117TH CONGRESS  
1ST SESSION 

H.R._____

To eliminate the prohibition on States and territories receiving Coronavirus State Fiscal Recovery funds from lowering taxes.

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IN THE HOUSE OF REPRESENTATIVES

Mr. Brady (for himself and Mr. Comer) introduced the following bill; which was referred to the Committee on

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A BILL

To eliminate the prohibition on States and territories receiving Coronavirus State Fiscal Recovery funds from lowering taxes.

1 Be it enacted by the Senate and House of Representa-
2 tives of the United States of America in Congress assembled,

3 SECTION 1. SHORT TITLE.

4 This Act may be cited as the “State Tax Freedom
5 Act”.


SEC. 2. REFUNDS TO OFFSET CORONAVIRUS STATE FISCAL RECOVERY FUNDS ALREADY REPAID BY REASON LOWERING TAXES.

(a) In General.—Subchapter B of chapter 65 of the Internal Revenue Code of 1986 is amended by inserting after section 6423 the following new section:

"SEC. 6424. REFUNDS TO STATES TO OFFSET CERTAIN REQUIRED REPAYMENTS OF CORONAVIRUS STATE FISCAL RECOVERY FUNDS.

"(a) In General.—As soon as practicable after any specified State pays any specified repayment, the Secretary shall make a payment to such specified State in an amount equal to such specified repayment.

"(b) Specified Repayment.—For purposes of this section, the term ‘specified repayment’ means any repayment required to be made under subsection (e) of section 602 of the Social Security Act by reason of subsection (e)(2)(A) thereof.

"(c) Specified State.—The term ‘specified State’ means any State, territory, or Tribal government which is required to make to any specified repayment.

"(d) Other Terms.—The terms ‘State’, ‘territory’, and ‘Tribal government’ shall have the same respective meanings as when used in section 602 of the Social Security Act."
“(e) Treatment of Payments.—For purposes of section 1324 of title 31, United States Code, the payments under this subsection shall be treated in the same manner as a refund due from a credit provision referred to in subsection (b)(2) of such section.”.

(b) Clerical Amendment.—The table of sections for subchapter B of chapter 65 of such Code is amended by inserting after the item relating to section 6423 the following new item:

“Sec. 6424. Refunds to States to offset certain required repayments of coronavirus State and local fiscal recovery funds.”.

(c) Effective Date.—The amendments made by this section shall apply to repayments paid after the date of the enactment of the American Rescue Plan Act of 2021.

Sec. 3. Elimination of Prohibition on States Receiving Coronavirus State Fiscal Recovery Funds from Lowering Taxes.

(a) In General.—Paragraph (2) of section 602(c) of the Social Security Act, as added by section 9901 of the American Rescue Plan Act of 2021, is amended to read as follows:

“(2) Further restriction on use of funds.—No State or territory may use funds made available under this section for deposit into any pension fund.”.
(b) CONFORMING AMENDMENTS.—Section 602 of such Act is further amended—

(1) in subsection (d)(2)(A), by striking "including, in the case of a State or a territory, all modifications to the State's or territory's tax revenue sources during the covered period";

(2) in subsection (e), by striking "such subsection," and all that follows through the period and inserting "such subsection."; and

(3) in subsection (g)—

(A) by striking paragraph (1); and

(B) by redesignating paragraphs (2) through (7) as paragraphs (1) through (6), respectively.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to repayments which would (but for such amendments) be required to be paid after the date of the enactment of this Act.