

118TH CONGRESS  
1ST SESSION

# H. R. 4026

To amend the Internal Revenue Code of 1986 to allow certain credits and deductions to be taken as a refundable tax credit by Puerto Rico businesses or residents, and to extend such credits and deductions to possessions of the United States.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 12, 2023

Mrs. GONZÁLEZ-COLÓN (for herself, Mr. TORRES of New York, and Mr. MOYLAN) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to allow certain credits and deductions to be taken as a refundable tax credit by Puerto Rico businesses or residents, and to extend such credits and deductions to possessions of the United States.

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. EXPENDITURES TO PROVIDE ACCESS TO DIS-**  
4 **ABLED INDIVIDUALS.**

5 (a) IN GENERAL.—Section 44 of the Internal Rev-  
6 enue Code of 1986 is amended by redesignating subsection

1 (e) as subsection (f) and by inserting after subsection (d)  
2 the following new subsection:

3 “(e) APPLICATION OF CREDIT IN POSSESSIONS.—

4 “(1) MIRROR CODE POSSESSIONS.—

5 “(A) IN GENERAL.—The Secretary shall  
6 pay to each possession of the United States  
7 with a mirror code tax system amounts equal to  
8 the loss (if any) to that possession by reason of  
9 the application of this section (determined with-  
10 out regard to this subsection) with respect to  
11 taxable years beginning after December 31,  
12 2022. Such amounts shall be determined by the  
13 Secretary based on information provided by the  
14 government of the respective possession.

15 “(B) MIRROR CODE TAX SYSTEM.—For  
16 purposes of this paragraph, the term ‘mirror  
17 code tax system’ means, with respect to any  
18 possession of the United States, the income tax  
19 system of such possession if the income tax li-  
20 ability of the residents of such possession under  
21 such system is determined by reference to the  
22 income tax laws of the United States as if such  
23 possession were the United States.

24 “(2) CREDIT MADE REFUNDABLE FOR RESI-  
25 DENTS OF PUERTO RICO.—In the case of any tax-

1       able year beginning after December 31, 2022, if the  
2       taxpayer is a bona fide resident of Puerto Rico  
3       (within the meaning of section 937(a)) or a corpora-  
4       tion or partnership organized in Puerto Rico or  
5       under the law of Puerto Rico for such taxable year,  
6       the credit determined under subsection (a) shall be  
7       allowable to such resident, corporation, or partner-  
8       ship under subpart C (and not allowed under this  
9       subpart).

10       “(3) AMERICAN SAMOA.—The Secretary shall  
11       pay to American Samoa amounts estimated by the  
12       Secretary as being equal to the aggregate benefits  
13       that would have been provided to residents of Amer-  
14       ican Samoa by reason of the application of this sec-  
15       tion for taxable years beginning after December 31,  
16       2022, if the provisions of this section had been in ef-  
17       fect in American Samoa. The preceding sentence  
18       shall not apply unless American Samoa has a plan,  
19       which has been approved by the Secretary, under  
20       which such possession will promptly distribute such  
21       payments to its residents.

22       “(4) COORDINATION WITH CREDIT ALLOWED  
23       AGAINST UNITED STATES INCOME TAXES.—No cred-  
24       it shall be allowed under this section for any taxable  
25       year to any person—



1 the meaning of section 937(a)) or a corporation or part-  
2 nership organized in Puerto Rico or under the law of  
3 Puerto Rico for the taxable year, 21 percent of the  
4 amounts otherwise allowed as a deduction under this sec-  
5 tion shall be allowed as a credit under subpart C.

6 “(e) APPLICATION OF DEDUCTION IN POSSES-  
7 SIONS.—

8 “(1) MIRROR CODE POSSESSIONS.—

9 “(A) IN GENERAL.—The Secretary shall  
10 pay to each possession of the United States  
11 with a mirror code tax system amounts equal to  
12 the loss (if any) to that possession by reason of  
13 the application of this section (determined with-  
14 out regard to this subsection) with respect to  
15 taxable years beginning after December 31,  
16 2022. Such amounts shall be determined by the  
17 Secretary based on information provided by the  
18 government of the respective possession.

19 “(B) MIRROR CODE TAX SYSTEM.—For  
20 purposes of this paragraph, the term ‘mirror  
21 code tax system’ means, with respect to any  
22 possession of the United States, the income tax  
23 system of such possession if the income tax li-  
24 ability of the residents of such possession under  
25 such system is determined by reference to the

1 income tax laws of the United States as if such  
2 possession were the United States.

3 “(2) AMERICAN SAMOA.—The Secretary shall  
4 pay to American Samoa amounts estimated by the  
5 Secretary as being equal to the aggregate benefits  
6 that would have been provided to residents of Amer-  
7 ican Samoa by reason of the application of this sec-  
8 tion for taxable years beginning after December 31,  
9 2022, if the provisions of this section had been in ef-  
10 fect in American Samoa. The preceding sentence  
11 shall not apply unless American Samoa has a plan,  
12 which has been approved by the Secretary, under  
13 which such possession will promptly distribute such  
14 payments to its residents.

15 “(3) COORDINATION WITH CREDIT ALLOWED  
16 AGAINST UNITED STATES INCOME TAXES.—No de-  
17 duction shall be allowed under this section for any  
18 taxable year to any person—

19 “(A) to whom a credit is allowable against  
20 taxes imposed by a possession of the United  
21 States with a mirror code tax system by reason  
22 of the application of this section in such posses-  
23 sion for such taxable year, or

24 “(B) who is eligible for a payment under  
25 a plan described in paragraph (2).

1           “(4) TREATMENT OF PAYMENTS.—For pur-  
2           poses of section 1324(b)(2) of title 31, United  
3           States Code, the payments under this subsection  
4           shall be treated in the same manner as a refund due  
5           from credit provisions described in such section.”.

6           (b) EFFECTIVE DATE.—The amendment made by  
7           this section shall apply to taxable years beginning after  
8           December 31, 2022.

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