

Amendment to the Amendment in the Nature of a Substitute to Subtitle G. Budget Reconciliation Legislative Recommendations Relating to Promoting Economic Security offered by Rep. Rice of South Carolina

This amendment would add provisions to the amendment in the nature of a substitute that advance long-term, sustainable solutions to achieve the goal of American medical security and manufacturing dominance.

AMENDMENT

OFFERED BY Mr. Rice

At the end of subtitle G, add the following:

1 **SEC. 9674. DOMESTIC MEDICAL AND DRUG MANUFAC-**
2 **TURING CREDIT.**

3 (a) IN GENERAL.—Subpart D of part IV of sub-
4 chapter A of chapter 1 of the Internal Revenue Code of
5 1986 is amended by adding at the end the following new
6 section:

7 **“SEC. 45U. DOMESTIC MEDICAL AND DRUG MANUFAC-**
8 **TURING CREDIT.**

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

13 “(1) the qualified medical and drug manufac-
14 turing income of the taxpayer for the taxable year,
15 or

16 “(2) taxable income of the taxpayer for the tax-
17 able year.

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

19 “(1) IN GENERAL.—The amount of the credit
20 allowable under subsection (a) for any taxable year

1 shall not exceed 50 percent of the W-2 wages of the
2 taxpayer for the taxable year.

3 “(2) W-2 WAGES.—For purposes of this sec-
4 tion—

5 “(A) IN GENERAL.—The term ‘W-2
6 wages’ means, with respect to any person for
7 any taxable year of such person, the sum of the
8 amounts described in paragraphs (3) and (8) of
9 section 6051(a) paid by such person with re-
10 spect to employment of employees by such per-
11 son during the calendar year ending during
12 such taxable year.

13 “(B) LIMITATION TO WAGES ATTRIB-
14 UTABLE TO DOMESTIC PRODUCTION.—Such
15 term shall not include any amount which is not
16 properly allocable to domestic medical and drug
17 manufacturing gross receipts for purposes of
18 subsection (c)(1).

19 “(C) RETURN REQUIREMENT.—Such term
20 shall not include any amount which is not prop-
21 erly included in a return filed with the Social
22 Security Administration on or before the 60th
23 day after the due date (including extensions)
24 for such return.

1 “(3) ACQUISITIONS, DISPOSITIONS, AND SHORT
2 TAXABLE YEARS.—The Secretary shall provide for
3 the application of this subsection in cases of a short
4 taxable year or where the taxpayer acquires, or dis-
5 poses of, the major portion of a trade or business or
6 the major portion of a separate unit of a trade or
7 business during the taxable year.

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

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

14 “(A) the taxpayer’s domestic medical and
15 drug manufacturing gross receipts for the tax-
16 able year, over

17 “(B) the sum of—

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

20 “(ii) other expenses, losses, or deduc-
21 tions which are properly allocable to such
22 receipts.

23 “(2) ALLOCATION METHOD.—The Secretary
24 shall prescribe rules for the proper allocation of
25 items described in paragraph (1)(B) for purposes of

1 determining qualified medical and drug manufac-
2 turing income. Such rules shall provide for the prop-
3 er allocation of items whether or not such items are
4 directly allocable to domestic medical and drug man-
5 ufacturing gross receipts.

6 “(3) SPECIAL RULES FOR DETERMINING
7 COSTS.—

8 “(A) IN GENERAL.—For purposes of deter-
9 mining costs under clause (i) of paragraph
10 (1)(B), any item or service brought into the
11 United States shall be treated as acquired by
12 purchase, and its cost shall be treated as not
13 less than its value immediately after it entered
14 the United States.

15 “(B) EXPORTS FOR FURTHER MANUFAC-
16 TURE.—In the case of any property described
17 in subparagraph (A) that had been exported by
18 the taxpayer for further manufacture, the in-
19 crease in cost or adjusted basis under subpara-
20 graph (A) shall not exceed the difference be-
21 tween the value of the property when exported
22 and the value of the property when brought
23 back into the United States after the further
24 manufacture.

1 “(4) DOMESTIC MEDICAL AND DRUG MANUFAC-
2 TURING GROSS RECEIPTS.—

3 “(A) IN GENERAL.—The term ‘domestic
4 medical and drug manufacturing gross receipts’
5 means the gross receipts of the taxpayer which
6 are derived from any sale, exchange, or other
7 disposition of—

8 “(i) any active pharmaceutical ingre-
9 dient, or

10 “(ii) any qualified countermeasure,
11 which was manufactured or produced by the
12 taxpayer in whole or in significant part within
13 the United States.

14 “(B) ACTIVE PHARMACEUTICAL INGRE-
15 DIENT.—The term ‘active pharmaceutical ingre-
16 dient’ means any substance or mixture of sub-
17 stances intended to be used in the manufacture
18 of a drug product and (when so used) becomes
19 an active ingredient in the drug product.

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

1 “(D) PARTNERSHIPS OWNED BY EX-
2 PANDED AFFILIATED GROUPS.—For purposes
3 of this paragraph, if all of the interests in the
4 capital and profits of a partnership are owned
5 by members of a single expanded affiliated
6 group at all times during the taxable year of
7 such partnership, the partnership and all mem-
8 bers of such group shall be treated as a single
9 taxpayer during such period.

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

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

14 “(A) PARTNERSHIPS AND S CORPORA-
15 TIONS.—In the case of a partnership or S cor-
16 poration—

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

19 “(ii) each partner or shareholder shall
20 take into account such person’s allocable
21 share of each item described in subpara-
22 graph (A) or (B) of subsection (c)(1) (de-
23 termined without regard to whether the
24 items described in such subparagraph (A)

1 exceed the items described in such sub-
2 paragraph (B)), and

3 “(iii) each partner or shareholder
4 shall be treated for purposes of subsection
5 (b) as having W-2 wages for the taxable
6 year in an amount equal to such person’s
7 allocable share of the W-2 wages of the
8 partnership or S corporation for the tax-
9 able year (as determined under regulations
10 prescribed by the Secretary).

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

13 “(i) the items referred to in subpara-
14 graph (A)(ii) (as determined therein) and
15 the W-2 wages of the trust or estate for
16 the taxable year, shall be apportioned be-
17 tween the beneficiaries and the fiduciary
18 (and among the beneficiaries) under regu-
19 lations prescribed by the Secretary, and

20 “(ii) for purposes of paragraph (2),
21 adjusted gross income of the trust or es-
22 tate shall be determined as provided in sec-
23 tion 67(e) with the adjustments described
24 in such paragraph.

1 “(C) REGULATIONS.—The Secretary may
2 prescribe rules requiring or restricting the allo-
3 cation of items and wages under this paragraph
4 and may prescribe such reporting requirements
5 as the Secretary determines appropriate.

6 “(2) APPLICATION TO INDIVIDUALS.—In the
7 case of an individual, subsection (a)(2) shall be ap-
8 plied by substituting ‘adjusted gross income’ for
9 ‘taxable income’. For purposes of the preceding sen-
10 tence, adjusted gross income shall be determined
11 after application of sections 86, 135, 137, 219, 221,
12 222, and 469.

13 “(3) SPECIAL RULE FOR AFFILIATED
14 GROUPS.—

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

18 “(B) EXPANDED AFFILIATED GROUP.—
19 For purposes of this section, the term ‘ex-
20 panded affiliated group’ means an affiliated
21 group as defined in section 1504(a), deter-
22 mined—

23 “(i) by substituting ‘more than 50
24 percent’ for ‘at least 80 percent’ each place
25 it appears, and

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

3 “(C) ALLOCATION OF CREDIT.—Except as
4 provided in regulations, the credit under sub-
5 section (a) shall be allocated among the mem-
6 bers of the expanded affiliated group in propor-
7 tion to each member’s respective amount (if
8 any) of qualified medical and drug manufac-
9 turing income.

10 “(4) TRADE OR BUSINESS REQUIREMENT.—
11 This section shall be applied by only taking into ac-
12 count items which are attributable to the actual con-
13 duct of a trade or business.

14 “(5) COORDINATION WITH MINIMUM TAX.—For
15 purposes of determining alternative minimum tax-
16 able income under section 55, qualified medical and
17 drug manufacturing income shall be determined
18 without regard to any adjustments under sections 56
19 through 59.

20 “(6) UNRELATED BUSINESS TAXABLE IN-
21 COME.—For purposes of determining the tax im-
22 posed by section 511, subsection (a)(1)(B) shall be
23 applied by substituting ‘unrelated business taxable
24 income’ for ‘taxable income’.

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

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

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

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

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

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

6 “(x) the credit determined under sec-
7 tion 45U.”.

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

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

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

15 **SEC. 9675. QUALIFYING ADVANCED MEDICAL MANUFAC-**
16 **TURING EQUIPMENT CREDIT.**

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

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

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

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

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

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

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

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

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

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

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

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

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

1 “(C) biological product (as such term is
2 defined in section 351(i) of the Public Health
3 Service Act),

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

7 “(A) incorporates novel technology or uses
8 an established technique or technology in a new
9 or innovative way, or

10 “(B) that can improve medical product
11 quality, address shortages of medicines, and
12 speed time-to-market,

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

15 “(4) with respect to which depreciation is allow-
16 able.

17 “(d) CERTAIN QUALIFIED PROGRESS EXPENDI-
18 TURES RULES MADE APPLICABLE.—Rules similar to the
19 rules of subsections (c)(4) and (d) of section 46 (as in
20 effect on the day before the enactment of the Revenue
21 Reconciliation Act of 1990) shall apply for purposes of
22 this section.

23 “(e) REGULATIONS.—The Secretary shall prescribe
24 such regulations or other guidance as may be necessary

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

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

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

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

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

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

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

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

7 **SEC. 9676. NEW MEDICAL RESEARCH EXPENDITURE COM-**
8 **PONENT OF CREDIT FOR INCREASING RE-**
9 **SEARCH ACTIVITIES.**

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

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

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

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

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

1 “(B) QUALIFIED COUNTERMEASURE.—The
2 term ‘qualified countermeasure’ has the mean-
3 ing given to such term in section 319F–1(a)(2)
4 of the Public Health Service Act (42 U.S.C.
5 247d–6a(a)(2)).”.

6 (c) DENIAL OF DOUBLE BENEFIT.—

7 (1) TAXABLE YEARS BEGINNING BEFORE JANU-
8 ARY 1, 2021.—In the case of specified medical re-
9 search expenditures (as defined in section 41(f)(7)
10 of such Code (as added by this section)) paid or in-
11 curred in taxable years beginning before January 1,
12 2021—

13 (A) such expenditures shall be treated in
14 the same manner as qualified research expenses
15 and basic research expenses under section
16 280C(c)(1) of such Code (as in effect on the
17 day before the enactment of the Tax Cuts and
18 Jobs Act), and

19 (B) the amount determined under section
20 280C(c)(2)(A) (as in effect on such day) for the
21 taxable year shall be increased by the amount
22 of credit determined for the taxable year under
23 section 41(a)(4) (as added by this section).

24 (2) TAXABLE YEARS BEGINNING AFTER DECEM-
25 BER 31, 2020.—Section 280C(c)(1) of such Code is

1 amended by striking “section 41(a)(1)” and insert-
2 ing “paragraphs (1) and (4) of section 41(a)”.

3 (d) CONFORMING AMENDMENT.—Section 41(f)(1) of
4 such Code is amended by striking “and amounts paid or
5 incurred to energy research consortiums” each place it ap-
6 pears and inserting “, amounts paid or incurred to energy
7 research consortiums, and specified medical research ex-
8 penditures”.

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

13 **SEC. 9677. REFUNDABLE PORTION OF RESEARCH CREDIT**
14 **FOR SMALL BUSINESSES ENGAGING IN SPEC-**
15 **IFIED MEDICAL RESEARCH.**

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

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

21 “(1) IN GENERAL.—At the election of a medical
22 research small business, the portion of the credit de-
23 termined under this section for the taxable year
24 which is properly allocable to specified medical re-
25 search shall be treated (other than for purposes of

1 section 280C) as a credit allowed under subpart C
2 (and not this subpart).

3 “(2) MEDICAL RESEARCH SMALL BUSINESS.—
4 For purposes of this subsection, the term ‘medical
5 research small business’ means any domestic C cor-
6 poration—

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

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

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

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

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

22 “(B) shall be made on or before the due
23 date (including extensions) of the return of tax
24 for the taxable year,

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

5 “(D) may be revoked only with the consent
6 of the Secretary.

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

13 (b) CONFORMING AMENDMENT.—Section 1324(b) of
14 title 31, United States Code, is amended by inserting
15 “41(i),” after “6428,”.

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

19 **SEC. 9678. EXCEPTION FROM PASSIVE LOSS RULES FOR IN-**
20 **VESTMENTS IN SPECIFIED MEDICAL RE-**
21 **SEARCH SMALL BUSINESS PASS-THRU ENTI-**
22 **TIES.**

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

1 through (8), respectively, and by inserting after paragraph
2 (3) the following new paragraph:

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

5 “(A) IN GENERAL.—The term ‘passive ac-
6 tivity’ shall not include any qualified medical re-
7 search activity of the taxpayer carried on by a
8 specified medical research small business pass-
9 thru entity.

10 “(B) TREATMENT OF LOSSES AND DEDUC-
11 TIONS.—

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

21 “(ii) LIMITATION.—Clause (i) shall
22 apply to losses and deductions of a tax-
23 payer in connection with a specified med-
24 ical small business pass-thru entity for a
25 taxable year only to the extent that the ag-

1 gregate losses and deductions of the tax-
2 payer in connection with qualified medical
3 research activities of such entity for such
4 taxable year do not exceed the portion of
5 the taxpayer's adjusted basis in the tax-
6 payer's ownership interest in such entity
7 that is attributable to money or other
8 property contributed—

9 “(I) in exchange for such owner-
10 ship interest, and

11 “(II) specifically for use in con-
12 nection with qualified medical re-
13 search activities.

14 For purposes of the preceding sentence,
15 the taxpayer's basis shall not include any
16 portion of such basis which is attributable
17 to an increase in a partner's share of the
18 liabilities of a partnership that is consid-
19 ered under section 752(a) as a contribution
20 of money.

21 “(C) TREATMENT OF CARRYOVERS.—Sub-
22 paragraph (B)(i) shall not apply to the portion
23 of any loss or deduction that is carried over
24 under subsection (b) into a taxable year other

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

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

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

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

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

1 preceding taxable year) is less than
2 \$1,000,000.

3 “(F) CAPITAL EXPENDITURES TAKEN INTO
4 ACCOUNT FOR EXPENDITURES TEST.—An ex-
5 penditure shall not fail to be taken into account
6 under subparagraph (E)(i) merely because such
7 expenditure is chargeable to capital account.

8 “(G) PASS-THRU ENTITY.—For purposes
9 of this paragraph, the term ‘pass-thru entity’
10 means any partnership, S corporation, or other
11 entity identified by the Secretary as a pass-thru
12 entity for purposes of this paragraph.

13 “(H) AGGREGATION RULES.—

14 “(i) IN GENERAL.—All persons treat-
15 ed as a single employer under subsection
16 (a) or (b) of section 52, or subsection (m)
17 or (o) of section 414, shall be treated as a
18 single entity for purposes of subparagraphs
19 (E) and (F)(iii).

20 “(ii) LIMITATION WHERE ENTITY
21 WOULD NOT QUALIFY.—No entity shall be
22 treated as a specified medical research
23 small business pass-thru entity unless such
24 entity qualifies as such both with and with-
25 out the application of clause (i).”.

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

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

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

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

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

1 respectively, and by inserting after clause (i) the fol-
2 lowing new clause:

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

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

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

