

TITLE II—UNSTACK WALL STREET

SEC. 201. FINDINGS AND PURPOSE.

SEC. 202. ANTI-EVASION.

SEC. 203. PROHIBITION ON STOCK BUYBACKS.

SEC. 204. PROHIBITION ON PRIVATE EQUITY INVESTMENTS IN EMPLOYEE BENEFIT PLANS.

SEC. 205. FAILED BANK EXECUTIVES CLAWBACK AND HOLDING COMPANY LIABILITY.

Subtitle A—Stop Wall Street Looting

SEC. 211. FINDINGS AND PURPOSE.

SEC. 212. DEFINITIONS.

SEC. 213. PRIVATE EQUITY ACCOUNTABILITY AND ANTI-LOOTING RULES.

SEC. 214. RESTRICTIONS ON REAL ESTATE INVESTMENT TRUSTS.

SEC. 215. TAX GUARDRAILS AGAINST LOOTING AND TAX AVOIDANCE.

SEC. 216. GUARDRAILS AROUND ACCESSING PUBLIC FUNDS.

SEC. 217. WORKER AND CONSUMER PROTECTIONS.

SEC. 218. INVESTOR PROTECTION AND MARKET TRANSPARENCY.

SEC. 219. RISK RETENTION REQUIREMENTS FOR SECURITIZATION OF CORPORATE DEBT.

Subtitle B—Wall Street Tax Base

SEC. 221. TAX ON TRADING TRANSACTIONS.

SEC. 222. ENDING SUBSIDIES FOR GIANT MERGERS.

SEC. 223. TAXING EXCESSIVE CEO PAY.

Subtitle C—Addressing Consolidation on Wall Street

SEC. 231. ADJUSTING HART-SCOTT-RODINO THRESHOLDS.

SEC. 232. CLOSING THE FAILING BANK LOOPHOLE IN BANK MERGER APPROVALS.

SEC. 233. PROHIBITION ON COMMON OWNERSHIP OF AIR CARRIERS.

SEC. 234. CODIFICATION OF HART-SCOTT-RODINO FILING REQUIREMENTS.

SEC. 235. PROHIBITING VERTICAL INTERLOCKING DIRECTORATES.

SEC. 236. REBUTTABLE PRESUMPTIONS FOR LARGE MERGERS AND ACQUISITIONS.

Subtitle D—Addressing Electioneering by Corporations

SEC. 241. LIMITATION ON CORPORATE POWER TO ELECTIONEER.

SEC. 242. UNAUTHORIZING CORPORATE PACS.

SEC. 243. POLITICAL TRANSPARENCY REPORTING REQUIREMENTS.

SEC. 244. ASSESSMENTS; 501(c)(4) ORGANIZATIONS; AND PRIVATE RIGHT OF ACTION.

SEC. 245. INELIGIBILITY FOR FEDERAL AWARDS FOR UNLAWFUL CORPORATE POLITICAL DISBURSEMENTS.

SEC. 201. FINDINGS AND PURPOSE.

(a) Congress finds the following:

(1) Article I of the Constitution grants Congress the power to regulate commerce among the several States, to lay and collect taxes, and to establish uniform laws on the subject of bankruptcies, and such powers carry with them the responsibility to ensure that financial markets serve the general welfare of the United States.

(2) Concentration of economic and financial power enables a small number of firms and investors to exert outsized influence over policy and legislative processes, distorting democratic governance.

(3) The resulting preferential treatment of certain financial transactions, investment strategies, and merger activity has contributed to the erosion of the Federal tax base, reducing public revenues and shifting fiscal burdens onto households and productive businesses, as well as increasing economic inequality and its resulting societal problems.

(4) Financial market failures and extraction-driven business models routinely impose public costs, including job losses, pension failures, taxpayer-funded backstops, and lost public revenue, rarely with corresponding accountability for the actors who benefit.

(5) Ownership of publicly traded equities and financial assets is highly concentrated, leaving most Americans exposed to market volatility, economic downturns, business failures and price fluctuations without meaningful participation in market gains.

(6) Serial consolidation and acquisition-driven strategies, often financed through high leverage, reduce competition, suppress wages, weaken long-term business viability, and prioritize short-term financial extraction over productive investment in the real economy.

(7) The cumulative effect of these practices has undermined public confidence that Wall Street operates fairly, competitively, and in a manner promoting the general welfare of the United States.

(8) The 2010 decision in *Citizens United v. FEC* and the resulting flood of corporate money into elections exacerbated the feeling that Wall Street is disproportionately influencing national policy, stacking our economic system in favor of large corporations.

(b) Purpose.—The purpose of this title is to unstack Wall Street.

SEC. 202. ANTI-EVASION.

(a) In general.—It shall be unlawful to conduct any activity, including by entering into an agreement or contract, engaging in a transaction, or structuring an entity, to willfully evade or attempt to evade any provision of this title.

(b) Enforcement.—A violation of this section shall be enforceable to the same extent, and subject to the same civil, criminal, and administrative penalties and remedies, as a violation of the provision of this title that the person sought to evade.

SEC. 203. PROHIBITION ON STOCK BUYBACKS.

(a) Definitions.—In this section—

(1) Equity security.—The term “equity security” has the meaning given such term in section 3 of the Securities Exchange Act of 1934 ([15 U.S.C. 78c](#)).

(2) Exchange.—The term “exchange” has the meaning given such term in section 3 of the Securities Exchange Act of 1934 ([15 U.S.C. 78c](#)).

(3) Issuer.—The term “issuer” has the meaning given such term in section 3 of the Securities Exchange Act of 1934 ([15 U.S.C. 78c](#)).

(4) National securities exchange.—The term “national securities exchange” means an exchange registered under section 6 of the Securities Exchange Act of 1934 ([15 U.S.C. 78f](#)).

(b) Prohibition.—Notwithstanding any other provision of law, no issuer may purchase an equity security of the issuer on a national securities exchange.

(c) Elimination of safe harbor.—[Section 240.10b–18 of title 17](#), Code of Federal Regulations, shall have no force or effect.

(d) Rule of construction.—Nothing in this section shall be construed to affect tender offers conducted pursuant to [section 240.13e–4](#) or [sections 240.14e–1 through 240.14f–1](#) of title 17, Code of Federal Regulations.

SEC. 204. PROHIBITION ON PRIVATE EQUITY INVESTMENTS IN EMPLOYEE BENEFIT PLANS.

(a) Amendment.—Section 404(a) of the Employee Retirement Income Security Act of 1974 ([29 U.S.C. 1104\(a\)](#)) is amended by adding at the end the following:

“(3) Prohibition on private equity and alternative investments.—

(A) In general.—A fiduciary shall not cause the assets of an employee benefit plan to be invested, directly or indirectly, in—

- (i) a private equity fund;
- (ii) a hedge fund;
- (iii) a private credit fund;
- (iv) a venture capital fund; or

(v) any other pooled investment vehicle or investment arrangement that is not publicly traded on a national securities exchange and that is characterized by illiquidity, limited redemption rights, or the absence of transparent market pricing.

(B) Indirect investments prohibited.—The prohibition under subparagraph (A) applies regardless of whether the investment is made—

(i) directly by the plan;

(ii) through a fund of funds;

(iii) through a target date fund or similar asset allocation vehicle; or

(iv) through any other intermediary, special purpose vehicle, or structured product.

(C) No waiver or exemption.—Any agreement, plan term, regulation, guidance, or other action that purports to permit an investment prohibited under this paragraph shall have no force or effect.

(D) Fiduciary breach.—A violation of this paragraph shall constitute a breach of fiduciary duty under this title."

SEC. 205. FAILED BANK EXECUTIVES CLAWBACK AND HOLDING COMPANY LIABILITY.

(a) Clawback authority for insured depository institutions.—Section 8(b) of the Federal Deposit Insurance Act ([12 U.S.C. 1818\(b\)](#)) is amended by inserting after paragraph (8) the following:

“(9) Clawback.—

“(A) Definition.—In this paragraph, the term ‘covered compensation’ means—

“(i) salary;

“(ii) bonuses;

“(iii) any compensation that is granted, earned, or vested based wholly or in part upon the attainment of any financial reporting measure or other performance metric;

“(iv) equity-based compensation;

“(v) time- or service-based awards;

“(vi) awards based on nonfinancial metrics; and

“(vii) any profits realized from the buying or selling of securities.

“(B) Liability of institution-affiliated party.—An institution-affiliated party that is substantially responsible for the condition of an insured depository institution is liable to the Corporation for any covered compensation clawed back under subparagraph (C).

“(C) Required clawbacks.—In the case of insolvency or resolution of any insured depository institution, the Corporation shall claw back all or part of the covered compensation received by an institution-affiliated party during the preceding 5 years as is necessary to prevent unjust enrichment and assure that the party bears losses consistent with the responsibility of the party.

“(D) Deposit.—Any covered compensation clawed back under this paragraph shall be deposited into the Deposit Insurance Fund or into the general fund of the Treasury.”.

(b) Clawback authority for covered financial companies.—Section 204 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ([12 U.S.C. 5384](#)) is amended by adding at the end the following:

“(e) Clawback.—

“(1) Definition.—In this subsection, the term ‘covered compensation’ means—

“(A) salary;

“(B) bonuses;

“(C) any compensation that is granted, earned, or vested based wholly or in part upon the attainment of any financial reporting measure or other performance metric;

“(D) equity-based compensation;

“(E) time- or service-based awards;

“(F) awards based on nonfinancial metrics; and

“(G) any profits realized from the buying or selling of securities.

“(2) Liability of institution-affiliated party.—An institution-affiliated party that is substantially responsible for the condition of a covered financial company is liable to the Corporation for any covered compensation clawed back under paragraph (3).

“(3) Required clawbacks.—In the case of insolvency or resolution of any covered financial company, the Corporation shall claw back all or part of the covered compensation received by an institution-affiliated party during the preceding 5 years as is necessary to prevent unjust enrichment and assure that the party bears losses consistent with the responsibility of the party.

“(4) Deposit.—Any covered compensation clawed back under this subsection shall be deposited into the Deposit Insurance Fund or into the general fund of the Treasury.”.

(c) Bank holding company liability.—The Bank Holding Company Act ([12 U.S.C. 1841 et seq.](#)) is amended by adding at the end the following:

“Sec. 15. Liability to the Federal Deposit Insurance Corporation.

“(a) Definitions.—In this section:

“(1) Insured depository institution.—The term ‘insured depository institution’ has the meaning given the term in section 3 of the Federal Deposit Insurance Act.

“(2) Corporation.—The term ‘Corporation’ means the Federal Deposit Insurance Corporation.

“(b) In general.—Any bank holding company that has control over an insured depository institution for which the Corporation is appointed and acts as receiver under section 11 of the Federal Deposit Insurance Act shall be liable to the Corporation for—

“(1) any payments from the Deposit Insurance Fund to insured depositors of such insured depository institution;

“(2) any costs incurred by the Corporation as receiver of such insured depository institution; and

“(3) any interest on the amounts described in paragraphs (1) and (2).

“(c) Lien against all assets.—

“(1) In general.—Any liability of a bank holding company to the Corporation under subsection (b) shall be secured by a lien on all assets of such bank holding company.

“(2) Specifications.—Any lien arising under this subsection—

“(A) shall be deemed to be automatically perfected;

“(B) shall have priority over all other liens, irrespective of their date of creation or perfection; and

“(C) may not be avoided in a proceeding under title 11, United States Code.

“(d) Priority of liability.—

“(1) In general.—Any liability of a bank holding company to the Corporation under subsection (b) shall have payment priority over all other liabilities of and interests in the bank holding company.

“(2) Clarifying rule.—No payment shall be made to any other creditor or shareholder of the bank holding company until the liability to the Corporation under this section has been paid in full.”.

Subtitle A—Stop Wall Street Looting

SEC. 211. FINDINGS AND PURPOSE.

(a) Congress finds the following:

(1) Private equity fund activity has surged in the 21st century, with generally a negative impact on the general welfare of the United States.

(2) Private equity has penetrated industries from real estate to healthcare, with especially disruptive effects in retail. In the last decade, dozens of major retailers—including Sears, Toys “R” Us, and Neiman Marcus—filed for bankruptcy under title 11, United States Code.

(3) Private equity has increasingly targeted entities serving vulnerable populations, including affordable housing, for-profit colleges, payday lenders, medical providers, and nursing homes.

(4) While often claiming to rescue troubled companies, private equity funds frequently impose crushing debt, strip assets, and obstruct long-term growth. When investments succeed, fund managers reap the gains; when they fail, workers and communities bear the losses.

(5) Private equity funds operate with limited transparency and often require investors to waive fiduciary protections. When portfolio companies fail, workers lose jobs, wages, severance, and earned pensions—yet are treated as junior creditors in bankruptcy.

(b) Purpose.—The purpose of this subtitle is to stop Wall Street looting.

SEC. 212. DEFINITIONS.

Except as otherwise expressly provided, in this subtitle:

(1) Affiliate.—The term "affiliate" means—

(A) a person that directly or indirectly owns, controls, or holds with power to vote, 5 percent or more of the outstanding voting securities of another entity, other than a person that holds such securities—

(i) in a fiduciary or agency capacity without sole discretionary power to vote such securities; or

(ii) solely to secure a debt, if such entity has not in fact exercised such power to vote;

(B) a corporation, 5 percent or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by another entity (referred to in this subparagraph as a "covered entity"), or by an entity that directly or indirectly owns, controls, or holds with power to vote, 5 percent or more of the

outstanding voting securities of the covered entity, other than an entity that holds such securities—

(i) in a fiduciary or agency capacity without sole discretionary power to vote such securities; or

(ii) solely to secure a debt, if such entity has not in fact exercised such power to vote;

(C) a person whose business is operated under a lease or operating agreement by another entity, or person substantially all of whose property is operated under an operating agreement with that other entity; or

(D) an entity that operates the business or substantially all of the property of another entity under a lease or operating agreement.

(2) Capital distribution.—The term "capital distribution" means—

(A) a cash or share dividend;

(B) a share repurchase;

(C) a share redemption;

(D) a share buyback;

(E) a payment of interest or fee on a share of stock; and

(F) any other transaction similar to a transaction described in any of subparagraphs (A) through (E).

(3) Change in control.—The term "change in control" means a change in a legal right with respect to—

(A) the power to vote more than 5 per centum of any class of voting securities of a corporation that engages in interstate commerce; or

(B) any lesser per centum of any class of voting securities of a corporation that engages in interstate commerce that is sufficient to make the acquirer of such an interest a person that has the ability to direct the actions of that corporation.

(4) Change in control transaction.—The term "change in control transaction" means a transaction, or a set of related transactions, that effectuates a change in control.

(5) Commission.—The term "Commission" means the Securities and Exchange Commission.

(6) Control person.—The term "control person"—

(A) means—

(i) a person—

(I) that directly or indirectly owns, controls, or holds with power to vote, including through coordination with other persons, 5 percent or more of the outstanding voting interests of a corporation; or

(II) that operates the business or substantially all of the property of a corporation under a lease or an operating or management agreement;

(ii) a corporation, other than a target firm, that has 5 percent or more of its outstanding voting interests directly or indirectly owned, controlled, or held with power to vote by a person that directly or indirectly owns, controls, or holds with power to vote, including through coordination with other persons, 5 percent or more of the outstanding voting interests of another corporation; or

(iii) a person that otherwise has the ability to direct the actions of a corporation; and

(B) does not include a person that—

(i)(I) is a limited partner with respect to a controlling private fund that is a partnership;

(II) does not participate in the direction of the management or policy of a corporation; and

(III) is not an insider with respect to the controlling private fund described in subclause (I);

(ii) is a pension fund or employee welfare benefit plan, if neither the fund nor plan (as applicable), nor any beneficiary or affiliate of the benefit or plan, is an insider with respect to a controlling private fund; or

(iii) holds the voting interests of a corporation solely—

(I) in a fiduciary or agency capacity without sole discretionary power to vote the securities; or

(II) to secure a debt, if the person has not—

(aa) exercised the power to vote; or

(bb) exercised any other governance rights with respect to the corporation.

(7) Controlling private fund.—The term "controlling private fund" means a private fund that, directly or through an affiliate, becomes a control person with respect to a target firm through the change in control transaction with respect to the target firm.

(8) Corporation.—The term "corporation" means—

(A) a joint-stock company;

(B) a company or partnership association organized under a law that makes only the capital subscribed or callable up to a specified amount responsible for the debts of the association, including a limited partnership and a limited liability company;

(C) a trust; and

(D) an association having a power or privilege that a private corporation, but not an individual or a partnership, possesses.

(9) Covered acquisition.—The term "covered acquisition" means any transaction or series of related transactions through which an acquiring person obtains control of a target firm, including through merger, consolidation, stock purchase, asset purchase, or similar arrangement.

(10) EBITDA.—The term "EBITDA" means earnings before interest, taxes, depreciation, and amortization, calculated in accordance with generally accepted accounting principles, consistently applied.

(11) Employee welfare benefit plan.—The term "employee welfare benefit plan" has the meaning given the term in section 3 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1002).

(12) Holder of an active interest.—The term "holder of an active interest"—

(A) subject to subparagraph (B)(ii), means—

(i) a person that directly or indirectly has the right to participate in the governance of a controlling private fund, without regard to the form or source of that right; and

(ii) any insider with respect to a controlling private fund; and

(B) does not include—

(i) a person that—

(I) holds an economic interest solely to secure a debt, if that person does not exercise any voting or other governance right with respect to the interest;

(II)(aa) is a limited partner with respect to a controlling private fund that is a partnership;

(bb) does not participate in the direction of the management or policy of a corporation; and

(cc) is not an insider with respect to the controlling private fund described in item (aa); or

(III) is a pension fund or employee welfare benefit plan, if neither the pension fund nor employee welfare benefit plan (as applicable), nor any affiliate or beneficiary of the pension fund or employee welfare benefit plan, is an insider with respect to, or affiliate of, a controlling private fund; or

(ii) if the source of the right described in subparagraph (A)(i) is a security—

(I) a person that is engaged in business as an underwriter of securities and that acquires that security through the good faith participation of the person in a firm commitment underwriting registered under the Securities Act of 1933 (15 U.S.C. 77a et seq.), until the date that is 40 days after the date on which that acquisition occurs; or

(II) a member of a national securities exchange solely because that member is the record holder of that security and, under the rules of that exchange—

(aa) may direct the vote of that security, without instruction, on—

(AA) other than contested matters; or

(BB) matters that may substantially affect the rights or privileges of the holders of the security to be voted; and

(bb) is otherwise precluded from voting without instruction.

(13) Insider.—The term "insider" means any—

(A) director of a corporation;

(B) officer of a corporation;

(C) managing agent of a corporation;

(D) control person with respect to a corporation;

(E) affiliate of a corporation;

(F) general partner of a corporation that is a partnership;

(G) consultant or contractor retained by a corporation;

(H) affiliate, relative, or agent of a person described in any of subparagraphs (A) through (F); or

(I) affiliate, relative, or agent of a person described in subparagraph (H).

(14) Investment adviser.—The term "investment adviser" has the meaning given the term in section 202(a) of the Investment Advisers Act of 1940 (15 U.S.C. 80b-2(a)).

(15) Issuer.—The term "issuer" has the meaning given the term in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)).

(16) National securities exchange.—The term "national securities exchange" means an exchange that is registered as a national securities exchange under section 6 of the Securities Exchange Act of 1934 (15 U.S.C. 78f).

(17) Pension fund.—The term "pension fund" has the meaning given the term "pension plan" in section 3 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1002).

(18) Private fund.—The term "private fund" means a corporation that—

(A) would be considered an investment company under section 3 of the Investment Company Act of 1940 (15 U.S.C. 80a-3) but for the application of paragraph (1) or (7) of subsection (c) of such section 3;

(B) is not a venture capital fund, as defined in section 275.203(l)-1 of title 17, Code of Federal Regulations, as in effect on the date of enactment of this Act; and

(C) is not an institution selected under section 107 of the Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4706).

(19) Relative.—The term "relative" means an individual related by affinity or consanguinity within the third degree as determined by the common law, or individual in a step or adoptive relationship within such third degree.

(20) Security.—The term "security" has the meaning given the term in section 2(a) of the Securities Act of 1933 (15 U.S.C. 77b(a)).

(21) Target firm.—The term "target firm" means a corporation that is acquired in a change in control transaction.

SEC. 213. PRIVATE EQUITY ACCOUNTABILITY AND ANTI-LOOTING RULES.

(a) Joint and several liability.—Notwithstanding any other provision of law, or the terms of any contract or agreement, a controlling private fund, and any holder of an active interest with respect to a controlling private fund, shall be jointly and severally liable for all liabilities of each target firm for which the controlling private fund is a control person, and for all liabilities of any affiliate of each such target firm, including—

(1) any debt incurred by the target firm or an affiliate of the target firm, including as part of the acquisition of the target firm by the controlling private fund;

(2) (A) any Federal or State civil monetary penalty; or

(B) obligation under a settlement or consent order with a Federal or State governmental agency or instrumentality, including a consumer restitution obligation;

for which the target firm, or an affiliate of the target firm, is liable;

(3) any liability resulting from a violation of section 3 of the Worker Adjustment and Retraining Notification Act ([29 U.S.C. 2102](#)) by the target firm or an affiliate of the target firm;

(4) any withdrawal liability determined under part 1 of subtitle E of title IV of the Employee Retirement Income Security Act of 1974 ([29 U.S.C. 1381 et seq.](#)) that is incurred by the target firm or an affiliate of the target firm; and

(5) any claim for unfunded benefit liabilities owed to the Pension Benefit Guaranty Corporation under subtitle D of title IV of the Employee Retirement Income Security Act of 1974 ([29 U.S.C. 1361 et seq.](#)) with respect to the termination of a pension plan sponsored by the target firm or an affiliate of the target firm; and

(6) any liability resulting from an action brought under subsection (d)(4) or any other amendment made under this section.

(b) Rule of construction.—Nothing in subsection (a) may be construed to diminish existing, as of the date of enactment of this Act, controlled group liability under the Employee Retirement Income Security Act of 1974 ([29 U.S.C. 1001 et seq.](#)).

(c) Indemnification void as against public policy.—It shall be void as against public policy for a target firm, or an affiliate of a target firm, to indemnify a controlling private fund with respect to—

(1) the target firm;

(2) any affiliate of the target firm; or

(3) any person that is the holder of an active interest in the controlling private fund with respect to the liabilities of that person under subsection (a).

(d) Post-acquisition limitations.—

(1) No target firm may, directly or indirectly, after the closing date of a change in control transaction that results in a private fund becoming a controlling private fund with respect to the target firm—

(A) for a 4-year period, make a capital distribution or similarly reduce the equity capital of the target firm;

(B) make a capital distribution greater than 10 percent of the sum of all financial obligations of the target firm for each of the previous 2 years or similarly reduce the equity capital of the target firm;

(C) incur an obligation that commits the target firm to making a capital distribution of greater than 10 percent of the new sum of all financial obligations of the firm or a similar reduction of the equity capital of the target firm for each of the following 2 years; or

(D) order a plant closing or mass layoff (as defined in section 2(a) of the Worker Adjustment and Retraining Notification Act ([29 U.S.C. 2101\(a\)](#))) and relocate the trade or business conducted by the employees in the United States to one or more facilities outside the United States, in accordance with regulations issued by the Secretary of Labor.

(2) Transfer void.—Any transfer made or obligation incurred by a target firm or an affiliate with respect to a target firm in violation of paragraph (1) shall be void.

(3) Joint and several liability for aiders and abettors.—Any controlling private fund, any holder of an active interest in a controlling private fund, or any affiliate of a target firm that aids, abets, facilitates, supports, or instructs a target firm's violation of paragraph (1) shall be jointly and severally liable under this subsection for any transfer made or obligation incurred, including for reasonable attorney's fees and costs awarded to a plaintiff under this subsection.

(4) Cause of action.—Any employee or creditor, or representative of an employee or creditor, of a target firm that is a debtor under title 11, United States Code, or of an affiliate of a target firm that is such a debtor, may bring an action in an appropriate district court of the United States against the direct or indirect transferee or obligee or beneficiary of the transfer or obligation to void the transfer or obligation and recover any transferred property for the target firm. In a successful action to recover a transfer, the court shall also award the plaintiff reasonable attorney's fees and costs.

(e) Limitation on safe harbors.—[Section 546\(e\) of title 11](#), United States Code, is amended by inserting after "548(b) of this title," the following: "and except in the case of a transfer made in connection with a change in control transaction, as defined in section 212 of the POPULIST Act, or during the protected period, as defined in section 548(f) of this title,".

(f) Fraudulent transfers.—[Section 548 of title 11](#), United States Code, is amended—

(1) in subsection (a)(1), by striking "that was made or incurred on or within 2 years before the date of the filing of the petition" and inserting "that was made or incurred during the period described in subsection (g)"; and

(2) by adding at the end the following:

“(f)(1) Definitions.—In this subsection—

“(A) the terms "change in control transaction", "control person", and "target firm" have the meanings given those terms in section 212 of the POPULIST Act; and

“(B) the term "protected period" means the shorter of—

“(i) the 15-year period beginning on the date on which a change in control transaction closed; or

“(ii) the period beginning on the date on which a change in control transaction closed and ending on the earliest subsequent date on which a public offering of a controlling share of the common equity securities of the target firm occurs.

“(2) Presumptions.—For purposes of this section, if the debtor is a target firm, the debtor is presumed to have made a transfer or incurred an obligation described in subparagraphs (A) and (B) of subsection (a)(1) if—

“(A) the transfer was made to or obligation was incurred by the debtor or an affiliate in connection with a change in control transaction; or

“(B) during a protected period—

“(i) the transfer was made by the debtor or an affiliate to a control person, an affiliate, or an insider; or

“(ii) the obligation was incurred by the debtor or an affiliate from a control person, an affiliate, or an insider.

“(3) Step transaction doctrine.—For the purposes of this section, a court shall, in analyzing related transactions, link together as a single transaction any interrelated yet formally distinct steps in an integrated transaction (commonly known as the “step transaction doctrine”).

“(g) The trustee may avoid under subsection (a) a transfer of an interest of the debtor in property or any obligation incurred by the debtor on or within—

“(1) 15 years before the date of the filing of the petition if the transfer was made or obligation incurred in connection with a change in control transaction, as defined in section 212 of the POPULIST Act; or

“(2) 2 years before the date of the filing of the petition for all other transfers and obligations.”.

(g) Statute of limitations.—[Section 3306\(b\) of title 28](#), United States Code, is amended—

(1) in paragraph (2), by striking “or” at the end;

(2) in paragraph (3), by striking the period at the end and inserting “; or”; and

(3) by adding at the end the following:

“(4) within 15 years after the transfer was made or the obligation was incurred, if the transfer was made or the obligation was incurred—

“(A) in connection with a change in control transaction, as defined in section 212 of the POPULIST Act; or

“(B) during a protected period, as defined in [section 548\(f\) of title 11](#).”.

(h) Powers and duties of committees.—[Section 1103\(c\) of title 11](#), United States Code, is amended—

(1) by redesignating paragraphs (3) through (5) as paragraphs (4) through (6), respectively; and

(2) by inserting after paragraph (2) the following:

“(3) upon motion, undertake an examination of a director, officer, general partner, or person in control of the debtor regarding potential conflicts of interest;”.

(i) Elimination of sham independent directors.—[Section 1107 of title 11](#), United States Code, is amended—

(A) in subsection (a), by striking "Subject to" and inserting "Except as provided in subsection (c), subject to"; and

(B) by adding at the end the following:

“(c) Notwithstanding subsection (a), if a debtor in possession is serving in a case under this title, a committee of creditors appointed under [section 1102](#) of this title shall have the exclusive right of a trustee serving in a case under this chapter to bring or settle on behalf of the estate—

“(1) an action under [section 544](#), [547](#), [548](#), or [553](#) to avoid a transfer made or obligation incurred by the debtor in connection with a change in control transaction, as defined in section 212 of the POPULIST Act; or

“(2) an action against an insider, a former insider, or an agent or aider and abettor of an insider or former insider.”.

(j) Limitation on executive compensation enhancements.—[Section 503\(c\) of title 11](#), United States Code, is amended—

(1) in the matter preceding paragraph (1), by inserting “and subject to section 363(b)(3),” after “Notwithstanding subsection (b),”;

(2) in paragraph (1), in the matter preceding subparagraph (A)—

(A) by inserting “, a senior executive officer of the debtor, or any of the 20 next most highly compensated employees of the debtor, department or division managers of the debtor, or consultants providing services to the debtor (regardless of whether the executive officer, employee, manager, or consultant is an insider)” after “insider of the debtor”;

(B) by inserting “or for the payment of performance or incentive compensation, a bonus of any kind, or any other financial return designed to replace or enhance incentive, stock, or other compensation in effect before the date of the commencement of the case,” after “remain with the debtor’s business,”; and

(C) by inserting “clear and convincing” before “evidence in the record”;

(3) in paragraph (2), in the matter preceding subparagraph (A), by inserting “, a senior executive officer of the debtor, or any of the 20 next most highly compensated employees of the debtor, department or division managers of the debtor, or consultants providing services to the debtor (regardless of whether the executive officer, employee, manager, or consultant is an insider)” after “an insider of the debtor”; and

(4) by striking paragraph (3) and inserting the following:

“(3) any other transfer or obligation to or for the benefit of an insider of the debtor, a senior executive officer of the debtor, or any of the 20 next most highly compensated employees of the debtor, department or division managers of the debtor, or consultants providing services to the debtor (regardless of whether the executive officer, employee, manager, or consultant is an insider), absent a finding by the court, based upon clear and convincing evidence in the record, and without deference to a request by the debtor for such payment, that—

“(A) because of the essential and particularized nature of the services provided by the insider, executive officer, employee, manager, or consultant, the transfer or obligation is essential to—

“(i) the survival of the business of the debtor; or

“(ii) in a case in which some or all of the assets of the debtor are liquidated, the orderly liquidation of the assets;

“(B) in the case of a transfer or obligation under an incentive program, the transfer or obligation is part of a workforce incentive program generally applicable to the nonmanagement workforce of the debtor; and

“(C) the cost of the transfer or obligation—

“(i) is reasonable;

“(ii) is not excessive in the context of the financial circumstances of the debtor; and

“(iii) is not disproportionate in light of any economic loss incurred by the nonmanagement workforce of the debtor during the case.”.

(k) Prohibition against special compensation payments.—[Section 363 of title 11](#), United States Code, is amended—

(1) in subsection (b), by adding at the end the following:

“(3) No plan, program, or other transfer or obligation to or for the benefit of an insider of the debtor, a senior executive officer of the debtor, or any of the 20 next most highly compensated employees of the debtor, department or division managers of the debtor, or consultants providing services to the debtor (regardless of whether the executive officer, employee, manager, or consultant is an insider) shall be approved if the debtor has, on or after the date that is 1 year before the date of the filing of the petition—

“(A) discontinued any plan, program, policy or practice of paying severance pay to the nonmanagement workforce of the debtor; or

“(B) modified any plan, program, policy, or practice described in subparagraph (A) in order to reduce benefits under the plan, program, policy or practice.”; and

(2) in subsection (c)(1), by inserting before the period at the end the following: “, except that, for any transaction that constitutes a transfer or obligation subject to section 503(c), the trustee shall be required to obtain the prior approval of the court after notice and an opportunity for a hearing”.

(l) Executive compensation upon exit from bankruptcy.—[Section 1129\(a\) of title 11](#), United States Code, is amended—

(1) in paragraph (4), by adding at the end the following:

“Except for compensation subject to review under paragraph (5), any payment or other distribution under the plan to or for the benefit of an insider of the debtor, a senior executive officer of the debtor, or any of the 20 next most highly compensated employees of the debtor, department or division managers of the debtor, or consultants providing services to the debtor (regardless of whether the executive officer, employee, manager, or consultant is an insider), shall not be approved by the court except as part of a program of payments or distributions generally applicable to employees of the debtor, and only to the extent that the court determines that the payment or other distribution is not excessive or disproportionate in comparison to payments or other distributions to the nonmanagement workforce of the debtor.”; and

(2) in paragraph (5)—

(A) in subparagraph (A)(ii), by striking “and” at the end;

(B) in subparagraph (B), by striking the period at the end and inserting “; and”; and

(C) by adding at the end the following:

“(C) the compensation disclosed pursuant to subparagraph (B) has been approved by, or is subject to the approval of, the court as—

“(i) reasonable in comparison to compensation paid to individuals holding comparable positions at comparable companies in the same industry; and

“(ii) not disproportionate in light of any economic concession made by the nonmanagement workforce of the debtor during the case.”.

(m) Voidability of preferential compensation transfers.—[Section 547 of title 11](#), United States Code, is amended by adding at the end the following:

“(j)(1) The trustee may avoid a transfer to or for the benefit of an insider of the debtor, a senior executive officer of the debtor, or any of the 20 next most highly compensated employees of the debtor, department or division managers of the debtor, or consultants providing services to the debtor (regardless of whether the executive officer, employee, manager, or consultant is an insider), that—

“(A) is made or incurred under a retention, bonus, or incentive plan devised before the date of the filing of the petition; and

“(B) does not meet the requirements under section 363(b)(3) or 503(c).

“(2) Subsection (c) shall not constitute a defense against the recovery of a transfer under paragraph (1) of this subsection.

“(3)(A) The trustee, or a committee appointed under section 1102, may commence an action to recover a transfer under paragraph (1) of this subsection.

“(B) If neither the trustee nor a committee commences an action to recover a transfer under subparagraph (A) before the date of the commencement of a hearing on the confirmation of a plan, any party in interest may apply to the court for authority to recover the transfer for the benefit of the estate, in which case the costs of recovery shall be borne by the estate.”.

(n) Commercial Real Estate.—[Section 365\(d\) of title 11](#), United States Code, is amended—

(1) by striking paragraph (4); and

(2) by redesignating paragraph (5) as paragraph (4).

(o) Limitation on leverage in change in control transactions.—

(1) In general.—It shall be unlawful for any control person, in connection with a change in control transaction, to cause or permit a target firm to incur, assume, or maintain total debt in excess of 4 times the target firm’s EBITDA.

(2) Scope.—The prohibition in paragraph (1) shall apply—

(A) immediately upon the consummation of a change in control transaction; and

(B) at any time thereafter, if such excess leverage results from any action taken in connection with, or related to, the change in control transaction, including post-closing refinancing, dividends, distributions, asset transfers, intercompany loans, or similar transactions.

(3) Enforcement.—Any obligation incurred, directly or indirectly, in violation of this subsection shall be treated as an obligation incurred in violation of paragraph (1) of subsection (d) and shall be subject to paragraphs (2) through (4) of subsection (d).

(p) Codification of IRS rule on private equity management fee waivers.—

(1) Incorporation of specified regulations.—The provisions of the proposed rule entitled “Certain Partnership Related Disguised Payments for Services,” as issued by the Department of the Treasury and the Internal Revenue Service and published in the Federal Register on July 23, 2015 (80 Fed. Reg. 43652), as amended by the correction notice published in the Federal Register on August 19, 2015 (80 Fed. Reg. 50240), are incorporated into this Act and shall be treated as though such provisions are set forth in this subsection.

(2) Effect of incorporation.—The regulation incorporated under paragraph (1) may be altered only by means of an Act of Congress. To the extent that any provision of such regulation does not conform with any other statutory provision of law enacted before the date of enactment of this Act, the provisions of this Act shall govern.

(3) Definition of regulation.—In this section, the term “regulation” means any rule, regulation, guideline, interpretation, order, or requirement of general applicability prescribed by any officer or employee of the executive branch.

SEC. 214. RESTRICTIONS ON REAL ESTATE INVESTMENT TRUSTS.

(a) Prohibition on Federal health care payments involving real estate investment trusts.—

(1) In general.—Section 1128(a) of the Social Security Act ([42 U.S.C. 1320a-7\(a\)](#)) is amended by adding at the end the following new paragraph:

“(5) Selling assets to or using assets as collateral for a loan with a real estate investment trust.—

“(A) In general.—Any individual or entity that, on or after the date of enactment of this paragraph, sells any assets to, or newly pledges any assets as collateral for a loan with, a real estate investment trust (as defined in section 856(a) of the Internal Revenue Code of 1986).

“(B) Clarification.—Subparagraph (A) shall not apply in the case where an individual or entity agreed to pledge an asset as collateral for a loan with a real estate investment trust prior to the date of enactment of this paragraph, including with respect to any future

agreement between the individual or entity and the real estate investment trust regarding that same asset.

(b) In respect to REIT interest in health care property.—

(1) In general.—[Section 856\(d\)](#) of the Internal Revenue Code of 1986 is amended—

(A) in paragraph (2) by adding at the end the following new subparagraph:

“(C) Amounts received or accrued, directly or indirectly, by a real estate investment trust with respect to qualified health care property shall not be treated as rents from real property.”.

(B) In paragraph (8)(B)—

(i) by striking “or a qualified health care property (as defined in subsection (e)(6)(D)(i))”, and

(ii) by striking “qualified health care property or”; and

(C) In paragraph (9)—

(i) in subparagraph (A)—

(I) by striking “or a qualified health care property (as defined in subsection (e)(6)(D)(i))”,

(II) by striking “or qualified health care property”, and

(III) by striking “or qualified health care properties”, and

(ii) in subparagraph (B)—

(I) by striking “or qualified health care property (as so defined)”, and

(II) by striking “or qualified health care property” each place it appears in clauses (i), (ii), and (iii)(II).

(c) Elimination of qualified REIT dividends from qualified business income.—[Section 199A](#) of the Internal Revenue Code of 1986 is amended:

(1) in subsection (b)(1) to read as follows¹—

“(1) In general.—The term “combined qualified business income amount” means, with respect to any taxable year, an amount equal to—

~~(A)~~ the sum of the amounts determined under paragraph (2) for each qualified trade or business carried on by the taxpayer, ~~plus~~

¹ Existing text is in *italics* if it remains, or ~~struck through~~ if it is removed. New text to be inserted is underlined.

~~(B) 20 percent of the aggregate amount of the qualified REIT dividends and qualified publicly traded partnership income of the taxpayer for the taxable year.”;~~

(2) in subsection (c)(1) by striking the last sentence; and

(3) in subsection (e) by striking paragraph (3) and by redesignating paragraph (4) as paragraph (3).

(d) Effective date.—The amendments made by subsection (b) and (c) shall apply to taxable years beginning after the date of enactment of this Act.

SEC. 215. TAX GUARDRAILS AGAINST LOOTING AND TAX AVOIDANCE.

(a) Surtax on certain amounts received by investment firms from controlled target firms.—

(1) Imposition of tax.—[Subchapter A of chapter 1](#) of the Internal Revenue Code of 1986 is amended by adding at the end the following new part:

“PART VIII—SURTAX ON CERTAIN AMOUNTS RECEIVED BY INVESTMENT FIRMS

“SEC. 59B. Surtax on certain amounts received by investment firms from controlled target firms.

“Sec. 59B. Surtax on certain amounts received by investment firms from controlled target firms.

“(a) Imposition of tax.—

“(1) In general.—If 1 or more applicable payments are included in the gross income of a taxpayer for any taxable year, then there is hereby imposed on the taxpayer for the taxable year a tax equal to the applicable percentage of the aggregate amount of such payments. Such tax shall be in addition to any other tax imposed by this subtitle.

“(2) Applicable percentage.—For purposes of this subsection, the term ‘applicable percentage’ means 100 percent, minus the highest rate of tax under section 1 or 11 (whichever is applicable) for the taxable year.

“(b) Applicable payment.—For purposes of this section—

“(1) In general.—The term ‘applicable payment’ means any amount paid or incurred by an applicable entity (or any person related within the meaning of section 267(b) or 707(b) to such entity) to any other person which, at the time such amount is paid or incurred, is an applicable controlling entity. An amount shall be treated as an applicable payment without regard to whether it is paid or incurred to the taxpayer including it in gross income and to which subsection (a) applies.

“(2) Exceptions.—Such term shall not include any of the following:

“(A) Interest.—Any amount paid or incurred which is treated as interest for purposes of this chapter.

“(B) Distributions of property with respect to stock.—Any distribution of property (as defined in section 317(a)) to which section 301(a) applies.

“(c) Definitions relating to entities.—For purposes of this section—

“(1) Applicable entity.—The term ‘applicable entity’ means any person—

“(A) which is engaged in the active conduct of a trade or business, and

“(B) with respect to which any other person conducts activities in connection with an applicable trade or business.

“(2) Applicable controlling entity.—The term ‘applicable controlling entity’ means, with respect to any applicable entity, any person—

“(A) which is engaged in an applicable trade or business some or all of the activities of which are conducted in connection with the applicable entity, and

“(B) which controls (or is related within the meaning of section 267(b) or 707(b) to a person which controls) the applicable entity.

“(3) Applicable trade or business.—The term ‘applicable trade or business’ means any activity conducted on a regular, continuous, and substantial basis which, regardless of whether the activity is conducted in 1 or more entities, consists, in whole or in part, of—

“(A) raising or returning capital, and

“(B) either—

“(i) investing in or disposing of specified assets (or identifying specified assets for such investing or disposition), or

“(ii) developing specified assets.

“(4) Specified asset.—The term ‘specified asset’ means—

“(A) securities (as defined in section 475(c)(2) but without regard to the phrase ‘widely held or publicly traded’ in subparagraph (B) thereof and without regard to the last sentence thereof), and

“(B) real estate held for rental or investment.

“(d) Rules and definitions relating to ownership attribution and control.—For purposes of this section—

“(1) Constructive ownership rules used in determining related party.—In determining whether persons are related within the meaning of section 267(b) or 707(b), the constructive

ownership rules of section 318 shall apply in lieu of the constructive ownership rules which would otherwise apply, except that in applying such rules the term 'stock' shall include capital, profits, or other beneficial interests in persons other than corporations.

“(2) Control.—

“(A) Corporations.—In the case of a corporation, the term 'control' has the meaning given such term by section 304(c) (without regard to paragraph (3)(B) thereof).

“(B) Other entities.—In the case of a person other than a corporation, such term means the ownership, directly or indirectly, of at least 50 percent of the capital, profits, or other beneficial interests in the person.

“(e) Regulations.—The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out the provisions of this section, including regulations—

“(1) providing for such adjustments to the application of this section as are necessary to prevent the avoidance of the purposes of this section, including through the use of unrelated persons, or conduit transactions, and

“(2) modifying the constructive ownership rules under section 318 to the extent necessary to apply such rules to capital, profits, or other beneficial interests as well as stock.”.

(2) Disallowance of credits against tax.—Subparagraph (B) of section 26(b)(2) of the Internal Revenue Code of 1986 is amended by inserting “or section 59B (relating to surtax on certain amounts received by investment firms from controlled target firms)” after “anti-abuse tax)”.

(3) Conforming amendments.—

(A) The table of parts for [subchapter A of chapter 1](#) of the Internal Revenue Code of 1986 is amended by adding after the item relating to part VII the following new item:

“Part VIII. Surtax on Certain Amounts Received by Investment Firms”.

(B) [Section 871\(b\)\(1\)](#) of such Code is amended by inserting “, and as provided in section 59B on applicable payments included in gross income which are effectively connected with the conduct of a trade or business within the United States” before the period.

(C) [Section 882\(a\)\(1\)](#) of such Code is amended—

(i) by striking “59A,” and inserting “59A”, and

(ii) by inserting “, and as provided in section 59B on applicable payments included in gross income which are effectively connected with the conduct of a trade or business within the United States” before the period.

(D) Subparagraph (A) of [section 6425\(c\)\(1\)](#) of such Code is amended by striking “plus” at the end of clause (i), by striking “plus” at the end of clause (ii), by striking “over” at the end of clause (iii) and inserting “and”, and by adding at the end the following new clause:

“(iv) the tax imposed by section 59B, over”.

(E) Paragraph (1) of [section 6654\(f\)](#) of such Code is amended by striking “tax” each place it appears and inserting “taxes”.

(F) Subparagraph (A) of [section 6655\(g\)\(1\)](#) of such Code is amended by striking “plus” at the end of clause (iii), by redesignating clause (iv) as clause (v), and by inserting after clause (iii) the following new clause:

“(iv) the tax imposed by section 59B, and”.

(4) Effective date.—The amendments made by this subsection shall apply to applicable payments (as defined in section 59B(b) of the Internal Revenue Code of 1986, as added by this subsection) paid or accrued on or after January 1, 2027.

(b) Limitation on deduction for business interest of certain businesses owned by private funds.—

(1) In general.—[Section 163\(j\)](#) of the Internal Revenue Code of 1986 is amended by redesignating paragraph (11) as paragraph (12) and by inserting after paragraph (10) the following new paragraph:

“(11) Modification of limitation for certain businesses owned by private firms.—

“(A) In general.—In the case of a taxpayer which is an applicable entity controlled by an applicable controlling entity (or any person related within the meaning of section 267(b) or 707(b) to such entity) at any time during the taxable year—

“(i) if the ratio of debt to equity of the taxpayer as of the close of the taxable year (or on any other day during the taxable year as the Secretary may prescribe in regulations) exceeds 1, then paragraph (1) shall be applied by substituting a percentage that the Secretary determines appropriate (and which shall be not less than 30 percent) for ‘30 percent’, and

“(ii) in the case of the election under paragraph (7)(B) to treat any trade or business of the taxpayer as an electing real property trade or business—

“(I) the taxpayer may not make any such election during such taxable year, and

“(II) any such election of the taxpayer in effect as of the close of the taxable year preceding such taxable year with respect to a trade or business shall be revoked, effective for such taxable year and all succeeding taxable years.

“(B) Ratio of debt to equity.—For purposes of this paragraph, the term ‘ratio of debt to equity’ means, with respect to any taxpayer, the ratio which the total indebtedness of the taxpayer bears to the sum of the taxpayer’s money and all other assets reduced (but not below 0) by such total indebtedness. For purposes of the preceding sentence—

“(i) the amount taken into account with respect to any asset shall be the adjusted basis thereof for purposes of determining gain,

“(ii) the amount taken into account with respect to any indebtedness with original issue discount shall be its issue price plus the portion of the original issue discount previously accrued as determined under the rules of section 1272 (determined without regard to subsection (a)(7) or (b)(4) thereof), and

“(iii) there shall be such other adjustments as the Secretary may by regulations prescribe.

“(C) Coordination with depreciation rules.—If the alternative depreciation system under section 168(g) applies to property by reason of an election under paragraph (7)(B) which is revoked under subparagraph (A)(ii)(II), then the depreciation deduction under section 167(a) with respect to such property for the taxable year of revocation and all succeeding taxable years shall be determined under section 168 in the same manner as if such revocation were a change in use of the property under section 168(i)(5) and the regulations thereunder.

“(D) Definitions and rules.—For purposes of this paragraph—

“(i) any term used in this paragraph which is also used in section 59B shall have the same meaning as when used in such section, and

“(ii) the constructive ownership rules of section 318 shall apply in the same manner as such rules apply for purposes of section 59B.”.

(2) Effective dates.—

(A) In general.—The amendments made by this subsection shall apply to taxable years beginning on or after January 1, 2027.

(B) Revocation of elections.—Subparagraphs (A)(ii)(II) and (C) of section 163(j)(11) of the Internal Revenue Code of 1986, as added by this subsection, shall apply to taxable years beginning on or after January 1, 2027, with respect to elections under section 163(j)(7)(B) of such Code made before, on, or after such date.

(c) Special rules for partnership interests transferred in connection with performance of services and for partners providing investment management services to partnerships.—

(1) Amendment reference rule.—Except as otherwise expressly provided, whenever in this subsection an amendment or repeal is expressed in terms of an amendment to, or

repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(2) Partnership interests transferred in connection with performance of services.—

(A) In general.—Subsection (c) of section 83 of the Internal Revenue Code of 1986 is amended by redesignating paragraph (4) as paragraph (5) and by inserting after paragraph (3) the following new paragraph:

“(4) Partnership interests.—Except as provided by the Secretary—

“(A) In general.—In the case of any transfer of an interest in a partnership in connection with the provision of services to (or for the benefit of) such partnership—

“(i) the fair market value of such interest shall be treated for purposes of this section as being equal to the amount of the distribution which the partner would receive if the partnership sold (at the time of the transfer) all of its assets at fair market value and distributed the proceeds of such sale (reduced by the liabilities of the partnership) to its partners in liquidation of the partnership, and

“(ii) the person receiving such interest shall be treated as having made the election under subsection (b)(1) unless such person makes an election under this paragraph to have such subsection not apply.

“(B) Election.—The election under subparagraph (A)(ii) shall be made under rules similar to the rules of subsection (b)(2).”.

(B) Effective date.—The amendments made by this paragraph shall apply to interests in partnerships transferred after December 31, 2026.

(3) Special rules for partners providing investment management services to partnerships.—

(A) In general.—[Part I of subchapter K of chapter 1](#) of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

“SEC. 710. SPECIAL RULES FOR PARTNERS PROVIDING INVESTMENT MANAGEMENT SERVICES TO PARTNERSHIPS.

“(a) Treatment of distributive share of partnership items.—For purposes of this title, in the case of an investment services partnership interest—

“(1) In general.—Notwithstanding [section 702\(b\)](#)—

“(A) an amount equal to the net capital gain with respect to such interest for any partnership taxable year shall be treated as ordinary income, and

“(B) subject to the limitation of paragraph (2), an amount equal to the net capital loss with respect to such interest for any partnership taxable year shall be treated as an ordinary loss.

“(2) Recharacterization of losses limited to recharacterized gains.—The amount treated as ordinary loss under paragraph (1)(B) for any taxable year shall not exceed the excess (if any) of—

“(A) the aggregate amount treated as ordinary income under paragraph (1)(A) with respect to the investment services partnership interest for all preceding partnership taxable years to which this section applies, over

“(B) the aggregate amount treated as ordinary loss under paragraph (1)(B) with respect to such interest for all preceding partnership taxable years to which this section applies.

“(3) Allocation to items of gain and loss.—

“(A) Net capital gain.—The amount treated as ordinary income under paragraph (1)(A) shall be allocated ratably among the items of long-term capital gain taken into account in determining such net capital gain.

“(B) Net capital loss.—The amount treated as ordinary loss under paragraph (1)(B) shall be allocated ratably among the items of long-term capital loss and short-term capital loss taken into account in determining such net capital loss.

“(4) Terms relating to capital gains and losses.—For purposes of this section—

“(A) In general.—Net capital gain, long-term capital gain, and long-term capital loss, with respect to any investment services partnership interest for any taxable year, shall be determined under section 1222, except that such section shall be applied—

“(i) without regard to the recharacterization of any item as ordinary income or ordinary loss under this section,

“(ii) by only taking into account items of gain and loss taken into account by the holder of such interest under section 702 (other than subsection (a)(9) thereof) with respect to such interest for such taxable year, and

“(iii) by treating property which is taken into account in determining gains and losses to which section 1231 applies as capital assets held for more than 1 year.

“(B) Net capital loss.—The term ‘net capital loss’ means the excess of the losses from sales or exchanges of capital assets over the gains from such sales or exchanges. Rules similar to the rules of clauses (i) through (iii) of subparagraph (A) shall apply for purposes of the preceding sentence.

“(5) Special rule for dividends.—Any dividend allocated with respect to any investment services partnership interest shall not be treated as qualified dividend income for purposes of section 1(h).

“(6) Special rule for qualified small business stock.—Section 1202 shall not apply to any gain from the sale or exchange of qualified small business stock (as defined in section 1202(c)) allocated with respect to any investment services partnership interest.

“(b) Dispositions of partnership interests.—

“(1) Gain.—

“(A) In general.—Any gain on the disposition of an investment services partnership interest shall be—

“(i) treated as ordinary income, and

“(ii) recognized notwithstanding any other provision of this subtitle.

“(B) Gift and transfers at death.—In the case of a disposition of an investment services partnership interest by gift or by reason of death of the taxpayer—

“(i) subparagraph (A) shall not apply,

“(ii) such interest shall be treated as an investment services partnership interest in the hands of the person acquiring such interest, and

“(iii) any amount that would have been treated as ordinary income under this subsection had the decedent sold such interest immediately before death shall be treated as an item of income in respect of a decedent under section 691.

“(2) Loss.—Any loss on the disposition of an investment services partnership interest shall be treated as an ordinary loss to the extent of the excess (if any) of—

“(A) the aggregate amount treated as ordinary income under subsection (a) with respect to such interest for all partnership taxable years to which this section applies, over

“(B) the aggregate amount treated as ordinary loss under subsection (a) with respect to such interest for all partnership taxable years to which this section applies.

“(3) Election with respect to certain exchanges.—Paragraph (1)(A)(ii) shall not apply to the contribution of an investment services partnership interest to a partnership in exchange for an interest in such partnership if—

“(A) the taxpayer makes an irrevocable election to treat the partnership interest received in the exchange as an investment services partnership interest, and

“(B) the taxpayer agrees to comply with such reporting and recordkeeping requirements as the Secretary may prescribe.

“(4) Distributions of partnership property.—

“(A) In general.—In the case of any distribution of property by a partnership with respect to any investment services partnership interest held by a partner, the partner receiving such property shall recognize gain equal to the excess (if any) of—

“(i) the fair market value of such property at the time of such distribution, over

“(ii) the adjusted basis of such property in the hands of such partner (determined without regard to subparagraph (C)).

“(B) Treatment of gain as ordinary income.—Any gain recognized by such partner under subparagraph (A) shall be treated as ordinary income to the same extent and in the same manner as the increase in such partner’s distributive share of the taxable income of the partnership would be treated under subsection (a) if, immediately prior to the distribution, the partnership had sold the distributed property at fair market value and all of the gain from such disposition were allocated to such partner. For purposes of applying subsection (a)(2), any gain treated as ordinary income under this subparagraph shall be treated as an amount treated as ordinary income under subsection (a)(1)(A).

“(C) Adjustment of basis.—In the case a distribution to which subparagraph (A) applies, the basis of the distributed property in the hands of the distributee partner shall be the fair market value of such property at the time of such distribution.

“(D) Special rules with respect to mergers and divisions.—In the case of a taxpayer which satisfies requirements similar to the requirements of subparagraphs (A) and (B) of paragraph (3), this paragraph and paragraph (1)(A)(ii) shall not apply to the distribution of a partnership interest if such distribution is in connection with a contribution (or deemed contribution) of any property of the partnership to which section 721 applies pursuant to a transaction described in section 708(b)(2).

“(c) Investment services partnership interest.—For purposes of this section—

“(1) In general.—The term ‘investment services partnership interest’ means any interest in an investment partnership acquired or held by any person in connection with the conduct of a trade or business described in paragraph (2) by such person (or any person related to such person). An interest in an investment partnership held by any person—

“(A) shall not be treated as an investment services partnership interest for any period before the first date on which it is so held in connection with such a trade or business,

“(B) shall not cease to be an investment services partnership interest merely because such person holds such interest other than in connection with such a trade or business, and

“(C) shall be treated as an investment services partnership interest if acquired from a related person in whose hands such interest was an investment services partnership interest.

“(2) Businesses to which this section applies.—A trade or business is described in this paragraph if such trade or business primarily involves the performance of any of the following services with respect to assets held (directly or indirectly) by 1 or more investment partnerships referred to in paragraph (1):

“(A) Advising as to the advisability of investing in, purchasing, or selling any specified asset.

“(B) Managing, acquiring, or disposing of any specified asset.

“(C) Arranging financing with respect to acquiring specified assets.

“(D) Any activity in support of any service described in subparagraphs (A) through (C).

“(3) Investment partnership.—

“(A) In general.—The term ‘investment partnership’ means any partnership if, at the end of any 2 consecutive calendar quarters ending after December 31, 2026—

“(i) substantially all of the assets of the partnership are specified assets (determined without regard to any section 197 intangible within the meaning of section 197(d)), and

“(ii) less than 75 percent of the capital of the partnership is attributable to qualified capital interests which constitute property held in connection with a trade or business of the owner of such interest.

“(B) Look-through of certain wholly owned entities for purposes of determining assets of the partnership.—

“(i) In general.—For purposes of determining the assets of a partnership under subparagraph (A)(i)—

“(I) any interest in a specified entity shall not be treated as an asset of such partnership, and

“(II) such partnership shall be treated as holding its proportionate share of each of the assets of such specified entity.

“(ii) Specified entity.—For purposes of clause (i), the term ‘specified entity’ means, with respect to any partnership (hereafter referred to as the upper-tier partnership), any person which engages in the same trade or business as the upper-tier partnership and is—

“(I) a partnership all of the capital and profits interests of which are held directly or indirectly by the upper-tier partnership, or

“(II) a foreign corporation which does not engage in a trade or business in the United States and all of the stock of which is held directly or indirectly by the upper-tier partnership.

“(C) Special rules for determining if property held in connection with trade or business.—

“(i) In general.—Except as otherwise provided by the Secretary, solely for purposes of determining whether any interest in a partnership constitutes property held in connection with a trade or business under subparagraph (A)(ii)—

“(I) a trade or business of any person closely related to the owner of such interest shall be treated as a trade or business of such owner,

“(II) such interest shall be treated as held by a person in connection with a trade or business during any taxable year if such interest was so held by such person during any 3 taxable years preceding such taxable year, and

“(III) paragraph (5)(B) shall not apply.

“(ii) Closely related persons.—For purposes of clause (i)(I), a person shall be treated as closely related to another person if, taking into account the rules of section 267(c), the relationship between such persons is described in—

“(I) paragraph (1) or (9) of section 267(b), or

“(II) section 267(b)(4), but solely in the case of a trust with respect to which each current beneficiary is the grantor or a person whose relationship to the grantor is described in paragraph (1) or (9) of section 267(b).

“(D) Anti-abuse rules.—The Secretary may issue regulations or other guidance which prevent the avoidance of the purposes of subparagraph (A), including regulations or other guidance which treat convertible and contingent debt (and other debt having the attributes of equity) as a capital interest in the partnership.

“(E) Controlled groups of entities.—

“(i) In general.—In the case of a controlled group of entities, if an interest in the partnership received in exchange for a contribution to the capital of the partnership by any member of such controlled group would (in the hands of such member) constitute property held in connection with a trade or business, then any interest in such partnership held by any member of such group shall be treated for purposes of subparagraph (A) as constituting (in the hands of such member) property held in connection with a trade or business.

“(ii) Controlled group of entities.—For purposes of clause (i), the term ‘controlled group of entities’ means a controlled group of corporations as defined in section 1563(a)(1), applied without regard to subsections (a)(4) and (b)(2) of section 1563. A partnership or any other entity (other than a corporation) shall be treated as a member of a controlled group of entities if such entity is controlled (within the meaning of section 954(d)(3)) by members of such group (including any entity treated as a member of such group by reason of this sentence).

“(F) Special rule for corporations.—For purposes of this paragraph, in the case of a corporation, the determination of whether property is held in connection with a trade or business shall be determined as if the taxpayer were an individual.

“(4) Specified asset.—The term ‘specified asset’ means securities (as defined in section 475(c)(2) without regard to the last sentence thereof), real estate held for rental or investment, interests in partnerships, commodities (as defined in section 475(e)(2)), cash or cash equivalents, or options or derivative contracts with respect to any of the foregoing.

“(5) Related persons.—

“(A) In general.—A person shall be treated as related to another person if the relationship between such persons is described in section 267(b) or 707(b).

“(B) Attribution of partner services.—Any service described in paragraph (2) which is provided by a partner of a partnership shall be treated as also provided by such partnership.

“(d) Exception for certain capital interests.—

“(1) In general.—In the case of any portion of an investment services partnership interest which is a qualified capital interest, all items of gain and loss (and any dividends) which are allocated to such qualified capital interest shall not be taken into account under subsection (a) if—

“(A) allocations of items are made by the partnership to such qualified capital interest in the same manner as such allocations are made to other qualified capital interests held by partners who do not provide any services described in subsection (c)(2) and who are not related to the partner holding the qualified capital interest, and

“(B) the allocations made to such other interests are significant compared to the allocations made to such qualified capital interest.

“(2) Authority to provide exceptions to allocation requirements.—To the extent provided by the Secretary in regulations or other guidance—

“(A) Allocations to portion of qualified capital interest.—Paragraph (1) may be applied separately with respect to a portion of a qualified capital interest.

“(B) No or insignificant allocations to nonservice providers.—In any case in which the requirements of paragraph (1)(B) are not satisfied, items of gain and loss (and any dividends) shall not be taken into account under subsection (a) to the extent that such items are properly allocable under such regulations or other guidance to qualified capital interests.

“(C) Allocations to service providers’ qualified capital interests which are less than other allocations.—Allocations shall not be treated as failing to meet the requirement of paragraph (1)(A) merely because the allocations to the qualified capital interest represent a lower return than the allocations made to the other qualified capital interests referred to in such paragraph.

“(3) Special rule for changes in services and capital contributions.—In the case of an interest in a partnership which was not an investment services partnership interest and which, by reason of a change in the services with respect to assets held (directly or indirectly) by the partnership or by reason of a change in the capital contributions to such partnership, becomes an investment services partnership interest, the qualified capital interest of the holder of such partnership interest immediately after such change shall not, for purposes of this subsection, be less than the fair market value of such interest (determined immediately before such change).

“(4) Special rule for tiered partnerships.—Except as otherwise provided by the Secretary, in the case of tiered partnerships, all items which are allocated in a manner which meets the requirements of paragraph (1) to qualified capital interests in a lower-tier partnership shall retain such character to the extent allocated on the basis of qualified capital interests in any upper-tier partnership.

“(5) Exception for no-self-charged carry and management fee provisions.—Except as otherwise provided by the Secretary, an interest shall not fail to be treated as satisfying the requirement of paragraph (1)(A) merely because the allocations made by the partnership to such interest do not reflect the cost of services described in subsection (c)(2) which are provided (directly or indirectly) to the partnership by the holder of such interest (or a related person).

“(6) Special rule for dispositions.—In the case of any investment services partnership interest any portion of which is a qualified capital interest, subsection (b) shall not apply to so much of any gain or loss as bears the same proportion to the entire amount of such gain or loss as—

“(A) the distributive share of gain or loss that would have been allocated to the qualified capital interest (consistent with the requirements of paragraph (1)) if the partnership had sold all of its assets at fair market value immediately before the disposition, bears to

“(B) the distributive share of gain or loss that would have been so allocated to the investment services partnership interest of which such qualified capital interest is a part.

“(7) Qualified capital interest.—For purposes of this section—

“(A) In general.—The term ‘qualified capital interest’ means so much of a partner’s interest in the capital of the partnership as is attributable to—

“(i) the fair market value of any money or other property contributed to the partnership in exchange for such interest (determined without regard to section 752(a)),

“(ii) any amounts which have been included in gross income under section 83 with respect to the transfer of such interest, and

“(iii) the excess (if any) of—

“(I) any items of income and gain taken into account under section 702 with respect to such interest, over

“(II) any items of deduction and loss so taken into account.

“(B) Adjustment to qualified capital interest.—

“(i) Distributions and losses.—The qualified capital interest shall be reduced by distributions from the partnership with respect to such interest and by the excess (if any) of the amount described in subparagraph (A)(iii)(II) over the amount described in subparagraph (A)(iii)(I).

“(ii) Special rule for contributions of property.—In the case of any contribution of property described in subparagraph (A)(i) with respect to which the fair market value of such property is not equal to the adjusted basis of such property immediately before such contribution, proper adjustments shall be made to the qualified capital interest to take into account such difference consistent with such regulations or other guidance as the Secretary may provide.

“(C) Technical terminations, etc., disregarded.—No increase or decrease in the qualified capital interest of any partner shall result from a termination, merger, consolidation, or division described in section 708, or any similar transaction.

“(8) Treatment of certain loans.—

“(A) Proceeds of partnership loans not treated as qualified capital interest of service providing partners.—For purposes of this subsection, an investment services partnership interest shall not be treated as a qualified capital interest to the extent that such interest is acquired in connection with the proceeds of any loan or other advance made or guaranteed, directly or indirectly, by any other partner or the partnership (or any person related to any such other partner or the partnership). The preceding sentence shall not apply to the extent the loan or other advance is repaid before January 1, 2027, unless such repayment is made with the proceeds of a loan or other advance described in the preceding sentence.

“(B) Reduction in allocations to qualified capital interests for loans from nonservice-providing partners to the partnership.—For purposes of this subsection, any loan or other advance to the partnership made or guaranteed, directly or indirectly, by a partner not providing services described in subsection (c)(2) to the partnership (or any person related to such partner) shall be taken into account in determining the qualified capital interests of the partners in the partnership.

“(9) Special rule for qualified family partnerships.—

“(A) In general.—In the case of any specified family partnership interest, paragraph (1)(A) shall be applied without regard to the phrase ‘and who are not related to the partner holding the qualified capital interest’.

“(B) Specified family partnership interest.—For purposes of this paragraph, the term ‘specified family partnership interest’ means any investment services partnership interest if—

“(i) such interest is an interest in a qualified family partnership,

“(ii) such interest is held by a natural person or by a trust with respect to which each beneficiary is a grantor or a person whose relationship to the grantor is described in section 267(b)(1), and

“(iii) all other interests in such qualified family partnership with respect to which significant allocations are made (within the meaning of paragraph (1)(B) and in comparison to the allocations made to the interest described in clause (ii)) are held by persons who—

“(I) are related to the natural person or trust referred to in clause (ii), or

“(II) provide services described in subsection (c)(2).

“(C) Qualified family partnership.—For purposes of this paragraph, the term ‘qualified family partnership’ means any partnership if—

“(i) all of the capital and profits interests of such partnership are held by—

“(I) specified family members,

“(II) any person closely related (within the meaning of subsection (c)(3)(C)(ii)) to a specified family member, or

“(III) any other person (not described in subclause (I) or (II)) if such interest is an investment services partnership interest with respect to such person, and

“(ii) such partnership does not hold itself out to the public as an investment advisor.

“(D) Specified family members.—For purposes of subparagraph (C), individuals shall be treated as specified family members if such individuals would be treated as 1 person under the rules of section 1361(c)(1) if the applicable date (within the meaning of subparagraph (B)(iii) thereof) were the latest of—

“(i) the date of the establishment of the partnership,

“(ii) the earliest date that the common ancestor holds a capital or profits interest in the partnership, or

“(iii) January 1, 2027.

“(e) Other income and gain in connection with investment management services.—

“(1) In general.—If—

“(A) a person performs (directly or indirectly) investment management services for any investment entity,

“(B) such person holds (directly or indirectly) a disqualified interest with respect to such entity, and

“(C) the value of such interest (or payments thereunder) is substantially related to the amount of income or gain (whether or not realized) from the assets with respect to which the investment management services are performed,

“any income or gain with respect to such interest shall be treated as ordinary income. Rules similar to the rules of subsections (a)(5) and (d) shall apply for purposes of this subsection.

“(2) Definitions.—For purposes of this subsection—

“(A) Disqualified interest.—

“(i) In general.—The term ‘disqualified interest’ means, with respect to any investment entity—

“(I) any interest in such entity other than indebtedness,

“(II) convertible or contingent debt of such entity,

“(III) any option or other right to acquire property described in subclause (I) or (II), and

“(IV) any derivative instrument entered into (directly or indirectly) with such entity or any investor in such entity.

“(ii) Exceptions.—Such term shall not include—

“(I) a partnership interest,

“(II) except as provided by the Secretary, any interest in a taxable corporation, and

“(III) except as provided by the Secretary, stock in an S corporation.

“(B) Taxable corporation.—The term ‘taxable corporation’ means—

“(i) a domestic C corporation, or

“(ii) a foreign corporation substantially all of the income of which is—

“(I) effectively connected with the conduct of a trade or business in the United States, or

“(II) subject to a comprehensive foreign income tax (as defined in section 457A(d)(2)).

“(C) Investment management services.—The term ‘investment management services’ means a substantial quantity of any of the services described in subsection (c)(2).

“(D) Investment entity.—The term ‘investment entity’ means any entity which, if it were a partnership, would be an investment partnership.

“(f) Exception for domestic C corporations.—Except as otherwise provided by the Secretary, in the case of a domestic C corporation—

“(1) subsections (a) and (b) shall not apply to any item allocated to such corporation with respect to any investment services partnership interest (or to any gain or loss with respect to the disposition of such an interest), and

“(2) subsection (e) shall not apply.

“(g) Regulations.—The Secretary shall prescribe such regulations or other guidance as is necessary or appropriate to carry out the purposes of this section, including regulations or other guidance to—

“(1) require such reporting and recordkeeping by any person in such manner and at such time as the Secretary may prescribe for purposes of enabling the partnership to meet the requirements of section 6031 with respect to any item described in section 702(a)(9),

“(2) provide modifications to the application of this section (including treating related persons as not related to one another) to the extent such modification is consistent with the purposes of this section,

“(3) prevent the avoidance of the purposes of this section (including through the use of qualified family partnerships), and

“(4) coordinate this section with the other provisions of this title.

“(h) Cross reference.—For 40-percent penalty on certain underpayments due to the avoidance of this section, see section 6662.”.

(d) Application of section 751 to indirect dispositions of investment services partnership interests.—

(1) In general.—Subsection (a) of [section 751](#) of the Internal Revenue Code of 1986 is amended by striking “or” at the end of paragraph (1), by inserting “or” at the end of paragraph (2), and by inserting after paragraph (2) the following new paragraph:

“(3) investment services partnership interests held by the partnership,”.

(2) Certain distributions treated as sales or exchanges.—Subparagraph (A) of section [751\(b\)\(1\)](#) of the Internal Revenue Code of 1986 is amended by striking “or” at the end of clause (i), by inserting “or” at the end of clause (ii), and by inserting after clause (ii) the following new clause:

“(iii) investment services partnership interests held by the partnership,”.

(3) Application of special rules in the case of tiered partnerships.—Subsection (f) of [section 751](#) of the Internal Revenue Code of 1986 is amended—

(A) by striking “or” at the end of paragraph (1), by inserting “or” at the end of paragraph (2), and by inserting after paragraph (2) the following new paragraph:

“(3) an investment services partnership interest held by the partnership,”; and

(B) by striking “partner.” and inserting “partner (other than a partnership in which it holds an investment services partnership interest).”.

(4) Investment services partnership interests; qualified capital interests.—[Section 751](#) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

“(g) Investment services partnership interests.—For purposes of this section—

“(1) In general.—The term ‘investment services partnership interest’ has the meaning given such term by section 710(c).

“(2) Adjustments for qualified capital interests.—The amount to which subsection (a) applies by reason of paragraph (3) thereof shall not include so much of such amount as is attributable to any portion of the investment services partnership interest which is a qualified capital interest (determined under rules similar to the rules of section 710(d)).

“(3) Exception for publicly traded partnerships.—Except as otherwise provided by the Secretary, in the case of an exchange of an interest in a publicly traded partnership (as defined in [section 7704](#)) to which subsection (a) applies—

“(A) this section shall be applied without regard to subsections (a)(3), (b)(1)(A)(iii), and (f)(3), and

“(B) such partnership shall be treated as owning its proportionate share of the property of any other partnership in which it is a partner.

“(4) Recognition of gains.—Any gain with respect to which subsection (a) applies by reason of paragraph (3) thereof shall be recognized notwithstanding any other provision of this title.

“(5) Coordination with inventory items.—An investment services partnership interest held by the partnership shall not be treated as an inventory item of the partnership.

“(6) Prevention of double counting.—Under regulations or other guidance prescribed by the Secretary, subsection (a)(3) shall not apply with respect to any amount to which section 710 applies.

“(7) Valuation methods.—The Secretary shall prescribe regulations or other guidance which provide the acceptable methods for valuing investment services partnership interests for purposes of this section.”.

(e) Treatment for purposes of section 7704.—Subsection (d) of [section 7704](#) of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:

“(6) Income from certain carried interests not qualified.—

“(A) In general.—Specified carried interest income shall not be treated as qualifying income.

“(B) Specified carried interest income.—For purposes of this paragraph—

“(i) In general.—The term ‘specified carried interest income’ means—

“(I) any item of income or gain allocated to an investment services partnership interest (as defined in section 710(c)) held by the partnership,

“(II) any gain on the disposition of an investment services partnership interest (as so defined) or a partnership interest to which (in the hands of the partnership) section 751 applies, and

“(III) any income or gain taken into account by the partnership under subsection (b)(4) or (e) of section 710.

“(ii) Exception for qualified capital interests.—A rule similar to the rule of section 710(d) shall apply for purposes of clause (i).

“(C) Coordination with other provisions.—Subparagraph (A) shall not apply to any item described in paragraph (1)(E) (or so much of paragraph (1)(F) as relates to paragraph (1)(E)).

“(D) Special rules for certain partnerships.—

“(i) Certain partnerships owned by real estate investment trusts.—Subparagraph (A) shall not apply in the case of a partnership which meets each of the following requirements:

“(I) Such partnership is treated as publicly traded under this section solely by reason of interests in such partnership being convertible into interests in a real estate investment trust which is publicly traded.

“(II) Fifty percent or more of the capital and profits interests of such partnership are owned, directly or indirectly, at all times during the taxable year by such real estate investment trust (determined with the application of section 267(c)).

“(III) Such partnership meets the requirements of paragraphs (2), (3), and (4) of section 856(c).

“(ii) Certain partnerships owning other publicly traded partnerships.—Subparagraph (A) shall not apply in the case of a partnership which meets each of the following requirements:

“(I) Substantially all of the assets of such partnership consist of interests in 1 or more publicly traded partnerships (determined without regard to subsection (b)(2)).

“(II) Substantially all of the income of such partnership is ordinary income or section 1231 gain (as defined in section 1231(a)(3)).

“(E) Transitional rule.—Subparagraph (A) shall not apply to any taxable year of the partnership beginning before the date which is 10 years after January 1, 2027.”.

(f) Imposition of penalty on underpayments.—

(1) In general.—Subsection (b) of section 6662 of the Internal Revenue Code of 1986 is amended by inserting after paragraph (9) the following new paragraph:

“(10) The application of section 710(e) or the regulations or other guidance prescribed under section 710(g) to prevent the avoidance of the purposes of section 710.”.

(2) Amount of penalty.—

(A) In general.—[Section 6662](#) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

“(m) Increase in penalty in case of property transferred for investment management services.—In the case of any portion of an underpayment to which this section applies by reason of subsection (b)(10), subsection (a) shall be applied with respect to such portion by substituting ‘40 percent’ for ‘20 percent’.”.

(B) Conforming amendment.—Subparagraph (B) of [section 6662A\(e\)\(2\)](#) of the Internal Revenue Code of 1986 is amended by striking “or (i)” and inserting “, (i), or (m)”.

(3) Special rules for application of reasonable cause exception.—Subsection (c) of [section 6664](#) of the Internal Revenue Code of 1986 is amended—

(A) by redesignating paragraphs (3) and (4) as paragraphs (4) and (5), respectively,

(B) by striking “paragraph (3)” in paragraph (5)(A), as so redesignated, and inserting “paragraph (4)”, and

(C) by inserting after paragraph (2) the following new paragraph:

“(3) Special rule for underpayments attributable to investment management services.—

“(A) In general.—Paragraph (1) shall not apply to any portion of an underpayment to which section 6662 applies by reason of subsection (b)(10) unless—

“(i) the relevant facts affecting the tax treatment of the item are adequately disclosed,

“(ii) there is or was substantial authority for such treatment, and

“(iii) the taxpayer reasonably believed that such treatment was more likely than not the proper treatment.

“(B) Rules relating to reasonable belief.—Rules similar to the rules of subsection (d)(4) shall apply for purposes of subparagraph (A)(iii).”.

(g) Income and loss from investment services partnership interests taken into account in determining net earnings from self-employment.—

(1) Internal Revenue Code.—

(A) In general.—[Section 1402\(a\)](#) of the Internal Revenue Code of 1986 is amended by striking “and” at the end of paragraph (16), by striking the period at the end of paragraph (17) and inserting “; and”, and by inserting after paragraph (17) the following new paragraph:

“(18) notwithstanding the preceding provisions of this subsection, in the case of any individual engaged in the trade or business of providing services described in section 710(c)(2) with respect to any entity, investment services partnership income or loss (as defined in subsection (m)) of such individual with respect to such entity shall be taken into account in determining the net earnings from self-employment of such individual.”.

(B) Investment services partnership income or loss.—[Section 1402](#) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

“(m) Investment services partnership income or loss.—For purposes of subsection (a)—

“(1) In general.—The term ‘investment services partnership income or loss’ means, with respect to any investment services partnership interest (as defined in section 710(c)) or disqualified interest (as defined in section 710(e)), the net of—

“(A) the amounts treated as ordinary income or ordinary loss under subsections (b) and (e) of section 710 with respect to such interest,

“(B) all items of income, gain, loss, and deduction allocated to such interest, and

“(C) the amounts treated as realized from the sale or exchange of property other than a capital asset under section 751 with respect to such interest.

“(2) Exception for qualified capital interests.—A rule similar to the rule of section 710(d) shall apply for purposes of applying paragraph (1)(B).”.

(2) Social Security Act.—Section 211(a) of the Social Security Act is amended by striking “and” at the end of paragraph (15), by striking the period at the end of paragraph (16) and inserting “; and”, and by inserting after paragraph (16) the following new paragraph:

“(17) Notwithstanding the preceding provisions of this subsection, in the case of any individual engaged in the trade or business of providing services described in section 710(c)(2) of the Internal Revenue Code of 1986 with respect to any entity, investment services partnership income or loss (as defined in section 1402(m) of such Code) shall be taken into account in determining the net earnings from self-employment of such individual.”.

(h) Separate accounting by partner.—[Section 702\(a\)](#) of the Internal Revenue Code of 1986 is amended by striking “and” at the end of paragraph (7), by striking the period at the end of paragraph (8) and inserting “, and”, and by inserting after paragraph (8) the following:

“(9) any amount treated as ordinary income or loss under subsection (a), (b), or (e) of section 710.”.

(i) Conforming amendments.—

(1) [Subsection \(d\) of section 731](#) of the Internal Revenue Code of 1986 is amended by inserting “section 710(b)(4) (relating to distributions of partnership property),” after “to the extent otherwise provided by”.

(2) [Section 741](#) of the Internal Revenue Code of 1986 is amended by inserting “or section 710 (relating to special rules for partners providing investment management services to partnerships)” before the period at the end.

(3) The table of sections for [part I of subchapter K of chapter 1](#) of the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

“Sec. 710. Special rules for partners providing investment management services to partnerships.”.

(4) Part IV of subchapter O of chapter 1 of the Internal Revenue Code of 1986 is amended—

(A) by striking section 1061, and

(B) the table of sections for [part IV of subchapter O of chapter 1](#) of the Internal Revenue Code of 1986 is amended by striking the item relating to section 1061.

(j) Effective date.—

(1) In general.—Except as otherwise provided in this subsection, the amendments made by this subsection shall apply to taxable years ending after December 31, 2026.

(2) Partnership taxable years which include effective date.—In applying section 710(a) of the Internal Revenue Code of 1986 (as added by this subsection) in the case of any partnership taxable year which includes January 1, 2027, the amount of the net capital gain referred to in such section shall be treated as being the lesser of the net capital gain for the entire partnership taxable year or the net capital gain determined by only taking into account items attributable to the portion of the partnership taxable year which is after January 1, 2027.

(3) Dispositions of partnership interests.—

(A) In general.—Section 710(b) of such Code (as added by this subsection) shall apply to dispositions and distributions after December 31, 2026.

(B) Indirect dispositions.—The amendments made by subsection (d) shall apply to transactions after December 31, 2026.

(4) Other income and gain in connection with investment management services.—Section 710(e) of such Code (as added by this subsection) shall take effect on January 1, 2027.

SEC. 216. GUARDRAILS AROUND ACCESSING PUBLIC FUNDS.

(a) Disclosures.—The Investment Company Act of 1940 ([15 U.S.C. 80a–1 et seq.](#)) is amended by adding at the end the following:

“SEC. 66. DISCLOSURES.

“(a) In general.—Any person described in paragraph (1) or (7) of [section 3\(c\)](#) that receives funds from a Federal or State agency shall, as a condition of receiving such funds, publicly disclose the information described in subsection (b) on a quarterly basis for any period during which such funds are subject to conditions, restrictions, repayment, forgiveness, or recapture, and failure to comply shall render such person ineligible for additional Federal or State funds for 5 years beginning on the date of such failure.

“(b) Required disclosures.—The person shall publicly disclose—

- “(1) the total funds received from the agency;
- “(2) the workforce demographics of the person;
- “(3) the amount of loans, grants, or other benefits provided;
- “(4) the use of the proceeds;
- “(5) how many jobs were saved or wages preserved;
- “(6) any loans forgiven or discharged;
- “(7) the beneficial owners of the person; and
- “(8) the pay ratio between the chief executive officer and the median pay of employees.

“(c) Restrictions.—The person may not, during the 2-year period beginning on the last date on which the person receives such funds—

- “(1) acquire any company; or
- “(2) make any distribution to a shareholder of the person.”.

(b) Effective date.—The amendments made by this section shall apply with respect to funds received on or after January 1, 2027.

SEC. 217. WORKER AND CONSUMER PROTECTIONS.

(a) Protections for striking workers.—Section 8 of the National Labor Relations Act ([29 U.S.C. 158](#)) is amended—

(1) in subsection (a)—

(A) in paragraph (5), by striking the period and inserting “,”; and

(B) by adding at the end the following:

“(6) to promise, threaten, or take any action—

“(A) to permanently replace an employee who participates in a strike as defined by section 501(2) of the Labor Management Relations Act, 1947 ([29 U.S.C. 142\(2\)](#));

“(B) to discriminate against an employee who is working or has unconditionally offered to return to work for the employer because the employee supported or participated in such a strike; or

“(C) to lockout, suspend, or otherwise withhold employment from employees in order to influence the position of such employees or the representative of such employees in collective bargaining prior to a strike; and

“(7) to communicate or misrepresent to an employee under section 2(3) that such employee is excluded from the definition of employee under section 2(3).”;

(2) in subsection (b)—

(A) by striking paragraphs (4) and (7);

(B) by redesignating paragraphs (5) and (6) as paragraphs (4) and (5), respectively;

(C) in paragraph (4), as so redesignated, by striking “affected;” and inserting “affected; and”; and

(D) in paragraph (5), as so redesignated, by striking “; and” and inserting a period;

(3) in subsection (c), by striking the period at the end and inserting the following: “: Provided, That it shall be an unfair labor practice under subsection (a)(1) for any employer to require or coerce an employee to attend or participate in such employer’s campaign activities unrelated to the employee’s job duties, including activities that are subject to the requirements under section 203(b) of the Labor-Management Reporting and Disclosure Act of 1959 (29 U.S.C. 433(b)).”; and

(4) in subsection (d), in the matter preceding paragraph (1), by inserting “and to maintain current wages, hours, and terms and conditions of employment pending an agreement” after “arising thereunder”.

(b) Conforming Amendments.--The National Labor Relations Act is amended--

(1) in section 8(e) ([29 U.S.C. 158\(e\)](#)), by striking “and section 8(b)(4)(B)”; and

(2) in section 10 ([29 U.S.C. 160](#))--

(A) by repealing subsection (k); and (B) in subsection (l)--

(i) by striking “of paragraph” and all that follows through “the preliminary” and inserting “of section 8(e), the preliminary”;

(ii) by striking the second proviso; and (iii) by striking the final sentence.

(c) Priority for wages in bankruptcy.—[Section 507\(a\) of title 11](#), United States Code, is amended—

(1) in paragraph (4)—

(A) by redesignating subparagraphs (A) and (B) as clauses (i) and (ii), respectively;

(B) in the matter preceding clause (i), as so redesignated, by inserting “(A)” before “Fourth”;

(C) in subparagraph (A), as so designated, in the matter preceding clause (i), as so redesignated—

(i) by striking “\$10,000” and inserting “\$20,000”;

(ii) by striking “within 180 days”; and

(iii) by striking “or the date of the cessation of the debtor’s business, whichever occurs first”; and

(D) by adding at the end the following:

“(B) Severance pay described in subparagraph (A)(i) shall be deemed earned in full upon the layoff or termination of employment of the individual to whom the severance pay is owed.”; and

(2) in paragraph (5)—

(A) in subparagraph (A)—

(i) by striking “within 180 days”; and

(ii) by striking “or the date of the cessation of the debtor’s business, whichever occurs first”; and

(B) by striking subparagraph (B) and inserting the following:

“(B) for each such plan, to the extent of the number of employees covered by each such plan multiplied by \$20,000.”.

(d) Priority for severance pay and employee benefit contributions.—[Section 503\(b\) of title 11](#), United States Code, is amended—

(1) in paragraph (8)(B), by striking “and” at the end;

(2) in paragraph (9), by striking the period and inserting a semicolon; and

(3) by adding at the end the following:

“(10) severance pay owed to employees of the debtor (other than to an insider of the debtor or a senior executive officer of the debtor), under a plan, program, or policy generally applicable to employees of the debtor (but not under an individual contract of employment), or owed pursuant to a collective bargaining agreement, for layoff or termination on or after the date of the filing of the petition, which pay shall be deemed earned in full upon such layoff or termination of employment; and

“(11) any contribution due on or after the date of the filing of the petition under an employee welfare benefit plan, as defined in section 212 of the POPULIST Act.”.

(e) Priority for violations of labor and employment laws.—

(1) [Section 503\(b\)\(1\)\(A\)\(ii\) of title 11](#), United States Code, is amended by inserting after “(ii)” the following: “any back pay, civil penalty, or damages for a violation of any Federal or

State labor and employment law, including the Worker Adjustment and Retraining Notification Act ([29 U.S.C. 2101 et seq.](#)) and any comparable State law, and”.

(2) Section 5(a)(1) of the Worker Adjustment and Retraining Notification Act ([29 U.S.C. 2104\(a\)\(1\)](#)) is amended, in the matter following subparagraph (B)—

(A) by inserting “which for purposes of this sentence shall consist of the days, in the notification period, that are or that follow the date of the prohibited closing or layoff under this Act,” after “period of the violation,”; and

(B) by inserting “calendar” after “60”.

(f) Collateral surcharge for employee obligations.—[Section 506\(c\) of title 11](#), United States Code, is amended—

(1) by inserting “(1)” before “The trustee”; and

(2) by adding at the end the following:

“(2) If one or more employees of the debtor have not received wages, accrued vacation, severance, or any other compensation owed under a plan, program, policy, or practice of the debtor, or pursuant to the terms of a collective bargaining agreement, for services rendered on or after the date of the commencement of the case, or the debtor has not made a contribution due under an employee welfare benefit plan, as defined in section 212 of the POPULIST Act, on or after the date of the commencement of the case, such unpaid obligations shall be—

“(A) deemed—

“(i) reasonable, necessary costs and expenses of preserving, or disposing of, property securing an allowed secured claim; and

“(ii) benefiting the holder of the allowed secured claim; and

“(B) recovered by the trustee for payment to the employees or the employee welfare benefit plan, as applicable, even if the trustee, or a predecessor or successor in interest, has otherwise waived the provisions of this subsection under an agreement with the holder of the allowed secured claim or a successor or predecessor in interest of the holder of the allowed secured claim.”.

(g) Protection for employees in a sale of assets.—

(1) [Section 363 of title 11](#), United States Code, is amended by adding at the end the following:

“(q)(1) In approving a sale or lease of property of the estate under this section, or under a plan under chapter 11, the court shall give substantial weight to the extent to which a prospective purchaser or lessee, respectively, of the property will—

“(A) preserve the jobs of the workforce of the debtor; and

“(B) maintain the terms and conditions of employment of the workforce of the debtor.

“(2) If there are 2 or more offers to purchase or lease property of the estate under this section, or under a plan under chapter 11, that qualify under the procedures approved by the court, the court shall approve the offer that best—

“(A) preserves the jobs of the workforce of the debtor; and

“(B) maintains the terms and conditions of employment of the workforce of the debtor.

“(r)(1) Any party seeking to purchase or lease property of the estate under this section, or under a plan under chapter 11, shall represent to the court the effect of such a transaction with respect to—

“(A) the preservation of the jobs of the workforce of the debtor; and

“(B) the maintenance of the terms and conditions of employment of the workforce of the debtor.

“(2) The court shall expressly include in an order approving a purchase or lease of property of the estate under this section, or under a plan under chapter 11, any representation made by a purchaser or lessee under paragraph (1).

“(3) With respect to such a purchase or lease—

“(A) the court shall have jurisdiction over the purchaser or lessee to enforce the order;

“(B) the purchaser or lessee shall promptly disclose any material noncompliance; and

“(C) the court may impose any appropriate remedy, including injunctive relief.”.

(2) Section 1123(b)(4) of title 11, United States Code, is amended by inserting “, which sale shall be subject to the requirements under subsections (q) and (r) of section 363,” after “property of the estate”.

(3) Section 1129(a) of title 11, United States Code, is amended by adding at the end the following:

“(17) If the plan provides for the sale of all or substantially all of the property of the estate, the sale meets the requirements under subsections (q) and (r) of section 363 of this title.”.

(h) Protection of Gift Card Purchasers.—

(1) Definition of gift card.—[Section 101\(a\) of title 11](#), United States Code, is amended by inserting after paragraph (26) the following:

"(26A) The term 'gift card' means a paper or electronic promise, plastic card, or other payment code or device that is—

"(A) redeemable at—

"(i) a single merchant; or

"(ii) an affiliated group of merchants that share the same name, mark, or logo;

"(B) issued in a specified amount, regardless of whether that amount may be increased in value or reloaded at the request of the holder;

"(C) purchased on a prepaid basis in exchange for payment; and

"(D) honored by the single merchant or affiliated group of merchants described in subparagraph (A) upon presentation for goods or services.".

(2) Consumer deposit priority.—[Section 507\(a\) of title 11](#), United States Code, is amended by striking paragraph (7) and inserting the following:

"(7) Seventh, allowed unsecured claims of individuals, to the extent of \$1,800 for each such individual, arising from the deposit, before the commencement of the case, of money in connection with—

"(A) the purchase, lease, or rental of property;

"(B) the purchase of services, for the personal, family, or household use of such individuals, that were not delivered or provided; or

"(C) the purchase of a gift card with respect to which funds exist that have not been redeemed.".

SEC. 218. INVESTOR PROTECTION AND MARKET TRANSPARENCY.

(a) Disclosure of fees and returns.—The Investment Company Act of 1940 ([15 U.S.C. 80a–1 et seq.](#)), as amended by this Act, is amended by adding at the end the following:

"Sec. 67. Disclosure of fees and returns.

"(a) Definitions.—In this section—

"(1) the terms “controlling private fund”, “private fund”, and “target firm” have the meanings given such terms in section 212 of the POPULIST Act; and

"(2) the term “expenditure for political activities”—

"(A) means—

"(i) an independent expenditure, as that term is defined in section 301(17) of the Federal Election Campaign Act of 1971 ([52 U.S.C. 30101\(17\)](#));

"(ii) a disbursement for an electioneering communication, as that term is defined in section 304(f)(3) of the Federal Election Campaign Act of 1971 (52 U.S.C. 30104(f)(3)) or any other public communication, as defined in section 301(22) of such Act (52 U.S.C. 30101(22)), that would be an electioneering communication if it were a broadcast, cable, or satellite communication; or

"(iii) dues or other payments to trade associations or organizations described in section 501(c) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of such Code that are, or could reasonably be anticipated to be, used or transferred to another association or organization for the purposes described in clause (i) or (ii); and

"(B) does not include an expenditure for—

"(i) direct lobbying efforts through registered lobbyists employed or hired by a controlling private fund;

"(ii) communications by a controlling private fund to—

"(I) a partner of the fund or executive or administrative personnel with respect to the fund; or

"(II) a family member of any individual described in subclause (I); or

"(iii) the establishment and administration of contributions to a separate segregated private fund to be utilized for political purposes by a controlling private fund.

"(b) Rules.—Not later than January 1, 2028, the Commission shall issue final rules that require a controlling private fund to, using generally accepted accounting principles, annually report the following information with respect to such controlling private fund:

"(1) The name, address, and vintage year of the fund.

"(2) The name of each general partner of the fund.

"(3) The name of each limited partner of the fund.

"(4) A list of each entity with respect to which the fund owns an equity interest.

"(5) In dollars, the total amount of regulatory assets under management by the fund.

"(6) In dollars, the total amount of net assets under management by the fund.

"(7) The percentage of fund equity contributed by the general partners of the fund and the percentage of fund equity contributed by the limited partners of the fund.

"(8) Information on the debt owed by the fund, including—

"(A) the dollar amount of total debt;

"(B) the percentage of debt for which the creditor is a financial institution in the United States;

"(C) the percentage of debt for which the creditor is a financial institution outside of the United States;

"(D) the percentage of debt for which the creditor is an entity that is located in the United States and is not a financial institution; and

"(E) the percentage of debt for which the creditor is an entity that is located outside of the United States and is not a financial institution.

"(9) The gross performance of the fund during the year covered by the report.

"(10) For the year covered by the report, the difference obtained by subtracting the financial gains of the fund by the fees that the general partners of the fund charged to the limited partners of the fund (commonly referred to as the "performance net of fees").

"(11) For the year covered by the report, an annual financial statement, which shall include income statements, a balance sheet, and cash flow statements.

"(12) The average debt-to-equity ratio of each target firm with respect to the fund and the debt-to-equity ratio of each such target firm.

"(13) The total gross asset value of each target firm with respect to the fund and the gross asset value of each such target firm.

"(14) The total amount of debt held by each target firm with respect to the fund and the total amount of debt held by each such target firm.

"(15) The total amount of debt held by each target firm with respect to the fund that, as of the date on which the report is submitted, are categorized as liabilities, long-term liabilities, and payment in kind or zero coupon debt.

"(16) The total number of target firms with respect to the fund that experienced default during the period covered by the report, including the name of any such target firm.

"(17) The total number of the target firms with respect to the fund with respect to which a case was commenced under title 11, United States Code, during the period covered by the report, including the name of any such target firm.

"(18) The percentage of the equity of the fund that is owned by—

"(A) citizens of the United States;

"(B) individuals who are not citizens of the United States;

"(C) brokers or dealers;

"(D) insurance companies;

"(E) investment companies that are registered with the Commission under this Act;

"(F) private funds and other investment companies not required to be registered with the Commission;

"(G) nonprofit organizations;

"(H) pension plans maintained by State or local governments (or an agency or instrumentality of either);

"(I) pension plans maintained by nongovernmental employers;

"(J) State or municipal government entities;

"(K) banking or thrift institutions;

"(L) sovereign wealth funds; and

"(M) other investors.

"(19) The total dollar amount of aggregate fees and expenses collected by the fund, the manager of the fund, or related parties from target firms for which the fund is a controlling private fund, which shall—

"(A) be categorized by the type of fee; and

"(B) include a description of the purpose of the fees.

"(20) The total dollar amount of aggregate fees and expenses collected by the fund, the manager of the fund, or related parties from the limited partners of the fund, which shall—

"(A) be categorized by the type of fee; and

"(B) include a description of the purpose of the fees.

"(21) The total carried interest claimed by the fund, the manager of the fund, or related parties and the total dollar amount of carried interest distributed to the limited partners of the fund.

"(22) A description of, during the year covered by the report, any material changes in risk factors at the fund level, including—

"(A) concentration risk;

"(B) foreign exchange risk; and

"(C) extra-financial risk, including environmental, social, and corporate governance risk.

"(23) Disclosures that satisfy the Recommendations of the Task Force on Climate-related Financial Disclosures of the Financial Stability Board, as reported in June 2017.

"(24) A description of the human capital management practices of the fund, including—

"(A) fund workforce demographic information, including the number of full-time employees, the number of part-time employees, the number of contingent workers (including temporary and contract workers), and any policies or practices of the firm relating to subcontracting, outsourcing, and insourcing;

"(B) fund workforce composition, including data on the diversity of that workforce, including the racial and gender composition of that workforce, and any policies and audits relating to the diversity of that workforce;

"(C) any incident of alleged workplace harassment during the 5 years preceding the year in which the report is submitted; and

"(D) any health or safety incident during the 5 years preceding the year in which the report is submitted.

"(25) A description of any expenditure for political activities made during the year preceding the year in which the report is submitted, including—

"(A) the date on which each such expenditure for political activities was made;

"(B) the amount of each such expenditure for political activities;

"(C) if such an expenditure for political activities was made in support of, or in opposition to, a candidate, the name of the candidate, the office sought by the candidate, and the political party affiliation of the candidate;

"(D) a summary of—

"(i) each such expenditure for political activities that is in an amount that is not less than \$10,000; and

"(ii) each expenditure for political activities with respect to a particular election if the total amount of expenditures for political activities by the fund with respect to such election is in an amount that is not less than \$10,000;

"(E) a description of the specific nature of any expenditure for political activities that the fund intends to make for the year in which the report is submitted, to the extent that the specific nature is known to the fund; and

"(F) the total amount of expenditures for political activities that the fund intends to make for the year in which the report is submitted.

"(26) For the year preceding the year in which the report is submitted, the total amount of Federal support, if any, received by—

"(A) the fund; and

"(B) any entity with respect to which the fund is a beneficial owner, as that term is defined in [section 5336\(a\)\(3\)](#) of title 31, United States Code.

"(27) Any other information that the Commission determines is necessary and appropriate for the protection of investors.

"(c) Periodic review.—The Commission shall, with respect to the rules issued under subsection (b)—

"(1) review such rules once every 5 years; and

"(2) revise such rules as necessary to ensure that the disclosures required under such rules reflect contemporary trends and characteristics with respect to private investment markets.

"(d) Public availability.—Notwithstanding section 204 of the Investment Advisers Act of 1940 ([15 U.S.C. 80b-4](#)), the information disclosed under the rules issued under subsection (b) shall be made available to the public."

(b) Fiduciary obligations.—

(1) Fiduciary duties under ERISA.—

(A) Plan assets.—Section 401(b)(1) of the Employee Retirement Income Security Act of 1974 ([29 U.S.C. 1101\(b\)\(1\)](#)) is amended—

(i) by inserting “or a private fund (as defined in section 212 of the POPULIST Act)” before “, the assets”; and

(ii) by inserting “or such private fund, as applicable” before the period at the end.

(B) Fiduciary obligations of fund managers.—Section 3(21)(A) of such Act ([29 U.S.C. 1002\(21\)](#)) is amended by inserting “, and, in the case of a plan which invests in a security issued by a private fund (as such term is defined in section 212 of the POPULIST Act), includes the manager of such private fund” before the period at the end.

(2) Prohibition against waiving fiduciary duties.—Section 211(h) of the Investment Advisers Act of 1940 ([15 U.S.C. 80b-11\(h\)](#)) is amended—

(A) by striking “and” at the end of paragraph (1);

(B) by striking the period at the end of paragraph (2) and inserting “; and”; and

(C) by adding at the end the following:

“(3) promulgate rules that prohibit an investment adviser from requiring any person to which the investment adviser provides investment advice, including a pension plan (as defined in section 3 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1002)) that is subject to title I of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1001 et seq.), to, as a condition of the investment adviser providing that advice, sign a contract or other agreement in which that person waives a fiduciary duty owed by that person to another person.”

(3) Applicability of benefits.—The general partner of a controlling private fund that is a partnership may not provide any term or benefit to any limited partner of the fund unless the general partner provides such term or benefit to all limited partners of the fund.

(c) Disclosures relating to the marketing of private equity funds.—Any investment adviser to a private fund shall disclose to potential investors, with respect to the other private funds, as defined in section 202(a) of the Investment Advisers Act of 1940 ([15 U.S.C. 80b-2\(a\)](#)), managed by such investment adviser (in this subsection referred to as “managed firms”), the following information:

(1) A list of all managed firms with respect to the investment adviser, including those managed firms that, as of the date on which the disclosure is made—

(A) have active investments; and

(B) have liquidated the assets of the firms.

(2) For each managed firm listed under paragraph (1), the following information:

(A) As applicable, the total term of the listed firm beginning with the commencement of the commitment period with respect to the firm and ending on the date on which the firm is dissolved, including, with respect to a listed firm that, as of the date on which the disclosure is made, is actively investing—

(i) the term specified by any limited partnership agreement; and

(ii) the nature of any provisions that would allow for the extension of that term.

(B) The performance of the listed firm’s net of fees, as measured by the public market equivalent or a similar measure.

(C) A list of target firms with respect to which the listed firm was a control person, the nature of the control person relationship, and the period of such control.

(D) The number of employees at each target firm identified under subparagraph (C), as of the date on which the listed firm became a control person with respect to the target

firm, and the date on which the listed firm ceased to be a control person with respect to the target firm.

(E) A list of target firms with respect to the listed firm with respect to which a case has been commenced under title 11, United States Code.

(F) For each target firm with respect to the listed firm, and with respect to which the listed firm is a control person—

(i) a list of actions taken by any State or local regulatory agency; and

(ii) any legal or regulatory penalties paid, or settlements entered into, by the general partners of the target firm or the target firm itself.

(3) The percentage breakdown of the means employed by the investment adviser to divest ownership or control of target firms, including—

(A) the sale of target firms to other private funds;

(B) the sale of target firms to private entities, other than private funds;

(C) the sale of target firms to issuers, the securities of which are traded on a national securities exchange;

(D) the commencement of cases under title 11, United States Code, with respect to target firms; and

(E) initial public offerings with respect to target firms.

(d) Greater visibility into non-bank direct lending and private credit.—Not later than July 1, 2027, the Commission shall amend the rules of the Commission to require investment advisers required to submit the form described in [section 279.9 of title 17](#), Code of Federal Regulations (commonly known as “Form PF”), or any successor regulation, to report quarterly to the Commission all—

(1) investments of the private funds advised by the investment adviser; and

(2) loans made by the investment adviser during the period covered by the disclosure.

(e) Effective date.—This section shall apply with respect to disclosures made, funds marketed, reports filed, and rules required, on or after January 1, 2027.

SEC. 219. RISK RETENTION REQUIREMENTS FOR SECURITIZATION OF CORPORATE DEBT.

(a) Amendments.—Section 15G of the Securities Exchange Act of 1934 ([15 U.S.C. 78o-11](#)) is amended—

(1) in subsection (a)(3)—

(A) in subparagraph (A), by striking “or” at the end;

(B) in subparagraph (B), by striking “and” at the end and inserting “or”; and

(C) by adding at the end the following:

“(C) a manager of a collateralized debt obligation; and”;

(2) by redesignating subsection (i) as subsection (j); and

(3) by inserting after subsection (h) the following:

“(i) Rules of construction.—With respect to a securitizer described in subsection (a)(3)(C)—

“(1) any provision of this section that requires that securitizer to retain a portion of the credit risk for an asset that such securitizer does not hold, or has never held, shall be construed as requiring that securitizer to—

“(A) obtain that portion of the credit risk for that asset; and

“(B) retain that portion of the credit risk, either directly by the securitizer or through a wholly-owned affiliate of the securitizer; and

“(2) any reference in this section to an asset transferred by the securitizer shall be construed to include any transfer caused by the securitizer.”.

Subtitle B—Wall Street Tax Base

SEC. 221. TAX ON TRADING TRANSACTIONS.

(a) In general.—[Chapter 36 of the Internal Revenue Code of 1986](#) is amended by inserting after subchapter D the following new subchapter:

"Subchapter E—Tax on Trading Transactions

"SEC. 4491. Tax on trading transactions.

"SEC. 4492. Derivative defined.

"Sec. 4491. Tax on trading transactions.

"(a) Imposition of tax.—There is hereby imposed a tax on each covered transaction with respect to any security.

"(b) Rate of tax.—The tax imposed under subsection (a) with respect to any covered transaction shall be 0.1 percent of the specified base amount with respect to such covered transaction.

"(c) Specified base amount.—For purposes of this section, the term ‘specified base amount’ means—

"(1) except as provided in paragraph (2), the fair market value of a security (determined as of the time of the covered transaction), and

"(2) in the case of any payment with respect to a derivative, the amount of such payment.

"(d) Covered transaction.—For purposes of this section—

"(1) In general.—The term ‘covered transaction’ means—

"(A) except as provided in subparagraph (B), any purchase if—

"(i) such purchase occurs on, or is subject to the rules of, a qualified board or exchange located in the United States, or

"(ii) the purchaser or seller is a United States person, and

"(B) any transaction with respect to a derivative if—

"(i) such derivative is traded on, or is subject to the rules of, a qualified board or exchange located in the United States, or

"(ii) any party with rights under such derivative is a United States person.

"(2) Exception for initial issues.—No tax shall be imposed under subsection (a) on any covered transaction with respect to the initial issuance of any security described in subparagraph (A), (B), or (C) of subsection (e)(1).

"(e) Definitions and special rules.—For purposes of this section—

"(1) Security.—For purposes of this section, the term ‘security’ means—

"(A) any share of stock in a corporation,

"(B) any partnership or beneficial ownership interest in a partnership or trust,

"(C) except as provided in paragraph (2), any note, bond, debenture, or other evidence of indebtedness, and

"(D) any derivative (as defined in section 4492).

"(2) Exception for certain traded short-term indebtedness.—A note, bond, debenture, or other evidence of indebtedness which—

"(A) is traded on, or is subject to the rules of, a qualified board or exchange located in the United States, and

"(B) has a fixed maturity of not more than 100 days,
"shall not be treated as described in paragraph (1)(C).

"(3) Qualified board or exchange.—The term 'qualified board or exchange' has the meaning given such term by [section 1256\(g\)\(7\)](#).

"(f) By whom paid.—

"(1) In general.—The tax imposed by this section shall be paid by—

"(A) in the case of a transaction which occurs on, or is subject to the rules of, a qualified board or exchange located in the United States, such qualified board or exchange, and

"(B) in the case of a purchase not described in subparagraph (A) which is executed by a broker (as defined in [section 6045\(c\)\(1\)](#)) which is a United States person, such broker.

"(2) Special rules for direct, etc., transactions.—In the case of any transaction to which paragraph (1) does not apply, the tax imposed by this section shall be paid by—

"(A) in the case of a transaction described in subsection (d)(1)(A)—

"(i) the purchaser if the purchaser is a United States person, and

"(ii) the seller if the purchaser is not a United States person, and

"(B) in the case of a transaction described in subsection (d)(1)(B)—

"(i) the payor if the payor is a United States person, and

"(ii) the payee if the payor is not a United States person.

"(g) Treatment of exchanges and payments with respect to derivatives.—For purposes of this section—

"(1) Treatment of exchanges.—

"(A) In general.—An exchange shall be treated as the sale of the property transferred and a purchase of the property received by each party to the exchange.

"(B) Certain deemed exchanges.—In the case of a distribution treated as an exchange for stock under section 302 or 331, the corporation making such distribution shall be treated as having purchased such stock for purposes of this section.

"(2) Payments with respect to derivatives treated as separate transactions.—Except as otherwise provided by the Secretary, any payment with respect to any derivative shall be treated as a separate transaction for purposes of this section.

"(h) Application to transactions by controlled foreign corporations.—

"(1) In general.—For purposes of this section, a controlled foreign corporation shall be treated as a United States person.

"(2) Special rules for payment of tax on direct, etc., transactions.—In the case of any transaction which is a covered transaction solely by reason of paragraph (1) and which is not described in subsection (f)(1)—

"(A) payment by United States shareholders.—Any tax which would (but for this paragraph) be payable under subsection (f)(2) by the controlled foreign corporation shall, in lieu thereof, be paid by the United States shareholders of such controlled foreign corporation as provided in subparagraph (B).

"(B) pro rata shares.—Each such United States shareholder shall pay the same proportion of such tax as—

"(i) the stock which such United States shareholder owns (within the meaning of [section 958\(a\)](#)) in such controlled foreign corporation, bears to

"(ii) the stock so owned by all United States shareholders in such controlled foreign corporation.

"(C) definitions.—For purposes of this subsection, the terms 'United States shareholder' and 'controlled foreign corporation' have the meanings given such terms in [sections 951\(b\)](#) and [957\(a\)](#), respectively.

"(i) Administration.—The Secretary shall carry out this section in consultation with the Securities and Exchange Commission and the Commodity Futures Trading Commission.

"(j) Guidance; regulations.—The Secretary shall—

"(1) provide guidance regarding such information reporting concerning covered transactions as the Secretary deems appropriate, and

"(2) prescribe such regulations as are necessary or appropriate to prevent avoidance of the purposes of this section, including the use of non-United States persons in such transactions.

"SEC. 4492. DERIVATIVE DEFINED.

"(a) In general.—For purposes of this subchapter, except as otherwise provided in this section, the term 'derivative' means any contract (including any option, forward contract, futures contract, short position, swap, or similar contract) the value of which, or any payment or other transfer with respect to which, is (directly or indirectly) determined by reference to one or more of the following:

"(1) Any share of stock in a corporation.

"(2) Any partnership or beneficial ownership interest in a partnership or trust.

"(3) Any evidence of indebtedness.

"(4) Except as provided in subsection (b)(1), any real property.

"(5) Any commodity which is actively traded (within the meaning of section 1092(d)(1)).

"(6) Any currency.

"(7) Any rate, price, amount, index, formula, or algorithm.

"(8) Any other item as the Secretary may prescribe.

"Except as provided in regulations prescribed by the Secretary to prevent the avoidance of the purposes of this subchapter, such term shall not include any item described in paragraphs (1) through (8).

"(b) Exceptions.—

"(1) Certain real property.—

"(A) In general.—For purposes of this subchapter, the term 'derivative' shall not include any contract with respect to interests in real property (as defined in section 856(c)(5)(C)) if such contract requires physical delivery of such real property.

"(B) Options to settle in cash.—

"(i) In general.—For purposes of subparagraph (A), a contract which provides for an option of cash settlement shall not be treated as requiring physical delivery of real property unless the option is—

"(I) not exercisable unconditionally, and

"(II) exercisable only in unusual and exceptional circumstances.

"(ii) Option of cash settlement.—For purposes of clause (i), a contract provides an option of cash settlement if the contract settles in (or could be settled in) cash or property other than the underlying real property.

"(2) Securities lending, sale-repurchase, and similar financing transactions.—To the extent provided by the Secretary, for purposes of this subchapter, the term 'derivative' shall not include the right to the return of the same or substantially identical securities transferred in a securities lending transaction, sale-repurchase transaction, or similar financing transaction.

"(3) Options received in connection with the performance of services.—For purposes of this subchapter, the term 'derivative' shall not include any option described in section 83(e)(3) received in connection with the performance of services.

"(4) Insurance contracts, annuities, and endowments.—For purposes of this subchapter, the term 'derivative' shall not include any insurance, annuity, or endowment contract issued by an insurance company to which subchapter L applies (or issued by any foreign corporation to which such subchapter would apply if such foreign corporation were a domestic corporation).

"(5) Derivatives with respect to stock of members of same worldwide affiliated group.—For purposes of this subchapter, the term 'derivative' shall not include any derivative (determined without regard to this paragraph) with respect to stock issued by any member of the same worldwide affiliated group (as defined in section 864(f)) in which the taxpayer is a member.

"(6) Commodities used in normal course of trade or business.—For purposes of this subchapter, the term 'derivative' shall not include any contract with respect to any commodity if—

"(A) such contract requires physical delivery with the option of cash settlement only in unusual and exceptional circumstances, and

"(B) such commodity is used (and is used in quantities with respect to which such derivative relates) in the normal course of the taxpayer's trade or business (or, in the case of an individual, for personal consumption).

"(c) Contracts with embedded derivative components.—

"(1) In general.—If a contract has derivative and nonderivative components, then each derivative component shall be treated as a derivative for purposes of this subchapter. If the derivative component cannot be separately valued, then the entire contract shall be treated as a derivative for purposes of this subchapter.

"(2) Exception for certain embedded derivative components of debt instruments.—A debt instrument shall not be treated as having a derivative component merely because—

"(A) such debt instrument is denominated in a nonfunctional currency (as defined in [section 988\(c\)\(1\)\(C\)\(ii\)](#)), or

"(B) payments with respect to such debt instrument are determined by reference to the value of a nonfunctional currency (as so defined).

"(d) Treatment of American depository receipts and similar instruments.—Except as otherwise provided by the Secretary, for purposes of this subchapter, American depository receipts (and similar instruments) with respect to shares of stock in foreign corporations shall be treated as shares of stock in such foreign corporations."

(b) Information reporting with respect to controlled foreign corporations.—[Section 6038\(a\)\(1\)\(B\)](#) of such Code is amended by inserting "and transactions which are covered transactions for purposes of section 4491 by reason of the application of section 4491(h)(1) to such corporation" before the semicolon at the end.

(c) Conforming amendment.—The [table of subchapters for chapter 36](#) of such Code is amended by inserting after the item relating to subchapter D the following new item: "SUBCHAPTER E. TAX ON TRADING TRANSACTIONS".

(d) Effective date.—The amendments made by this section shall apply to transactions after December 31, 2026.

SEC. 222. ENDING SUBSIDIES FOR GIANT MERGERS.

(a) Acquisitive reorganizations.—[Section 368\(a\)\(2\)](#) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

“(I) Special rules with respect to certain acquisitive reorganizations described in paragraph (1)(A), (1)(B), (1)(C), and (1)(D).—

“(i) In general.—A merger, consolidation, acquisition, or transfer which is described in clause (ii) shall not be treated as a merger, consolidation, acquisition, or transfer described in paragraph (1)(A), (1)(B), (1)(C), or (1)(D).

“(ii) Transactions described.—A merger, consolidation, acquisition, or transfer is described in this clause if—

“(I) such merger, consolidation, acquisition, or transfer is, or is treated as, the acquisition of the stock or assets of another corporation,

“(II) such merger, consolidation, acquisition, or transfer is not excepted under clause (iii), and

“(III) the combined average annual gross receipts of the acquiring corporation and the acquired corporation for the 3-taxable year period which precedes the taxable year in which the merger, consolidation, acquisition, or transfer is completed exceeds \$500,000,000.

“(iii) Exceptions.—A merger, consolidation, acquisition, or transfer is excepted under this clause if—

“(I) either the acquiring corporation or the acquired corporation controls the other immediately before (and, if both corporations continue to exist, after) the merger, consolidation, acquisition, or transfer (as the case may be),

“(II) any other corporation controls both the acquiring corporation and the acquired corporation immediately before (and, if both corporations continue to exist, after) the merger, consolidation, acquisition, or transfer (as the case may be), or

“(III) either the acquiring corporation or the acquired corporation meets the gross receipts test of [section 448\(c\)\(1\)](#) for the taxable year in which the merger, consolidation, acquisition, or transfer is completed.

“(iv) Aggregation and other special rules.—Rules similar to the rules of paragraphs (2) and (3) of [section 448\(c\)](#) shall apply for purposes of clause (i)(II), except that (unless otherwise provided by the Secretary) the rules of section 448(c)(2) shall not apply in determining the average annual gross receipts of the acquired corporation.

“(v) Inflation adjustment.—In the case of any taxable year beginning after 2026, the dollar amount in clause (ii)(III) shall be increased by an amount equal to—

“(I) such dollar amount, multiplied by

“(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which such taxable year begins, determined by substituting ‘calendar year 2025’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

“If any amount as increased under the preceding sentence is not a multiple of \$1,000,000, such amount shall be rounded up to the nearest multiple of \$1,000,000.

“(vi) Regulations and guidance.—The Secretary may prescribe such regulations and other guidance as are necessary or appropriate to carry out, and to prevent the abuse of the purposes of, this subparagraph, including rules—

“(I) to prevent the avoidance of the application of this subparagraph through the use of a series of transactions designed and executed as parts of a unitary plan, and

“(II) for the nonapplication of the rules of clause (i) where such nonapplication is consistent with the purposes of this subparagraph.”.

(b) Transfers to corporations controlled by transferors.—[Section 351](#) of the Internal Revenue Code of 1986 is amended by redesignating subsection (h) as subsection (i) and by inserting after subsection (g) the following new subsection:

“(h) Special rule with respect to multiple transferors.—

“(1) In general.—Subsection (a) shall not apply to any transfer of property by 2 or more persons which are corporations if the combined average annual gross receipts of such persons for the 3-taxable year period which precedes the taxable year of the transfer exceeds \$500,000,000.

“(2) Exception.—Paragraph (1) shall not apply if—

“(A) such persons control the corporation to which the property is transferred immediately before the transfer,

“(B) another corporation controls all such persons and the corporation to which the property is transferred immediately before the transfer, or

“(C) all such persons meet the gross receipts test of section 448(c)(1) for the taxable year in which the transfer is made.

“(3) Aggregation and other special rules.—Rules similar to the rules of paragraphs (2) and (3) of section 448(c) shall apply for purposes of paragraph (1).

“(4) Inflation adjustment.—In the case of any taxable year beginning after 2026, the dollar amount in paragraph (1) shall be increased by an amount equal to—

“(A) such dollar amount, multiplied by

“(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which such taxable year begins, determined by substituting ‘calendar year 2025’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

“If any amount as increased under the preceding sentence is not a multiple of \$1,000,000, such amount shall be rounded up to the nearest multiple of \$1,000,000.

“(5) Regulations and guidance.—The Secretary may prescribe such regulations and other guidance as are necessary or appropriate to carry out, and to prevent the abuse of the purposes of, this subsection, including rules—

“(A) to prevent the avoidance of the application of this subsection through the use of a series of transactions designed and executed as parts of a unitary plan, and

“(B) for the nonapplication of the rules of paragraph (1) where such nonapplication is consistent with the purposes of this subsection.”.

SEC. 223. TAXING EXCESSIVE CEO PAY.

(a) In general.—Section 11 of the Internal Revenue Code of 1986 ([26 U.S.C. 11](#)) is amended by adding at the end the following new subsection:

“(e) Tax increase based on pay ratio.—

“(1) In general.—

“(A) Increase imposed.—In the case of any corporation (except as provided in subparagraph (B)(ii)(II)) the pay ratio of which is greater than 50 to 1 for a taxable year, the rate of tax under subsection (b) for such taxable year shall be increased by the penalty determined under paragraph (2).

“(B) Pay ratio.—For purposes of this subsection—

“(i) In general.—The term ‘pay ratio’ means the ratio described in section [229.402\(u\)\(1\)\(iii\) of title 17](#), Code of Federal Regulations (or any successor thereto), except that—

“(I) such ratio shall be determined with respect to any taxable year using the annualized average of the compensation amounts described in such section during the 5-year period ending on the last day of the taxable year, and

“(II) if the highest compensated employee of the corporation is not the principal executive officer, the ratio shall be determined based on the compensation of such highest compensated employee.

“(ii) Corporations not subject to SEC filing.—In the case of a corporation which (without regard to this clause) is not subject to the authorities described in section [229.10\(a\) of title 17](#), Code of Federal Regulations (or any successor thereto)—

“(I) Large corporations.—If the average annual gross receipts of such corporation for the 3-taxable-year period ending with the taxable year which precedes such taxable year are at least \$100,000,000, such corporation shall calculate and report its pay ratio according to the method which the Secretary shall prescribe by regulations consistent with the regulation described in clause (i).

“(II) Other private corporations exempt.—Subparagraph (A) shall not apply to any such corporation if the average annual gross receipts of such corporation for the 3-taxable-year period ending with the taxable year which precedes such taxable year are less than \$100,000,000.

“(2) Amount of penalty.—

“(A) In general.—The penalty determined under this paragraph is an increase, expressed in percentage points, equal to the quotient obtained by dividing—

“(i) the numerical component of the pay ratio representing the compensation of the highest compensated employee, by

“(ii) 100,

“rounded down to the nearest multiple of 0.5.

“(B) No maximum.—The increase determined under subparagraph (A) shall not be subject to a maximum percentage point limitation.”.

(b) Conforming amendments.—

(1) The following sections of the Internal Revenue Code of 1986 are each amended by inserting “applicable to the corporation (after the application of section 11(e))” after “section 11(b)”:

(A) [Section 280C\(c\)\(2\)\(B\)\(ii\)\(II\)](#).

(B) Paragraphs (2)(B) and (6)(A)(ii) of [section 860E\(e\)](#).

(C) [Section 7874\(e\)\(1\)\(B\)](#).

(2) [Section 852\(b\)\(3\)\(A\)](#) of such Code is amended by inserting “(after the application of section 11(e))” after “section 11(b)”.

(3) Paragraphs (1) and (2) of [section 1445\(e\)](#) of such Code are each amended by striking “in effect for the taxable year under section 11(b)” and inserting “applicable to such corporation under section 11 for the taxable year”.

(4) [Section 1446\(b\)\(2\)\(B\)](#) of such Code is amended by striking “specified in section 11(b)” and inserting “applicable to such corporation under section 11 for the taxable year”.

(c) Effective date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2026.

(d) Regulations.—The Secretary of the Treasury (or the Secretary's delegate) shall issue regulations as necessary to prevent avoidance of the purposes of the amendments made by subsection (a), including regulations to prevent the manipulation of the compensation ratio under section 11(e) of the Internal Revenue Code of 1986 by changes to the composition of the workforce (including by using the services of contractors rather than employees).

Subtitle C—Addressing Consolidation on Wall Street

SEC. 231. ADJUSTING HART-SCOTT-RODINO THRESHOLDS.

(a) Reset of annual adjustment.—Section 7A of the Clayton Act ([15 U.S.C. 18a\(a\)](#)) is amended:

(1) in subsection (a)(2)(A) by:

(A) striking “2004” and inserting “2027”; and

(B) striking “2003” and inserting “2026”; and

(2) in subsection (a)(2)(B)(ii)(III) by striking the period and inserting “; or

“(3) as a result of such acquisition, or pursuant to a plan, series of transactions, agreement, or understanding (whether or not legally binding), the acquiring person would, during any 12-month period, directly or indirectly acquire voting securities, non-corporate interests, or assets of 6 or more persons, regardless of the size of any individual transaction.”.

(b) Rules.—The Federal Trade Commission, with the concurrence of the Assistant Attorney General, shall promulgate rules to implement the provisions inserted by (a)(2).

(c) Effective date.—The amendments made by this section shall take effect on September 30, 2026.

SEC. 232. CLOSING THE FAILING BANK LOOPHOLE IN BANK MERGER APPROVALS.

(a) Amendment.—Section 3 of the Bank Merger Act ([12 U.S.C. 1828\(c\)](#)) is amended by adding at the end the following:

"(14) Failing bank exception narrowly construed.—

"(A) In general.—No proposed merger, acquisition, or consolidation involving an insured depository institution shall be approved on the basis that one party is in financial distress or failing unless the appropriate Federal banking agency determines, based on clear and convincing evidence, that—

"(i) there are no other willing or qualified bidders for the institution;

"(ii) no less anticompetitive transaction is reasonably available; and

"(iii) no other means of executing an orderly resolution or winddown under applicable law would adequately protect depositors and the Deposit Insurance Fund.

"(B) Burden of proof.—The burden of demonstrating compliance with subparagraph (A) shall rest with the parties to the transaction.

"(C) Prohibition on speculative justifications.—General assertions of financial weakness, market instability, or potential future distress shall not, by themselves, satisfy the requirements of this paragraph.

"(D) Written determination required.—Any approval relying on this paragraph shall include a written determination addressing each requirement under subparagraph (A), which shall be made publicly available."

SEC. 233. PROHIBITION ON COMMON OWNERSHIP OF AIR CARRIERS.

(a) In general.—[Section 20 of title 15](#), United States Code, is amended by adding at the end the following:

"Sec. 20. Prohibition on common ownership of air carriers

"(a) Definitions.—In this section:

"(1) Air carrier.—The term "air carrier" means a citizen of the United States undertaking, directly or indirectly, to provide air transportation.

"(2) Citizen of the United States.—The term "citizen of the United States" means—

"(A) an individual who is a citizen of the United States;

"(B) a partnership each of whose partners is an individual who is a citizen of the United States; or

"(C) a corporation or association organized under the laws of the United States, a State, the District of Columbia, or a territory or possession of the United States, of which—

"(i) the president and at least two-thirds of the board of directors and other managing officers are citizens of the United States;

"(ii) the entity is under the actual control of citizens of the United States; and

"(iii) at least 75 percent of the voting interest is owned or controlled by persons that are citizens of the United States.

"(3) Own or control.—The term "own or control" means beneficial ownership, voting authority, investment discretion, or proxy voting power, whether exercised directly or indirectly, and includes ownership interests held by affiliated persons or entities under common management or control.

"(b) Prohibition.—It shall be unlawful for any person that owns or controls more than 5 percent of the voting interest, or any other ownership interest, in an air carrier to own or control, or attempt to own or control, more than 5 percent of the voting interest, or any other ownership interest, in any other air carrier.

"(c) Passive investment.—The absence of intent to influence management or corporate governance shall not exempt any person from the prohibition under subsection (b).

"(d) Enforcement.—A violation of this section shall be treated as a violation of the Sherman Act (15 U.S.C. 1 et seq.) and shall be subject to all remedies and enforcement authorities applicable under the antitrust laws."

(b) Effective date.—This section shall apply to ownership interests held on or after January 1, 2028.

SEC. 234. CODIFICATION OF HART-SCOTT-RODINO FILING REQUIREMENTS.

(a) In general.—

(1) Incorporation of specified rule.—The provisions of the final rule entitled "Premerger Notification; Reporting and Waiting Period Requirements", as issued by the Federal Trade Commission, with the concurrence of the Department of Justice, and published in the Federal Register on November 12, 2024 (89 Fed. Reg. 89216), are incorporated into this Act and shall be treated as though such provisions are set forth in this subsection.

(2) Effect of incorporation.—The rule incorporated under paragraph (1) may be altered only by means of an Act of Congress. To the extent that any provision of such rule does not conform with any other statutory provision of law enacted before the date of enactment of this Act, the provisions of this Act shall govern.

(3) Definition of rule.—In this section, the term “rule” means any rule, regulation, guideline, interpretation, order, or requirement of general applicability prescribed by any officer or employee of the executive branch or an independent establishment.

(b) Rulemaking authority.—

(1) In general.—The Federal Trade Commission is expressly authorized to prescribe rules of general applicability governing the form, content, and manner of filings under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ([15 U.S.C. 18a](#)), including rules requiring the submission of such information and documentary material as the Commission determines necessary and appropriate to enable an initial assessment of whether a transaction may violate the antitrust laws.

(2) Minimum floor.—Rules prescribed under paragraph (1) may impose requirements that are more stringent than the requirements incorporated under subsection (a), but may not prescribe requirements that are less stringent than such incorporated requirements, except as expressly provided by an Act of Congress.

SEC. 235. PROHIBITING VERTICAL INTERLOCKING DIRECTORATES.

(a) Amendment.—Section 8 of the Clayton Act ([15 U.S.C. 19](#)) is amended—

(1) in subsection (a)(2) by striking "For the purposes of this paragraph, 'total sales' means" and inserting "For the purposes of this section, 'total sales' means"

(2) in subsection (a)(5) by striking "in this subsection" and inserting "in this section"; and

(3) by redesignating subsection (b) as subsection (c) and inserting after subsection (a) the following—

"(b) (1) No person shall, at the same time, serve as a director or officer in any 2 corporations (other than banks, banking associations, and trust companies) if—

"(A) each of the corporations has capital, surplus, and undivided profits aggregating more than \$10,000,000, as adjusted pursuant to subsection (a)(5); and

"(B) they stand in a covered vertical relationship.

"(2) Notwithstanding the provisions of paragraph (1), simultaneous service as a director or officer in any 2 corporations shall not be prohibited by this subsection if the summed vertical sales between such corporations are less than 4 percent of the total sales of the smaller corporation.

"(3) For purposes of this subsection, 2 corporations stand in a 'covered vertical relationship' if—

"(A) by virtue of their business, the elimination of such dealings between them would materially affect the ability of either corporation to compete in any line of commerce in any section of the country; and

"(B) either corporation—

"(i) has vertical sales to the other of more than \$1,000,000, as adjusted pursuant to subsection (a)(5);

"(ii) grants to the other a license to intellectual property that is material to such competition; or

"(iii) materially manages the other with respect to the production, marketing, or distribution of goods or services.

"(4) For purposes of this subsection, the term 'vertical sales' means the gross revenues from products and services sold by one corporation to the other during the last completed fiscal year."

SEC. 236. REBUTTABLE PRESUMPTIONS FOR LARGE MERGERS AND ACQUISITIONS.

(a) Amendment.—The Clayton Act (15 U.S.C. 12 et seq.) is amended by inserting after section 7B the following:

"Sec. 7C. Rebuttable presumptions for large mergers and acquisitions.

"(a) Definitions.—In this section:

"(1) Covered transaction.—The term 'covered transaction' means any acquisition of stock or assets, merger, consolidation, or other transaction that is required to be reported under section 7A of the Clayton Act ([15 U.S.C. 18a](#)), or that is subject to section 7 of the Clayton Act ([15 U.S.C. 18](#)).

"(2) Herfindahl-Hirschman Index.—The term 'Herfindahl-Hirschman Index' means the sum of the squares of the market shares of all firms participating in a relevant market, expressed as whole numbers.

"(3) Materially.—The term 'materially' means more than a de minimis amount".

"(b) Rebuttable presumption.—For purposes of section 7 of the Clayton Act ([15 U.S.C. 18](#)), it shall be a rebuttable presumption that a covered transaction may create an appreciable risk of materially lessening competition or tend to create a monopoly or monopsony if any of the following conditions are true:

"(1) Size.—The value of the covered transaction is greater than \$100,000,000,000 (as adjusted and published for each fiscal year beginning after September 30, 2026, in the same manner as provided in [section 8\(a\)\(5\)](#) to reflect the percentage change in the gross national

product for such fiscal year compared to the gross national product for the year ending September 30, 2025).

“(2) Concentration and change in concentration.—In any relevant market, the covered transaction would result in a Herfindahl-Hirschman Index greater than 1,800 and would increase the Herfindahl-Hirschman Index by 100 or more.

“(3) Market share and change in concentration.—In any relevant market, the covered transaction would result in a market share of 30 percent or greater for any person and would increase the Herfindahl-Hirschman Index by 100 or more.

“(4) Serial acquisitions.—The covered transaction is part of a pattern or strategy of multiple acquisitions in the same or related business lines and, when evaluated cumulatively, such acquisitions would create or further a trend toward concentration or otherwise may create an appreciable risk of materially lessening competition.

“(5) Vertical foreclosure and limiting access.—The covered transaction may create an appreciable risk of materially lessening competition by enabling the merged firm to limit, foreclose, degrade, or otherwise impede rivals’ access to a related product, service, input, or route to market, including by raising rivals’ costs, impairing rivals’ ability to compete, or otherwise reducing competition.”.

Subtitle D—Addressing Electioneering by Corporations

SEC. 241. LIMITATION ON CORPORATE POWER TO ELECTIONEER.

(a) Findings.—Congress finds that—

(1) Corporations are artificial legal entities created by government charter to serve the public good and possess only those powers expressly granted to them by the sovereign authority that authorizes their existence.

(2) Corporate powers are not inherent, personal, or constitutional in nature; they are delegated privileges that may be defined, limited, conditioned, or withheld in accordance with the public interest.

(3) Under Article I of the Constitution, Congress is the policy-setting branch of the United States with principal responsibility to enact rules governing Federal elections and to safeguard democratic self-government.

(4) The Supreme Court’s 2010 decision in *Citizens United v. Federal Election Commission* held that restrictions on corporate election spending burdened free speech rights but assumed, without deciding, that corporations had been granted lawful power to engage in such spending under State or Federal charter law.

(5) *Citizens United* did not grant corporations an inherent constitutional right to influence elections; rather, it presupposed the existence of such corporate power, which Congress retains full authority to define, regulate, or withhold in connection with Federal elections.

(6) Nothing in the Constitution requires Congress to grant corporations the power to influence Federal elections, and withholding such power does not restrict the free speech rights of natural persons, who remain fully free to participate in political debate, civic associations, and election activity using their own resources.

(7) Special government-granted privileges such as limited liability and perpetual existence facilitate wealth accumulation by corporations, which can be used to influence electoral outcomes.

(8) Outside spending and dark-money channels have expanded dramatically in recent decades, undermining public trust, reducing transparency, and weakening accountability in Federal elections.

(9) Decisions to use corporate funds for political contributions and expenditures are often made by corporate boards and executives, rather than by shareholders, who historically have lacked practical mechanisms to know of, approve, or meaningfully influence such political activity.

(10) Congress has authority under the Elections Clause, the Commerce Clause, the Necessary and Proper Clause, and its responsibility to preserve a republican form of government to structure and limit the activities of corporations operating in interstate commerce when necessary to safeguard the integrity of Federal elections.

(11) While corporations may petition and lobby elected officials regarding public policy relevant to their business purposes, allowing corporations to engage in electioneering directed at voters is inconsistent with the public good, threatens political equality, and undermines democratic self-government.

(12) Clarifying that corporations do not possess the power to engage in electioneering in connection with Federal elections, except as expressly authorized by Congress, is necessary to protect the integrity of Federal elections.

(b) Definitions.—In this section:

(1) Corporation.—The term "corporation" means any entity organized under the laws of a State or the laws of the United States, including any subsidiary, affiliate, or other entity that is substantially controlled by such entity.

(2) Disbursement for a political purpose.—The term "disbursement for a political purpose" has the meaning given such term in section 10F of the Securities Exchange Act of 1934 (as inserted by this Act).

(3) Electioneering communication.—The term "electioneering communication" means any publicly distributed communication that is intended to influence the outcome of a Federal election, but does not include—

(A) any bona fide news story, fact-check, interview, candidate debate or forum, investigative report, or other form of journalistic reporting distributed by a press entity acting in the normal course of its press function;

(B) any commentary, opinion, or endorsement expressed by an identifiable individual using such individual's own resources; or

(C) any communication exempted by regulations promulgated under subsection (j).

(4) Expenditure for political activities.—The term "expenditure for political activities" has the meaning given the term in section 13(t) of the Securities Exchange Act of 1934 (as inserted by this Act).

(5) Federal electioneering authorization.—The term "Federal electioneering authorization" means an Act of Congress that expressly and specifically extends to a corporation the privilege of engaging in an electioneering communication or political expenditure.

(6) Press entity.—The term "press entity" means a publisher, broadcaster, or other entity that disseminates news or information to the public and that is acting in the normal course of a bona fide journalistic function.

(7) Publicly distributed communication.—The term "publicly distributed communication" means any communication disseminated, or intended to be disseminated, to the general public or to any segment thereof, including through broadcast media, cable networks, satellite transmission, the internet, digital platforms, social media, search engines, streaming services, mobile applications, algorithmic targeting systems, print media, or mass distribution channels.

(8) Responsible person.—The term "responsible person" means any organizer, incorporator, director, officer, controlling shareholder, beneficial owner, or other individual who directly or indirectly exercises substantial control over a corporation or its activities.

(c) Corporate electioneering not authorized.—No corporation may possess, exercise, finance, authorize, direct, facilitate, or otherwise support an expenditure for political activities or electioneering communication in connection with a Federal election unless explicitly authorized by this section.

(d) Voidness.—Any corporate action prohibited under subsection (c) is void and unenforceable as a matter of Federal law.

(e) Federal authorization enumerated.—A Federal electioneering authorization may be granted only within the framework of—

(1) [chapter 301 of title 52](#), United States Code;

(2) [section 527 of title 26](#), United States Code; and

(3) until December 31, 2029:

(A) [section 501\(c\)\(4\) of title 26](#), United States Code; and

(B) the Securities Exchange Act of 1934 ([15 U.S.C. 78a et seq.](#))

(f) Federal preemption.—No State, the District of Columbia, or any territory or possession of the United States may grant any corporate charter, or confer any corporate power, privilege, or authority, that permits a corporation to engage in an electioneering communication or expenditure for political activities in connection with a Federal election.

(g) Rule of construction.—Nothing in this section shall be construed to limit or restrict the free speech rights of natural persons to engage in political speech or make expenditures for political activities using their own resources.

(h) Enforcement.—

(1) Federal enforcement.—The Attorney General may bring a civil action or criminal prosecution to enforce this section.

(2) State civil enforcement.—The attorney general of any State in which an electioneering communication was disseminated, published, or received may bring a civil action to enforce this section.

(i) Personal liability of responsible persons.—Any responsible person who knowingly authorizes, directs, finances, or participates in an activity prohibited under this section shall be personally liable, jointly and severally, for an amount equal to 3 times the value of the prohibited expenditure for political activities.

(j) Implementation.—Not later than January 1, 2027, the Federal Election Commission, in consultation with the Secretary of the Treasury and the Attorney General, shall promulgate regulations relative to implementation of this section—

(1) as needed to clarify coordination, aggregation, anti-avoidance, and reporting; and

(2) procedures for exempting electioneering communications under subsection (b)(3) whose inclusion would be de minimis or duplicative of other provisions of law, provided that no such exceptions may narrow the exclusions in subparagraph (A) and (B).

SEC. 242. UNAUTHORIZING CORPORATE PACS.

(a) Limitation.—

(1) In general.—Section 316(b)(2)(C) of the Federal Election Campaign Act of 1971 ([52 U.S.C. 30118\(b\)\(2\)\(C\)](#)) is amended by striking “a corporation” and inserting “a nonprofit corporation”.

(2) Definition.—Section 316(b) of such Act ([52 U.S.C. 30118\(b\)](#)) is amended by adding at the end the following new paragraph:

“(8) For purposes of this section, the term ‘nonprofit corporation’ means a corporation described in section 501(c) of the Internal Revenue Code of 1986 and exempt from taxation under section 501(a) of such Code, other than a corporation which is ineligible to be exempt from taxation under section 501(a) of such Code if it establishes a separate segregated fund under this subsection.”.

(b) Permitting solicitation of contributions only from executive and administrative personnel.—Section 316(b) of such Act ([52 U.S.C. 30118\(b\)](#)) is amended—

(1) in paragraph (4)(A)(i), by striking “its stockholders and their families and”;

(2) in paragraph (4)(B)—

(A) by striking “a corporation” the first place it appears and inserting “a nonprofit corporation”;

(B) by striking “any stockholder, executive or administrative personnel,” and inserting “any executive or administrative personnel”; and

(C) by striking “stockholders, executive or administrative personnel,” and inserting “executive or administrative personnel”; and

(3) in paragraph (4)(D)—

(A) by striking “stockholders and”;

(B) by striking “such stockholders or personnel” and inserting “such personnel”; and

(C) by striking “such stockholders and personnel” and inserting “such personnel”; and

(4) in paragraph (5), by striking “stockholders and”.

(c) Treatment of Government contractors.—Section 317(b) of such Act ([52 U.S.C. 30119\(b\)](#)) is amended—

(1) by striking “any corporation” and inserting “any nonprofit corporation”; and

(2) by striking “a corporation” and inserting “a nonprofit corporation”.

(d) Transition for existing funds and committees.—In the case of a separate segregated fund established and operating under section 316(b)(2)(C) of the Federal Election Campaign Act of 1971 ([52 U.S.C. 30118\(b\)\(2\)\(C\)](#)) as of the date of the enactment of this Act which is not a fund of a nonprofit corporation as defined in section 316(b)(8) of such Act (as added by subsection (a)(2)), the fund shall terminate and disburse its entire balance not later than July 4, 2027.

SEC. 243. POLITICAL TRANSPARENCY REPORTING REQUIREMENTS.

(a) Section 13 of the Securities Exchange Act of 1934 ([15 U.S.C. 78m](#)) is amended by adding at the end the following:

“(t) Reporting requirements relating to certain political expenditures.—

“(1) Definitions.—In this subsection:

“(A) Covered affiliate.—The term ‘covered affiliate’ means, with respect to an issuer, any entity that is a consolidated subsidiary of the issuer for financial reporting purposes, and any other entity that is controlled by the issuer, directly or indirectly, within the meaning of the rules of the Commission under this title, whether or not such entity is a consolidated subsidiary of the issuer.

“(B) Expenditure for political activities.—The term ‘expenditure for political activities’—

“(i) means—

“(I) an independent expenditure (as defined in section 301(17) of the Federal Election Campaign Act of 1971 ([52 U.S.C. 30101\(17\)](#)));

“(II) an electioneering communication (as defined in section 304(f)(3) of that Act ([52 U.S.C. 30104\(f\)\(3\)](#))) and any other public communication (as defined in section 301(22) of that Act ([52 U.S.C. 30101\(22\)](#))) that would be an electioneering communication if it were a broadcast, cable, or satellite communication; or

“(III) dues or other payments to trade associations or organizations described in section 501(c) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of that Code that are, or could reasonably be anticipated to be, used or transferred to another association or organization for the purposes described in subclause (I) or (II); and

“(ii) does not include—

“(I) direct lobbying efforts through registered lobbyists employed or hired by the issuer;

“(II) communications by an issuer to its shareholders and executive or administrative personnel and their families; or

“(III) the establishment and administration of contributions to a separate segregated fund to be utilized for political purposes by a corporation.

“(C) Issuer.—The term ‘issuer’ does not include an investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a–8).

“(2) Quarterly reports.—

“(A) Reports required.—Not later than December 31, 2026, the Commission shall amend the reporting rules under this section to require each issuer with a class of equity securities registered under section 12 of this title ([15 U.S.C. 78l](#)) to submit to the Commission and the shareholders of the issuer a quarterly report containing—

“(i) a description of any expenditure for political activities made during the preceding quarter by the issuer or any covered affiliate;

“(ii) the date of each expenditure for political activities;

“(iii) the amount of each expenditure for political activities;

“(iv) if the expenditure for political activities was made in support of or in opposition to a candidate, the name of the candidate and the office sought by, and the political party affiliation of, the candidate; and

“(v) the name or identity of trade associations or organizations described in section 501(c) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of such Code which receive dues or other payments as described in paragraph (1)(B)(i)(III).

“(B) Public availability.—The Commission shall ensure that the quarterly reports required under this paragraph are publicly available through the Internet website of the Commission and through the EDGAR system in a manner that is searchable, sortable, and downloadable, consistent with the requirements under section 24.

“(3) Annual reports.—Not later than December 31, 2026, the Commission shall, by rule, require each issuer to include in the annual report of the issuer to shareholders—

“(A) a summary of each expenditure for political activities made during the preceding year in excess of \$10,000, and each expenditure for political activities for a particular election if the total amount of such expenditures for that election is in excess of \$10,000;

“(B) the results of the shareholder assessment required by section 10F of the Securities Exchange Act of 1934, including—

“(i) the total amount of expenditures for political activities for the fiscal year authorized by holders of a majority of outstanding equity securities;

“(ii) a description of the specific nature of any expenditure for political activities the issuer intends to make for the forthcoming fiscal year, to the extent the specific nature is known to the issuer; and

“(iii) the results of the required assessments under subsection (b) of such section.

“(4) Reports to Congress.—

“(A) Assessment and report.—The Commission shall—

“(i) conduct an annual assessment of the compliance of issuers with this subsection; and

“(ii) submit to Congress an annual report containing the results of such assessment.

“(B) Government Accountability Office.—The Comptroller General of the United States shall periodically evaluate and report to Congress on the effectiveness of the oversight by the Commission of the reporting and disclosure requirements under this subsection.”.

SEC. 244. ASSESSMENTS; 501(c)(4) ORGANIZATIONS; AND PRIVATE RIGHT OF ACTION.

(a) Assessment required.—The Securities Exchange Act of 1934 ([15 U.S.C. 78a et seq.](#)) is amended by inserting after [section 10E](#) the following new sections:

“Sec. 10F. Assessment of shareholder preferences for disbursements for political purposes.

“(a) Definitions.—In this section—

“(1) In general.—

“(A) Each of the terms ‘candidate’, ‘election’, ‘political committee’, and ‘political party’ has the meaning given such term under section 301 of the Federal Election Campaign Act of 1971 ([52 U.S.C. 30101](#)).”.

“(B) Each of the terms ‘covered affiliate’ and ‘issuer’ has the meaning given such term in section 13(t) of this Act.

“(2) Disbursement for a political purpose.—The term ‘disbursement for a political purpose’—

“(A) means any of the following:

“(i) A disbursement for an independent expenditure, as defined in section 301(17) of the Federal Election Campaign Act of 1971 ([52 U.S.C. 30101\(17\)](#)).

“(ii) A disbursement for an electioneering communication, as defined in section 304(f) of the Federal Election Campaign Act of 1971 ([52 U.S.C. 30104\(f\)](#)).

“(iii) A disbursement for any public communication, as defined in section 301(22) of the Federal Election Campaign Act of 1971 ([52 U.S.C. 30101\(22\)](#))—

“(I) which expressly advocates the election or defeat of a clearly identified candidate for election for Federal office, or is the functional equivalent of express

advocacy because, when taken as a whole, it can be interpreted by a reasonable person only as advocating the election or defeat of a candidate for election for Federal office; or

“(II) which refers to a clearly identified candidate for election for Federal office and which promotes or supports a candidate for that office, or attacks or opposes a candidate for that office, without regard to whether the communication expressly advocates a vote for or against a candidate for that office.

“(iv) Any other disbursement which is made for the purpose of influencing the outcome of an election for a public office.

“(v) Any transfer of funds to another person which is made with the intent that such person will use the funds to make a disbursement described in clauses (i) through (iv), or with the knowledge that the person will use the funds to make such a disbursement.

“(B) does not include any of the following:

“(i) Any disbursement made from a separate segregated fund of the corporation under section 316 of the Federal Election Campaign Act of 1971 ([52 U.S.C. 30118](#)).

“(ii) Any transfer of funds to another person which is made in a commercial transaction in the ordinary course of any trade or business conducted by the corporation or in the form of investments made by the corporation.

“(iii) Any transfer of funds to another person which is subject to a written prohibition against the use of the funds for a disbursement for a political purpose.

“(b) Assessment and authorization required before making a disbursement for a political purpose.—An issuer with a class of equity securities registered under section 12 of this title ([15 U.S.C. 78l](#)) may not, directly or indirectly, make or cause to be made (including through any covered affiliate), a disbursement for a political purpose unless the issuer—

“(1) has in place procedures to assess the preferences of the shareholders of the issuer with respect to making such disbursements for that fiscal year;

“(2) has completed an assessment for such fiscal year, no earlier than the first day of the third fiscal quarter of the fiscal year immediately preceding the fiscal year in which the disbursement is made;

“(3) has obtained, through the assessment, the authorization of a majority of the number of the outstanding equity securities of the issuer for an aggregate dollar amount of disbursements for a political purpose for the fiscal year in which the disbursement is made, provided—

“(A) any outstanding equity security with respect to which a preference is not expressed in the assessment shall be treated as in opposition to authorizing any

disbursement for a political purpose and a preference for an authorized amount of \$0; and

"(B) any outstanding equity security held by a person who is prohibited from expressing partisan or political preferences by law, contract, or the requirement to meet a fiduciary duty shall be treated as in opposition to authorizing any disbursement for a political purpose and a preference for an authorized amount of \$0; and

"(4) the disbursement, in the aggregate for the fiscal year, would not exceed such authorized amount.

"(c) Assessment requirements.—The assessment described under subsection (b) shall assess shareholder preferences for—

"(1) the aggregate amount of disbursements for a political purpose the shareholder authorizes for the forthcoming fiscal year, which may be \$0, provided that the issuer may propose an amount to the respondent;

"(2) which types of disbursements for a political purpose the issuer should make;

"(3) whether such disbursements should be made in support of, or in opposition to, Republican, Democratic, Independent, or other political party candidates and political committees;

"(4) whether such disbursements should be made with respect to elections for Federal, State, or local office; and

"(5) such other information as the Commission may specify, by rule.

"Sec. 10G. Treatment of certain transfers to section 501(c)(4) organizations.

"(a) Definitions.—In this section:

"(1) In general.—Each of the terms 'covered affiliate' and 'issuer' has the meaning given such term in section 13(t) of this Act.

"(2) 2-year election cycle.—The term '2-year election cycle' means the period beginning on the day after the most recent general election for Federal office and ending on the date of the next general election for Federal office.

"(3) Covered 501(c)(4) organization.—The term 'covered 501(c)(4) organization' means an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 that engaged in political intervention during the current 2-year election cycle or the immediately preceding 2-year election cycle.

"(4) Covered transfer.—The term 'covered transfer' means any transfer of funds or anything of value, whether directly or indirectly, by an issuer or any covered affiliate to a covered 501(c)(4) organization.

“(5) Political intervention.—The term ‘political intervention’ has the meaning given such term in section 4956 of the Internal Revenue Code of 1986.

“(b) Rebuttable presumption.—It shall be a rebuttable presumption that any covered transfer is—

“(1) an expenditure for political activities for purposes of section 13(t); and

“(2) for purposes of section 10F of this Act and section 316(d) of the Federal Election Campaign Act of 1971 (52 U.S.C. 30118(d)), a disbursement for a political purpose.

“(c) Affirmative defense.—The presumption under subsection (b) may be rebutted if—

“(1) the transferor prohibited, in writing, the use of the covered transfer for political intervention, independent expenditures, electioneering communications, or other disbursements for a political purpose; and

“(2) the transferor reasonably relied on written representations of the covered 501(c)(4) organization that the covered transfer would be deposited and maintained in an account segregated from any account used by the covered 501(c)(4) organization to engage in political intervention.”.

“Sec. 10H. Private right of action for unlawful disbursements.

“(a) Definition.—In this section—

“(1) Covered violation.—The term “covered violation” means any violation of section 10F of the Securities Exchange Act of 1934, section 13(t) of such Act, or section 316(d) of the Federal Election Campaign Act of 1971 (52 U.S.C. 30118(d)).

“(b) Cause of action.—Any shareholder of an issuer who held an equity security of the issuer at the time a covered violation occurred may bring a civil action against the issuer for such covered violation.

“(c) Strict liability.—In an action brought under this section—

“(1) the issuer shall be liable without any showing of knowledge or intent; and

“(2) the court shall award to the shareholder bringing the action—

“(A) damages in an amount equal to the greater of—

“(i) the aggregate amount of unlawful political expenditures related to the covered violation, as determined by the court; or

“(ii) \$25,000; and

“(B) reasonable attorneys’ fees and costs.

"(d) Jurisdiction and venue.—The district courts of the United States shall have jurisdiction over actions brought under this section. An action under this section may be brought in the United States district court for the district in which the issuer is incorporated, has its principal place of business, or is found or transacts business.

"(e) Nonwaiver.—Any provision of any contract, charter, bylaw, or other governing instrument that purports to waive, limit, or restrict the rights of a shareholder under this section shall be void as against public policy."

(b) Conforming amendment to Federal Election Campaign Act of 1971 to prohibit disbursements by corporations failing to assess preferences.—Section 316 of the Federal Election Campaign Act of 1971 ([52 U.S.C. 30118](#)) is amended by adding at the end the following new subsection:

"(d) Prohibiting disbursements by corporations failing to assess shareholder preferences.—

"(1) Prohibition.—It shall be unlawful for a corporation to make, directly or indirectly (including through any covered affiliate, as defined in section 13(t) of the Securities Exchange Act of 1934), a disbursement for a political purpose unless the corporation—

"(A) has in place procedures to assess the preferences of its shareholders with respect to making such disbursements, as provided in section 10F of such Act;

"(B) is authorized to make such disbursement under section 10F(b) of such Act; and

"(C) such disbursement does not cause the corporation to exceed any aggregate authorized amount established under such section for the fiscal year in which the disbursement is made.

"(2) Definition.—In this section, the term ‘disbursement for a political purpose’ has the meaning given such term in section 10F of the Securities Exchange Act of 1934.”

(c) Conforming amendment.—The table of contents of the Securities Exchange Act of 1934 is amended by inserting after the item relating to section 10E the following:

“Sec. 10F. Assessment of shareholder preferences for disbursements for political purposes.

“Sec. 10G. Treatment of certain transfers to section 501(c)(4) organizations.

“Sec. 10H. Private right of action for unlawful disbursements.”

(d) Effective date.—The amendments made by this section shall apply with respect to disbursements for a fiscal year beginning on or after July 1, 2027.

SEC. 245. INELIGIBILITY FOR FEDERAL AWARDS FOR UNLAWFUL CORPORATE POLITICAL DISBURSEMENTS.

(a) Definitions.—In this section:

(1) Covered entity.—The term “covered entity” means an issuer (including any covered affiliate (as such term is defined in section 13(t)(1) of the Securities Exchange Act of 1934)).

(2) Covered violation.—The term “covered violation” has the meaning given the term in section 10H of the Securities Exchange Act of 1934.

(3) Final determination.—The term “final determination” means a final judgment, decree, or order of a court of competent jurisdiction, or a final order of the Securities and Exchange Commission, that determines that a covered entity committed a covered violation, including a consent judgment or consent order.

(4) Federal award.—The term “Federal award” means any contract, subcontract, grant, cooperative agreement, loan, loan guarantee, insurance, license, permit, concession, or other agreement or assistance that is awarded, approved, renewed, extended, or modified, in whole or in part, with Federal funds, and includes any award by any executive agency.

(5) Executive agency.—The term “executive agency” has the meaning given such term in [section 105 of title 5](#), United States Code.

(b) Ineligibility.—Notwithstanding any other provision of law, a covered entity with respect to which a final determination has been made shall be ineligible to receive a Federal award during the ineligibility period described in subsection (c), except as provided in subsection (g).

(c) Ineligibility period.—The ineligibility period under this subsection shall begin on the date on which the final determination is made and shall end on the date that is 3 years after such date, except that if a final determination is made with respect to a subsequent covered violation during an ineligibility period, a new 3-year ineligibility period shall begin on the date of such subsequent final determination. A subsequent final determination relating to the same covered violation shall not begin a new ineligibility period.

(d) Certification requirement.—

(1) In general.—As a condition of receiving a Federal award, a covered entity shall certify, in a form and manner prescribed by the head of the executive agency making the award, that—

(A) the covered entity is not subject to an ineligibility period under subsection (c); or

(B) the covered entity is subject to an ineligibility period under subsection (c) and the head of the executive agency has granted a waiver under subsection (g) with respect to the Federal award.

(2) Duty to update.—A covered entity that has submitted a certification under paragraph (1) shall have a continuing obligation to update such certification if the covered entity becomes subject to an ineligibility period under subsection (c) or if a waiver granted under subsection (g) expires, is withdrawn, or is modified.

(e) Effect of false certification.—

(1) False claims.—A certification submitted under subsection (d) that is false, fictitious, or fraudulent, and any request for payment, reimbursement, disbursement, or other benefit made under a Federal award while a covered entity is subject to an ineligibility period under subsection (c) and no waiver under subsection (g) applies to such Federal award, shall be treated as a false or fraudulent claim for purposes of [subchapter III of chapter 37 of title 31](#), United States Code.

(2) Other remedies preserved.—Nothing in this section shall be construed to limit any other remedy or authority available under Federal law, including suspension and debarment authorities, termination for default, recoupment, disgorgement, or the recovery of damages.

(f) Administration and enforcement.—

(1) Agency action.—Each executive agency shall include in its award documents such terms as are necessary to carry out this section, including certification, termination, and repayment terms.

(2) Governmentwide listing.—The Administrator of General Services shall maintain a publicly available governmentwide list of covered entities subject to an ineligibility period under subsection (c), and each executive agency shall consult such list before making a Federal award.

(3) Referral.—The head of an executive agency that has credible information that a covered entity has committed a covered violation or has made a false certification under subsection (d) shall refer such information to the Attorney General.

(g) Waiver.—

(1) In general.—The head of an executive agency may waive the application of subsection (b) with respect to a specific Federal award for a period of 6 months if the head of the executive agency—

(A) determines, in writing, that—

(i) the waiver is necessary to avoid—

(I) an imminent threat to public health or safety;

(II) an articulable threat to national security; or

(III) an imminent threat to the continuity of essential government operations;

and

(ii) no practicable alternative source is reasonably available; and

(B) submits to the Committees on Oversight and Accountability and Judiciary of the House of Representatives and the Committees on Homeland Security and Governmental Affairs and Judiciary of the Senate a report describing the waiver and the reasons for the waiver.

(2) Renewal.—A waiver under this subsection may be renewed for additional 6-month periods if the requirements of paragraph (1) are satisfied with respect to each renewal.

(POPULIST Act TITLE II, version 1.1, last updated April 5, 2026)