

(5) Reports to Congress.—

(A) Initial report.—Not later than January 1, 2028, the Secretary shall submit to the appropriate committees of Congress a report on the development, distribution, and use of the training resources developed pursuant to paragraph (1).

(B) Annual reports.—

(i) Reports required.—Not later than July 1, 2028, and not less frequently than once each year thereafter, the Secretary shall, in consultation with the Administrator of the Small Business Administration, submit to the appropriate committees of Congress an annual report on the development, distribution, and use of training resources developed pursuant to paragraph (1).

(ii) Contents.—Each report submitted under clause (i) shall include, for the period covered by the report—

(I) a list of the training resources developed pursuant to paragraph (1); and

(II) a description of the measurable outcomes of the distribution of such training resources, including—

(aa) the number and type of small business concerns using such training resources; and

(bb) the effect of such use on the revenues, sales, and workforces of the small business concerns.

(6) Sunset.—The authorities and requirements under this subsection shall terminate on July 1, 2029.

Subtitle E—American Value Fund Funding

SEC. 861. FINANCIAL ACTIVITIES TAX.

(a) In general.—Subtitle D of the Internal Revenue Code of 1986, as amended by this Act, is further amended by inserting after chapter 50B the following new chapter:

"Chapter 50C—Financial Activities Tax

"SEC. 5000F. Definitions.

"SEC. 5000G. Imposition and computation of financial activities tax.

"SEC. 5000H. Special circumstances.

"Sec. 5000F. Definitions.

"For purposes of this chapter:

"(1) Consolidated financial group.—The term 'consolidated financial group' means all domestic entities and United States trades or businesses of foreign entities that—

"(A) are under common control within the meaning of section 52(a) or 52(b) of the Internal Revenue Code of 1986 ([26 U.S.C. 52](#)); and

"(B) are engaged directly or indirectly in financial activity.

"(2) Covered remuneration.—The term 'covered remuneration' means, with respect to any taxable year, the total amount of—

"(A) wages, salaries, bonuses, commissions, deferred compensation, and all other cash compensation paid or accrued with respect to services performed for or on behalf of a FAT-CAT in such year;

"(B) the grant-date or vesting-date value, as determined under regulations, of stock options, restricted stock, stock appreciation rights, and other equity-based compensation;

"(C) employer contributions to retirement plans, health plans, and other fringe benefits, to the extent excludable from the gross income of the recipient;

"(D) any in-kind form of remuneration for personal services; and

"(E) any other forms of remuneration as the Secretary may by regulation prescribe.

"(3) Covered profits.—The term 'covered profits' means, with respect to any taxable year, the consolidated pre-tax profits of the consolidated financial group attributable to United States sources (but in no case less than \$0), determined—

"(A) by starting with income before income taxes as reported in applicable financial statements (as defined in section 451(b)(3) of the Internal Revenue Code of 1986 ([26 U.S.C. 451\(b\)\(3\)](#))), adjusted pursuant to regulations to—

"(i) exclude income and expenses not attributable to financial activity;

"(ii) exclude extraordinary items, changes in accounting methods, and intra-group dividends;

"(iii) prevent duplication of covered remuneration by excluding from covered profits any amount taken into account as covered remuneration under paragraph (2), but only to the extent such amount was not already treated as an expense, deduction, or other reduction in computing income before income taxes; and

"(iv) include or exclude such other items as the Secretary may prescribe to align covered profits with economic value added; and

"(B) by allocating and apportioning such adjusted income to United States sources under rules prescribed by the Secretary.

"(4) Financial activities tax base.—The term 'financial activities tax base' means, with respect to any taxable year, the sum of—

"(A) covered remuneration; and

"(B) covered profits.

"(5) Financial activities threshold-crossing assessable taxpayer; FAT-CAT.—The term 'financial activities threshold-crossing assessable taxpayer' or 'FAT-CAT' means—

"(A) a financial institution; or

"(B) a person, but only with respect to a significant financial line of business of such person for such taxable year.

"(6) Financial activity.—The term 'financial activity' means—

"(A) accepting deposits, making loans, providing credit, or otherwise engaging in lending, banking, or credit intermediation;

"(B) issuing, underwriting, reinsuring, or administering insurance, annuities, reinsurance, risk transfer, or risk pooling;

"(C) dealing, brokerage, market making, underwriting, investment advisory, asset management, fund administration, or similar activity involving securities, derivatives, foreign exchange, commodities, digital assets, loans, or other financial instruments;

"(D) payment, settlement, clearing, custody, fiduciary, funds transfer, card payment, or similar money movement activity;

"(E) any activity in which a person acts as an intermediary in the transfer of financial assets, liabilities, risks, instruments, income, or expense between 2 or more persons; and

"(F) any other financial activity designated by the Secretary to prevent avoidance of this chapter or chapter 7 of subtitle A.

"(7) Financial institution.—The term 'financial institution' means any person that is predominantly engaged in financial activity and is not a small business entity, as defined in section 1601.

"(8) Gross financial revenue.—The term 'gross financial revenue' means all interest, fees, commissions, premiums, spreads, discount points, advisory fees, servicing fees, payment-processing fees, underwriting fees, management fees, performance fees, carried interest, and similar amounts received or accrued from financial activity. The term does not include repayment of principal, returned customer funds, amounts held in custody or fiduciary capacity for another person, capital contributions, or other amounts excluded by the Secretary to prevent distortion or double counting.

"(9) Predominantly engaged.—The term 'predominantly engaged' means, with respect to a person and a taxable year, that—

"(A) more than 50 percent of the person's gross revenue is gross financial revenue; or

"(B) more than 50 percent of the person's gross profits are attributable to financial activity.

"(10) Significant financial line of business.—The term 'significant financial line of business' means a separately operated line of business of a person that is not predominantly engaged in financial activity if—

"(A) the line of business is financial activity; and

"(B) the gross financial revenue of the line of business exceeds—

"(i) 25 percent of the gross revenue of the person; or

"(ii) \$1,000,000.

"(11) Taxable year.—The term 'taxable year' has the meaning given such term in section 441.

"(12) Person.—The term 'person' has the meaning given such term in section 7701.

"(13) Secretary.—The term 'Secretary' means the Secretary of the Treasury or the Secretary's delegate.

"Sec. 5000G. Imposition and computation of financial activities tax.

"(a) In general.—There is hereby imposed for each taxable year on every FAT-CAT a tax equal to the applicable percentage of the financial activities tax base of such FAT-CAT for such taxable year.

"(b) Rate.—The applicable percentage shall be 13 percent.

"(c) Consolidated computation.—In the case of a consolidated financial group, the financial activities tax shall be computed on a consolidated basis with respect to the financial activities tax base of the group, including any significant financial line of business of a member of the group, and allocated among members of the group in such manner as the Secretary shall prescribe.

"(d) Avoidance via reclassification of labor.—If an individual provides personal services to a FAT-CAT or any member of the consolidated financial group of such FAT-CAT and at least 80 percent of the compensation of such individual for the taxable year is attributable to such FAT-CAT or group, such compensation shall be treated as covered remuneration regardless of whether such individual is classified as an employee, independent contractor, partner, or owner.

"(e) Coordination with other taxes.—No amount taken into account as 'covered remuneration' or 'covered profits' shall be excluded from the financial activities tax base solely by reason of being deductible or nondeductible under chapter 1 of the Internal Revenue Code of 1986. The financial activities tax imposed by this chapter shall be allowed as a deduction in computing taxable income under such chapter, except as the Secretary may by regulation provide.

"(f) Exclusion of nonfinancial lines of business.—The financial activities tax base shall not include amounts attributable to a nonfinancial line of business of a financial institution or consolidated financial group if the nonfinancial line of business is separately accounted for under rules prescribed by the Secretary.

"(g) Prevention of double taxation.—The Secretary may exclude from the financial activities tax base any amount already included in the base of a financial transaction tax or similar levy imposed on the gross value of financial trades, to the extent necessary to prevent double taxation.

"Sec. 5000H. Special circumstances.

"(a) Special rules for insurance, reinsurance, and investment funds.—

"(1) Insurance and reinsurance.—In the case of a FAT-CAT that is an insurance or reinsurance enterprise—

"(A) covered profits shall be determined by reference to underwriting and investment results reported in applicable financial statements, adjusted for changes in reserves and such other items as the Secretary may prescribe; and

"(B) covered remuneration shall include direct and indirect compensation of agents and brokers to the extent such compensation relates to policies issued, underwritten, or administered by such enterprise.

"(2) Investment funds and asset managers.—In the case of a FAT-CAT that is an asset management enterprise—

"(A) covered profits shall include management fees, advisory fees, performance fees, carried interest, and similar charges, net of expenses, as reported in applicable financial statements; and

"(B) covered remuneration shall include carried interest and other profit-based compensation, valued in accordance with regulations prescribed by the Secretary.

"(b) Simplified safe harbor for small financial lines of business.—

"(1) Election.—A person that is not a financial institution and that has gross financial revenue from financial activity of not more than \$1,000,000 for the taxable year may elect to pay the tax under this subsection with respect to such financial activity in lieu of computing tax under section 5000G.

"(2) Amount of tax.—The tax imposed under this subsection shall be equal to the applicable safe harbor percentage of gross financial revenue from financial activity for the taxable year.

"(3) Applicable safe harbor percentage.—

"(A) In general.—For each taxable year, the applicable safe harbor percentage shall be 2.5 percent for the first taxable year to which this chapter applies and 5 percent for each taxable year thereafter.

"(B) Adjustment authorization.—The Secretary may establish an adjusted applicable safe harbor percentage for a taxable year based on the average effective rate of tax under this chapter, expressed as a percentage of gross financial revenue, for persons subject to tax under section 5000G for the most recent taxable year for which the Secretary determines reliable data are available.

"(4) Treatment.—Financial activity with respect to which an election is made under this subsection shall be treated as financial activity subject to tax under this chapter for purposes of chapter 7 of subtitle A.

"(5) Common control.—For purposes of this subsection, gross financial revenue of persons under common control shall be aggregated.

"(c) Anti-avoidance.—

"(1) General rule.—If a transaction, series of transactions, or organizational structure has as one of its principal purposes the avoidance or significant reduction of liability for the financial activities tax imposed by this chapter, the Secretary may recharacterize such transaction, series, or structure as appropriate to carry out the purposes of this chapter.

"(2) Undercapitalization, offshoring, and fragmentation.—The Secretary may prescribe rules to prevent the artificial shifting of profits, assets, remuneration, or financial activity outside the United States, outside a consolidated financial group, outside a person, or outside a significant financial line of business, and to ensure that persons or lines of business that are FAT-CATs in substance are treated as FAT-CATs. Such rules may aggregate financial activity conducted by persons under common control if such activity is separated, fragmented, assigned, transferred, booked, or characterized with a principal purpose of avoiding treatment as a FAT-CAT.

"(d) Returns, payments, and regulations.—

"(1) Returns.—Every FAT-CAT shall file, at such time and in such manner as the Secretary shall prescribe, a return setting forth the financial activities tax base for the taxable year and such other information as the Secretary may require.

"(2) Payments.—The financial activities tax imposed by this chapter shall be paid in monthly estimated installments, in such amounts and at such times as the Secretary shall prescribe, based on current-year or prior-year liability.

"(3) Regulations.—Not later than June 30, 2027, the Secretary shall prescribe such regulations and other guidance as may be necessary or appropriate to carry out the purposes of this chapter, including regulations coordinating this chapter with chapter 7 of subtitle A of the Internal Revenue Code of 1986 and preventing double taxation.

"(e) Coordination with value added tax.—A FAT-CAT shall not be subject to the tax imposed under chapter 7 of subtitle A with respect to financial activity subject to tax under this chapter, except that any nonfinancial line of business that is separately accounted for under section 5000G(f) shall remain subject to tax under chapter 7 of subtitle A.

"(f) Transition rules.—This chapter shall apply to taxable years beginning after December 31, 2026.

"(1) Taxable year 2027.—In the case of a taxable year beginning in 2027, the applicable percentage under section 5000G(b) shall be 6 percent.

"(2) Later taxable years.—In the case of a taxable year beginning after 2027, the applicable percentage under section 5000G(b) shall be 13 percent."

SEC. 862. VALUE ADDED TAX.

(a) Findings.—Congress finds the following:

(1) The utilization of America's productive capacity has trended downward over the last 50 years, as wages have not kept up with increases in productivity. The issuance of Treasury

Dollar Bills will enable an increase in purchasing power and drive further economic development by bridging the gap between wage income and productive output.

(2) Issuing Treasury Dollar Bills in sufficient quantities to end poverty will free up additional resources that are currently being diverted to address problems spurred by poverty, such as crime and increased health care usage. However, these quantities may cause inflation beyond normal targets; therefore, some of the increase should be taxed back ("clawed back") to remove it from circulation and fund government expenditures without borrowing money at interest.

(3) Wealth inequality distorts the marketplace and decreases the quality of life for citizens. A value added tax (VAT) is a consumption tax; those who spend the most will pay the most. Combined with unconditional basic income, it is a progressive tax.

(4) A 2011 report by the Congressional Research Service concluded, "The imposition of a VAT would cause a one-time increase in this country's price level. But a VAT would not necessarily affect this country's future rate of inflation if the Federal Reserve offset the contractionary effects of a VAT with a more expansionary monetary policy."

(5) The United States is the only member country of the Organization for Economic Cooperation and Development (OECD) without a VAT.

(6) Modern tax administration systems in other nations, including the Faroe Islands, reduce the need for taxpayers to prepare and file duplicative records. Administering a value added tax through Treasury transaction accounts could similarly enable the lifting of recordkeeping, paperwork, and other compliance burdens from business entities.

(b) Purpose.—The purpose of the value added tax is to address wealth inequality while clawing back some of the increase in the money supply.

(c) In general.—Subtitle A of the Internal Revenue Code of 1986 is amended by inserting after chapter 6 the following new chapter:

"CHAPTER 7—VALUE ADDED TAX

"SUBCHAPTER A—DEFINITIONS AND IMPOSITION OF TAX

"SUBCHAPTER B—ACCOUNTING METHOD RULES

"SUBCHAPTER C—CAPITAL CONTRIBUTIONS, MERGERS, ACQUISITIONS, AND DISTRIBUTIONS

"SUBCHAPTER D—COOPERATIVES

"SUBCHAPTER E—COORDINATION WITH FINANCIAL ACTIVITIES TAX

"SUBCHAPTER F—IMPORT TAX

"SUBCHAPTER G—RULES FOR ADMINISTRATION AND CONSOLIDATED RETURNS

"SUBCHAPTER A—DEFINITIONS AND IMPOSITION OF TAX

"SEC. 1601. Definitions.

"SEC. 1602. Value added tax imposed.

"SEC. 1603. Tax-exempt organizations.

"Sec. 1601. Definitions.

"(a) In general.—Any definition included in this chapter shall apply for all purposes of this chapter unless such definition is limited to the purposes of a particular subchapter, section, or subsection, or the definition clearly would not be applicable in a particular context. Terms not defined in this chapter, [chapter 1](#), [section 441](#), or [section 7701](#), but defined elsewhere in the Internal Revenue Code of 1986, shall be interpreted in a manner consistent with the Internal Revenue Code of 1986, except to the extent such interpretation would be inconsistent with the principles and purposes of this chapter.

"(1) Advertising.—The term 'advertising' means any activity, service, or communication, whether directly or indirectly undertaken, that has the purpose or effect of promoting, marketing, soliciting, or increasing demand for, or the sale, licensing, or use of, property or services.

"(A) Included activities.—Advertising includes marketing, promotion, public relations, sponsored content, endorsements, affiliate or referral arrangements, lead generation, customer acquisition services, and paid placement or paid distribution.

"(B) Form.—Advertising includes amounts paid or provided in cash or in kind, whether direct or indirect, whether separately stated or embedded in any fee, commission, retainer, rebate, discount, bundled service, or other arrangement.

"(2) Business activity.—The term 'business activity'—

"(A) includes, in the United States,—

"(i) the sale of property;

"(ii) the sale of services;

"(iii) the leasing of property, including real property; or

"(iv) the development of property or services—

"(I) for subsequent sale; or

"(II) for use in producing property or services for subsequent sale; and

"(B) does not include—

"(i) the performance of services by an employee for an employer that is a business entity with respect to the activity in which the employee is engaged; or

"(ii) casual or occasional sales of property used by an individual (other than in a business activity), such as the sale by an individual of a vehicle used by the individual.

"(3) Business entity.—

"(A) In general.—The term 'business entity' means—

"(i) any corporation, unincorporated association, partnership, limited liability company, proprietorship, independent contractor, individual, or any other person engaging in business activity in the United States;

"(ii) any person that possesses a Treasury transaction account under section 623(b)(9) of the POPULIST Act; or

"(iii) a governmental entity engaging in any line of commerce in any section of the country that competes with 1 or more business entities subject to tax under this chapter.

"(B) Exceptions.—Business entity does not include—

"(i) a governmental entity carrying out an essential government function; or

"(ii) a small business entity.

"(C) Individual limitation.—An individual shall be considered a business entity only with respect to the individual's business activities.

"(4) Business loss policy.—The term 'business loss policy' means an insurance policy—

"(A) owned by a business entity;

"(B) the beneficiary of which is the business entity or another business entity doing business with the owner of the policy;

"(C) that has no inside buildup or savings or investment component;

"(D) that covers losses on a loss-incurred or claims-made basis during the term of the policy;

"(E) that has a term of not more than 2 years;

"(F) that is not a direct or indirect form of compensation; and

"(G) that covers direct losses of the business, including—

"(i) damage to or theft of property used in business activity;

"(ii) tort claims against the business;

"(iii) loss of use of business premises or services;

"(iv) malpractice; or

"(v) alleged or actual breach of fiduciary obligations.

"(5) Business purchase.—The term 'business purchase' means acquiring services, the use of property, or property in the United States for use in a business activity.

"(A) Included business purchases.—Business purchases include—

"(i) supplies and inventory;

"(ii) services from a business entity;

"(iii) imports of property or services for use in a business activity, in the amount of the customs value, price, or other amount used for purposes of determining the import tax, such tax having been duly paid;

"(iv) in the case of a business involving games of skill, amounts paid to winners;

"(v) the payment of commercial rent;

"(vi) the purchase or rental of capital equipment for use in a business activity;

"(vii) amounts paid or incurred for construction or development of, improvements to, or repairs and maintenance of, real property used in a business activity (other than amounts treated as the purchase of real property); and

"(viii) premiums paid or incurred for a business loss policy.

"(B) Excluded business purchases.—Business purchases do not include—

"(i) compensation expenses for an individual (other than amounts paid to an individual in their capacity as a business entity);

"(ii) the purchase of real property;

"(iii) rental of real property other than commercial rent;

"(iv) property acquired outside the United States (but such property shall be taken into account as an import if imported);

"(v) services performed outside the United States (unless an import tax has been paid with respect to such services);

"(vi) payments for use of money or capital, such as interest or dividends (except to the extent that a portion so paid is a separately stated fee for services);

"(vii) the acquisition of savings assets or other financial instruments;

"(viii) premiums paid or incurred for an insurance policy that is not a business loss policy;

"(ix) taxes, except product taxes paid with respect to the property or services purchased;

"(x) political contributions to candidates, campaigns, causes, or parties;

"(xi) in the case of a business involving gambling, prediction markets, or other games of chance, amounts paid to winners; or

"(xii) expenses relating to advertising.

"(6) Commercial rent.—The term 'commercial rent' means any amount paid or incurred for the use or occupancy of real property in the United States in a business activity, to the extent such real property is used predominantly in such business activity and is not used as a dwelling unit.

"(A) Included charges.—Commercial rent includes amounts paid or incurred as a condition of such use or occupancy, whether or not separately stated, including common area maintenance charges, required property operating charges, and required occupancy-related fees.

"(7) Compensation expenses.—The term 'compensation expenses' means—

"(A) wages, salaries, or other cash payable for services;

"(B) any taxes imposed on the recipient that are withheld by the business entity;

"(C) the cost of property purchased to provide employees with compensation (other than property incidental to the provision of fringe benefits that are excluded from income under the individual tax); and

"(D) the cost of fringe benefits which are includible in an employee's, partner's, or proprietor's income, including (without limitation)—

"(i) contributions to retirement and severance benefit plans;

"(ii) premiums for the cost of health, life, accident, disability and other insurance policies for which the employee, family members, or persons designated by such employee or family members are the beneficiaries;

"(iii) rental of parking spaces or parking fees (unless the parking space is used for a vehicle that is regularly used in a business activity);

"(iv) employer paid educational benefits;

"(v) employer paid housing (other than housing provided for the convenience of the employer); and

"(vi) employer paid meals (other than meals provided for the convenience of the employer).

"(8) Consolidated financial group.—The term 'consolidated financial group' has the meaning given such term in section 5000F.

"(9) Deductible amounts.—The term 'deductible amounts' means the cost of business purchases, excluding any portion used to produce property or services whose sale is exempt from taxable receipts as an export.

"(10) Employee.—The term 'employee' means a person who works for another in return for financial or other compensation, and includes an individual partner who provides services to a partnership or an individual member who provides services to a limited liability company, or a proprietor with respect to compensation for services from the proprietorship.

"(11) Essential government function.—The term 'essential government function' means a function carried out primarily to promote the general welfare through the provision of services that are customarily provided on a noncompetitive basis or that operate as a network utility or natural monopoly, and includes mass transportation services and public utility services.

"(12) Financial activities tax.—The term 'financial activities tax' means the tax imposed under chapter 50C.

"(13) Financial activity; financial institution.—The terms 'financial activity' and 'financial institution' have meanings given such terms in section 5000F.

"(14) Governmental entity.—The term 'governmental entity' means the United States, any State or political subdivision thereof, the District of Columbia, or any agency or instrumentality of any of the foregoing.

"(15) Gross profits.—The term 'gross profits' means for a taxable year of a business entity, the amount by which the taxable receipts of the business entity for the taxable year exceed the deductible amounts for the business entity for the taxable year.

"(16) Import tax.—The term 'import tax' means the tax imposed by section 1651 on the import of property and the tax imposed by section 1652 on the import of services.

"(17) Internal Revenue Code of 1986.—The term 'Internal Revenue Code of 1986' means the Internal Revenue Code of 1986 as in effect immediately before the enactment of the POPULIST Act.

"(18) Person.—The term 'person' has the meaning given such term in section 7701(a)(1).

"(19) Prediction market.—

"(A) In general.—The term 'prediction market' means any market, platform, exchange, or arrangement for buying, selling, trading, or settling contracts or other instruments if—

"(i) the contracts or instruments pay out based in whole or in material part on the occurrence, nonoccurrence, extent, timing, or outcome of 1 or more future events or other factual matters; and

"(ii) the contracts or instruments are marketed to, or predominantly used by, persons whose only financial exposure is the contract or instrument itself.

"(20) Product tax.—The term 'product tax' means any excise tax, sales or use tax, customs duty, or other tax, duty, or levy imposed by a Federal, State, or local government (excluding the import tax), whether imposed on the seller or purchaser and whether or not separately stated—

"(A) on the production or consumption of property;

"(B) on the extraction or severance of natural resources; or

"(C) on the provision of services.

"(21) Property.—The term 'property' means a product for purchase or sale, and does not include real property unless specified or would clearly be applicable in a particular context.

"(22) Saving asset.—The term 'saving asset' means a stock, bond, security, certificate of deposit, investment in a partnership or limited liability company, share of a mutual fund, life insurance policy, annuity, or other similar savings or investment asset.

"(23) Secretary.—The term 'Secretary' means the Secretary of the Treasury.

"(24) Small business entity.—The term 'small business entity' means a business entity whose taxable receipts for the taxable year are less than 3 times the basic wage, as calculated in section 1398c of title 42, United States Code. The term excludes any entity that, during such taxable year, possesses a Treasury transaction account under section 623(b)(9) of the POPULIST Act.

"(25) Taxable receipts.—

"(A) In general.—The term 'taxable receipts' means all receipts from the sale of property, the use of property, or services performed in the United States.

"(B) Included receipts.—Taxable receipts include—

"(i) amounts received for playing games of chance or games of skill by business entities engaging in the activity of providing such games;

"(ii) the fair market value of property, the use of property, or services received in whole or partial exchange for property, the use of property, or services;

"(iii) in the case of a business entity that is not a financial institution, interest, fees, finance charges, late payment charges, installment payment charges, or similar amounts received in connection with the sale or lease of property, the use of property, or the performance of services by such business entity;

"(iv) receipts from the performance of services, including—

"(I) permitting the use of property, including the rental of real estate;

"(II) a performance for entertainment purposes;

"(III) a presentation of ads or other advertising;

"(IV) creating an obligation to the performance of services or to reimbursement, including the granting of warranties, insurance, and similar items; and

"(V) the making of a covenant not to compete or similar agreement to refrain from doing something; and

"(v) amounts received under a business loss policy; and

"(vi) in the case of a sale or other disposition of real property used in a business activity, only the excess, if any, of the proceeds over the carried cost of such real property. For purposes of this clause, the term 'carried cost' means the amount paid or incurred by the seller to acquire such real property, reduced by any portion of such cost previously taken into account as a cost of business purchases under this chapter, and adjusted as the Secretary may prescribe to prevent avoidance.

"(C) Excluded receipts.—Taxable receipts do not include—

"(i) contributions of cash to a business entity;

"(ii) any separately stated product tax collected by a business entity in connection with the sale of property or services or the use of property;

"(iii) receipts attributable to financial activity subject to tax under chapter 50C, except as provided in subchapter E;

"(iv) amounts received under an insurance policy that is not a business loss policy; or

"(v) amounts received by the exporter thereof for property, transportation of property, or services exported from the United States for use or consumption outside the United States, unless such exports are subject to [chapter 39 of title 22](#), United States Code. If property or services are sold to a governmental entity or a tax-exempt organization for export and are exported other than in an activity of such entity which is subject to the value added tax, then the seller of such property or services is deemed to be the exporter thereof.

"(26) United States.—The term 'United States' means the States and the District of Columbia.

"Sec. 1602. Value added tax imposed.

"(a) In general.—A value added tax is imposed on business activities in the United States by a business entity for each taxable year.

"(b) Rate.—The amount of the tax is 10 percent of the gross profits of the business entity, but in no case less than \$0.

"(c) Regulations.—Not later than June 30, 2027, the Secretary shall promulgate regulations and other guidance necessary or appropriate to implement the value added tax in a manner consistent with this chapter.

"(d) Effective date.—Subsection (a) shall be effective January 1, 2028.

"Sec. 1603. Tax-exempt organizations.

"(a) Definitions.—In this section:

"(1) Trade or business.—

"(A) In general.—The term 'trade or business' includes any activity which is carried on for the production of income from the sale of goods or the performance of services.

"(B) Larger activities.—An activity does not lose identity as a trade or business merely because it is carried on within a larger aggregate of similar activities or within a larger complex of other endeavors which may, or may not, be related to the exempt purposes of the organization.

"(C) Profitability.—If an activity carried on for profit constitutes an unrelated trade or business, no part of such trade or business shall be excluded from such classification merely because it does not result in profit.

"(D) Certain business activities.—An activity shall not be considered a trade or business solely because the activity is a business activity, including certain passive rental activity, that would be subject to the value added tax if conducted by a business entity other than a tax-exempt organization.

"(E) Trade shows.—The conduct of trade shows and conventions shall not be excluded from the definition of trade or business.

"(2) Unrelated business activity.—

"(A) In general.—The term 'unrelated business activity' means any trade or business the conduct of which is not substantially related, aside from the need of the organization for income or funds or the use it makes of the profits derived, to the exercise or performance by the organization of its charitable, educational, or other purpose or function constituting the basis for its exemption under section 501.

"(B) Exceptions.—The term 'unrelated business activity' does not include any trade or business—

"(i) in which substantially all the work in carrying on such trade or business is performed for the organization without compensation;

"(ii) which is carried on, in the case of an organization described in section 501(c)(3) or a college or university described in subsection (d)(2), by the organization primarily for the convenience of its members, students, patients, officers, or employees, including the sale by the organization of work-related clothes and equipment and items normally sold through vending machines, food dispensing facilities, or snack bars for the convenience of its members at their usual places of employment; or

"(iii) which is the selling of merchandise, substantially all of which has been received by the organization as gifts or contributions.

"(b) Exemption from taxation.—An organization described in subsection (c) or (d) of section 501 and exempt from tax under section 501(a) shall be exempt from taxation under this chapter.

"(c) Tax on unrelated business activity.—

"(1) In general.—An organization described in subsection (d) shall be subject to the tax imposed under section 1602 on gross profits attributable to unrelated business activity.

"(2) Account overlay.—An organization described in subsection (d) shall conduct receipts and payments attributable to unrelated business activity through a Treasury transaction account described in section 623(b)(9) of the POPULIST Act, provided that such account may be an overlay account pursuant to section 623(c) of such Act.

"(3) Tax-exempt status preserved.—An organization exempt from taxation under subsection (b) shall be considered a tax-exempt organization for purposes of any law that refers to tax-exempt organizations.

"(d) Organizations subject to tax on unrelated business activity.—This section shall apply to—

"(1) organizations exempt from the tax imposed under section 1602 under subsection (b), other than instrumentalities of the United States; and

"(2) any college or university that is an agency or instrumentality of any government or political subdivision thereof, any college or university owned or operated by any government or political subdivision thereof or by any agency or instrumentality of 1 or more governments or political subdivisions, and any corporation wholly owned by 1 or more such colleges or universities.

"(e) Regulations.—The Secretary shall prescribe regulations carrying out this section, including regulations defining a trade or business and carrying out subsection (c)(2). Such regulations shall be consistent with sections 511 through 513, except to the extent such provisions are inconsistent with this chapter.

"SUBCHAPTER B—ACCOUNTING METHOD RULES

"SEC. 1611. General accounting rules.

"SEC. 1612. Use of the cash method of accounting.

"SEC. 1613. Taxable year.

"SEC. 1614. Long-term contracts.

"SEC. 1615. Post-sale price adjustments and refunds.

"SEC. 1616. Bad debts.

"SEC. 1617. Transition rules.

"Sec. 1611. General accounting rules.

"(a) In general.—Except as provided in section 1612, a business entity shall use an accrual method of accounting for purposes of determining the timing of recognition of taxable receipts and deduction of business purchases. All costs of business purchases shall be deducted when incurred (in the case of a business entity using the accrual method of accounting) or when paid (in the case of a business entity using the cash method of accounting) without regard to whether the business purchases are for or relate to—

"(1) inventory;

"(2) assets with a useful life of more than 1 year; or

"(3) property that will be used to produce other property.

"(b) Economic performance.—For purposes of determining whether an amount has been incurred, the all events test shall not be treated as met any earlier than when economic performance with respect to such item occurs.

"(c) Consistent accounting methods.—Except as otherwise expressly provided in this chapter, a business entity shall secure the consent of the Secretary before changing the method of accounting by which it determines gross profits. This provision shall not apply to changes required by the adoption of the value added tax.

"Sec. 1612. Use of the cash method of accounting.

"(a) In general.—A business entity that was permitted to use and used the cash method of accounting under the Internal Revenue Code of 1986 shall be permitted to continue to use the cash method of accounting.

"(b) New business entities.—A new business entity shall be permitted to use the cash method of accounting if permitted to under regulations prescribed by the Secretary.

"(c) Change or expansion of business.—Subsection (a) shall cease to apply to a business entity that changes or expands its business such that under regulations prescribed by the Secretary it is no longer eligible to use the cash method of accounting.

"(d) Regulations.—

"(1) Use of cash method.—The Secretary shall prescribe regulations defining which business entities may use the cash method of accounting. In general, those regulations shall be consistent with the rules under sections 447 and 448 of the Internal Revenue Code of 1986. The regulations shall not require a business entity described in subsection (a) to convert to the accrual method prior to January 1, 2028.

"(2) Change in accounting method.—The Secretary shall prescribe regulations to prevent double counting of taxable receipts and deductible expenses in the case of a change in accounting method.

"Sec. 1613. Taxable year.

"(a) Computation of gross profits.—Gross profits shall be computed on the basis of a business entity's taxable year.

"(b) Transition rule for business entities with a fiscal year.—

"(1) In general.—A business entity with a taxable year that is not the calendar year shall have a short taxable year ending on December 31, 2027, and a subsequent taxable year beginning on January 1, 2028, and ending on the day immediately preceding the beginning of the business entity's next fiscal year.

"(2) Business entities with 52–53 week year ending in December.—

"(A) In general.—If a business entity has a 52–53 week taxable year (under the Internal Revenue Code of 1986) that ends in December 2027, it may elect to begin its first taxable year for the value added tax on the first day immediately following the last day of such taxable year.

"(B) No election.—If a business entity that has a 52–53 week taxable year that ends in December 2027, does not make the election under subparagraph (A) or is prohibited from making such election by subparagraph (C), the business entity's taxable year under the Internal Revenue Code of 1986 that would end in December 2027 shall end on December 31, 2027.

"(C) Anti-abuse rule.—Subparagraph (A) shall not apply to any taxpayer that enters into business transactions in 2027 following the scheduled end of its fiscal year with business entities that are not subject to the value added tax at the time of such transactions if such transactions deviate from the normal course of business in order to achieve some tax benefit.

"(c) New business entity.—The taxable year of a business entity that begins business activity after December 31, 2026, shall be the calendar year (or a 52–53 week fiscal year ending in December) unless the business entity can demonstrate a business reason for selecting an accounting period other than the calendar year.

"Sec. 1614. Long-term contracts.

"(a) In general.—In the case of a long-term contract—

"(1) Contractor expenses.—The contractor shall be entitled to deduct its business purchases when paid or incurred.

"(2) Contractor receipts.—The contractor shall recognize taxable receipts—

"(A) in the case of a project in which the acquirer has no ownership interest in the project until delivery—

"(i) upon delivery of the project, in the case of an accrual basis contractor; or

"(ii) upon the later of delivery of the project or the receipt of payment, in the case of a cash-basis contractor.

"(B) in the case of a project in which the acquirer obtains an ownership interest as the project is constructed—

"(i) when the contractor is entitled to payments, in the case of an accrual basis contractor; or

"(ii) upon the later of when the contractor receives the cash or is entitled to payments, in the case of a cash basis contractor.

"(3) Acquirer expenses.—The acquirer that is a business entity shall be entitled to deduct its costs of the business purchase—

"(A) in the case of a cash-basis acquirer, at such time as a cash basis contractor would be required to treat the amounts paid as taxable receipts; or

"(B) in the case of an accrual-basis acquirer, at such time as an accrual basis contractor would be required to treat the amounts paid or due as taxable receipts.

"(b) Claim on payments.—

"(1) In general.—A contractor shall be treated as having a just claim to payments with respect to a project at any time to the extent that the contractor would not be required to return payments received (or would be entitled to collect payments not yet received) if the project were terminated at such time by the contractor.

"(2) Contractual provisions.—If a long-term contract includes a procedure for paying the contractor as work is completed (for example, by reason of a draw down from a trust account), the contractual provisions shall generally govern when a contractor may claim a payment.

"(3) Percentage completion method of accounting.—If a long-term contract does not include a mechanism for paying the contractor as work is completed, the percentage-of-completion method of accounting shall be used to determine the timing of taxable receipts of the contractor and business purchases of the acquirer.

"(c) Long-term contract.—

"(1) In general.—'Long-term contract' means—

"(A) any contract that covers service or production through parts of 2 different calendar years if the contract includes a formal deposit and draw-down mechanism; and

"(B) any contract for the manufacture, building, installation, or construction of property or real property if such contract is not completed within the taxable year of the contractor in which such contract is entered into.

"(2) Exception.—A contract for the manufacture of property shall not be treated as a long-term contract unless such contract involves the manufacture of—

"(A) any unique item of a type which is not normally included in the finished goods inventory of the taxpayer; or

"(B) any item which normally requires more than 12 calendar months to complete.

"(d) Consistency.—The Secretary may require business entities to file statements containing such information with respect to long-term contracts as the Secretary may prescribe to ensure consistency in reporting.

"(e) Foreign contracts.—This section shall not be construed to permit a deduction for a business purchase for the cost of property produced outside the United States pursuant to a long-term contract at any time prior to the import of such property into the United States.

"Sec. 1615. Post-sale price adjustments and refunds.

"(a) Receipt of price adjustment.—In the case of a post-sale price adjustment attributable to a business purchase which was taken into account in computing gross profits for a prior taxable year, the amount of such adjustment shall be treated as a reduction or increase, as the case may be, in the cost of business purchases for the taxable year in which the adjustment is made or incurred.

"(b) Issuance of price adjustment.—In the case of a post-sale price adjustment attributable to a sale the receipts from which were taken into account in determining taxable receipts for a prior

taxable year, the amount of such adjustment shall be treated as a reduction or increase, as the case may be, in taxable receipts for the taxable year in which the adjustment is made or incurred.

"(c) Post-sale price adjustment.—'Post-sale price adjustment' means a refund, rebate, or other price allowance attributable to a sale of property or services or an upward adjustment in price that was not previously taken into account under the business entity's method of accounting.

"Sec. 1616. Bad debts.

"(a) Seller.—If an amount owed to an accrual basis business entity for property or services sold—

"(1) was taken into account as a taxable receipt in a prior taxable year; and

"(2) becomes wholly or partially uncollectible during the taxable year, then the seller shall treat the amount as a reduction in taxable receipts for the taxable year in which it becomes wholly or partially uncollectible.

"(b) Notice requirement.—No reduction shall be allowed under subsection (a) unless the seller notifies the purchaser of the amount which the seller has treated as wholly or partially uncollectible.

"(c) Subsequent collection.—If an amount which was treated as uncollectible under subsection (a) is subsequently collected, it shall be treated as a taxable receipt when collected.

"(d) Purchaser.—If a purchaser receives notice under subsection (b) from a seller and the purchaser has treated the amount labeled uncollectible as a business purchase in a prior taxable year, then the purchaser shall treat such amount as a reduction in the cost of business purchases in the taxable year to which the notice relates. If the purchaser subsequently repays such amount, the repayment shall constitute the cost of a business purchase.

"Sec. 1617. Transition rules.

"(a) No double deductions.—A business entity shall not be entitled to treat as a cost of business purchase any amount that was paid or incurred, and was taken into account as a deduction, credit, or capitalized cost, for purposes of the Internal Revenue Code of 1986 in a taxable year ending before January 1, 2028.

"(b) No double inclusion.—A business entity shall not be required to include in taxable receipts any receipt that was received or accrued, and was taken into account in gross income, for purposes of the Internal Revenue Code of 1986 in a taxable year ending before January 1, 2028.

"(c) No loss of deduction.—If an amount is paid or incurred after December 31, 2027, and such amount would constitute a cost of business purchase under this chapter, such amount shall be treated as a cost of business purchase when paid or incurred under the accounting method applicable under this chapter, notwithstanding that the amount may relate to activities occurring before January 1, 2028.

"(d) All taxable receipts taxed.—If a receipt is received or accrued after December 31, 2027, and such receipt would constitute taxable receipts under this chapter, such receipt shall be treated as taxable receipts when received or accrued under the accounting method applicable under this chapter, notwithstanding that the receipt may relate to activities occurring before January 1, 2028.

"(e) Regulations.—The Secretary shall prescribe regulations as necessary to carry out this section, including regulations to prevent avoidance, duplication, or omission of taxable receipts or costs of business purchases by reason of the transition to this chapter.

"SUBCHAPTER C—CAPITAL CONTRIBUTIONS, MERGERS, ACQUISITIONS, AND DISTRIBUTIONS

"SEC. 1621. Contributions to a business entity.

"SEC. 1622. Distributions of property.

"SEC. 1623. Asset acquisitions.

"SEC. 1624. Mergers and stock acquisitions.

"SEC. 1625. Spin-offs, split-offs, etc.

"SEC. 1626. Allocation of certain tax attributes.

"Sec. 1621. Contributions to a business entity.

"(a) By business entity.—

"(1) Cash.—If a business entity contributes cash to a business entity of which it is or becomes a partial or full owner, the amount contributed is not a deductible amount to the contributor or a taxable receipt to the recipient.

"(2) Property or services.—If a business entity contributes property or services to a business entity of which it is or becomes a partial or full owner, the transaction will not result in taxable receipts to the contributor or a deduction for a business purchase for the recipient and will not constitute a sale resulting in taxable receipts to the contributor.

"(b) By individual.—

"(1) Cash.—If an individual contributes cash to a business entity, the cash received is not a taxable receipt.

"(2) New property.—If an individual contributes to a business entity property that the individual purchased for the business entity but which was not used by any person after its purchase, the property shall be considered purchased by such business entity from the person from which the individual purchased the property.

"(3) Personal use property.—

"(A) In general.—If an individual contributes personal use property to a business entity in which the individual has an ownership interest or for which the individual receives an ownership interest, the business entity shall not be permitted to deduct the value of the property received as a business expense. For purposes of this subchapter, the contributed property shall be treated as having a carried cost equal to the amount paid or incurred by the contributor to acquire such property.

"(B) Personal use property.—'Personal use property' means any property used by an individual at any time other than in a business activity.

"(4) Services.—If an individual contributes services to a business entity in which the individual has an ownership interest or receives an ownership interest, the business entity shall not be permitted to deduct the value of the services received (or the value of the equity interest provided to the services provider).

"Sec. 1622. Distributions of property.

"(a) Distributions other than to controlling business.—If a business entity distributes all or a portion of its assets to its owners (other than a controlling business entity), the business entity will be treated as if it sold the assets to its owners at fair market value. The fair market value will be determined by the distributing business entity and those determinations, unless unreasonable, will be binding on the recipients.

"(b) Distributions to a controlling business.—If a business entity distributes all or a portion of its assets to a controlling business, the controlling business will assume the distributing entity's tax attributes with respect to the assets and neither entity will have taxable receipts or a deduction as a result of the transaction.

"(c) Distribution of personal use property.—If personal use property is distributed to the individual who contributed the personal use property to a business entity, then, solely for purposes of subsection (a), the fair market value of the property shall be treated as not less than—

"(1) the carried cost of such property (as determined under section 1621(b)(3)(A)); plus

"(2) any enhancement in value of the property attributable to business purchases with respect to the property.

"(d) Controlling business entity.—A business entity is a 'controlling business entity' with respect to another business entity if it owns directly or indirectly more than 50 percent of the profits or capital interest in the other business entity.

"(e) Application of this section.—This section applies to both liquidating and nonliquidating distributions. Property shall be treated as distributed if the property is used for a purpose other than use in a business activity for more than an insubstantial period of time during a taxable year.

"Sec. 1623. Asset acquisitions.

"(a) In general.—If a business entity transfers some or all of its assets, the consideration received for such assets shall be allocated among the assets transferred in the same manner as was required by [section 1060](#) of the Internal Revenue Code of 1986. If the transferee and transferor agree in writing on the allocation of any consideration, or as to the fair market value of any of the assets, such agreement shall be binding on both the transferor and transferee unless the Secretary determines that such allocation (or fair market value) is not appropriate.

"(b) Tax consequences.—The tax consequences of an asset acquisition shall be determined in accordance with the rules of this chapter and shall be dependent upon allocations made under subsection (a). In general, consideration allocable to savings assets, such as stock in another business entity, would not be included in taxable receipts of the transferor and would not be a

business purchase of the purchaser, but consideration allocable to the sale of tangible property and intangible property (other than savings assets) will constitute taxable receipts of the seller and a business purchase of the purchaser.

"(c) Election to treat asset acquisition as a stock acquisition.—In the case of the sale of substantially all of the assets of a business entity or substantially all of the assets of a line of business or a separately standing business of a business entity, the transferee and transferor can jointly elect to treat the acquisition as if it were an acquisition of the ownership interests of a business entity holding the assets so transferred. In such case, the rules of section 1624 shall apply.

"(d) Authority to require allocation agreement and notice to the Secretary.—If the Secretary determines that certain types of asset acquisitions have significant possibilities of tax avoidance, the Secretary may require—

"(1) parties to such types of acquisitions to enter into agreements allocating consideration;

"(2) parties to acquisitions involving certain kinds of assets to enter into agreements allocating part of the consideration to those assets; or

"(3) parties to certain acquisitions to report information to the Secretary.

"(e) Asset acquisition rules do not apply if consideration includes equity in purchaser.—

"(1) In general.—If a business entity issues its own equity or equity in a subsidiary or other controlled entity as part of the consideration for the transfer of assets to it, the transaction shall not be treated as an asset acquisition and shall be treated in accordance with rules prescribed by the Secretary.

"(2) Equity.—For purposes of this subsection, equity means—

"(A) stock, in the case of a corporation;

"(B) partnership or similar interest, in the case of a partnership or limited liability company; and

"(C) an ownership interest or interest in profits in the case of any other business entity.

"Sec. 1624. Mergers and stock acquisitions.

"(a) Mergers.—A merger of 1 business entity into another or 2 business entities into a third business entity or any other similar transaction shall have no direct consequences under the tax imposed by this chapter. The surviving entity shall assume the tax attributes of the merged business entities.

"(b) Stock acquisition.—The acquisition of all or substantially all of the ownership interest in 1 business entity shall have no direct consequences under the tax imposed by this chapter if the acquisition is made—

"(1) for cash; or

"(2) in exchange for an ownership interest in the acquiring entity or an entity controlled by the acquiring entity.

"Sec. 1625. Spin-offs, split-offs, etc.

"A spin-off, split-off, or split-up of a business entity shall have no direct consequences under the tax imposed by this chapter.

"Sec. 1626. Allocation of certain tax attributes.

"The Secretary shall prescribe rules for allocation of tax attributes in cases of substantial shifts of assets from 1 business entity to another business entity. Under such rules, a portion of a business entity's tax attributes may be deemed transferred when assets are transferred.

"SUBCHAPTER D—COOPERATIVES

"SEC. 1631. Patronage dividends of cooperatives.

"Sec. 1631. Patronage dividends of cooperatives.

"(a) Definitions.—In this section:

"(1) Qualified patronage dividend.—The term 'qualified patronage dividend' means that part of a patronage dividend that is attributable to the patron's allocable share of patronage earnings of a marketing cooperative or a supply cooperative.

"(2) Supply cooperative.—The term 'supply cooperative' means a cooperative that sells goods or services to patrons and provides patronage dividends with respect to the quantity of purchases of the patrons.

"(3) Marketing cooperative.—The term 'marketing cooperative' means a cooperative that sells goods produced by its members and provides patronage dividends to the members based on the quantities of goods sold or provided for sale.

"(b) Patronage dividends paid by supply cooperatives.—A qualified patronage dividend paid by a supply cooperative to a patron shall be treated as if it is a refund of a portion of the amounts paid by the patron for goods, services, or use of capital. In general, if the supply cooperative included the amount received from the patron in taxable receipts, the dividend shall reduce taxable receipts in the taxable year in which the dividend is paid or incurred. If the recipient of the dividend is a business entity that deducted the cost of business purchases to which the dividend related, the recipient shall reduce its cost of business purchases by the amount of the dividend in the taxable year in which the dividend is paid or incurred.

"(c) Patronage dividends paid by marketing cooperatives.—A qualified patronage dividend paid to a patron by a marketing cooperative shall be treated as an upward price adjustment in the amount received by the patron for its goods marketed by the cooperative. In general, the cooperative shall increase its cost of business purchases by the amount of the qualified patronage dividend and the recipient shall increase its taxable receipts by the amount of the qualified patronage dividend.

"(d) Limitation.—Only the portion of a patronage dividend that is a qualified patronage dividend may—

"(1) reduce taxable receipts under subsection (b); or

"(2) increase the cost of business purchases under subsection (c).

"(e) Special rules.—

"(1) Notices of allocation and per-unit retain certificates.—Except as provided in paragraph (2), a notice of allocation, per-unit retain certificate, or other similar document shall not be treated as a patronage dividend until it is redeemed in cash or property.

"(2) Opportunity to receive cash.—If a patron is given an opportunity to receive a patronage dividend in cash, but instead chooses to accept a per-unit retain certificate or a qualified notice of allocation, the patron shall be treated as receiving cash and simultaneously contributing to the capital of the cooperative.

"(3) Application limited to qualified cooperatives.—Under rules to be prescribed by the Secretary, this section shall apply only to cooperatives to which 1 of the following provisions of the Internal Revenue Code of 1986 would have applied:

"(A) section 501(c)(12) (relating to cooperative telephone companies and similar organizations);

"(B) section 501(c)(14) (relating to certain cooperative banks);

"(C) [section 521](#) (relating to farm cooperatives); or

"(D) [section 1381](#) (relating to cooperatives generally).

"(4) Regulations.—The Secretary shall prescribe regulations for the application of this section. The regulations shall generally be consistent with subchapter T of chapter 1 of the Internal Revenue Code of 1986 except to the extent that such rules are inconsistent with provisions of this chapter.

"SUBCHAPTER E—COORDINATION WITH FINANCIAL ACTIVITIES TAX

"SEC. 1641. Financial activities excluded from the value added tax.

"SEC. 1642. Nonfinancial lines of business.

"SEC. 1643. Mixed transactions and anti-avoidance.

"SEC. 1644. Coordination with chapter 50C.

"Sec. 1641. Financial activities excluded from the value added tax.

"(a) In general.—No tax shall be imposed under section 1602 with respect to financial activity subject to tax under chapter 50C.

"(b) Business purchases.—Nothing in this subchapter shall be construed to disallow a business purchase solely because the payment is made with respect to financial activity, except to the extent the payment is excluded from the definition of business purchase under section 1601 or in regulations prescribed by the Secretary to prevent double taxation or omission of taxable value.

"(c) Rule of construction.—Nothing in this section shall be construed to exempt from tax under section 1602 any nonfinancial line of business described in section 1642.

"Sec. 1642. Nonfinancial lines of business.

"(a) In general.—A nonfinancial line of business of a financial institution or consolidated financial group shall remain subject to the tax imposed under section 1602 if the nonfinancial line of business is separately accounted for under rules prescribed by the Secretary.

"(b) Reallocation authority.—The Secretary may reallocate receipts, business purchases, compensation expenses, assets, liabilities, or other items between financial and nonfinancial lines of business as necessary to prevent avoidance of this chapter or chapter 50C.

"Sec. 1643. Mixed transactions and anti-avoidance.

"(a) Mixed transactions.—The Secretary shall prescribe regulations for the treatment of transactions that include both financial activities and nonfinancial activities.

"(b) Anti-avoidance.—The Secretary shall prescribe regulations to prevent avoidance of this chapter or chapter 50C through bundling, recharacterization, related-party arrangements, artificial separation of financial and nonfinancial activities, allocation of shared expenses, or any other transaction, structure, or arrangement having a principal purpose of avoiding tax under this chapter or chapter 50C.

"Sec. 1644. Coordination with chapter 50C.

"(a) In general.—The Secretary shall prescribe regulations coordinating this chapter with chapter 50C.

"(b) Required coordination.—Regulations prescribed under subsection (a) shall include rules to prevent double taxation, prevent omission of taxable value, coordinate the treatment of mixed lines of business within a consolidated financial group, and ensure that amounts attributable to nonfinancial lines of business remain subject to tax under this chapter.

"SUBCHAPTER F—IMPORT TAX

"SEC. 1651. Imposition of tax on imported property.

"SEC. 1652. Imposition of tax on import of services.

"SEC. 1653. Import or export of services.

"SEC. 1654. International transportation services.

"SEC. 1655. International communications.

"SEC. 1656. Financial, banking, and insurance services.

"Sec. 1651. Imposition of tax on imported property.

"(a) General rule.—There is hereby imposed a tax equal to 10 percent of the customs value of all property entered into the United States for consumption, use, or warehousing.

"(b) Liability for tax.—The tax imposed on the import of property by subsection (a) shall be paid by the person entering the property into the United States for consumption, use, or warehousing. Such tax shall be due and payable at the time of import.

"(c) Imports of previously exported property.—In the case of any article that is classified under a heading or subheading of subchapter I or II of chapter 98 of the [Harmonized Tariff Schedule of the United States](#), the tax under this section shall be imposed only on that portion of the customs value of such article that is dutiable under such heading or subheading.

"(d) Imports for personal consumption.—The import tax imposed by this section shall not apply to any article entered into the United States duty free under subchapters I through VII of chapter 98 of the [Harmonized Tariff Schedule of the United States](#) for personal consumption.

"(e) Use in a business activity.—Property being held for sale or retail by a business entity that is in the business of selling goods shall be considered held for use in a business activity.

"(f) Exception for certain commodities and products.—The import tax imposed by this section shall not apply to petroleum, petroleum products, or such commodities or products as the President shall by Executive Order determine to be in short supply and vital to national security.

"Sec. 1652. Imposition of tax on import of services.

"(a) General rule.—There is hereby imposed a tax equal to 10 percent of the cost of all services treated as imported into the United States during the taxable year of the service recipient.

"(b) Liability for the tax.—Except as provided in section 1656(d), the tax on the import of services imposed by subsection (a) shall be paid by the business entity that receives the imported services. The tax shall be payable as if it were an addition to the tax imposed under section 1602.

"(c) Imported services.—For purposes of this section, services shall be treated as imported if they are treated as imported under section 1653 or section 1656.

"Sec. 1653. Import or export of services.

"(a) In general.—Services shall not be treated as imported or exported from the location in which they are performed, except as otherwise provided in this subchapter or in regulations prescribed under this subchapter.

"(b) Import of services.—A business entity shall be treated as importing a service if—

"(1) the entire benefit of the service will be realized in the United States; and

"(2) the benefit will be realized in connection with the United States business activities of the business entity.

"(c) Export of services.—A business entity shall be treated as exporting a service if—

"(1) the entire benefit of the service will be realized outside of the United States; and

"(2) the benefit will be realized solely in connection with the activities of the purchaser occurring outside the United States.

"(d) Services acquired from service provider that provides services in and outside the United States.—

"(1) In general.—If a business entity acquires services from a service provider that provides services both in and outside the United States and the service provider shows on the invoice where the services are provided—

"(A) the business entity shall treat the services as provided where stated on the invoice; and

"(B) the service provider shall treat as taxable receipts any services listed as provided in the United States.

"(2) No invoice.—If a business entity acquires services from a service provider that provides services both in and outside the United States and the service provider does not show on an invoice where such services are provided—

"(A) the business entity shall treat the services as if provided in the location to which payment is sent; and

"(B) the service provider shall treat as taxable receipts any payments received in the United States.

"(e) Mixed-benefit services.—If a service provides benefits that are realized both in the United States and outside the United States, then, under regulations prescribed by the Secretary—

"(1) the service recipient shall treat as imported only the portion of the cost of such service that is reasonably allocable to benefits realized in the United States; and

"(2) the service recipient shall treat as exported only the portion of the cost of such service that is reasonably allocable to benefits realized outside the United States.

"(f) Safe harbors.—For purposes of subsection (e), under regulations prescribed by the Secretary—

"(1) de minimis United States benefit.—If not more than 10 percent of the benefit of a service is reasonably expected to be realized in the United States, the service shall be treated as not imported; and

"(2) predominantly United States benefit.—If not less than 90 percent of the benefit of a service is reasonably expected to be realized in the United States, the service shall be treated as imported.

"(g) Election to treat mixed-benefit services as imported.—Under regulations prescribed by the Secretary, a business entity may elect to treat any service described in subsection (e) as an imported service, pay the import tax applicable to such service, and treat the cost of such service as a business purchase.

"(h) Reasonable allocation methods.—In prescribing regulations under this section, the Secretary shall permit reasonable allocation methods, consistently applied, including allocation based on employees, users, usage, revenue, or other indicators of where the benefit of the service is realized, and shall prescribe rules to prevent avoidance, including rules to reallocate amounts where the chosen method is not reasonable or is used to achieve an improper tax benefit.

"Sec. 1654. International transportation services.

"(a) Transportation of property.—

"(1) Taxable receipts.—

"(A) Exports.—Taxable receipts do not include receipts from the transportation of property exported from the United States.

"(B) Imports.—Taxable receipts include receipts from transportation of property imported into the United States only if such costs are not taken into account in determining the import tax.

"(C) Presumptions.—The Secretary shall prescribe regulations describing situations in which a transporter of property must presume that no import tax has been paid on the cost of its services.

"(2) Business purchases.—

"(A) Exports.—Business purchases do not include amounts paid or incurred for the cost of transportation of property exported from the United States.

"(B) Imports.—Amounts paid or incurred for transportation of goods imported into the United States shall constitute a cost of business purchase only to the extent that they are taken into account in determining the customs value for purposes of section 1651(a) (relating to the import tax).

"(b) Transportation of passengers.—

"(1) Taxable receipts.—Taxable receipts—

"(A) include receipts from the transportation of passengers from the United States to a destination outside the United States; but

"(B) do not include receipts from the transportation of passengers from outside the United States to a destination in the United States.

"(2) Business purchases.—Business purchases—

"(A) include amounts paid or incurred in a business activity for the transportation of passengers from the United States to a destination outside the United States; but

"(B) do not include amounts paid or incurred for transportation of passengers from outside the United States to a destination in the United States.

"(3) Simplifying rules.—The Secretary may provide rules that simplify this subsection, including rules under which—

"(A) half of receipts attributable to transportation to or from the United States are treated as taxable receipts;

"(B) half of the cost for business trips to and from the United States are treated as business purchases; and

"(C) all transportation expenses of a business entity that has no regular business outside the United States are treated as business purchases.

"Sec. 1655. International communications.

"(a) In general.—Communications services shall be treated as provided at the point of origin of the communication and shall not be treated as imported or exported.

"(b) Communications services.—The term 'communications services' means a service the principal purpose of which is the transmission or delivery of communications, but does not include a service the principal purpose of which is something other than the transmission or delivery of communications or messages merely because such service is delivered, performed, or enabled through a communications service or electronic communications network.

"Sec. 1656. Financial, banking, and insurance services.

"(a) Import tax preserved.—A service that is financial activity, including banking, lending, payment, settlement, custody, fiduciary, brokerage, dealer, market making, asset management, investment advisory, insurance, reinsurance, risk transfer, or risk pooling activity, shall not be exempt from tax under section 1652 solely because—

"(1) the service is provided by or to a financial institution;

"(2) the service is provided by or to a FAT-CAT;

"(3) receipts attributable to the service are excluded from taxable receipts under section 1601 or subchapter E; or

"(4) the service relates to financial activity subject to chapter 50C.

"(b) Imported financial services.—For purposes of section 1652, a service described in subsection (a) shall be treated as imported to the extent the benefit of the service is realized in the United States in connection with the United States business activities of the service recipient.

"(c) Insurance services.—If insurance services are provided outside the United States and the insured risk is located in the United States—

"(1) the insurance services shall be treated as imported;

"(2) the insurance premiums shall be subject to the import tax imposed under section 1652; and

"(3) payments of insurance benefits shall not be treated as imported services.

"(d) Special rule for collection of import tax on insurance premiums.—In the case of insurance premiums subject to the import tax under subsection (c)(2), the seller of the insurance shall be liable for collecting and remitting the import tax imposed under section 1652 in such manner as the

Secretary shall prescribe. If the seller fails to collect and remit such tax, the service recipient shall be liable.

"(e) Exported insurance services.—If insurance services are provided inside the United States and the insured risk is located outside the United States—

"(1) the insurance services shall be treated as exported; and

"(2) payments of insurance benefits shall be treated as payments for services outside the United States and shall not be treated as costs of business purchases.

"(f) Regulations.—The Secretary shall prescribe regulations to carry out this section, including regulations—

"(1) determining the location of insured risks, financial activities, and the benefit of financial, banking, and insurance services;

"(2) coordinating this section with chapter 50C and subchapter E to prevent double taxation and omission of taxable value;

"(3) applying this section to mixed-benefit services, affiliated groups, pass-through arrangements, reinsurance, and services provided in part inside and in part outside the United States; and

"(4) preventing avoidance through booking location, affiliate arrangements, contractual characterization, or separation of financial and nonfinancial activities.

"(g) Insurance services.—The term 'insurance services' means the provision of insurance and services related to insurance other than insurance that is treated as a saving asset.

"SUBCHAPTER G—RULES FOR ADMINISTRATION AND CONSOLIDATED RETURNS

"SEC. 1661. Returns, due dates, etc.

"SEC. 1662. Consolidated returns.

"SEC. 1663. Seller liable for tax; deposits of tax.

"SEC. 1664. Secretary to be notified of certain events.

"SEC. 1665. Regulations.

"Sec. 1661. Returns, due dates, etc.

"(a) In general.—Until subtitle F is amended to reflect the adoption of this chapter, the rules of subtitle F relating to C corporations shall apply to business entities with respect to—

"(1) returns and records;

"(2) time and place for paying tax;

"(3) assessment of taxes;

- "(4) collections and liens;
- "(5) abatements, credits, and refunds;
- "(6) interest on underpayments and overpayments;
- "(7) additions to tax and penalties;
- "(8) closing agreements and compromises;
- "(9) crimes;
- "(10) judicial proceedings;
- "(11) discovery of liability and enforcement; and
- "(12) estimated taxes.

"(b) Individuals engaging in business activities.—Under rules prescribed by the Secretary, individuals engaging in business activities on their own or with their spouses shall be permitted to file their business tax returns with their individual tax returns and shall be subject to estimated tax rules for individual income tax returns.

"Sec. 1662. Consolidated returns.

"(a) In general.—Business entities may file consolidated returns of business tax if they would have been permitted to file consolidated returns under [section 1501](#) and such section were applied by treating each business entity as a corporation and its owners or partners as shareholders.

"(b) Financial institutions.—Financial institutions may be included in consolidated returns only with respect to nonfinancial lines of business subject to tax under this chapter, and each such line of business shall compute gross profits separately under rules prescribed by the Secretary.

"(c) Intercompany transactions.—In computing the gross profits of a consolidated group, intercompany transactions shall be disregarded, except as provided in regulations prescribed by the Secretary. The regulations shall provide rules necessary to prevent double taxation, prevent omission of taxable value, coordinate transactions involving financial activities or financial institutions, address transactions with persons outside the consolidated group, and prevent avoidance of this chapter or chapter 50C.

"Sec. 1663. Seller liable for tax; deposits of tax.

"(a) Seller liable for tax.—The person selling the property or services shall be liable for the tax imposed by section 1602.

"(b) Deposits required.—Each business entity subject to tax under section 1602 shall make deposits of estimated tax not less frequently than quarterly, in such manner as the Secretary shall prescribe. The Secretary may require more frequent deposits for business entities with larger estimated liabilities and may provide simplified deposit rules, annual payment rules, or de minimis exceptions for business entities with minimal estimated liabilities.

"(c) Taxable period.—For purposes of this chapter—

"(1) In general.—The term 'taxable period' means a calendar quarter.

"(2) Exception.—

"(A) Election of 1-month period.—If the taxpayer so elects, the term 'taxable period' means a calendar month.

"(B) Other periods.—To the extent provided in regulations, the term 'taxable period' includes a period, other than a calendar quarter or month, selected by the taxpayer.

"(d) Tax point.—For purposes of this chapter—

"(1) Chapter 1 rules with respect to seller govern.—Except as provided in paragraph (2), the tax point for any sale of property or services is the earlier of—

"(A) the time (or times) when any income from the sale should be treated by the seller as received or accrued (or any loss should be taken into account by the seller) for purposes of chapter 1; or

"(B) the time (or times) when the seller receives payment for the sale.

"(2) Imports.—In the case of the importing of property, the tax point is when the property is entered, or withdrawn from warehouse, for consumption in the United States.

"Sec. 1664. Secretary to be notified of certain events.

"To the extent provided in regulations, each person engaged in a business shall notify the Secretary (at such time or times as may be prescribed by such regulations) of any change in the form in which a business is conducted or any other change which might affect the liability for the tax imposed by section 1602 or the amount of such tax or any credit against such tax, or otherwise affect the administration of such tax in the case of such person.

"Sec. 1665. Regulations.

"(a) In general.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this chapter.

"(b) Anti-avoidance.—The Secretary shall prescribe such rules and regulations as may be necessary to prevent avoidance of this subchapter, including through—

"(1) material omissions of taxable value; and

"(2) the restructuring or fragmentation of entities, receipts, expenses, taxable periods, or lines of business.

"(c) Treasury-recognized accounts and receipts.—The Secretary shall prescribe rules under which receipts, payments, refunds, adjustments, taxes, and other records made through Treasury transaction accounts established under section 623(b)(9) of the POPULIST Act may be used to substantiate taxable receipts, business purchases, deductible amounts, and adjustments under this chapter."

(d) Planning for free direct business tax preparation and filing.—

(1) In general.—The Secretary of the Treasury shall develop an implementation plan and proposed legislation to establish a universally accessible free direct electronic tax preparation and filing service for business entities that use a Treasury transaction account established under section 623(b)(9) of the POPULIST Act as the exclusive account for business receipts and disbursements.

(2) Model.—The service described in paragraph (1) shall be modeled on the universally accessible free direct electronic filing system described in section 6011(f) of the Internal Revenue Code of 1986, as amended by this Act, and shall be designed to reduce filing, accounting, recordkeeping, and compliance burdens for business entities by using Treasury transaction account records to calculate, prepare, and file tax returns and information returns.

(3) Contents.—The implementation plan and proposed legislation required under paragraph (1) shall address—

(A) eligibility standards for participating business entities;

(B) treatment of de minimis cash transactions, corrected transactions, refunds, chargebacks, interaccount transfers, payroll, and other transactions requiring special rules;

(C) taxpayer consent, privacy, data security, auditability, and correction procedures;

(D) coordination with taxes imposed under title 26, United States Code, including taxes imposed by chapter 7 of subtitle A and chapter 50C of subtitle D of such title; and

(E) phased implementation for small businesses.

(4) Voluntary nature.—The implementation plan and proposed legislation required under paragraph (1) shall ensure that participation in the free service is voluntary and shall not prohibit a business entity from maintaining its own tax records, preparing its own tax returns or information returns, or using a private tax preparer, accountant, bookkeeper, payroll provider, or other service provider.

(5) Submission.—Not later than June 30, 2029, the Secretary shall submit the implementation plan and proposed legislation required under paragraph (1) to Congress.

(e) Revisions to the Code.—Not later than March 30, 2027, the Secretary shall submit to Congress proposed changes in the Internal Revenue Code of 1986 that—

(1) revise subtitles C through J of such Code to fully reflect the amendments to subtitle A of such Code made by this title; and

(2) include statutory definitions or rules in cases where the Secretary concludes that the definitions or rules cannot or should not be addressed by regulation.

(f) Application of subtitle F.—Until such time as subtitle F of the Internal Revenue Code of 1986 is amended to reflect the amendments made by this subtitle, the provisions of such subtitle F shall be treated as generally applying to chapter 7 of subtitle A of such Code—

(1) without regard to specific cross references;

(2) without regard to provisions relating to partnerships; and

(3) as if the value added tax under such chapter 7 were the corporate income tax and all business entities were corporations (except for purposes of collection, in which case the owners of noncorporate entities shall be obligated for taxes owed by the entities to the same extent as they would if the entity owed the tax prior to the amendment of the Code).

(g) Effective dates.—

(1) In general.—Except as otherwise provided in this subtitle, the amendments made by this subtitle shall be effective on and after January 1, 2028, with respect to taxable years beginning on such date.

(2) Special rule for businesses with 52–53 week taxable years.—In the case of a business entity with a 52–53 week taxable year ending in December 2027, section 1613(b)(2) of the Internal Revenue Code of 1986, as added by this subtitle, shall apply.

SEC. 863. DISPOSITION OF VALUE ADDED TAX AND FINANCIAL ACTIVITIES TAX RECEIPTS.

(a) In general.—Notwithstanding any other provision of law, all taxes imposed by chapter 7 of subtitle A and chapter 50C of subtitle D of the Internal Revenue Code of 1986 shall be deposited into the general fund of the Treasury and disbursed in accordance with this section.

(b) Value added tax receipts.—Of the amounts deposited pursuant to subsection (a) that are attributable to taxes imposed by chapter 7 of subtitle A of the Internal Revenue Code of 1986—

(1) 99 percent shall be credited to the American Value Fund established in section 623(b)(5) of the POPULIST Act; and

(2) 1 percent shall be transferred to the Social Security Administration.

(c) Financial activities tax receipts.—100 percent of the amounts deposited pursuant to subsection (a) that are attributable to taxes imposed by chapter 50C of subtitle D of the Internal Revenue Code of 1986 shall be credited to the American Value Fund established in section 623(b)(5) of the POPULIST Act.

(d) Budgetary treatment.—Amounts credited or transferred under this section shall be treated as offsetting receipts for purposes of the Congressional Budget Act of 1974.

([The POPULIST Act of 2026](#), TITLE VIII, version 2.3, last updated August 7, 2026)