS RECEIVED FROM FISC.—Section
2 245(c)(1)(B) is amended—

3 (A) by striking “70 percent” and inserting
4 “50 percent”, and

5 (B) by striking “80 percent” and inserting
6 “65 percent”.

7 (3) LIMITATION ON AGGREGATE AMOUNT OF
8 DEDUCTIONS.—Section 246(b)(3) is amended—

9 (A) by striking “80 percent” in subpara-
10 graph (A) and inserting “65 percent”, and

11 (B) by striking “70 percent” in subpara-
12 graph (B) and inserting “50 percent”.

13 (4) REDUCTION IN DEDUCTION WHERE PORT-
14 FOLIO STOCK IS DEBT-FINANCED.—Section
15 246A(a)(1) is amended—

16 (A) by striking “70 percent” and inserting
17 “50 percent”, and

18 (B) by striking “80 percent” and inserting
19 “65 percent”.

20 (5) INCOME FROM SOURCES WITHIN THE
21 UNITED STATES.—Section 861(a)(2) is amended—

22 (A) by striking “100/70th” and inserting
23 “100/50th” in subparagraph (B), and

24 (B) in the flush sentence at the end—

- 1 (i) by striking “100/80th” and insert-
2 ing “100/65th”, and
3 (ii) by striking “100/70th” and insert-
4 ing “100/50th”.

Page 190, line 14, strike “(e)” and insert “(d)”.

Page 190, line 23, strike “(d)” and insert “(e)”.

Page 196, strike lines 9 through 14, and insert the following:

- 5 “(G) EXCEPTION FOR PROPERTY OF CER-
6 TAIN BUSINESSES NOT SUBJECT TO LIMITATION
7 ON INTEREST EXPENSE.—The term ‘qualified
8 property’ shall not include any property used
9 in—
10 “(i) a trade or business described in
11 subparagraph (B) or (C) of section
12 163(j)(7), or
13 “(ii) a trade or business that has had
14 floor plan financing indebtedness (as de-
15 fined in paragraph (9) of section 163(j)),
16 if the floor plan financing interest related
17 to such indebtedness was taken into ac-
18 count under paragraph (1)(C) of such sec-
19 tion.”.

Page 215, after line 3, insert the following:

1 **SEC. 3204. MODIFICATION OF TREATMENT OF S CORPORA-**
2 **TION CONVERSIONS TO C CORPORATIONS.**

3 (a) ADJUSTMENTS ATTRIBUTABLE TO CONVERSION
4 FROM S CORPORATION TO C CORPORATION.—Section 481
5 is amended by adding at the end the following new sub-
6 section:

7 “(d) ADJUSTMENTS ATTRIBUTABLE TO CONVERSION
8 FROM S CORPORATION TO C CORPORATION.—

9 “(1) IN GENERAL.—In the case of an eligible
10 terminated S corporation, any increase in tax under
11 this chapter of by reason of an adjustment required
12 by subsection (a)(2), and which is attributable to
13 such corporation’s revocation described in paragraph
14 (2)(A)(ii), shall be taken into account ratably during
15 the 6-taxable year period beginning with the year of
16 change.

17 “(2) ELIGIBLE TERMINATED S CORPORA-
18 TION.—For purposes of this subsection, the term ‘el-
19 igible terminated S corporation’ means any C cor-
20 poration—

21 “(A) which—

22 “(i) was an S corporation on the day
23 before the date of the enactment of the
24 Tax Cuts and Jobs Act, and

25 “(ii) during the 2-year period begin-
26 ning on the date of such enactment makes

1 a revocation of its election under section
2 1362(a), and

3 “(B) the owners of the stock of which, de-
4 termined on the date such revocation is made,
5 are the same owners (and in identical propor-
6 tions) as on the date of such enactment.”.

7 (b) CASH DISTRIBUTIONS FOLLOWING POST-TERMI-
8 NATION TRANSITION PERIOD FROM S CORPORATION STA-
9 TUS.—Section 1371 is amended by adding at the end the
10 following new subsection:

11 “(f) CASH DISTRIBUTIONS FOLLOWING POST-TERMI-
12 NATION TRANSITION PERIOD.—In the case of a distribu-
13 tion of money by an eligible terminated S corporation (as
14 defined in section 481(d)), the accumulated adjustments
15 account shall be allocated to such distribution, and the dis-
16 tribution shall be chargeable to accumulated earnings and
17 profits, in the same ratio as the amount of such accumu-
18 lated adjustments account bears to the amount of such
19 accumulated earnings and profits.”.

Page 215, line 15, strike “plus”.

Page 215, line 17, strike the period at the end and
insert “, plus”.

Page 215, after line 17, insert the following:

1 “(C) the floor plan financing interest of
2 such taxpayer for such taxable year.”.

Page 217, line 2, after “of the partnership” insert
“, reduced by floor plan financing interest,”

Page 219, after line 12, insert the following

3 “(9) FLOOR PLAN FINANCING INTEREST DE-
4 FINED.—For purposes of this subsection:

5 “(A) IN GENERAL.—The term ‘floor plan
6 financing interest’ means interest paid or ac-
7 crued on floor plan financing indebtedness.

8 “(B) FLOOR PLAN FINANCING INDEBTED-
9 NESS.—The term ‘floor plan financing indebt-
10 edness’ means indebtedness—

11 “(i) used to finance the acquisition of
12 motor vehicles held for sale to retail cus-
13 tomers, and

14 “(ii) secured by the inventory so ac-
15 quired.

16 “(C) MOTOR VEHICLE.—The term ‘motor
17 vehicle’ means a motor vehicle that is any of
18 the following:

19 “(i) An automobile.

20 “(ii) A truck.

21 “(iii) A recreational vehicle.

- 1 “(iv) A motorcycle.
- 2 “(v) A boat.
- 3 “(vi) Farm machinery or equipment.
- 4 “(vii) Construction machinery or
- 5 equipment.”.

Page 233, line 23, insert “219(g)(3)(A)(ii),” after
“137(b)(3)(A),”.

Page 248, after line 3, insert the following:

6 **SEC. 3315. AMORTIZATION OF RESEARCH AND EXPERI-**
7 **MENTAL EXPENDITURES.**

8 (a) IN GENERAL.—Section 174 is amended to read
9 as follows:

10 **“SEC. 174. AMORTIZATION OF RESEARCH AND EXPERI-**
11 **MENTAL EXPENDITURES.**

12 “(a) IN GENERAL.—In the case of a taxpayer’s speci-
13 fied research or experimental expenditures for any taxable
14 year—

15 “(1) except as provided in paragraph (2), no
16 deduction shall be allowed for such expenditures,
17 and

18 “(2) the taxpayer shall—

19 “(A) charge such expenditures to capital
20 account, and

1 “(B) be allowed an amortization deduction
2 of such expenditures ratably over the 5-year pe-
3 riod (15-year period in the case of any specified
4 research or experimental expenditures which are
5 attributable to foreign research (within the
6 meaning of section 41(d)(4)(F))) beginning
7 with the midpoint of the taxable year in which
8 such expenditures are paid or incurred.

9 “(b) SPECIFIED RESEARCH OR EXPERIMENTAL EX-
10 PENDITURES.—For purposes of this section, the term
11 ‘specified research or experimental expenditures’ means,
12 with respect to any taxable year, research or experimental
13 expenditures which are paid or incurred by the taxpayer
14 during such taxable year in connection with the taxpayer’s
15 trade or business.

16 “(c) SPECIAL RULES.—

17 “(1) LAND AND OTHER PROPERTY.—This sec-
18 tion shall not apply to any expenditure for the acqui-
19 sition or improvement of land, or for the acquisition
20 or improvement of property to be used in connection
21 with the research or experimentation and of a char-
22 acter which is subject to the allowance under section
23 167 (relating to allowance for depreciation, etc.) or
24 section 611 (relating to allowance for depletion); but
25 for purposes of this section allowances under section

1 167, and allowances under section 611, shall be con-
2 sidered as expenditures.

3 “(2) EXPLORATION EXPENDITURES.—This sec-
4 tion shall not apply to any expenditure paid or in-
5 curred for the purpose of ascertaining the existence,
6 location, extent, or quality of any deposit of ore or
7 other mineral (including oil and gas).

8 “(3) SOFTWARE DEVELOPMENT.—For purposes
9 of this section, any amount paid or incurred in con-
10 nection with the development of any software shall
11 be treated as a research or experimental expendi-
12 ture.

13 “(d) TREATMENT UPON DISPOSITION, RETIREMENT,
14 OR ABANDONMENT.—If any property with respect to
15 which specified research or experimental expenditures are
16 paid or incurred is disposed, retired, or abandoned during
17 the period during which such expenditures are allowed as
18 an amortization deduction under this section, no deduction
19 shall be allowed with respect to such expenditures on ac-
20 count of such disposition, retirement, or abandonment and
21 such amortization deduction shall continue with respect to
22 such expenditures.”.

23 (b) CLERICAL AMENDMENT.—The table of sections
24 for part VI of subchapter B of chapter 1 is amended by

1 striking the item relating to section 174 and inserting the
2 following new item:

“Sec. 174. Amortization of research and experimental expenditures.”.

3 (c) **EFFECTIVE DATE.**—The amendments made by
4 this section shall apply to amounts paid or incurred in tax-
5 able years beginning after December 31, 2022.

6 **SEC. 3316. UNIFORM TREATMENT OF EXPENSES IN CONTIN-**
7 **GENCY FEE CASES.**

8 (a) **IN GENERAL.**—Section 162 is amended by redese-
9 ignating subsection (q) as subsection (r) and by inserting
10 after subsection (p) the following new subsection:

11 “(q) **EXPENSES IN CONTINGENCY FEE CASES.**—No
12 deduction shall be allowed under subsection (a) to a tax-
13 payer for any expense—

14 “(1) paid or incurred in the course of the trade
15 or business of practicing law, and

16 “(2) resulting from a case for which the tax-
17 payer is compensated primarily on a contingent
18 basis,

19 until such time as such contingency is resolved.”.

20 (b) **EFFECTIVE DATE.**—The amendment made by
21 this section shall apply to expenses and costs paid or in-
22 curred in taxable years beginning after the date of the en-
23 actment of this Act.

Page 280, strike line 1, and all that follows through page 285, line 4, and insert the following:

1 **SEC. 3703. SURTAX ON LIFE INSURANCE COMPANY TAX-**
2 **ABLE INCOME.**

3 (a) IN GENERAL.—Section 801(a)(1) is amended—

4 (1) by striking “consist of a tax” and insert
5 “consist of the sum of—

6 “(A) a tax”, and

7 (2) by striking the period at the end and insert-
8 ing “, and”, and

9 (3) by adding at the end the following new sub-
10 paragraph:

11 “(B) a tax equal to 8 percent of the life in-
12 surance company taxable income.”.

Page 286, strike lines 4 through 25.

Page 292, strike line 12 and all that follows through page 293, line 9.

Page 293, strike line 11, and all that follows through page 301, line 10.

Page 303, line 3, insert “or principal financial officer” after “principal executive officer”.

Page 309, after line 21, insert the following:

1 **SEC. 3805. MODIFICATION OF TREATMENT OF QUALIFIED**
2 **EQUITY GRANTS.**

3 (a) Section 83(i) of the Internal Revenue Code of
4 1986, as added by section 3804, is amended by adding
5 at the end the following new paragraph:

6 “(7) RESTRICTED STOCK UNITS.—This section
7 (other than this subsection), including any election
8 under subsection (b), shall not apply to restricted
9 stock units.”.

10 (a) Section 3804(c)(2) of this Act is amended to read
11 as follows:

12 “(2) EXCLUSION FROM DEFINITION OF NON-
13 QUALIFIED DEFERRED COMPENSATION PLAN.—Sub-
14 section (d) of section 409A is amended by adding at
15 the end the following new paragraph:

16 ““(7) TREATMENT OF QUALIFIED STOCK.—An
17 arrangement under which an employee may receive
18 qualified stock (as defined in section 83(i)(2)) shall
19 not be treated as a nonqualified deferred compensa-
20 tion plan solely because of an employee’s election, or
21 ability to make an election, to defer recognition of
22 income under section 83(i).’”.

23 (b) The amendments made by this section shall take
24 effect as if included in the provisions of section 3804 of
25 this Act to which they relate.

Page 330, line 19, strike “5” and insert “7”.

Page 331, line 4, strike “12” and insert “14”.

Page 331, line 9, strike “5” and insert “7”.

Page 331, line 9, strike “12” and insert “14”.

Page 331, line 11, strike “5” and insert “7”.

Page 331, line 12, strike “5” and insert “7”.

Page 331, line 17, strike “5” and insert “7”.

Page 332, line 6, strike “12” and insert “14”.

Page 332, line 7, strike “12” and insert “14”.

Page 332, line 11, strike “12” and insert “14”.

Page 332, line 12, strike “5” and insert “7”.

Page 343, line 17, strike “85.7” and insert “80”.

Page 343, line 23, strike “65.7” and insert “60”.

Page 354, line 1, strike “section” and insert “sections”.

Page 397, strike line 9 and all that follows through page 398, line 10, and insert the following:

1 “(1) IN GENERAL.—In the case of any specified
2 amount paid or incurred by a domestic corporation
3 to a foreign corporation which is a member of the

1 same international financial reporting group as such
2 domestic corporation and which has elected to be
3 subject to the provisions of this subsection—

4 “(A) such amount shall be taken into ac-
5 count (other than for purposes of sections 245,
6 245A, and 881) as if—

7 “(i) such foreign corporation were en-
8 gaged in a trade or business within the
9 United States,

10 “(ii) such foreign corporation had a
11 permanent establishment in the United
12 States during the taxable year, and

13 “(iii) such payment were effectively
14 connected with the conduct of a trade or
15 business within the United States and were
16 attributable to such permanent establish-
17 ment,

18 “(B) for purposes of subsection (c)(1)(A),
19 no deduction shall be allowed with respect to
20 such amount and such subsection shall be ap-
21 plied without regard to such amount, and

22 “(C) there shall be allowed as a deduction
23 the deemed expenses with respect such
24 amount.”.

Page 403, strike line 20 and all that follows through page 404, line 18, and insert the following:

1 “(8) FOREIGN TAX CREDIT ALLOWED.—The
2 credit allowed under section 906(a) with respect to
3 amounts taken into account in income under para-
4 graph (1)(A) shall be limited to 80 percent of the
5 amount of taxes paid or accrued and determined
6 without regard to section 906(b)(1).

7 “(9) ELECTION.—Any election under paragraph
8 (1)—

9 “(A) shall be made at such time and in
10 such form and manner as the Secretary may
11 provide, and

12 “(B) shall apply for the taxable year for
13 which made and all subsequent taxable years
14 unless revoked with the consent of the Sec-
15 retary.”.

Page 410, after line 20, insert the following:

16 (b) TREATMENT OF CERTAIN REFERENCES.—Sec-
17 tion 119(e) of division A of the Tax Relief and Health
18 Care Act of 2006 is amended by adding at the end the
19 following: “References in this subsection to section 199
20 of the Internal Revenue Code of 1986 shall be treated as

1 references to such section as in effect before its repeal by
2 the Tax Cuts and Jobs Act.”.

Page 410, line 21, strike “(b)” and insert “(c)”.

Page 418, after line 22, insert the following:

3 “(d) ASSETS AND NET INVESTMENT INCOME OF RE-
4 LATED ORGANIZATIONS.—

5 “(1) IN GENERAL.—For purposes of sub-
6 sections (b)(1)(C) and (c), the assets and net invest-
7 ment income of any related organization shall be
8 treated as the assets and net investment income of
9 the eligible educational institution.

10 “(2) RELATED ORGANIZATION.—For purposes
11 of this subsection, the term ‘related organization’
12 means, with respect to an eligible educational insti-
13 tution, any organization which—

14 “(A) controls, or is controlled by, such in-
15 stitution,

16 “(B) is controlled by one or more persons
17 that control such institution, or

18 “(C) is a supported organization (as de-
19 fined in section 509(f)(3)), or an organization
20 described in section 509(a)(3), during the tax-
21 able year with respect to such institution.”.

Page 423, line 3, strike “**CHURCHES**” and insert “**501(c)(3) ORGANIZATIONS**”.

Page 423, line 5, strike “**RELIGIOUS SERVICES AND**”.

Page 423, starting line 10, strike “CHURCHES, INTEGRATED AUXILIARIES, ETC” and insert “ORGANIZATIONS DESCRIBED IN SUBSECTION (c)(3)”.

Page 423, starting line 14, strike “described in section 508(e)(1)(A)”.

Page 423, line 16, strike “religious purpose” and insert “purpose described in subsection (c)(3)”.

Page 423, starting line 20, strike “content of any homily, sermon” and all that follows through “such content” on line 23, and insert “content of any statement which”.

Page 424, line 1, strike “is in” and insert “is made in”.

Page 424, after line 6, insert the following:

1 “(2) **TERMINATION**.—Paragraph (1) shall not
2 apply to taxable years beginning after December 31,
3 2023.”.

Page 424, starting line 8, strike “ending after the date of the enactment of this Act” and insert “beginning after December 31, 2018”.

