

116TH CONGRESS
2D SESSION

H. R. 11

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

OCTOBER 9, 2020

Mr. BRADY 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 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-
6 tunities for Workers, Technology, and Health Act” or as
7 the “Commitment to American GROWTH Act”.

1 (b) TABLE OF CONTENTS.—The table of contents of
 2 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 for-
 eign 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 organiza-
 tional expenditures.

Sec. 402. Preservation of start-up net operating losses and tax credits after
 ownership change.

3 **TITLE I—GROWTH IN BUSINESS**
 4 **INVESTMENT TO BOOST**
 5 **AMERICAN WAGES AND JOBS**

6 **SEC. 101. PERMANENT FULL EXPENSING FOR QUALIFIED**
 7 **PROPERTY.**

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

1 “(6) APPLICABLE PERCENTAGE.—For purposes
2 of this subsection, the term ‘applicable percentage’
3 means, in the case of property placed in service (or,
4 in the case of a specified plant described in para-
5 graph (5), a plant which is planted or grafted) after
6 September 27, 2017, 100 percent.”.

7 (b) CONFORMING AMENDMENTS.—

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

10 (A) in paragraph (2)—

11 (i) in subparagraph (A)—

12 (I) in clause (i)(V), by inserting
13 “and” at the end;

14 (II) in clause (ii), by striking
15 “clause (ii) of subparagraph (E),
16 and” and inserting “clause (i) of sub-
17 paragraph (E).”; and

18 (III) by striking clause (iii);

19 (ii) in subparagraph (B)—

20 (I) in clause (i)—

21 (aa) by striking subclauses
22 (II) and (III); and

23 (bb) by redesignating sub-
24 clauses (IV) through (VI) as sub-

1 clauses (II) through (IV), respec-
2 tively;

3 (II) by striking clause (ii); and

4 (III) by redesignating clauses
5 (iii) and (iv) as clauses (ii) and (iii),
6 respectively;

7 (iii) in subparagraph (C)—

8 (I) in clause (i), by striking “and
9 subclauses (II) and (III) of subpara-
10 graph (B)(i)”;

11 (II) in clause (ii), by striking
12 “subparagraph (B)(iii)” and inserting
13 “subparagraph (B)(ii)”;

14 (iv) in subparagraph (E)—

15 (I) by striking clause (i); and

16 (II) by redesignating clauses (ii)
17 and (iii) as clauses (i) and (ii), respec-
18 tively; and

19 (B) in paragraph (5)(A), by striking
20 “planted before January 1, 2027, or is grafted
21 before such date to a plant that has already
22 been planted,” and inserting “planted or graft-
23 ed”.

24 (2) Section 460(c)(6)(B) of such Code is
25 amended by striking “which” and all that follows

1 through the period and inserting “which has a recovery
2 period of 7 years or less.”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall take effect as if included in section
5 13201 of Public Law 115–97.

6 **SEC. 102. LIMITATION ON BUSINESS INTEREST PERMA-**
7 **NENTLY APPLIED WITHOUT REGARD TO DE-**
8 **DUCTIONS FOR DEPRECIATION, AMORTIZA-**
9 **TION, AND DEPLETION.**

10 (a) IN GENERAL.—Section 163(j)(8)(A)(v) of the In-
11 ternal Revenue Code of 1986 is amended by striking “in
12 the case of taxable years beginning before January 1,
13 2022”.

14 (b) EFFECTIVE DATE.—The amendment made by
15 this section shall apply to taxable years beginning after
16 December 31, 2021.

17 **TITLE II—GROWTH IN**
18 **RESEARCH IN AMERICA**

19 **SEC. 201. REPEAL AMORTIZATION OF RESEARCH AND EX-**
20 **PERIMENTAL EXPENDITURES.**

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

23 **“SEC. 174. RESEARCH AND EXPERIMENTAL EXPENDITURES.**

24 **“(a) TREATMENT AS EXPENSES.—**

1 “(1) IN GENERAL.—A taxpayer may treat re-
2 search or experimental expenditures which are paid
3 or incurred by him during the taxable year in con-
4 nection with his trade or business as expenses which
5 are not chargeable to capital account. The expendi-
6 tures so treated shall be allowed as a deduction.

7 “(2) WHEN METHOD MAY BE ADOPTED.—

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

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

16 “(3) SCOPE.—The method adopted under this
17 subsection shall apply to all expenditures described
18 in paragraph (1). The method adopted shall be ad-
19 hered to in computing taxable income for the taxable
20 year and for all subsequent taxable years unless,
21 with the approval of the Secretary, a change to a
22 different method is authorized with respect to part
23 or all of such expenditures.

24 “(b) AMORTIZATION OF CERTAIN RESEARCH AND
25 EXPERIMENTAL EXPENDITURES.—

1 “(1) IN GENERAL.—At the election of the tax-
2 payer, made in accordance with regulations pre-
3 scribed by the Secretary, research or experimental
4 expenditures which are—

5 “(A) paid or incurred by the taxpayer in
6 connection with his trade or business,

7 “(B) not treated as expenses under sub-
8 section (a), and

9 “(C) chargeable to capital account but not
10 chargeable to property of a character which is
11 subject to the allowance under section 167 (re-
12 lating to allowance for depreciation, etc.) or sec-
13 tion 611 (relating to allowance for depletion),

14 may be treated as deferred expenses. In computing
15 taxable income, such deferred expenses shall be al-
16 lowed as a deduction ratably over such period of not
17 less than 60 months as may be selected by the tax-
18 payer (beginning with the month in which the tax-
19 payer first realizes benefits from such expenditures).
20 Such deferred expenses are expenditures properly
21 chargeable to capital account for purposes of section
22 1016(a)(1) (relating to adjustments to basis of prop-
23 erty).

24 “(2) TIME FOR AND SCOPE OF ELECTION.—The
25 election provided by paragraph (1) may be made for

1 any taxable year, but only if made not later than the
2 time prescribed by law for filing the return for such
3 taxable year (including extensions thereof). The
4 method so elected, and the period selected by the
5 taxpayer, shall be adhered to in computing taxable
6 income for the taxable year for which the election is
7 made and for all subsequent taxable years unless,
8 with the approval of the Secretary, a change to a
9 different method (or to a different period) is author-
10 ized with respect to part or all of such expenditures.

11 The election shall not apply to any expenditure paid
12 or incurred during any taxable year before the tax-
13 able year for which the taxpayer makes the election.

14 “(c) LAND AND OTHER PROPERTY.—This section
15 shall not apply to any expenditure for the acquisition or
16 improvement of land, or for the acquisition or improve-
17 ment of property to be used in connection with the re-
18 search or experimentation and of a character which is sub-
19 ject to the allowance under section 167 (relating to allow-
20 ance for depreciation, etc.) or section 611 (relating to al-
21 lowance for depletion); but for purposes of this section al-
22 lowances under section 167, and allowances under section
23 611, shall be considered as expenditures.

24 “(d) EXPLORATION EXPENDITURES.—This section
25 shall not apply to any expenditure paid or incurred for

1 the purpose of ascertaining the existence, location, extent,
 2 or quality of any deposit of ore or other mineral (including
 3 oil and gas).

4 “(e) ONLY REASONABLE RESEARCH EXPENDITURES
 5 ELIGIBLE.—This section shall apply to a research or ex-
 6 perimental expenditure only to the extent that the amount
 7 thereof is reasonable under the circumstances.”.

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

“Sec. 174. Research and experimental expenditures”.

12 (c) CONFORMING AMENDMENTS.—

13 (1) Section 41(d)(1)(A) is amended by striking
 14 “specified research or experimental expenditures
 15 under section 174” and inserting “expenses under
 16 section 174”.

17 (2) Section 280C(c) is amended to read as fol-
 18 lows:

19 “(c) CREDIT FOR INCREASING RESEARCH ACTIVI-
 20 TIES.—

21 “(1) IN GENERAL.—No deduction shall be al-
 22 lowed for that portion of the qualified research ex-
 23 penses (as defined in section 41(b)) or basic re-
 24 search expenses (as defined in section 41(e)(2)) oth-
 25 erwise allowable as a deduction for the taxable year

1 which is equal to the amount of the credit deter-
2 mined for such taxable year under section 41(a).

3 “(2) SIMILAR RULE WHERE TAXPAYER CAP-
4 ITALIZES RATHER THAN DEDUCTS EXPENSES.—If—

5 “(A) the amount of the credit determined
6 for the taxable year under section 41(a)(1), ex-
7 ceeds

8 “(B) the amount allowable as a deduction
9 for such taxable year for qualified research ex-
10 penses or basic research expenses (determined
11 without regard to paragraph (1)),

12 the amount chargeable to capital account for the
13 taxable year for such expenses shall be reduced by
14 the amount of such excess.

15 “(3) ELECTION OF REDUCED CREDIT.—

16 “(A) IN GENERAL.—In the case of any
17 taxable year for which an election is made
18 under this paragraph—

19 “(i) paragraphs (1) and (2) shall not
20 apply, and

21 “(ii) the amount of the credit under
22 section 41(a) shall be the amount deter-
23 mined under subparagraph (B).

24 “(B) AMOUNT OF REDUCED CREDIT.—The
25 amount of credit determined under this sub-

1 paragraph for any taxable year shall be the
2 amount equal to the excess of—

3 “(i) the amount of credit determined
4 under section 41(a) without regard to this
5 paragraph, over

6 “(ii) the product of—

7 “(I) the amount described in
8 clause (i), and

9 “(II) the rate of tax under sec-
10 tion 11(b).

11 “(C) ELECTION.—An election under this
12 paragraph for any taxable year shall be made
13 not later than the time for filing the return of
14 tax for such year (including extensions), shall
15 be made on such return, and shall be made in
16 such manner as the Secretary may prescribe.
17 Such an election, once made, shall be irrev-
18 ocable.

19 “(4) CONTROLLED GROUPS.—Paragraph (3) of
20 subsection (b) shall apply for purposes of this sub-
21 section.”.

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

1 **SEC. 202. DOUBLING THE RESEARCH AND EXPERIMENTAL**
2 **TAX CREDIT AND BETTER ACCESS TO CRED-**
3 **ITS FOR STARTUPS.**

4 (a) CREDIT RATE INCREASE.—

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

8 (2) ALTERNATIVE SIMPLIFIED CREDIT.—Sec-
9 tion 41(c)(4)(A) of such Code is amended by strik-
10 ing “14 percent” and inserting “28 percent”.

11 (3) CREDIT RATE IN CASE OF NO RESEARCH
12 EXPENSES IN 3 PRECEDING YEARS.—Section
13 41(c)(4)(B)(ii) of such Code is amended by striking
14 “6 percent” and inserting “ $\frac{1}{2}$ the credit percentage
15 in effect under subparagraph (A)”.

16 (b) MODIFICATION OF SMALL BUSINESS PORTION
17 ALLOWED AGAINST PAYROLL TAX.—

18 (1) INCREASE IN LIMITATION.—Paragraphs
19 (4)(B)(i) and (5)(B)(ii) of section 41(h) of such
20 Code are each amended by striking “\$250,000” and
21 inserting “\$500,000”.

22 (2) QUALIFIED SMALL BUSINESS GROSS RE-
23 CEIPTS THRESHOLD.—Section 41(h)(3)(A)(i)(I) of
24 such Code is amended by striking “\$5,000,000” and
25 inserting “the dollar amount in effect for the taxable
26 year under section 448(c)(1)”.

1 (c) EFFECTIVE DATES.—

2 (1) SUBSECTION (a).—The amendments made
3 by subsection (a) shall apply to taxable years begin-
4 ning after December 31, 2020.

5 (2) SUBSECTION (b).—The amendments made
6 by subsection (b) shall apply to taxable years begin-
7 ning after December 31, 2019.

8 **SEC. 203. SPECIAL RULES FOR TRANSFERS OF INTANGIBLE**
9 **PROPERTY FROM CONTROLLED FOREIGN**
10 **CORPORATIONS TO UNITED STATES SHARE-**
11 **HOLDERS.**

12 (a) IN GENERAL.—Subpart F of part III of sub-
13 chapter N of chapter 1 of the Internal Revenue Code of
14 1986 is amended by adding at the end the following new
15 section:

16 **“SEC. 966. TRANSFERS OF INTANGIBLE PROPERTY TO**
17 **UNITED STATES SHAREHOLDERS.**

18 “(a) IN GENERAL.—If a controlled foreign corpora-
19 tion holds intangible property on the date of the enact-
20 ment of this section and thereafter distributes such prop-
21 erty to a domestic corporation which is a United States
22 shareholder with respect to such controlled foreign cor-
23 poration—

24 “(1) for purposes of part I of subchapter C and
25 any other provision of this title specified by the Sec-

1 retary, the fair market value of such property on the
2 date of such distribution shall be treated as not ex-
3 ceeding the adjusted basis of such property imme-
4 diately before such distribution, and

5 “(2) if any portion of such distribution is not
6 a dividend—

7 “(A) no gain shall be recognized by such
8 United States shareholder with respect to such
9 distribution, and

10 “(B) the adjusted basis of such property in
11 the hands of such United States shareholder
12 immediately after such distribution shall be the
13 adjusted basis of such property in the hands of
14 such controlled foreign corporation immediately
15 before such distribution reduced by the amount
16 (if any) of gain not recognized by reason of
17 subparagraph (A) (determined after the appli-
18 cation of paragraph (1)).

19 “(b) INTANGIBLE PROPERTY.—For purposes of this
20 section, the term ‘intangible property’ means any—

21 “(1) patent, copyright, license, invention, for-
22 mula, process, design, pattern, know-how, or format,

23 “(2) method, program, system, procedure, cam-
24 paign, survey, study, forecast, estimate, or technical
25 data,

1 “(3) computer software (as defined in section
2 197(e)(3)(B)), or

3 “(4) any similar item, which has substantial
4 value independent of the services of any individual.”.

5 (b) CONFORMING AMENDMENTS.—

6 (1) Section 197(f)(2)(B)(i) of such Code is
7 amended by inserting “966(a),” after “731,”.

8 (2) The table of sections for subpart F of part
9 III of subchapter N of chapter 1 of such Code is
10 amended by adding at the end the following new
11 item:

 “Sec. 966. Transfers of intangible property to United States shareholders.”.

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to distributions made in taxable
14 years of foreign corporations beginning after December
15 31, 2020, and to taxable years of United States share-
16 holders in which or with which such taxable years of for-
17 eign corporations end.

18 **TITLE III—GROWTH IN AMER-**
19 **ICA’S MEDICAL INDEPEND-**
20 **ENCE**

21 **SEC. 301. DOMESTIC MEDICAL AND DRUG MANUFAC-**
22 **TURING CREDIT.**

23 (a) IN GENERAL.—Subpart D of part IV of sub-
24 chapter A 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. 45U. DOMESTIC MEDICAL AND DRUG MANUFAC-**
4 **TURING CREDIT.**

5 “(a) IN GENERAL.—For purposes of section 38, the
6 domestic medical and drug manufacturing credit deter-
7 mined under this section for any taxable year is an amount
8 equal to 10.5 percent of the lesser of—

9 “(1) the qualified medical and drug manufac-
10 turing income of the taxpayer for the taxable year,
11 or

12 “(2) taxable income of the taxpayer for the tax-
13 able year.

14 “(b) CREDIT LIMITED TO WAGES PAID.—

15 “(1) IN GENERAL.—The amount of the credit
16 allowable under subsection (a) for any taxable year
17 shall not exceed 50 percent of the W-2 wages of the
18 taxpayer for the taxable year.

19 “(2) W-2 WAGES.—For purposes of this sec-
20 tion—

21 “(A) IN GENERAL.—The term ‘W-2
22 wages’ means, with respect to any person for
23 any taxable year of such person, the sum of the
24 amounts described in paragraphs (3) and (8) of
25 section 6051(a) paid by such person with re-

1 spect to employment of employees by such per-
2 son during the calendar year ending during
3 such taxable year.

4 “(B) LIMITATION TO WAGES ATTRIB-
5 UTABLE TO DOMESTIC PRODUCTION.—Such
6 term shall not include any amount which is not
7 properly allocable to domestic medical and drug
8 manufacturing gross receipts for purposes of
9 subsection (c)(1).

10 “(C) RETURN REQUIREMENT.—Such term
11 shall not include any amount which is not prop-
12 erly included in a return filed with the Social
13 Security Administration on or before the 60th
14 day after the due date (including extensions)
15 for such return.

16 “(3) ACQUISITIONS, DISPOSITIONS, AND SHORT
17 TAXABLE YEARS.—The Secretary shall provide for
18 the application of this subsection in cases of a short
19 taxable year or where the taxpayer acquires, or dis-
20 poses of, the major portion of a trade or business or
21 the major portion of a separate unit of a trade or
22 business during the taxable year.

23 “(c) QUALIFIED MEDICAL AND DRUG MANUFAC-
24 TURING INCOME.—For purposes of this section—

1 “(1) IN GENERAL.—The term ‘qualified medical
2 and drug manufacturing income’ for any taxable
3 year means an amount equal to the excess (if any)
4 of—

5 “(A) the taxpayer’s domestic medical and
6 drug manufacturing gross receipts for the tax-
7 able year, over

8 “(B) the sum of—

9 “(i) the cost of goods sold that are al-
10 locable to such receipts, and

11 “(ii) other expenses, losses, or deduc-
12 tions which are properly allocable to such
13 receipts.

14 “(2) ALLOCATION METHOD.—The Secretary
15 shall prescribe rules for the proper allocation of
16 items described in paragraph (1)(B) for purposes of
17 determining qualified medical and drug manufac-
18 turing income. Such rules shall provide for the prop-
19 er allocation of items whether or not such items are
20 directly allocable to domestic medical and drug man-
21 ufacturing gross receipts.

22 “(3) SPECIAL RULES FOR DETERMINING
23 COSTS.—

24 “(A) IN GENERAL.—For purposes of deter-
25 mining costs under clause (i) of paragraph

1 (1)(B), any item or service brought into the
2 United States shall be treated as acquired by
3 purchase, and its cost shall be treated as not
4 less than its value immediately after it entered
5 the United States.

6 “(B) EXPORTS FOR FURTHER MANUFAC-
7 TURE.—In the case of any property described
8 in subparagraph (A) that had been exported by
9 the taxpayer for further manufacture, the in-
10 crease in cost or adjusted basis under subpara-
11 graph (A) shall not exceed the difference be-
12 tween the value of the property when exported
13 and the value of the property when brought
14 back into the United States after the further
15 manufacture.

16 “(4) DOMESTIC MEDICAL AND DRUG MANUFAC-
17 TURING GROSS RECEIPTS.—

18 “(A) IN GENERAL.—The term ‘domestic
19 medical and drug manufacturing gross receipts’
20 means the gross receipts of the taxpayer which
21 are derived from any sale, exchange, or other
22 disposition of—

23 “(i) any active pharmaceutical ingre-
24 dient, or

25 “(ii) any qualified countermeasure,

1 which was manufactured or produced by the
2 taxpayer in whole or in significant part within
3 the United States.

4 “(B) ACTIVE PHARMACEUTICAL INGREDIENT.—The term ‘active pharmaceutical ingre-
5 dient’ means any substance or mixture of sub-
6 stances intended to be used in the manufacture
7 of a drug product and (when so used) becomes
8 an active ingredient in the drug product.
9

10 “(C) QUALIFIED COUNTERMEASURE.—The
11 term ‘qualified countermeasure’ has the mean-
12 ing given such term in section 319F-1(a)(2) of
13 the Public Health Service Act (42 U.S.C.
14 247d-6a(a)(2)).”

15 “(D) PARTNERSHIPS OWNED BY EX-
16 PANDED AFFILIATED GROUPS.—For purposes
17 of this paragraph, if all of the interests in the
18 capital and profits of a partnership are owned
19 by members of a single expanded affiliated
20 group at all times during the taxable year of
21 such partnership, the partnership and all mem-
22 bers of such group shall be treated as a single
23 taxpayer during such period.

24 “(d) DEFINITIONS AND SPECIAL RULES.—For pur-
25 poses of this section—

1 “(1) APPLICATION OF SECTION TO PASS-THRU
2 ENTITIES.—

3 “(A) PARTNERSHIPS AND S CORPORA-
4 TIONS.—In the case of a partnership or S cor-
5 poration—

6 “(i) this section shall be applied at the
7 partner or shareholder level,

8 “(ii) each partner or shareholder shall
9 take into account such person’s allocable
10 share of each item described in subpara-
11 graph (A) or (B) of subsection (c)(1) (de-
12 termined without regard to whether the
13 items described in such subparagraph (A)
14 exceed the items described in such sub-
15 paragraph (B)), and

16 “(iii) each partner or shareholder
17 shall be treated for purposes of subsection
18 (b) as having W-2 wages for the taxable
19 year in an amount equal to such person’s
20 allocable share of the W-2 wages of the
21 partnership or S corporation for the tax-
22 able year (as determined under regulations
23 prescribed by the Secretary).

24 “(B) TRUSTS AND ESTATES.—In the case
25 of a trust or estate—

1 “(i) the items referred to in subpara-
2 graph (A)(ii) (as determined therein) and
3 the W-2 wages of the trust or estate for
4 the taxable year, shall be apportioned be-
5 tween the beneficiaries and the fiduciary
6 (and among the beneficiaries) under regu-
7 lations prescribed by the Secretary, and

8 “(ii) for purposes of paragraph (2),
9 adjusted gross income of the trust or es-
10 tate shall be determined as provided in sec-
11 tion 67(e) with the adjustments described
12 in such paragraph.

13 “(C) REGULATIONS.—The Secretary may
14 prescribe rules requiring or restricting the allo-
15 cation of items and wages under this paragraph
16 and may prescribe such reporting requirements
17 as the Secretary determines appropriate.

18 “(2) APPLICATION TO INDIVIDUALS.—In the
19 case of an individual, subsection (a)(2) shall be ap-
20 plied by substituting ‘adjusted gross income’ for
21 ‘taxable income’. For purposes of the preceding sen-
22 tence, adjusted gross income shall be determined
23 after application of sections 86, 135, 137, 219, 221,
24 222, and 469.

1 “(3) SPECIAL RULE FOR AFFILIATED
2 GROUPS.—

3 “(A) IN GENERAL.—All members of an ex-
4 panded affiliated group shall be treated as a
5 single corporation for purposes of this section.

6 “(B) EXPANDED AFFILIATED GROUP.—
7 For purposes of this section, the term ‘ex-
8 panded affiliated group’ means an affiliated
9 group as defined in section 1504(a), deter-
10 mined—

11 “(i) by substituting ‘more than 50
12 percent’ for ‘at least 80 percent’ each place
13 it appears, and

14 “(ii) without regard to paragraphs (2)
15 and (4) of section 1504(b).

16 “(C) ALLOCATION OF CREDIT.—Except as
17 provided in regulations, the credit under sub-
18 section (a) shall be allocated among the mem-
19 bers of the expanded affiliated group in propor-
20 tion to each member’s respective amount (if
21 any) of qualified medical and drug manufac-
22 turing income.

23 “(4) TRADE OR BUSINESS REQUIREMENT.—
24 This section shall be applied by only taking into ac-

1 count items which are attributable to the actual con-
2 duct of a trade or business.

3 “(5) COORDINATION WITH MINIMUM TAX.—For
4 purposes of determining alternative minimum tax-
5 able income under section 55, qualified medical and
6 drug manufacturing income shall be determined
7 without regard to any adjustments under sections 56
8 through 59.

9 “(6) UNRELATED BUSINESS TAXABLE IN-
10 COME.—For purposes of determining the tax im-
11 posed by section 511, subsection (a)(1)(B) shall be
12 applied by substituting ‘unrelated business taxable
13 income’ for ‘taxable income’.

14 “(7) REGULATIONS.—The Secretary shall pre-
15 scribe such regulations as are necessary to carry out
16 the purposes of this section, including regulations
17 which prevent more than 1 taxpayer from being al-
18 lowed a credit under this section with respect to any
19 activity described in subsection (c)(4)(A).”.

20 (b) TREATMENT UNDER BASE EROSION TAX.—Sec-
21 tion 59A(b)(1)(B)(ii) of such Code is amended by striking
22 “plus” at the end of subclause (I), by redesignating sub-
23 clause (II) as subclause (III), and by inserting after sub-
24 clause (I) the following new subclause:

1 “(II) the credit allowed under
2 section 38 for the taxable year which
3 is properly allocable to the domestic
4 medical and drug manufacturing cred-
5 it determined under section 45U(a),
6 plus”.

7 (c) PART OF GENERAL BUSINESS CREDIT.—Section
8 38(b) of such Code is amended by striking “plus” at the
9 end of paragraph (32), by striking the period at the end
10 of paragraph (33) and inserting “, plus”, and by adding
11 at the end the following new paragraph:

12 “(34) the domestic medical and drug manufac-
13 turing credit determined under section 45U(a).”.

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

19 “(x) the credit determined under sec-
20 tion 45U,”.

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

“Sec. 45U. Domestic medical and drug manufacturing credit.”.

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

4 **SEC. 302. QUALIFYING ADVANCED MEDICAL MANUFAC-**
5 **TURING EQUIPMENT CREDIT.**

6 (a) IN GENERAL.—Subpart E of part IV of sub-
7 chapter A of chapter 1 of the Internal Revenue Code of
8 1986 is amended by adding at the end the following new
9 section:

10 **“SEC. 48D. QUALIFYING ADVANCED MEDICAL MANUFAC-**
11 **TURING EQUIPMENT CREDIT.**

12 “(a) IN GENERAL.—For purposes of section 46, the
13 qualifying advanced medical manufacturing equipment
14 credit determined under this section for any taxable year
15 is the applicable percentage of the basis of any qualifying
16 advanced medical manufacturing equipment placed in
17 service during such taxable year.

18 “(b) APPLICABLE PERCENTAGE.—For purposes of
19 subsection (a), the applicable percentage is—

20 “(1) 30 percent in the case of equipment which
21 is placed in service before January 1, 2028,

22 “(2) 20 percent in the case of equipment which
23 is placed in service during calendar year 2028,

24 “(3) 10 percent in the case of equipment which
25 is placed in service during calendar year 2029, and

1 “(4) 0 percent in the case of equipment which
2 is placed in service after December 31, 2029.

3 “(c) QUALIFYING ADVANCED MEDICAL MANUFAC-
4 TURING EQUIPMENT.—For purposes of this section, the
5 term ‘qualifying advanced medical manufacturing equip-
6 ment’ means property of a character subject to the allow-
7 ance for depreciation—

8 “(1) which is machinery or equipment that is
9 designed and used to manufacture a—

10 “(A) drug (as such term is defined in sec-
11 tion 201(g)(1) of the Federal Food, Drug, and
12 Cosmetic Act),

13 “(B) device (as such term is defined in sec-
14 tion 201(h) of such Act), or

15 “(C) biological product (as such term is
16 defined in section 351(i) of the Public Health
17 Service Act),

18 “(2) which has been identified by the Secretary
19 (after consultation with the Secretary of Health and
20 Human Services) as machinery or equipment that—

21 “(A) incorporates novel technology or uses
22 an established technique or technology in a new
23 or innovative way, or

1 “(B) that can improve medical product
2 quality, address shortages of medicines, and
3 speed time-to-market,

4 “(3) which is placed in service in the United
5 States by the taxpayer, and

6 “(4) with respect to which depreciation is allow-
7 able.

8 “(d) CERTAIN QUALIFIED PROGRESS EXPENDI-
9 TURES RULES MADE APPLICABLE.—Rules similar to the
10 rules of subsections (c)(4) and (d) of section 46 (as in
11 effect on the day before the enactment of the Revenue
12 Reconciliation Act of 1990) shall apply for purposes of
13 this section.

14 “(e) REGULATIONS.—The Secretary shall prescribe
15 such regulations or other guidance as may be necessary
16 to carry out the purposes of this section, including regula-
17 tions which prevent abuse or fraud.”.

18 (b) TREATMENT UNDER BASE EROSION TAX.—Sec-
19 tion 59A(b)(1)(B)(ii) of such Code, as amended by section
20 7 of this Act, is further amended by striking “plus” at
21 the end of subclause (II), by redesignating subclause (III)
22 as subclause (IV), and by inserting after subclause (II)
23 the following new subclause:

24 “(III) the credit allowed under
25 section 46 for the taxable year which

1 is properly allocable to the qualifying
2 advanced medical manufacturing
3 equipment credit determined under
4 section 48D(a), plus”.

5 (c) PART OF INVESTMENT CREDIT.—Section 46 of
6 such Code is amended by striking “and” at the end of
7 paragraph (5), by striking the period at the end of para-
8 graph (6) and inserting “, and”, and by adding at the
9 end the following new paragraph:

10 “(7) the qualifying advanced medical manufac-
11 turing equipment credit.”.

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

“Sec. 48D. Qualifying advanced medical manufacturing equipment credit.”.

16 (e) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to periods after the date of the
18 enactment of this section under rules similar to the rules
19 of section 48(m) of the Internal Revenue Code of 1986
20 (as in effect on the date of the enactment fo the Revenue
21 Reconciliation Act of 1990).

1 **SEC. 303. NEW MEDICAL RESEARCH EXPENDITURE COMPO-**
2 **NENT OF CREDIT FOR INCREASING RE-**
3 **SEARCH ACTIVITIES.**

4 (a) **IN GENERAL.**—Section 41(a) of the Internal Rev-
5 enue Code of 1986 is amended by striking “and” at the
6 end of paragraph (2), by striking the period at the end
7 of paragraph (3) and inserting “, and”, and by adding
8 at the end the following new paragraph:

9 “(4) 14 percent of specified medical research
10 expenditures.”.

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

14 “(7) **SPECIFIED MEDICAL RESEARCH EXPENDI-**
15 **TURES.**—

16 “(A) **IN GENERAL.**—The term ‘specified
17 medical research expenditures’ means amounts
18 paid or incurred for qualified research with re-
19 spect to any qualified countermeasure.

20 “(B) **QUALIFIED COUNTERMEASURE.**—The
21 term ‘qualified countermeasure’ has the mean-
22 ing given to such term in section 319F-1(a)(2)
23 of the Public Health Service Act (42 U.S.C.
24 247d-6a(a)(2)).”.

25 (c) **DENIAL OF DOUBLE BENEFIT.**—

1 (1) TAXABLE YEARS BEGINNING BEFORE JANU-
2 ARY 1, 2021.—In the case of specified medical re-
3 search expenditures (as defined in section 41(f)(7)
4 of such Code (as added by this section)) paid or in-
5 curred in taxable years beginning before January 1,
6 2021—

7 (A) such expenditures shall be treated in
8 the same manner as qualified research expenses
9 and basic research expenses under section
10 280C(c)(1) of such Code (as in effect on the
11 day before the enactment of the Tax Cuts and
12 Jobs Act), and

13 (B) the amount determined under section
14 280C(c)(2)(A) (as in effect on such day) for the
15 taxable year shall be increased by the amount
16 of credit determined for the taxable year under
17 section 41(a)(4) (as added by this section).

18 (2) TAXABLE YEARS BEGINNING AFTER DECEM-
19 BER 31, 2020.—Section 280C(c)(1) of such Code is
20 amended by striking “section 41(a)(1)” and insert-
21 ing “paragraphs (1) and (4) of section 41(a)”.

22 (d) CONFORMING AMENDMENT.—Section 41(f)(1) of
23 such Code is amended by striking “and amounts paid or
24 incurred to energy research consortiums” each place it ap-
25 pears and inserting “, amounts paid or incurred to energy

1 research consortiums, and specified medical research ex-
 2 penditures”.

3 (e) EFFECTIVE DATE.—The amendments made by
 4 this section shall apply to amounts paid or incurred after
 5 the date of the enactment of this Act, in taxable years
 6 ending after such date.

7 **SEC. 304. REFUNDABLE PORTION OF RESEARCH CREDIT**
 8 **FOR SMALL BUSINESSES ENGAGING IN SPEC-**
 9 **IFIED MEDICAL RESEARCH.**

10 (a) IN GENERAL.—Section 41 of the Internal Rev-
 11 enue Code of 1986 is amended by adding at the end the
 12 following new subsection:

13 “(i) REFUNDABLE PORTION FOR SMALL BUSI-
 14 NESSES ENGAGING IN SPECIFIED MEDICAL RESEARCH.—

15 “(1) IN GENERAL.—At the election of a medical
 16 research small business, the portion of the credit de-
 17 termined under this section for the taxable year
 18 which is properly allocable to specified medical re-
 19 search shall be treated (other than for purposes of
 20 section 280C) as a credit allowed under subpart C
 21 (and not this subpart).

22 “(2) MEDICAL RESEARCH SMALL BUSINESS.—
 23 For purposes of this subsection, the term ‘medical
 24 research small business’ means any domestic C cor-
 25 poration—

1 “(A) which conducts any specified medical
2 research during the taxable year, and

3 “(B) the gross receipts of which (deter-
4 mined under the rules of subsection (c)) for the
5 taxable year do not exceed \$1,000,000.

6 “(3) SPECIFIED MEDICAL RESEARCH.—For
7 purposes of this subsection, the term ‘specified med-
8 ical research’ means any qualified research with re-
9 spect to qualified countermeasures (as defined in
10 section 319F–1(a)(2) of the Public Health Service
11 Act (42 U.S.C. 247d–6a(a)(2))).

12 “(4) ELECTION.—Any election under this sub-
13 section for any taxable year—

14 “(A) shall specify the amount of the credit
15 to which such election applies,

16 “(B) shall be made on or before the due
17 date (including extensions) of the return of tax
18 for the taxable year,

19 “(C) may not be made for any taxable year
20 with respect to any portion of the credit deter-
21 mined under this section with respect to which
22 an election is made under subsection (h), and

23 “(D) may be revoked only with the consent
24 of the Secretary.

1 “(5) REGULATIONS.—The Secretary shall pre-
2 scribe such regulations for purposes of this sub-
3 section as may be necessary or appropriate for de-
4 termining proper allocation to specified medical re-
5 search of the portion of any credit allowed to a tax-
6 payer for a taxable year under this section.”.

7 (b) CONFORMING AMENDMENT.—Section 1324(b) of
8 title 31, United States Code, is amended by inserting
9 “41(i),” after “6428,”.

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

13 **SEC. 305. EXCEPTION FROM PASSIVE LOSS RULES FOR IN-**
14 **VESTMENTS IN SPECIFIED MEDICAL RE-**
15 **SEARCH SMALL BUSINESS PASS-THRU ENTI-**
16 **TIES.**

17 (a) IN GENERAL.—Subsection (c) of section 469 of
18 the Internal Revenue Code of 1986 is amended by redesi-
19 gnating paragraphs (4) through (7) as paragraphs (5)
20 through (8), respectively, and by inserting after paragraph
21 (3) the following new paragraph:

22 “(4) SPECIFIED MEDICAL RESEARCH ACTIVI-
23 TIES.—

24 “(A) IN GENERAL.—The term ‘passive ac-
25 tivity’ shall not include any qualified medical re-

1 search activity of the taxpayer carried on by a
2 specified medical research small business pass-
3 thru entity.

4 “(B) TREATMENT OF LOSSES AND DEDUC-
5 TIONS.—

6 “(i) IN GENERAL.—Losses or deduc-
7 tions of a taxpayer in connection with
8 qualified medical research activities carried
9 on by a specified medical research small
10 business pass-thru entity shall not be
11 treated as losses or deductions, respec-
12 tively, from a passive activity except as
13 provided in clause (ii) and subparagraph
14 (C).

15 “(ii) LIMITATION.—Clause (i) shall
16 apply to losses and deductions of a tax-
17 payer in connection with a specified med-
18 ical small business pass-thru entity for a
19 taxable year only to the extent that the ag-
20 gregate losses and deductions of the tax-
21 payer in connection with qualified medical
22 research activities of such entity for such
23 taxable year do not exceed the portion of
24 the taxpayer’s adjusted basis in the tax-
25 payer’s ownership interest in such entity

1 that is attributable to money or other
2 property contributed—

3 “(I) in exchange for such owner-
4 ship interest, and

5 “(II) specifically for use in con-
6 nection with qualified medical re-
7 search activities.

8 For purposes of the preceding sentence,
9 the taxpayer’s basis shall not include any
10 portion of such basis which is attributable
11 to an increase in a partner’s share of the
12 liabilities of a partnership that is consid-
13 ered under section 752(a) as a contribution
14 of money.

15 “(C) TREATMENT OF CARRYOVERS.—Sub-
16 paragraph (B)(i) shall not apply to the portion
17 of any loss or deduction that is carried over
18 under subsection (b) into a taxable year other
19 than the taxable year in which such loss or de-
20 duction arose.

21 “(D) QUALIFIED MEDICAL RESEARCH AC-
22 TIVITY.—For purposes of this paragraph, the
23 term ‘qualified medical research activity’ means
24 any qualified research (within the meaning of
25 section 41(d)) with respect to qualified counter-

1 measures (as defined in section 319F-1(a)(2)
2 of the Public Health Service Act (42 U.S.C.
3 247d-6a(a)(2))).

4 “(E) SPECIFIED MEDICAL RESEARCH
5 SMALL BUSINESS PASS-THRU ENTITY.—For
6 purposes of this paragraph, the term ‘specified
7 medical research small business pass-thru enti-
8 ty’ means any domestic pass-thru entity for any
9 taxable year if—

10 “(i) more than 80 percent of such en-
11 tity’s expenditures on qualified research for
12 such taxable year are paid or incurred in
13 connection with qualified medical research
14 activities, and

15 “(ii) the gross receipts (as determined
16 under the rules of section 41(h)(3)) of
17 such entity for the taxable year (and each
18 preceding taxable year) is less than
19 \$1,000,000.

20 “(F) CAPITAL EXPENDITURES TAKEN INTO
21 ACCOUNT FOR EXPENDITURES TEST.—An ex-
22 penditure shall not fail to be taken into account
23 under subparagraph (E)(i) merely because such
24 expenditure is chargeable to capital account.

1 “(G) PASS-THRU ENTITY.—For purposes
2 of this paragraph, the term ‘pass-thru entity’
3 means any partnership, S corporation, or other
4 entity identified by the Secretary as a pass-thru
5 entity for purposes of this paragraph.

6 “(H) AGGREGATION RULES.—

7 “(i) IN GENERAL.—All persons treat-
8 ed as a single employer under subsection
9 (a) or (b) of section 52, or subsection (m)
10 or (o) of section 414, shall be treated as a
11 single entity for purposes of subparagraphs
12 (E) and (F)(iii).

13 “(ii) LIMITATION WHERE ENTITY
14 WOULD NOT QUALIFY.—No entity shall be
15 treated as a specified medical research
16 small business pass-thru entity unless such
17 entity qualifies as such both with and with-
18 out the application of clause (i).”.

19 (b) MATERIAL PARTICIPATION NOT REQUIRED.—
20 Paragraph (5) of section 469(c) of the Internal Revenue
21 Code of 1986, as redesignated by subsection (a), is amend-
22 ed by striking “and (3)” in the heading and text and in-
23 serting “, (3), and (4)”.

24 (c) CERTAIN RESEARCH-RELATED DEDUCTIONS AND
25 CREDITS OF SPECIFIED MEDICAL RESEARCH SMALL

1 BUSINESS PASS-THRU ENTITIES ALLOWED FOR PUR-
2 POSES OF DETERMINING ALTERNATIVE MINIMUM TAX.—

3 (1) DEDUCTION FOR RESEARCH AND EXPERI-
4 MENTAL EXPENDITURES.—Paragraph (2) of section
5 56(b) of the Internal Revenue Code of 1986 is
6 amended by adding at the end the following new
7 subparagraph:

8 “(E) EXCEPTION FOR SPECIFIED MEDICAL
9 RESEARCH SMALL BUSINESS PASS-THRU ENTI-
10 TIES.—In the case of a specified medical re-
11 search small business pass-thru entity (as de-
12 fined in section 469(c)(4)), this paragraph shall
13 not apply to any amount allowable as a deduc-
14 tion under section 174(a).”.

15 (2) ALLOWANCE OF CERTAIN RESEARCH-RE-
16 LATED CREDITS.—Subparagraph (B) of section
17 38(c)(4) of such Code is amended by redesignating
18 clauses (ii) through (ix) as clauses (iii) through (x),
19 respectively, and by inserting after clause (i) the fol-
20 lowing new clause:

21 “(ii) the credit of an individual tax-
22 payer determined under section 41 to the
23 extent attributable to a specified medical
24 research small business pass-thru entity
25 (as defined in section 469(c)(4)),”.

1 (d) EXCEPTION TO LIMITATION ON PASS-THRU OF
2 RESEARCH CREDIT.—Subsection (g) of section 41 of such
3 Code is amended by adding at the end the following:
4 “Paragraphs (2) and (4) shall not apply with respect to
5 any specified medical research small business pass-thru
6 entity (as defined in section 469(c)(4)).”.

7 (e) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to losses and credits arising in tax-
9 able years beginning after December 31, 2020.

10 **TITLE IV—GROWTH IN INNOVA-**
11 **TION AND TECHNOLOGY**
12 **BREAKTHROUGHS**

13 **SEC. 401. SIMPLIFICATION AND EXPANSION OF DEDUCTION**
14 **FOR START-UP AND ORGANIZATIONAL EX-**
15 **PENDITURES.**

16 (a) IN GENERAL.—Section 195 of the Internal Rev-
17 enue Code of 1986 is amended by redesignating sub-
18 sections (c) and (d) as subsections (d) and (e), respec-
19 tively, and by striking all that precedes subsection (d) (as
20 so redesignated) and inserting the following:

21 **“SEC. 195. START-UP AND ORGANIZATIONAL EXPENDI-**
22 **TURES.**

23 “(a) CAPITALIZATION OF EXPENDITURES.—Except
24 as otherwise provided in this section, no deduction shall
25 be allowed for start-up or organizational expenditures.

1 “(b) ELECTION TO DEDUCT.—

2 “(1) IN GENERAL.—If a taxpayer elects the ap-
3 plication of this subsection with respect to any active
4 trade or business—

5 “(A) the taxpayer shall be allowed a deduc-
6 tion for the taxable year in which such active
7 trade or business begins in an amount equal to
8 the lesser of—

9 “(i) the aggregate amount of start-up
10 and organizational expenditures paid or in-
11 curred in connection with such active trade
12 or business, or

13 “(ii) \$20,000, reduced (but not below
14 zero) by the amount by which such aggre-
15 gate amount exceeds \$120,000, and

16 “(B) the remainder of such start-up and
17 organizational expenditures shall be charged to
18 capital account and allowed as an amortization
19 deduction determined by amortizing such ex-
20 penditures ratably over the 180-month period
21 beginning with the month in which the active
22 trade or business begins.

23 “(2) APPLICATION TO ORGANIZATIONAL EX-
24 PENDITURES.—In the case of organizational expend-
25 itures with respect to any corporation or partner-

1 ship, the active trade or business referred to in para-
2 graph (1) means the first active trade or business
3 carried on by such corporation or partnership.

4 “(3) INFLATION ADJUSTMENT.—In the case of
5 any taxable year beginning after December 31,
6 2020, the \$20,000 and \$120,000 amounts in para-
7 graph (1)(A)(ii) shall each be increased by an
8 amount equal to—

9 “(A) such dollar amount, multiplied by

10 “(B) the cost-of-living adjustment deter-
11 mined under section 1(f)(3) for the calendar
12 year in which the taxable year begins, deter-
13 mined by substituting ‘calendar year 2019’ for
14 ‘calendar year 2016’ in subparagraph (A)(ii)
15 thereof.

16 If any amount as increased under the preceding sen-
17 tence is not a multiple of \$1,000, such amount shall
18 be rounded to the nearest multiple of \$1,000.

19 “(c) ALLOWANCE OF DEDUCTION UPON LIQUIDA-
20 TION OR DISPOSITION.—

21 “(1) LIQUIDATION OF PARTNERSHIP OR COR-
22 PORATION.—If any partnership or corporation is
23 completely liquidated by the taxpayer, any start-up
24 or organizational expenditures paid or incurred in
25 connection with such partnership or corporation

1 which were not allowed as a deduction by reason of
2 this section may be deducted to the extent allowable
3 under section 165.

4 “(2) DISPOSITION OF TRADE OR BUSINESS.—If
5 any trade or business is completely disposed of or
6 discontinued by the taxpayer, any start-up expendi-
7 tures paid or incurred in connection with such trade
8 or business which were not allowed as a deduction
9 by reason of this section (and not taken into account
10 in connection with a liquidation to which paragraph
11 (1) applies) may be deducted to the extent allowable
12 under section 165. For purposes of this paragraph,
13 in the case of any deduction allowed under sub-
14 section (b)(1) with respect to both start-up and or-
15 ganizational expenditures, the amount treated as so
16 allowed with respect to start-up expenditures shall
17 bear the same ratio to such deduction as the start-
18 up expenditures taken into account in determining
19 such deduction bears to the aggregate of the start-
20 up and organizational expenditures so taken into ac-
21 count.”.

22 (b) ORGANIZATIONAL EXPENDITURES.—Section
23 195(d) of such Code, as redesignated by subsection (a),
24 is amended by adding at the end the following new para-
25 graphs:

1 “(3) ORGANIZATIONAL EXPENDITURES.—The
2 term ‘organizational expenditures’ means any ex-
3 penditure which—

4 “(A) is incident to the creation of a cor-
5 poration or a partnership,

6 “(B) is chargeable to capital account, and

7 “(C) is of a character which, if expended
8 incident to the creation of a corporation or a
9 partnership having an ascertainable life, would
10 be amortizable over such life.

11 “(4) APPLICATION TO CERTAIN DISREGARDED
12 ENTITIES.—In the case of any entity with a single
13 owner that is disregarded as an entity separate from
14 its owner, this section shall be applied in the same
15 manner as if such entity were a corporation.”.

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

19 “(2) PARTNERSHIPS AND S CORPORATIONS.—In
20 the case of any partnership or S corporation, the
21 election under subsection (b) shall be made (and this
22 section shall be applied) at the entity level.”.

23 (d) CONFORMING AMENDMENTS.—

24 (1)(A) Part VIII of subchapter B of chapter 1
25 is amended by striking section 248 of such Code

1 (and by striking the item relating to such section in
2 the table of sections of such part).

3 (B) Section 170(b)(2)(D)(ii) of such Code is
4 amended by striking “(except section 248)”.

5 (C) Section 312(n)(3) of such Code is amended
6 by striking “Sections 173 and 248” and inserting
7 “Sections 173 and 195”.

8 (D) Section 535(b)(3) of such Code is amended
9 by striking “(except section 248)”.

10 (E) Section 545(b)(3) of such Code is amended
11 by striking “(except section 248)”.

12 (F) Section 545(b)(4) of such Code is amended
13 by striking “(except section 248)”.

14 (G) Section 834(c)(7) of such Code is amended
15 by striking “(except section 248)”.

16 (H) Section 852(b)(2)(C) of such Code is
17 amended by striking “(except section 248)”.

18 (I) Section 857(b)(2)(A) of such Code is
19 amended by striking “(except section 248)”.

20 (J) Section 1363(b) of such Code is amended
21 by adding “and” at the end of paragraph (2), by
22 striking paragraph (3), and by redesignating para-
23 graph (4) as paragraph (3).

24 (K) Section 1375(b)(1)(B)(i) of such Code is
25 amended by striking “(other than the deduction al-

1 lowed by section 248, relating to organization ex-
2 penditures)”.

3 (2)(A) Section 709 of such Code is amended to
4 read as follows:

5 **“SEC. 709. TREATMENT OF SYNDICATION FEES.**

6 “No deduction shall be allowed under this chapter to
7 a partnership or to any partner of the partnership for any
8 amounts paid or incurred to promote the sale of (or to
9 sell) an interest in the partnership.”.

10 (B) The item relating to section 709 in the
11 table of sections for part I of subchapter K of chap-
12 ter 1 of such Code is amended to read as follows:

“Sec. 709. Treatment of syndication fees.”.

13 (3) Section 1202(e)(2)(A) of such Code is
14 amended by striking “section 195(c)(1)(A)” and in-
15 serting “section 195(d)(1)(A)”.

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

“Sec. 195. Start-up and organizational expenditures.”.

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

1 **SEC. 402. PRESERVATION OF START-UP NET OPERATING**
2 **LOSSES AND TAX CREDITS AFTER OWNER-**
3 **SHIP CHANGE.**

4 (a) APPLICATION TO NET OPERATING LOSSES.—
5 Section 382(d) of the Internal Revenue Code of 1986 is
6 amended by adding at the end the following new para-
7 graph:

8 “(4) EXCEPTION FOR START-UP LOSSES.—

9 “(A) IN GENERAL.—In the case of any net
10 operating loss carryforward described in para-
11 graph (1)(A) which arose in a start-up period
12 taxable year, the amount of such net operating
13 loss carryforward otherwise taken into account
14 under such paragraph shall be reduced by the
15 net start-up loss determined with respect to the
16 trade or business referred to in subparagraph
17 (B)(i) for such start-up period taxable year.

18 “(B) START-UP PERIOD TAXABLE YEAR.—
19 The term ‘start-up period taxable year’ means
20 any taxable year of the old loss corporation
21 which—

22 “(i) begins before the close of the 3-
23 year period beginning on the date on which
24 any trade or business of such corporation
25 begins as an active trade or business (as
26 determined under section 195(d)(2) with-

1 out regard to subparagraph (B) thereof),
2 and

3 “(ii) ends after May 31, 2020.

4 “(C) NET START-UP LOSS.—

5 “(i) IN GENERAL.—The term ‘net
6 start-up loss’ means, with respect to any
7 trade or business referred to in subpara-
8 graph (B)(i) for any start-up period tax-
9 able year, the amount which bears the
10 same ratio (but not greater than 1) to the
11 net operating loss carryforward which
12 arose in such start-up period taxable year
13 as—

14 “(I) the net operating loss (if
15 any) which would have been deter-
16 mined for such start-up period taxable
17 year if only items of income, gain, de-
18 duction, and loss properly allocable to
19 such trade or business were taken into
20 account, bears to

21 “(II) the amount of the net oper-
22 ating loss determined for such start-
23 up period taxable year.

24 “(ii) SPECIAL RULE FOR LAST TAX-
25 ABLE YEAR IN START-UP PERIOD.—In the

1 case of any start-up period taxable year
2 which ends after the close of the 3-year pe-
3 riod described in subparagraph (B)(i) with
4 respect to any trade or business, the net
5 start-up loss with respect to such trade or
6 business for such start-up period taxable
7 year shall be the same proportion of such
8 loss (determined without regard to this
9 clause) as the proportion of such start-up
10 period taxable year which is on or before
11 the last day of such period.

12 “(D) APPLICATION TO NET OPERATING
13 LOSS ARISING IN YEAR OF OWNERSHIP
14 CHANGE.—Subparagraph (A) shall apply to any
15 net operating loss described in paragraph
16 (1)(B) in the same manner as such subpara-
17 graph applies to net operating loss
18 carryforwards described in paragraph (1)(A),
19 but by only taking into account the amount of
20 such net operating loss (and the amount of the
21 net start-up loss) which is allocable under para-
22 graph (1)(B) to the period described in such
23 paragraph. Proper adjustment in the allocation
24 of the net start-up loss under the preceding

1 sentence shall be made in the case of a taxable
2 year to which subparagraph (C)(ii) applies.

3 “(E) APPLICATION TO TAXABLE YEARS
4 WHICH ARE START-UP PERIOD TAXABLE YEARS
5 WITH RESPECT TO MORE THAN 1 TRADE OR
6 BUSINESS.—In the case of any net operating
7 loss carryforward which arose in a taxable year
8 which is a start-up period taxable year with re-
9 spect to more than 1 trade or business—

10 “(i) this paragraph shall be applied
11 separately with respect to each such trade
12 or business, and

13 “(ii) the aggregate reductions under
14 subparagraph (A) shall not exceed such net
15 operating loss carryforward.

16 “(F) CONTINUITY OF BUSINESS REQUIRE-
17 MENT.—If the new loss corporation does not
18 continue the trade or business referred to in
19 subparagraph (B)(i) at all times during the 2-
20 year period beginning on the change date, this
21 paragraph shall not apply with respect to such
22 trade or business.

23 “(G) CERTAIN TITLE 11 OR SIMILAR
24 CASES.—

1 “(i) MULTIPLE OWNERSHIP
2 CHANGES.—In the case of a 2nd ownership
3 change to which subsection (l)(5)(D) ap-
4 plies, this paragraph shall not apply for
5 purposes of determining the pre-change
6 loss with respect to such 2nd ownership
7 change.

8 “(ii) CERTAIN INSOLVENCY TRANS-
9 ACTIONS.—If subsection (l)(6) applies for
10 purposes of determining the value of the
11 old loss corporation under subsection (e),
12 this paragraph shall not apply.

13 “(H) NOT APPLICABLE TO DISALLOWED
14 INTEREST.—This paragraph shall not apply for
15 purposes of applying the rules of paragraph (1)
16 to the carryover of disallowed interest under
17 paragraph (3).

18 “(I) TRANSITION RULE.—This paragraph
19 shall not apply with respect to any trade or
20 business if the date on which such trade or
21 business begins as an active trade or business
22 (as determined under section 195(d)(2) without
23 regard to subparagraph (B) thereof) is on or
24 before May 31, 2020.”.

1 (b) APPLICATION TO EXCESS CREDITS.—Section 383
2 of such Code is amended by redesignating subsection (e)
3 as subsection (f) and by inserting after subsection (d) the
4 following new subsection:

5 “(e) EXCEPTION FOR START-UP EXCESS CREDITS.—

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

15 “(2) START-UP PERIOD TAXABLE YEAR.—For
16 purposes of this subsection, the term ‘start-up pe-
17 riod taxable year’ has the meaning given such term
18 in section 382(d)(4)(B).

19 “(3) START-UP EXCESS CREDIT.—For purposes
20 of this subsection, the term ‘start-up excess credit’
21 means, with respect to any trade or business re-
22 ferred to in section 382(d)(4)(B)(i) for any start-up
23 period taxable year, the amount which bears the
24 same ratio to the unused general business credit

1 which arose in such start-up period taxable year
2 as—

3 “(A) the amount of the general business
4 credit which would have been determined for
5 such start-up period taxable year if only credits
6 properly allocable to such trade or business
7 were taken into account, bears to

8 “(B) the amount of the general business
9 credit determined for such start-up period tax-
10 able year.

11 “(4) APPLICATION OF CERTAIN RULES.—Rules
12 similar to the rules of subparagraphs (C)(ii), (D),
13 (E), and (F) of section 382(d)(4) shall apply for
14 purposes of this subsection.

15 “(5) TRANSITION RULE.—This subsection shall
16 not apply with respect to any trade or business if
17 the date on which such trade or business begins as
18 an active trade or business (as determined under
19 section 195(d)(2) without regard to subparagraph
20 (B) thereof) is on or before May 31, 2020.”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to taxable years ending after May
23 31, 2020.

○