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(Original Signature of Member)

116TH CONGRESS
2D SESSION

H. R. ______

To amend the Internal Revenue Code of 1986 to encourage investment to renew, restore, and rebuild the American economy for our workers, families, and small businesses, maximize innovation through research and development, and secure America's medical supplies.

IN THE HOUSE OF REPRESENTATIVES

Mr. BRADY introduced the following bill; which was referred to the Committee on ______________________________

A BILL

To amend the Internal Revenue Code of 1986 to encourage investment to renew, restore, and rebuild the American economy for our workers, families, and small businesses, maximize innovation through research and development, and secure America's medical supplies.

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; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 "Commitment to American Growth, Renewal, and Oppor-

1 tunities for Workers, Technology, and Health Act'' or as
2 the ''Commitment to American GROWTH Act''.
3 (b) TABLE OF CONTENTS.—The table of contents of
4 this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—GROWTH IN BUSINESS INVESTMENT TO BOOST AMERICAN WAGES AND JOBS

Sec. 101. Permanent full expensing for qualified property.
Sec. 102. Limitation on business interest permanently applied without regard to deductions for depreciation, amortization, and depletion.

TITLE II—GROWTH IN RESEARCH IN AMERICA

Sec. 201. Repeal amortization of research and experimental expenditures.
Sec. 202. Doubling the research and experimental tax credit and better access to credits for startups.
Sec. 203. Special rules for transfers of intangible property from controlled foreign corporations to United States shareholders.

TITLE III—GROWTH IN AMERICA'S MEDICAL INDEPENDENCE

Sec. 301. Domestic medical and drug manufacturing credit.
Sec. 302. Qualifying advanced medical manufacturing equipment credit.
Sec. 303. New medical research expenditure component of credit for increasing research activities.
Sec. 304. Refundable portion of research credit for small businesses engaging in specified medical research.
Sec. 305. Exception from passive loss rules for investments in specified medical research small business pass-thru entities.

TITLE IV—GROWTH IN INNOVATION AND TECHNOLOGY BREAKTHROUGHS

Sec. 401. Simplification and expansion of deduction for start-up and organizational expenditures.
Sec. 402. Preservation of start-up net operating losses and tax credits after ownership change.

TITLE I—GROWTH IN BUSINESS INVESTMENT TO BOOST AMERICAN WAGES AND JOBS

SEC. 101. PERMANENT FULL EXPENSING FOR QUALIFIED PROPERTY.

(a) IN GENERAL.—Paragraph (6) of section 168(k) of the Internal Revenue Code of 1986 is amended to read as follows:

"(6) APPLICABLE PERCENTAGE.—For purposes of this subsection, the term 'applicable percentage' means, in the case of property placed in service (or, in the case of a specified plant described in paragraph (5), a plant which is planted or grafted) after September 27, 2017, 100 percent.".

(b) CONFORMING AMENDMENTS.—

(1) Section 168(k) of the Internal Revenue Code of 1986 is amended—

(A) in paragraph (2)—

(i) in subparagraph (A)—

(I) in clause (i)(V), by inserting "and" at the end;

(II) in clause (ii), by striking "clause (ii) of subparagraph (E), and" and inserting "clause (i) of subparagraph (E)."; and

1 (III) by striking clause (iii);
2 (ii) in subparagraph (B)—
3 (I) in clause (i)—
4 (aa) by striking subclauses
5 (II) and (III); and
6 (bb) by redesignating sub-
7 clauses (IV) through (VI) as sub-
8 clauses (II) through (IV), respec-
9 tively;
10 (II) by striking clause (ii); and
11 (III) by redesignating clauses
12 (iii) and (iv) as clauses (ii) and (iii),
13 respectively;
14 (iii) in subparagraph (C)—
15 (I) in clause (i), by striking ''and
16 subclauses (II) and (III) of subpara-
17 graph (B)(i)''; and
18 (II) in clause (ii), by striking
19 ''subparagraph (B)(iii)'' and inserting
20 ''subparagraph (B)(ii)''; and
21 (iv) in subparagraph (E)—
22 (I) by striking clause (i); and
23 (II) by redesignating clauses (ii)
24 and (iii) as clauses (i) and (ii), respec-
25 tively; and

1 (B) in paragraph (5)(A), by striking
2 "planted before January 1, 2027, or is grafted
3 before such date to a plant that has already
4 been planted," and inserting "planted or graft-
5 ed".
6 (2) Section 460(c)(6)(B) of such Code is
7 amended by striking "which" and all that follows
8 through the period and inserting "which has a recov-
9 ery period of 7 years or less.".
10 (c) EFFECTIVE DATE.—The amendments made by
11 this section shall take effect as if included in section
12 13201 of Public Law 115–97.

13 **SEC. 102. LIMITATION ON BUSINESS INTEREST PERMA-**
14 **NENTLY APPLIED WITHOUT REGARD TO DE-**
15 **DUCTIONS FOR DEPRECIATION, AMORTIZA-**
16 **TION, AND DEPLETION.**

17 (a) IN GENERAL.—Section 163(j)(8)(A)(v) of the In-
18 ternal Revenue Code of 1986 is amended by striking "in
19 the case of taxable years beginning before January 1,
20 2022".
21 (b) EFFECTIVE DATE.—The amendment made by
22 this section shall apply to taxable years beginning after
23 December 31, 2021.

TITLE II—GROWTH IN RESEARCH IN AMERICA

SEC. 201. REPEAL AMORTIZATION OF RESEARCH AND EXPERIMENTAL EXPENDITURES.

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

"SEC. 174. RESEARCH AND EXPERIMENTAL EXPENDITURES.

"(a) TREATMENT AS EXPENSES.—

"(1) IN GENERAL.—A taxpayer may treat research or experimental expenditures which are paid or incurred by him during the taxable year in connection with his trade or business as expenses which are not chargeable to capital account. The expenditures so treated shall be allowed as a deduction.

"(2) WHEN METHOD MAY BE ADOPTED.—

"(A) WITHOUT CONSENT.—A taxpayer may, without the consent of the Secretary, adopt the method provided in this subsection for his first taxable year for which expenditures described in paragraph (1) are paid or incurred.

"(B) WITH CONSENT.—A taxpayer may, with the consent of the Secretary, adopt at any time the method provided in this subsection.

"(3) SCOPE.—The method adopted under this subsection shall apply to all expenditures described

1 in paragraph (1). The method adopted shall be ad-
2 hered to in computing taxable income for the taxable
3 year and for all subsequent taxable years unless,
4 with the approval of the Secretary, a change to a
5 different method is authorized with respect to part
6 or all of such expenditures.

7 ''(b) AMORTIZATION OF CERTAIN RESEARCH AND
8 EXPERIMENTAL EXPENDITURES.—

9 ''(1) IN GENERAL.—At the election of the tax-
10 payer, made in accordance with regulations pre-
11 scribed by the Secretary, research or experimental
12 expenditures which are—

13 ''(A) paid or incurred by the taxpayer in
14 connection with his trade or business,

15 ''(B) not treated as expenses under sub-
16 section (a), and

17 ''(C) chargeable to capital account but not
18 chargeable to property of a character which is
19 subject to the allowance under section 167 (re-
20 lating to allowance for depreciation, etc.) or sec-
21 tion 611 (relating to allowance for depletion),

22 may be treated as deferred expenses. In computing
23 taxable income, such deferred expenses shall be al-
24 lowed as a deduction ratably over such period of not
25 less than 60 months as may be selected by the tax-

1 payer (beginning with the month in which the tax-
2 payer first realizes benefits from such expenditures).
3 Such deferred expenses are expenditures properly
4 chargeable to capital account for purposes of section
5 1016(a)(1) (relating to adjustments to basis of prop-
6 erty).

7 "(2) TIME FOR AND SCOPE OF ELECTION.—The
8 election provided by paragraph (1) may be made for
9 any taxable year, but only if made not later than the
10 time prescribed by law for filing the return for such
11 taxable year (including extensions thereof). The
12 method so elected, and the period selected by the
13 taxpayer, shall be adhered to in computing taxable
14 income for the taxable year for which the election is
15 made and for all subsequent taxable years unless,
16 with the approval of the Secretary, a change to a
17 different method (or to a different period) is author-
18 ized with respect to part or all of such expenditures.
19 The election shall not apply to any expenditure paid
20 or incurred during any taxable year before the tax-
21 able year for which the taxpayer makes the election.

22 "(c) LAND AND OTHER PROPERTY.—This section
23 shall not apply to any expenditure for the acquisition or
24 improvement of land, or for the acquisition or improve-
25 ment of property to be used in connection with the re-

1 search or experimentation and of a character which is sub-
2 ject to the allowance under section 167 (relating to allow-
3 ance for depreciation, etc.) or section 611 (relating to al-
4 lowance for depletion); but for purposes of this section al-
5 lowances under section 167, and allowances under section
6 611, shall be considered as expenditures.

7 "(d) EXPLORATION EXPENDITURES.—This section
8 shall not apply to any expenditure paid or incurred for
9 the purpose of ascertaining the existence, location, extent,
10 or quality of any deposit of ore or other mineral (including
11 oil and gas).

12 "(e) ONLY REASONABLE RESEARCH EXPENDITURES
13 ELIGIBLE.—This section shall apply to a research or ex-
14 perimental expenditure only to the extent that the amount
15 thereof is reasonable under the circumstances.".

16 (b) CLERICAL AMENDMENT.—The table of sections
17 for part VI of subchapter B of chapter 1 is amended by
18 striking the item relating to section 174 and inserting the
19 following new item:

"Sec. 174. Research and experimental expenditures".

20 (c) CONFORMING AMENDMENTS.—

21 (1) Section 41(d)(1)(A) is amended by striking
22 "specified research or experimental expenditures
23 under section 174" and inserting "expenses under
24 section 174".

1 (2) Section 280C(c) is amended to read as fol-
2 lows:
3 "(c) CREDIT FOR INCREASING RESEARCH ACTIVI-
4 TIES.—
5 "(1) IN GENERAL.—No deduction shall be al-
6 lowed for that portion of the qualified research ex-
7 penses (as defined in section 41(b)) or basic re-
8 search expenses (as defined in section 41(e)(2)) oth-
9 erwise allowable as a deduction for the taxable year
10 which is equal to the amount of the credit deter-
11 mined for such taxable year under section 41(a).
12 "(2) SIMILAR RULE WHERE TAXPAYER CAP-
13 ITALIZES RATHER THAN DEDUCTS EXPENSES.—If—
14 "(A) the amount of the credit determined
15 for the taxable year under section 41(a)(1), ex-
16 ceeds
17 "(B) the amount allowable as a deduction
18 for such taxable year for qualified research ex-
19 penses or basic research expenses (determined
20 without regard to paragraph (1)),
21 the amount chargeable to capital account for the
22 taxable year for such expenses shall be reduced by
23 the amount of such excess.
24 "(3) ELECTION OF REDUCED CREDIT.—

1 "(A) IN GENERAL.—In the case of any
2 taxable year for which an election is made
3 under this paragraph—
4 "(i) paragraphs (1) and (2) shall not
5 apply, and
6 "(ii) the amount of the credit under
7 section 41(a) shall be the amount deter-
8 mined under subparagraph (B).
9 "(B) AMOUNT OF REDUCED CREDIT.—The
10 amount of credit determined under this sub-
11 paragraph for any taxable year shall be the
12 amount equal to the excess of—
13 "(i) the amount of credit determined
14 under section 41(a) without regard to this
15 paragraph, over
16 "(ii) the product of—
17 "(I) the amount described in
18 clause (i), and
19 "(II) the rate of tax under sec-
20 tion 11(b).
21 "(C) ELECTION.—An election under this
22 paragraph for any taxable year shall be made
23 not later than the time for filing the return of
24 tax for such year (including extensions), shall
25 be made on such return, and shall be made in

such manner as the Secretary may prescribe. Such an election, once made, shall be irrevocable.

"(4) CONTROLLED GROUPS.—Paragraph (3) of subsection (b) shall apply for purposes of this subsection.".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred in taxable years beginning after December 31, 2021.

SEC. 202. DOUBLING THE RESEARCH AND EXPERIMENTAL TAX CREDIT AND BETTER ACCESS TO CREDITS FOR STARTUPS.

(a) CREDIT RATE INCREASE.—

(1) IN GENERAL.—Section 41(a) of the Internal Revenue Code of 1986 is amended by striking "20 percent" and inserting "40 percent".

(2) ALTERNATIVE SIMPLIFIED CREDIT.—Section 41(c)(4)(A) of such Code is amended by striking "14 percent" and inserting "28 percent".

(3) CREDIT RATE IN CASE OF NO RESEARCH EXPENSES IN 3 PRECEDING YEARS.—Section 41(c)(4)(B)(ii) of such Code is amended by striking "6 percent" and inserting "½ the credit percentage in effect under subparagraph (A)".

1 (b) MODIFICATION OF SMALL BUSINESS PORTION
2 ALLOWED AGAINST PAYROLL TAX.—
3 (1) INCREASE IN LIMITATION.—Paragraphs
4 (4)(B)(i) and (5)(B)(ii) of section 41(h) of such
5 Code are each amended by striking ''$250,000'' and
6 inserting ''$500,000''.
7 (2) QUALIFIED SMALL BUSINESS GROSS RE-
8 CEIPTS THRESHOLD.—Section 41(h)(3)(A)(i)(I) of
9 such Code is amended by striking ''$5,000,000'' and
10 inserting ''the dollar amount in effect for the taxable
11 year under section 448(c)(1)''.
12 (c) EFFECTIVE DATES.—
13 (1) SUBSECTION (a).—The amendments made
14 by subsection (a) shall apply to taxable years begin-
15 ning after December 31, 2020.
16 (2) SUBSECTION (b).—The amendments made
17 by subsection (b) shall apply to taxable years begin-
18 ning after December 31, 2019.
19 **SEC. 203. SPECIAL RULES FOR TRANSFERS OF INTANGIBLE**
20 **PROPERTY FROM CONTROLLED FOREIGN**
21 **CORPORATIONS TO UNITED STATES SHARE-**
22 **HOLDERS.**
23 (a) IN GENERAL.—Subpart F of part III of sub-
24 chapter N of chapter 1 of the Internal Revenue Code of

1 1986 is amended by adding at the end the following new
2 section:

3 **"SEC. 966. TRANSFERS OF INTANGIBLE PROPERTY TO**
4 **UNITED STATES SHAREHOLDERS.**

5 "(a) IN GENERAL.—If a controlled foreign corpora-
6 tion holds intangible property on the date of the enact-
7 ment of this section and thereafter distributes such prop-
8 erty to a domestic corporation which is a United States
9 shareholder with respect to such controlled foreign cor-
10 poration—

11 "(1) for purposes of part I of subchapter C and
12 any other provision of this title specified by the Sec-
13 retary, the fair market value of such property on the
14 date of such distribution shall be treated as not ex-
15 ceeding the adjusted basis of such property imme-
16 diately before such distribution, and

17 "(2) if any portion of such distribution is not
18 a dividend—

19 "(A) no gain shall be recognized by such
20 United States shareholder with respect to such
21 distribution, and

22 "(B) the adjusted basis of such property in
23 the hands of such United States shareholder
24 immediately after such distribution shall be the
25 adjusted basis of such property in the hands of

1 such controlled foreign corporation immediately
2 before such distribution reduced by the amount
3 (if any) of gain not recognized by reason of
4 subparagraph (A) (determined after the appli-
5 cation of paragraph (1)).
6 "(b) INTANGIBLE PROPERTY.—For purposes of this
7 section, the term 'intangible property' means any—
8 "(1) patent, copyright, license, invention, for-
9 mula, process, design, pattern, know-how, or format,
10 "(2) method, program, system, procedure, cam-
11 paign, survey, study, forecast, estimate, or technical
12 data,
13 "(3) computer software (as defined in section
14 197(e)(3)(B)), or
15 "(4) any similar item, which has substantial
16 value independent of the services of any individual.".
17 (b) CONFORMING AMENDMENTS.—
18 (1) Section 197(f)(2)(B)(i) of such Code is
19 amended by inserting "966(a)," after "731,".
20 (2) The table of sections for subpart F of part
21 III of subchapter N of chapter 1 of such Code is
22 amended by adding at the end the following new
23 item:

"Sec. 966. Transfers of intangible property to United States shareholders.".

24 (c) EFFECTIVE DATE.—The amendments made by
25 this section shall apply to distributions made in taxable

1 years of foreign corporations beginning after December
2 31, 2020, and to taxable years of United States share-
3 holders in which or with which such taxable years of for-
4 eign corporations end.

5 TITLE III—GROWTH IN AMER-
6 ICA'S MEDICAL INDEPEND-
7 ENCE

8 SEC. 301. DOMESTIC MEDICAL AND DRUG MANUFAC-
9 TURING CREDIT.

10 (a) IN GENERAL.—Subpart D of part IV of sub-
11 chapter A of chapter 1 of the Internal Revenue Code of
12 1986 is amended by adding at the end the following new
13 section:

14 **"SEC. 45U. DOMESTIC MEDICAL AND DRUG MANUFAC-**
15 **TURING CREDIT.**

16 "(a) IN GENERAL.—For purposes of section 38, the
17 domestic medical and drug manufacturing credit deter-
18 mined under this section for any taxable year is an amount
19 equal to 10.5 percent of the lesser of—

20 "(1) the qualified medical and drug manufac-
21 turing income of the taxpayer for the taxable year,
22 or

23 "(2) taxable income of the taxpayer for the tax-
24 able year.

25 "(b) CREDIT LIMITED TO WAGES PAID.—

1 "(1) IN GENERAL.—The amount of the credit
2 allowable under subsection (a) for any taxable year
3 shall not exceed 50 percent of the W–2 wages of the
4 taxpayer for the taxable year.
5 "(2) W–2 WAGES.—For purposes of this sec-
6 tion—
7 "(A) IN GENERAL.—The term 'W–2
8 wages' means, with respect to any person for
9 any taxable year of such person, the sum of the
10 amounts described in paragraphs (3) and (8) of
11 section 6051(a) paid by such person with re-
12 spect to employment of employees by such per-
13 son during the calendar year ending during
14 such taxable year.
15 "(B) LIMITATION TO WAGES ATTRIB-
16 UTABLE TO DOMESTIC PRODUCTION.—Such
17 term shall not include any amount which is not
18 properly allocable to domestic medical and drug
19 manufacturing gross receipts for purposes of
20 subsection (c)(1).
21 "(C) RETURN REQUIREMENT.—Such term
22 shall not include any amount which is not prop-
23 erly included in a return filed with the Social
24 Security Administration on or before the 60th

1 day after the due date (including extensions)
2 for such return.
3 "(3) ACQUISITIONS, DISPOSITIONS, AND SHORT
4 TAXABLE YEARS.—The Secretary shall provide for
5 the application of this subsection in cases of a short
6 taxable year or where the taxpayer acquires, or dis-
7 poses of, the major portion of a trade or business or
8 the major portion of a separate unit of a trade or
9 business during the taxable year.
10 "(c) QUALIFIED MEDICAL AND DRUG MANUFAC-
11 TURING INCOME.—For purposes of this section—
12 "(1) IN GENERAL.—The term 'qualified medical
13 and drug manufacturing income' for any taxable
14 year means an amount equal to the excess (if any)
15 of—
16 "(A) the taxpayer's domestic medical and
17 drug manufacturing gross receipts for the tax-
18 able year, over
19 "(B) the sum of—
20 "(i) the cost of goods sold that are al-
21 locable to such receipts, and
22 "(ii) other expenses, losses, or deduc-
23 tions which are properly allocable to such
24 receipts.

1 "(2) ALLOCATION METHOD.—The Secretary
2 shall prescribe rules for the proper allocation of
3 items described in paragraph (1)(B) for purposes of
4 determining qualified medical and drug manufac-
5 turing income. Such rules shall provide for the prop-
6 er allocation of items whether or not such items are
7 directly allocable to domestic medical and drug man-
8 ufacturing gross receipts.
9 "(3) SPECIAL RULES FOR DETERMINING
10 COSTS.—
11 "(A) IN GENERAL.—For purposes of deter-
12 mining costs under clause (i) of paragraph
13 (1)(B), any item or service brought into the
14 United States shall be treated as acquired by
15 purchase, and its cost shall be treated as not
16 less than its value immediately after it entered
17 the United States.
18 "(B) EXPORTS FOR FURTHER MANUFAC-
19 TURE.—In the case of any property described
20 in subparagraph (A) that had been exported by
21 the taxpayer for further manufacture, the in-
22 crease in cost or adjusted basis under subpara-
23 graph (A) shall not exceed the difference be-
24 tween the value of the property when exported
25 and the value of the property when brought

1 back into the United States after the further
2 manufacture.
3 ''(4) DOMESTIC MEDICAL AND DRUG MANUFAC-
4 TURING GROSS RECEIPTS.—
5 ''(A) IN GENERAL.—The term 'domestic
6 medical and drug manufacturing gross receipts'
7 means the gross receipts of the taxpayer which
8 are derived from any sale, exchange, or other
9 disposition of—
10 ''(i) any active pharmaceutical ingre-
11 dient, or
12 ''(ii) any qualified countermeasure,
13 which was manufactured or produced by the
14 taxpayer in whole or in significant part within
15 the United States.
16 ''(B) ACTIVE PHARMACEUTICAL INGRE-
17 DIENT.—The term 'active pharmaceutical ingre-
18 dient' means any substance or mixture of sub-
19 stances intended to be used in the manufacture
20 of a drug product and (when so used) becomes
21 an active ingredient in the drug product.
22 ''(C) QUALIFIED COUNTERMEASURE.—The
23 term 'qualified countermeasure' has the mean-
24 ing given such term in section 319F–1(a)(2) of

1 the Public Health Service Act (42 U.S.C.
2 247d–6a(a)(2)).''
3 ''(D) PARTNERSHIPS OWNED BY EX-
4 PANDED AFFILIATED GROUPS.—For purposes
5 of this paragraph, if all of the interests in the
6 capital and profits of a partnership are owned
7 by members of a single expanded affiliated
8 group at all times during the taxable year of
9 such partnership, the partnership and all mem-
10 bers of such group shall be treated as a single
11 taxpayer during such period.
12 ''(d) DEFINITIONS AND SPECIAL RULES.—For pur-
13 poses of this section—
14 ''(1) APPLICATION OF SECTION TO PASS-THRU
15 ENTITIES.—
16 ''(A) PARTNERSHIPS AND S CORPORA-
17 TIONS.—In the case of a partnership or S cor-
18 poration—
19 ''(i) this section shall be applied at the
20 partner or shareholder level,
21 ''(ii) each partner or shareholder shall
22 take into account such person's allocable
23 share of each item described in subpara-
24 graph (A) or (B) of subsection (c)(1) (de-
25 termined without regard to whether the

1 items described in such subparagraph (A)
2 exceed the items described in such sub-
3 paragraph (B)), and
4 "(iii) each partner or shareholder
5 shall be treated for purposes of subsection
6 (b) as having W–2 wages for the taxable
7 year in an amount equal to such person's
8 allocable share of the W–2 wages of the
9 partnership or S corporation for the tax-
10 able year (as determined under regulations
11 prescribed by the Secretary).
12 "(B) TRUSTS AND ESTATES.—In the case
13 of a trust or estate—
14 "(i) the items referred to in subpara-
15 graph (A)(ii) (as determined therein) and
16 the W–2 wages of the trust or estate for
17 the taxable year, shall be apportioned be-
18 tween the beneficiaries and the fiduciary
19 (and among the beneficiaries) under regu-
20 lations prescribed by the Secretary, and
21 "(ii) for purposes of paragraph (2),
22 adjusted gross income of the trust or es-
23 tate shall be determined as provided in sec-
24 tion 67(e) with the adjustments described
25 in such paragraph.

1 "(C) REGULATIONS.—The Secretary may
2 prescribe rules requiring or restricting the allo-
3 cation of items and wages under this paragraph
4 and may prescribe such reporting requirements
5 as the Secretary determines appropriate.
6 "(2) APPLICATION TO INDIVIDUALS.—In the
7 case of an individual, subsection (a)(2) shall be ap-
8 plied by substituting 'adjusted gross income' for
9 'taxable income'. For purposes of the preceding sen-
10 tence, adjusted gross income shall be determined
11 after application of sections 86, 135, 137, 219, 221,
12 222, and 469.
13 "(3) SPECIAL RULE FOR AFFILIATED
14 GROUPS.—
15 "(A) IN GENERAL.—All members of an ex-
16 panded affiliated group shall be treated as a
17 single corporation for purposes of this section.
18 "(B) EXPANDED AFFILIATED GROUP.—
19 For purposes of this section, the term 'ex-
20 panded affiliated group' means an affiliated
21 group as defined in section 1504(a), deter-
22 mined—
23 "(i) by substituting 'more than 50
24 percent' for 'at least 80 percent' each place
25 it appears, and

1 "(ii) without regard to paragraphs (2)
2 and (4) of section 1504(b).
3 "(C) ALLOCATION OF CREDIT.—Except as
4 provided in regulations, the credit under sub-
5 section (a) shall be allocated among the mem-
6 bers of the expanded affiliated group in propor-
7 tion to each member's respective amount (if
8 any) of qualified medical and drug manufac-
9 turing income.
10 "(4) TRADE OR BUSINESS REQUIREMENT.—
11 This section shall be applied by only taking into ac-
12 count items which are attributable to the actual con-
13 duct of a trade or business.
14 "(5) COORDINATION WITH MINIMUM TAX.—For
15 purposes of determining alternative minimum tax-
16 able income under section 55, qualified medical and
17 drug manufacturing income shall be determined
18 without regard to any adjustments under sections 56
19 through 59.
20 "(6) UNRELATED BUSINESS TAXABLE IN-
21 COME.—For purposes of determining the tax im-
22 posed by section 511, subsection (a)(1)(B) shall be
23 applied by substituting 'unrelated business taxable
24 income' for 'taxable income'.

1 "(7) REGULATIONS.—The Secretary shall pre-
2 scribe such regulations as are necessary to carry out
3 the purposes of this section, including regulations
4 which prevent more than 1 taxpayer from being al-
5 lowed a credit under this section with respect to any
6 activity described in subsection (c)(4)(A).".

7 (b) TREATMENT UNDER BASE EROSION TAX.—Sec-
8 tion 59A(b)(1)(B)(ii) of such Code is amended by striking
9 "plus" at the end of subclause (I), by redesignating sub-
10 clause (II) as subclause (III), and by inserting after sub-
11 clause (I) the following new subclause:

12 "(II) the credit allowed under
13 section 38 for the taxable year which
14 is properly allocable to the domestic
15 medical and drug manufacturing cred-
16 it determined under section 45U(a),
17 plus".

18 (c) PART OF GENERAL BUSINESS CREDIT.—Section
19 38(b) of such Code is amended by striking "plus" at the
20 end of paragraph (32), by striking the period at the end
21 of paragraph (33) and inserting ", plus", and by adding
22 at the end the following new paragraph:

23 "(34) the domestic medical and drug manufac-
24 turing credit determined under section 45U(a).".

1 (d) CREDIT ALLOWED AGAINST ALTERNATIVE MIN-
2 IMUM TAX.—Section 38(c)(4)(B) of such Code is amended
3 by redesignating clauses (x) through (xii) as clauses (xi)
4 through (xiii), respectively, and by inserting after clause
5 (ix) the following new clause:

6 "(x) the credit determined under sec-
7 tion 45U,".

8 (e) CLERICAL AMENDMENT.—The table of sections
9 for subpart D of part IV of subchapter A of chapter 1
10 of such Code is amended by adding at the end the fol-
11 lowing new item:

"Sec. 45U. Domestic medical and drug manufacturing credit.".

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

15 **SEC. 302. QUALIFYING ADVANCED MEDICAL MANUFAC-**
16 **TURING EQUIPMENT CREDIT.**

17 (a) IN GENERAL.—Subpart E of part IV of sub-
18 chapter A of chapter 1 of the Internal Revenue Code of
19 1986 is amended by adding at the end the following new
20 section:

21 **"SEC. 48D. QUALIFYING ADVANCED MEDICAL MANUFAC-**
22 **TURING EQUIPMENT CREDIT.**

23 "(a) IN GENERAL.—For purposes of section 46, the
24 qualifying advanced medical manufacturing equipment
25 credit determined under this section for any taxable year

1 is the applicable percentage of the basis of any qualifying
2 advanced medical manufacturing equipment placed in
3 service during such taxable year.

4 ''(b) APPLICABLE PERCENTAGE.—For purposes of
5 subsection (a), the applicable percentage is—

6 ''(1) 30 percent in the case of equipment which
7 is placed in service before January 1, 2028,

8 ''(2) 20 percent in the case of equipment which
9 is placed in service during calendar year 2028,

10 ''(3) 10 percent in the case of equipment which
11 is placed in service during calendar year 2029, and

12 ''(4) 0 percent in the case of equipment which
13 is placed in service after December 31, 2029.

14 ''(c) QUALIFYING ADVANCED MEDICAL MANUFAC-
15 TURING EQUIPMENT.—For purposes of this section, the
16 term 'qualifying advanced medical manufacturing equip-
17 ment' means property of a character subject to the allow-
18 ance for depreciation—

19 ''(1) which is machinery or equipment that is
20 designed and used to manufacture a—

21 ''(A) drug (as such term is defined in sec-
22 tion 201(g)(1) of the Federal Food, Drug, and
23 Cosmetic Act),

24 ''(B) device (as such term is defined in sec-
25 tion 201(h) of such Act), or

1 "(C) biological product (as such term is
2 defined in section 351(i) of the Public Health
3 Service Act),
4 "(2) which has been identified by the Secretary
5 (after consultation with the Secretary of Health and
6 Human Services) as machinery or equipment that—
7 "(A) incorporates novel technology or uses
8 an established technique or technology in a new
9 or innovative way, or
10 "(B) that can improve medical product
11 quality, address shortages of medicines, and
12 speed time-to-market,
13 "(3) which is placed in service in the United
14 States by the taxpayer, and
15 "(4) with respect to which depreciation is allow-
16 able.
17 "(d) CERTAIN QUALIFIED PROGRESS EXPENDI-
18 TURES RULES MADE APPLICABLE.—Rules similar to the
19 rules of subsections (c)(4) and (d) of section 46 (as in
20 effect on the day before the enactment of the Revenue
21 Reconciliation Act of 1990) shall apply for purposes of
22 this section.
23 "(e) REGULATIONS.—The Secretary shall prescribe
24 such regulations or other guidance as may be necessary

1 to carry out the purposes of this section, including regula-
2 tions which prevent abuse or fraud.''.

3 (b) TREATMENT UNDER BASE EROSION TAX.—Sec-
4 tion 59A(b)(1)(B)(ii) of such Code, as amended by section
5 7 of this Act, is further amended by striking ''plus'' at
6 the end of subclause (II), by redesignating subclause (III)
7 as subclause (IV), and by inserting after subclause (II)
8 the following new subclause:

9 ''(III) the credit allowed under
10 section 46 for the taxable year which
11 is properly allocable to the qualifying
12 advanced medical manufacturing
13 equipment credit determined under
14 section 48D(a), plus''.

15 (c) PART OF INVESTMENT CREDIT.—Section 46 of
16 such Code is amended by striking ''and'' at the end of
17 paragraph (5), by striking the period at the end of para-
18 graph (6) and inserting '', and'', and by adding at the
19 end the following new paragraph:

20 ''(7) the qualifying advanced medical manufac-
21 turing equipment credit.''.

22 (d) CLERICAL AMENDMENT.—The table of sections
23 for subpart D of part IV of subchapter A of chapter 1
24 of such Code is amended by adding at the end the fol-
25 lowing new item:

''Sec. 48D. Qualifying advanced medical manufacturing equipment credit.''.

1 (e) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to periods after the date of the
3 enactment of this section under rules similar to the rules
4 of section 48(m) of the Internal Revenue Code of 1986
5 (as in effect on the date of the enactment fo the Revenue
6 Reconciliation Act of 1990).

7 **SEC. 303. NEW MEDICAL RESEARCH EXPENDITURE COMPO-**
8 **NENT OF CREDIT FOR INCREASING RE-**
9 **SEARCH ACTIVITIES.**

10 (a) IN GENERAL.—Section 41(a) of the Internal Rev-
11 enue Code of 1986 is amended by striking ''and'' at the
12 end of paragraph (2), by striking the period at the end
13 of paragraph (3) and inserting '', and'', and by adding
14 at the end the following new paragraph:

15 ''(4) 14 percent of specified medical research
16 expenditures.''.

17 (b) SPECIFIED MEDICAL RESEARCH EXPENDI-
18 TURES.—Section 41(f) of such Code is amended by adding
19 at the end the following new paragraph:

20 ''(7) SPECIFIED MEDICAL RESEARCH EXPENDI-
21 TURES.—

22 ''(A) IN GENERAL.—The term 'specified
23 medical research expenditures' means amounts
24 paid or incurred for qualified research with re-
25 spect to any qualified countermeasure.

1 "(B) QUALIFIED COUNTERMEASURE.—The
2 term 'qualified countermeasure' has the mean-
3 ing given to such term in section 319F–1(a)(2)
4 of the Public Health Service Act (42 U.S.C.
5 247d–6a(a)(2)).".
6 (c) DENIAL OF DOUBLE BENEFIT.—
7 (1) TAXABLE YEARS BEGINNING BEFORE JANU-
8 ARY 1, 2021.—In the case of specified medical re-
9 search expenditures (as defined in section 41(f)(7)
10 of such Code (as added by this section)) paid or in-
11 curred in taxable years beginning before January 1,
12 2021—
13 (A) such expenditures shall be treated in
14 the same manner as qualified research expenses
15 and basic research expenses under section
16 280C(c)(1) of such Code (as in effect on the
17 day before the enactment of the Tax Cuts and
18 Jobs Act), and
19 (B) the amount determined under section
20 280C(c)(2)(A) (as in effect on such day) for the
21 taxable year shall be increased by the amount
22 of credit determined for the taxable year under
23 section 41(a)(4) (as added by this section).
24 (2) TAXABLE YEARS BEGINNING AFTER DECEM-
25 BER 31, 2020.—Section 280C(c)(1) of such Code is

1 amended by striking "section 41(a)(1)" and insert-
2 ing "paragraphs (1) and (4) of section 41(a)".
3 (d) CONFORMING AMENDMENT.—Section 41(f)(1) of
4 such Code is amended by striking "and amounts paid or
5 incurred to energy research consortiums" each place it ap-
6 pears and inserting ", amounts paid or incurred to energy
7 research consortiums, and specified medical research ex-
8 penditures".
9 (e) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to amounts paid or incurred after
11 the date of the enactment of this Act, in taxable years
12 ending after such date.

13 **SEC. 304. REFUNDABLE PORTION OF RESEARCH CREDIT**
14 **FOR SMALL BUSINESSES ENGAGING IN SPEC-**
15 **IFIED MEDICAL RESEARCH.**

16 (a) IN GENERAL.—Section 41 of the Internal Rev-
17 enue Code of 1986 is amended by adding at the end the
18 following new subsection:
19 "(i) REFUNDABLE PORTION FOR SMALL BUSI-
20 NESSES ENGAGING IN SPECIFIED MEDICAL RESEARCH.—
21 "(1) IN GENERAL.—At the election of a medical
22 research small business, the portion of the credit de-
23 termined under this section for the taxable year
24 which is properly allocable to specified medical re-
25 search shall be treated (other than for purposes of

1 section 280C) as a credit allowed under subpart C
2 (and not this subpart).
3 ''(2) MEDICAL RESEARCH SMALL BUSINESS.—
4 For purposes of this subsection, the term 'medical
5 research small business' means any domestic C cor-
6 poration—
7 ''(A) which conducts any specified medical
8 research during the taxable year, and
9 ''(B) the gross receipts of which (deter-
10 mined under the rules of subsection (c)) for the
11 taxable year do not exceed $1,000,000.
12 ''(3) SPECIFIED MEDICAL RESEARCH.—For
13 purposes of this subsection, the term 'specified med-
14 ical research' means any qualified research with re-
15 spect to qualified countermeasures (as defined in
16 section 319F–1(a)(2) of the Public Health Service
17 Act (42 U.S.C. 247d–6a(a)(2)).
18 ''(4) ELECTION.—Any election under this sub-
19 section for any taxable year—
20 ''(A) shall specify the amount of the credit
21 to which such election applies,
22 ''(B) shall be made on or before the due
23 date (including extensions) of the return of tax
24 for the taxable year,

1 "(C) may not be made for any taxable year
2 with respect to any portion of the credit deter-
3 mined under this section with respect to which
4 an election is made under subsection (h), and
5 "(D) may be revoked only with the consent
6 of the Secretary.
7 "(5) REGULATIONS.—The Secretary shall pre-
8 scribe such regulations for purposes of this sub-
9 section as may be necessary or appropriate for de-
10 termining proper allocation to specified medical re-
11 search of the portion of any credit allowed to a tax-
12 payer for a taxable year under this section.".
13 (b) CONFORMING AMENDMENT.—Section 1324(b) of
14 title 31, United States Code, is amended by inserting
15 "41(i)," after "6428,".
16 (c) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to taxable years beginning after
18 December 31, 2020.

19 **SEC. 305. EXCEPTION FROM PASSIVE LOSS RULES FOR IN-**
20 **VESTMENTS IN SPECIFIED MEDICAL RE-**
21 **SEARCH SMALL BUSINESS PASS-THRU ENTI-**
22 **TIES.**

23 (a) IN GENERAL.—Subsection (c) of section 469 of
24 the Internal Revenue Code of 1986 is amended by redesig-
25 nating paragraphs (4) through (7) as paragraphs (5)

1 through (8), respectively, and by inserting after paragraph
2 (3) the following new paragraph:
3 "(4) SPECIFIED MEDICAL RESEARCH ACTIVI-
4 TIES.—
5 "(A) IN GENERAL.—The term 'passive ac-
6 tivity' shall not include any qualified medical re-
7 search activity of the taxpayer carried on by a
8 specified medical research small business pass-
9 thru entity.
10 "(B) TREATMENT OF LOSSES AND DEDUC-
11 TIONS.—
12 "(i) IN GENERAL.—Losses or deduc-
13 tions of a taxpayer in connection with
14 qualified medical research activities carried
15 on by a specified medical research small
16 business pass-thru entity shall not be
17 treated as losses or deductions, respec-
18 tively, from a passive activity except as
19 provided in clause (ii) and subparagraph
20 (C).
21 "(ii) LIMITATION.—Clause (i) shall
22 apply to losses and deductions of a tax-
23 payer in connection with a specified med-
24 ical small business pass-thru entity for a
25 taxable year only to the extent that the ag-

1 gregate losses and deductions of the tax-
2 payer in connection with qualified medical
3 research activities of such entity for such
4 taxable year do not exceed the portion of
5 the taxpayer's adjusted basis in the tax-
6 payer's ownership interest in such entity
7 that is attributable to money or other
8 property contributed—
9 "(I) in exchange for such owner-
10 ship interest, and
11 "(II) specifically for use in con-
12 nection with qualified medical re-
13 search activities.
14 For purposes of the preceding sentence,
15 the taxpayer's basis shall not include any
16 portion of such basis which is attributable
17 to an increase in a partner's share of the
18 liabilities of a partnership that is consid-
19 ered under section 752(a) as a contribution
20 of money.
21 "(C) TREATMENT OF CARRYOVERS.—Sub-
22 paragraph (B)(i) shall not apply to the portion
23 of any loss or deduction that is carried over
24 under subsection (b) into a taxable year other

1 than the taxable year in which such loss or de-
2 duction arose.

3 "(D) QUALIFIED MEDICAL RESEARCH AC-
4 TIVITY.—For purposes of this paragraph, the
5 term 'qualified medical research activity' means
6 any qualified research (within the meaning of
7 section 41(d)) with respect to qualified counter-
8 measures (as defined in section 319F–1(a)(2)
9 of the Public Health Service Act (42 U.S.C.
10 247d–6a(a)(2))).

11 "(E) SPECIFIED MEDICAL RESEARCH
12 SMALL BUSINESS PASS-THRU ENTITY.—For
13 purposes of this paragraph, the term 'specified
14 medical research small business pass-thru enti-
15 ty' means any domestic pass-thru entity for any
16 taxable year if—

17 "(i) more than 80 percent of such en-
18 tity's expenditures on qualified research for
19 such taxable year are paid or incurred in
20 connection with qualified medical research
21 activities, and

22 "(ii) the gross receipts (as determined
23 under the rules of section 41(h)(3)) of
24 such entity for the taxable year (and each

1 preceding taxable year) is less than
2 $1,000,000.
3 ‘‘(F) CAPITAL EXPENDITURES TAKEN INTO
4 ACCOUNT FOR EXPENDITURES TEST.—An ex-
5 penditure shall not fail to be taken into account
6 under subparagraph (E)(i) merely because such
7 expenditure is chargeable to capital account.
8 ‘‘(G) PASS-THRU ENTITY.—For purposes
9 of this paragraph, the term ‘pass-thru entity’
10 means any partnership, S corporation, or other
11 entity identified by the Secretary as a pass-thru
12 entity for purposes of this paragraph.
13 ‘‘(H) AGGREGATION RULES.—
14 ‘‘(i) IN GENERAL.—All persons treat-
15 ed as a single employer under subsection
16 (a) or (b) of section 52, or subsection (m)
17 or (o) of section 414, shall be treated as a
18 single entity for purposes of subparagraphs
19 (E) and (F)(iii).
20 ‘‘(ii) LIMITATION WHERE ENTITY
21 WOULD NOT QUALIFY.—No entity shall be
22 treated as a specified medical research
23 small business pass-thru entity unless such
24 entity qualifies as such both with and with-
25 out the application of clause (i).’’.

1 (b) MATERIAL PARTICIPATION NOT REQUIRED.—
2 Paragraph (5) of section 469(c) of the Internal Revenue
3 Code of 1986, as redesignated by subsection (a), is amend-
4 ed by striking "and (3)" in the heading and text and in-
5 serting ", (3), and (4)".

6 (c) CERTAIN RESEARCH-RELATED DEDUCTIONS AND
7 CREDITS OF SPECIFIED MEDICAL RESEARCH SMALL
8 BUSINESS PASS-THRU ENTITIES ALLOWED FOR PUR-
9 POSES OF DETERMINING ALTERNATIVE MINIMUM TAX.—

10 (1) DEDUCTION FOR RESEARCH AND EXPERI-
11 MENTAL EXPENDITURES.—Paragraph (2) of section
12 56(b) of the Internal Revenue Code of 1986 is
13 amended by adding at the end the following new
14 subparagraph:

15 "(E) EXCEPTION FOR SPECIFIED MEDICAL
16 RESEARCH SMALL BUSINESS PASS-THRU ENTI-
17 TIES.—In the case of a specified medical re-
18 search small business pass-thru entity (as de-
19 fined in section 469(c)(4)), this paragraph shall
20 not apply to any amount allowable as a deduc-
21 tion under section 174(a).".

22 (2) ALLOWANCE OF CERTAIN RESEARCH-RE-
23 LATED CREDITS.—Subparagraph (B) of section
24 38(c)(4) of such Code is amended by redesignating
25 clauses (ii) through (ix) as clauses (iii) through (x),

1 respectively, and by inserting after clause (i) the fol-
2 lowing new clause:
3 "(ii) the credit of an individual tax-
4 payer determined under section 41 to the
5 extent attributable to a specified medical
6 research small business pass-thru entity
7 (as defined in section 469(c)(4)),".
8 (d) EXCEPTION TO LIMITATION ON PASS-THRU OF
9 RESEARCH CREDIT.—Subsection (g) of section 41 of such
10 Code is amended by adding at the end the following:
11 "Paragraphs (2) and (4) shall not apply with respect to
12 any specified medical research small business pass-thru
13 entity (as defined in section 469(c)(4))."
14 (e) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to losses and credits arising in tax-
16 able years beginning after December 31, 2020.

17 TITLE IV—GROWTH IN INNOVA-18 TION AND TECHNOLOGY 19 BREAKTHROUGHS

20 SEC. 401. SIMPLIFICATION AND EXPANSION OF DEDUCTION 21 FOR START-UP AND ORGANIZATIONAL EX-22 PENDITURES.

23 (a) IN GENERAL.—Section 195 of the Internal Rev-
24 enue Code of 1986 is amended by redesignating sub-
25 sections (c) and (d) as subsections (d) and (e), respec-

1 tively, and by striking all that precedes subsection (d) (as
2 so redesignated) and inserting the following:

3 **"SEC. 195. START-UP AND ORGANIZATIONAL EXPENDI-**
4 **TURES.**

5 "(a) CAPITALIZATION OF EXPENDITURES.—Except
6 as otherwise provided in this section, no deduction shall
7 be allowed for start-up or organizational expenditures.

8 "(b) ELECTION TO DEDUCT.—

9 "(1) IN GENERAL.—If a taxpayer elects the ap-
10 plication of this subsection with respect to any active
11 trade or business—

12 "(A) the taxpayer shall be allowed a deduc-
13 tion for the taxable year in which such active
14 trade or business begins in an amount equal to
15 the lesser of—

16 "(i) the aggregate amount of start-up
17 and organizational expenditures paid or in-
18 curred in connection with such active trade
19 or business, or

20 "(ii) $20,000, reduced (but not below
21 zero) by the amount by which such aggre-
22 gate amount exceeds $120,000, and

23 "(B) the remainder of such start-up and
24 organizational expenditures shall be charged to
25 capital account and allowed as an amortization

1 deduction determined by amortizing such ex-
2 penditures ratably over the 180-month period
3 beginning with the month in which the active
4 trade or business begins.
5 "(2) APPLICATION TO ORGANIZATIONAL EX-
6 PENDITURES.—In the case of organizational expend-
7 itures with respect to any corporation or partner-
8 ship, the active trade or business referred to in para-
9 graph (1) means the first active trade or business
10 carried on by such corporation or partnership.
11 "(3) INFLATION ADJUSTMENT.—In the case of
12 any taxable year beginning after December 31,
13 2020, the $20,000 and $120,000 amounts in para-
14 graph (1)(A)(ii) shall each be increased by an
15 amount equal to—
16 "(A) such dollar amount, multiplied by
17 "(B) the cost-of-living adjustment deter-
18 mined under section 1(f)(3) for the calendar
19 year in which the taxable year begins, deter-
20 mined by substituting 'calendar year 2019' for
21 'calendar year 2016' in subparagraph (A)(ii)
22 thereof.
23 If any amount as increased under the preceding sen-
24 tence is not a multiple of $1,000, such amount shall
25 be rounded to the nearest multiple of $1,000.

1 "(c) ALLOWANCE OF DEDUCTION UPON LIQUIDA-
2 TION OR DISPOSITION.—
3 "(1) LIQUIDATION OF PARTNERSHIP OR COR-
4 PORATION.—If any partnership or corporation is
5 completely liquidated by the taxpayer, any start-up
6 or organizational expenditures paid or incurred in
7 connection with such partnership or corporation
8 which were not allowed as a deduction by reason of
9 this section may be deducted to the extent allowable
10 under section 165.
11 "(2) DISPOSITION OF TRADE OR BUSINESS.—If
12 any trade or business is completely disposed of or
13 discontinued by the taxpayer, any start-up expendi-
14 tures paid or incurred in connection with such trade
15 or business which were not allowed as a deduction
16 by reason of this section (and not taken into account
17 in connection with a liquidation to which paragraph
18 (1) applies) may be deducted to the extent allowable
19 under section 165. For purposes of this paragraph,
20 in the case of any deduction allowed under sub-
21 section (b)(1) with respect to both start-up and or-
22 ganizational expenditures, the amount treated as so
23 allowed with respect to start-up expenditures shall
24 bear the same ratio to such deduction as the start-
25 up expenditures taken into account in determining

1 such deduction bears to the aggregate of the start-
2 up and organizational expenditures so taken into ac-
3 count.''.

4 (b) ORGANIZATIONAL EXPENDITURES.—Section
5 195(d) of such Code, as redesignated by subsection (a),
6 is amended by adding at the end the following new para-
7 graphs:

8 ''(3) ORGANIZATIONAL EXPENDITURES.—The
9 term 'organizational expenditures' means any ex-
10 penditure which—

11 ''(A) is incident to the creation of a cor-
12 poration or a partnership,

13 ''(B) is chargeable to capital account, and

14 ''(C) is of a character which, if expended
15 incident to the creation of a corporation or a
16 partnership having an ascertainable life, would
17 be amortizable over such life.

18 ''(4) APPLICATION TO CERTAIN DISREGARDED
19 ENTITIES.—In the case of any entity with a single
20 owner that is disregarded as an entity separate from
21 its owner, this section shall be applied in the same
22 manner as if such entity were a corporation.''.

23 (c) ELECTION.—Section 195(e)(2) of such Code, as
24 redesignated by subsection (a), is amended to read as fol-
25 lows:

1 “(2) PARTNERSHIPS AND S CORPORATIONS.—In
2 the case of any partnership or S corporation, the
3 election under subsection (b) shall be made (and this
4 section shall be applied) at the entity level.”.
5 (d) CONFORMING AMENDMENTS.—
6 (1)(A) Part VIII of subchapter B of chapter 1
7 is amended by striking section 248 of such Code
8 (and by striking the item relating to such section in
9 the table of sections of such part).
10 (B) Section 170(b)(2)(D)(ii) of such Code is
11 amended by striking “(except section 248)”.
12 (C) Section 312(n)(3) of such Code is amended
13 by striking “Sections 173 and 248” and inserting
14 “Sections 173 and 195”.
15 (D) Section 535(b)(3) of such Code is amended
16 by striking “(except section 248)”.
17 (E) Section 545(b)(3) of such Code is amended
18 by striking “(except section 248)”.
19 (F) Section 545(b)(4) of such Code is amended
20 by striking “(except section 248)”.
21 (G) Section 834(c)(7) of such Code is amended
22 by striking “(except section 248)”.
23 (H) Section 852(b)(2)(C) of such Code is
24 amended by striking “(except section 248)”.

1 (I) Section 857(b)(2)(A) of such Code is
2 amended by striking "(except section 248)".
3 (J) Section 1363(b) of such Code is amended
4 by adding "and" at the end of paragraph (2), by
5 striking paragraph (3), and by redesignating para-
6 graph (4) as paragraph (3).
7 (K) Section 1375(b)(1)(B)(i) of such Code is
8 amended by striking "(other than the deduction al-
9 lowed by section 248, relating to organization ex-
10 penditures)".
11 (2)(A) Section 709 of such Code is amended to
12 read as follows:
13 **"SEC. 709. TREATMENT OF SYNDICATION FEES.**
14 "No deduction shall be allowed under this chapter to
15 a partnership or to any partner of the partnership for any
16 amounts paid or incurred to promote the sale of (or to
17 sell) an interest in the partnership.".
18 (B) The item relating to section 709 in the
19 table of sections for part I of subchapter K of chap-
20 ter 1 of such Code is amended to read as follows:
"Sec. 709. Treatment of syndication fees.".
21 (3) Section 1202(e)(2)(A) of such Code is
22 amended by striking "section 195(c)(1)(A)" and in-
23 serting "section 195(d)(1)(A)".

1 (4) The item relating to section 195 in the table
2 of contents of part VI of subchapter B of chapter 1
3 of such Code is amended to read as follows:

"Sec. 195. Start-up and organizational expenditures.".

4 (e) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to expenditures paid or incurred
6 in connection with active trades or businesses which begin
7 in taxable years beginning after December 31, 2019.

8 **SEC. 402. PRESERVATION OF START-UP NET OPERATING**
9 **LOSSES AND TAX CREDITS AFTER OWNER-**
10 **SHIP CHANGE.**

11 (a) APPLICATION TO NET OPERATING LOSSES.—
12 Section 382(d) of the Internal Revenue Code of 1986 is
13 amended by adding at the end the following new para-
14 graph:
15 "(4) EXCEPTION FOR START-UP LOSSES.—
16 "(A) IN GENERAL.—In the case of any net
17 operating loss carryforward described in para-
18 graph (1)(A) which arose in a start-up period
19 taxable year, the amount of such net operating
20 loss carryforward otherwise taken into account
21 under such paragraph shall be reduced by the
22 net start-up loss determined with respect to the
23 trade or business referred to in subparagraph
24 (B)(i) for such start-up period taxable year.

1 "(B) START-UP PERIOD TAXABLE YEAR.—
2 The term 'start-up period taxable year' means
3 any taxable year of the old loss corporation
4 which—
5 "(i) begins before the close of the 3-
6 year period beginning on the date on which
7 any trade or business of such corporation
8 begins as an active trade or business (as
9 determined under section 195(d)(2) with-
10 out regard to subparagraph (B) thereof),
11 and
12 "(ii) ends after May 31, 2020.
13 "(C) NET START-UP LOSS.—
14 "(i) IN GENERAL.—The term 'net
15 start-up loss' means, with respect to any
16 trade or business referred to in subpara-
17 graph (B)(i) for any start-up period tax-
18 able year, the amount which bears the
19 same ratio (but not greater than 1) to the
20 net operating loss carryforward which
21 arose in such start-up period taxable year
22 as—
23 "(I) the net operating loss (if
24 any) which would have been deter-
25 mined for such start-up period taxable

1 year if only items of income, gain, de-
2 duction, and loss properly allocable to
3 such trade or business were taken into
4 account, bears to
5 "(II) the amount of the net oper-
6 ating loss determined for such start-
7 up period taxable year.
8 "(ii) SPECIAL RULE FOR LAST TAX-
9 ABLE YEAR IN START-UP PERIOD.—In the
10 case of any start-up period taxable year
11 which ends after the close of the 3-year pe-
12 riod described in subparagraph (B)(i) with
13 respect to any trade or business, the net
14 start-up loss with respect to such trade or
15 business for such start-up period taxable
16 year shall be the same proportion of such
17 loss (determined without regard to this
18 clause) as the proportion of such start-up
19 period taxable year which is on or before
20 the last day of such period.
21 "(D) APPLICATION TO NET OPERATING
22 LOSS ARISING IN YEAR OF OWNERSHIP
23 CHANGE.—Subparagraph (A) shall apply to any
24 net operating loss described in paragraph
25 (1)(B) in the same manner as such subpara-

1 graph applies to net operating loss
2 carryforwards described in paragraph (1)(A),
3 but by only taking into account the amount of
4 such net operating loss (and the amount of the
5 net start-up loss) which is allocable under para-
6 graph (1)(B) to the period described in such
7 paragraph. Proper adjustment in the allocation
8 of the net start-up loss under the preceding
9 sentence shall be made in the case of a taxable
10 year to which subparagraph (C)(ii) applies.
11 "(E) APPLICATION TO TAXABLE YEARS
12 WHICH ARE START-UP PERIOD TAXABLE YEARS
13 WITH RESPECT TO MORE THAN 1 TRADE OR
14 BUSINESS.—In the case of any net operating
15 loss carryforward which arose in a taxable year
16 which is a start-up period taxable year with re-
17 spect to more than 1 trade or business—
18 "(i) this paragraph shall be applied
19 separately with respect to each such trade
20 or business, and
21 "(ii) the aggregate reductions under
22 subparagraph (A) shall not exceed such net
23 operating loss carryforward.
24 "(F) CONTINUITY OF BUSINESS REQUIRE-
25 MENT.—If the new loss corporation does not

1 continue the trade or business referred to in
2 subparagraph (B)(i) at all times during the 2-
3 year period beginning on the change date, this
4 paragraph shall not apply with respect to such
5 trade or business.
6 "(G) CERTAIN TITLE 11 OR SIMILAR
7 CASES.—
8 "(i) MULTIPLE OWNERSHIP
9 CHANGES.—In the case of a 2nd ownership
10 change to which subsection (l)(5)(D) ap-
11 plies, this paragraph shall not apply for
12 purposes of determining the pre-change
13 loss with respect to such 2nd ownership
14 change.
15 "(ii) CERTAIN INSOLVENCY TRANS-
16 ACTIONS.—If subsection (l)(6) applies for
17 purposes of determining the value of the
18 old loss corporation under subsection (e),
19 this paragraph shall not apply.
20 "(H) NOT APPLICABLE TO DISALLOWED
21 INTEREST.—This paragraph shall not apply for
22 purposes of applying the rules of paragraph (1)
23 to the carryover of disallowed interest under
24 paragraph (3).

1 "(I) TRANSITION RULE.—This paragraph
2 shall not apply with respect to any trade or
3 business if the date on which such trade or
4 business begins as an active trade or business
5 (as determined under section 195(d)(2) without
6 regard to subparagraph (B) thereof) is on or
7 before May 31, 2020.".

8 (b) APPLICATION TO EXCESS CREDITS.—Section 383
9 of such Code is amended by redesignating subsection (e)
10 as subsection (f) and by inserting after subsection (d) the
11 following new subsection:

12 "(e) EXCEPTION FOR START-UP EXCESS CREDITS.—

13 "(1) IN GENERAL.—In the case of any unused
14 general business credit of the corporation under sec-
15 tion 39 which arose in a start-up period taxable
16 year, the amount of such unused general business
17 credit otherwise taken into account under subsection
18 (a)(2)(A) shall be reduced by the start-up excess
19 credit determined with respect to any trade or busi-
20 ness referred to in section 382(d)(4)(B)(i) for such
21 start-up period taxable year.

22 "(2) START-UP PERIOD TAXABLE YEAR.—For
23 purposes of this subsection, the term 'start-up pe-
24 riod taxable year' has the meaning given such term
25 in section 382(d)(4)(B).

1 “(3) START-UP EXCESS CREDIT.—For purposes
2 of this subsection, the term ‘start-up excess credit’
3 means, with respect to any trade or business re-
4 ferred to in section 382(d)(4)(B)(i) for any start-up
5 period taxable year, the amount which bears the
6 same ratio to the unused general business credit
7 which arose in such start-up period taxable year
8 as—
9 “(A) the amount of the general business
10 credit which would have been determined for
11 such start-up period taxable year if only credits
12 properly allocable to such trade or business
13 were taken into account, bears to
14 “(B) the amount of the general business
15 credit determined for such start-up period tax-
16 able year.
17 “(4) APPLICATION OF CERTAIN RULES.—Rules
18 similar to the rules of subparagraphs (C)(ii), (D),
19 (E), and (F) of section 382(d)(4) shall apply for
20 purposes of this subsection.
21 “(5) TRANSITION RULE.—This subsection shall
22 not apply with respect to any trade or business if
23 the date on which such trade or business begins as
24 an active trade or business (as determined under

1 section 195(d)(2) without regard to subparagraph
2 (B) thereof) is on or before May 31, 2020.''.
3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to taxable years ending after May
5 31, 2020.