

**AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 3937
OFFERED BY MR. SMITH OF MISSOURI**

Strike all after the enacting clause and insert the following:

1 SECTION 1. SHORT TITLE; TABLE OF CONTENTS, ETC.

2 (a) SHORT TITLE.—This Act may be cited as the
3 “Small Business Jobs Act”.

4 (b) AMENDMENT OF 1986 CODE.—Except as other-
5 wise expressly provided, whenever in this Act an amend-
6 ment or repeal is expressed in terms of an amendment
7 to, or repeal of, a section or other provision, the reference
8 shall be considered to be made to a section or other provi-
9 sion of the Internal Revenue Code of 1986.

10 (c) TABLE OF CONTENTS.—The table of contents for
11 this Act is as follows:

Sec. 1. Short title; table of contents, etc.

Sec. 2. Increase in threshold for requiring information reporting with respect to certain payees.

Sec. 3. Restoration of reporting rule for third party network transactions.

Sec. 4. Modifications to exclusion for gain from qualified small business stock.

Sec. 5. Increase in limitations on expensing of depreciable business assets.

Sec. 6. Establishment of special rules for capital gains invested in rural opportunity zones.

Sec. 7. Reporting on qualified opportunity funds and qualified rural opportunity funds.

1 **SEC. 2. INCREASE IN THRESHOLD FOR REQUIRING INFOR-**
2 **MATION REPORTING WITH RESPECT TO CER-**
3 **TAIN PAYEES.**

4 (a) IN GENERAL.—Sections 6041(a) is amended by
5 striking “\$600” and inserting “\$5,000”.

6 (b) INFLATION ADJUSTMENT.—Section 6041 is
7 amended by adding at the end the following new sub-
8 section:

9 “(h) INFLATION ADJUSTMENT.—In the case of any
10 calendar year after 2024, the dollar amount in subsection
11 (a) shall be increased by an amount equal to—

12 “(1) such dollar amount, multiplied by

13 “(2) the cost-of-living adjustment determined
14 under section 1(f)(3) for such calendar year, deter-
15 mined by substituting ‘calendar year 2023’ for ‘cal-
16 endar year 2016’ in subparagraph (A)(ii) thereof.

17 If any increase under the preceding sentence is not a mul-
18 tiple of \$100, such increase shall be rounded to the nearest
19 multiple of \$100.”.

20 (c) APPLICATION TO REPORTING ON REMUNERATION
21 FOR SERVICES AND DIRECT SALES.—Section 6041A is
22 amended—

23 (1) in subsection (a)(2), by striking “is \$600 or
24 more” and inserting “equals or exceeds the dollar
25 amount in effect for such calendar year under sec-
26 tion 6041(a)”, and

1 (2) in subsection (b)(1)(B), by striking “is
2 \$5,000 or more” and inserting “equals or exceeds
3 the dollar amount in effect for such calendar year
4 under section 6041(a)”.

5 (d) APPLICATION TO BACKUP WITHHOLDING.—Sec-
6 tion 3406(b)(6) is amended—

7 (1) by striking “\$600” in subparagraph (A)
8 and inserting “the dollar amount in effect for such
9 calendar year under section 6041(a)”, and

10 (2) by striking “ONLY WHERE AGGREGATE FOR
11 CALENDAR YEAR IS \$600 OR MORE” in the heading
12 and inserting “ONLY IF IN EXCESS OF THRESHOLD”.

13 (e) CONFORMING AMENDMENTS.—

14 (1) The heading of section 6041(a) is amended
15 by striking “OF \$600 OR MORE” and inserting “EX-
16 CEEDING THRESHOLD”.

17 (2) Section 6041(a) is amended by striking
18 “taxable year” and inserting “calendar year”.

19 (f) EFFECTIVE DATE.—The amendments made by
20 this section shall apply with respect to payments made
21 after December 31, 2023.

1 **SEC. 3. RESTORATION OF REPORTING RULE FOR THIRD**
2 **PARTY NETWORK TRANSACTIONS.**

3 (a) DE MINIMIS EXCEPTION FOR THIRD PARTY SET-
4 TLEMENT ORGANIZATIONS.—Section 6050W(e) is amend-
5 ed to read as follows:

6 “(e) EXCEPTION FOR DE MINIMIS PAYMENTS BY
7 THIRD PARTY SETTLEMENT ORGANIZATIONS.—A third
8 party settlement organization shall be required to report
9 any information under subsection (a) with respect to third
10 party network transactions of any participating payee only
11 if—

12 “(1) the amount which would otherwise be re-
13 ported under subsection (a)(2) with respect to such
14 transactions exceeds \$20,000, and

15 “(2) the aggregate number of such transactions
16 exceeds 200.”.

17 (b) EFFECTIVE DATE.—The amendment made by
18 this section shall apply to returns for calendar years begin-
19 ning after December 31, 2021.

20 **SEC. 4. MODIFICATIONS TO EXCLUSION FOR GAIN FROM**
21 **QUALIFIED SMALL BUSINESS STOCK.**

22 (a) PHASED INCREASE IN EXCLUSION FOR GAIN
23 FROM QUALIFIED SMALL BUSINESS STOCK.—

24 (1) IN GENERAL.—Section 1202(a)(1) is
25 amended—

1 (A) by striking “50 percent” and inserting
2 “the applicable percentage”, and

3 (B) by striking “held for more than 5
4 years” and inserting “held for at least 3 years”.

5 (2) APPLICABLE PERCENTAGE.—Section
6 1202(a) is amended by adding at the end the fol-
7 lowing new paragraph:

8 “(5) APPLICABLE PERCENTAGE.—Except as
9 provided in paragraphs (3) and (4), the applicable
10 percentage under paragraph (1) shall be determined
11 under the following table:

“Years stock held:	Applicable percentage:
3 years	50%
4 years	75%
5 years or more	100%”.

12 (3) CONTINUED TREATMENT AS NOT ITEM OF
13 TAX PREFERENCE.—

14 (A) IN GENERAL.—Section 57(a)(7) is
15 amended by striking “An amount” and insert-
16 ing “In the case of stock acquired on or before
17 the date of the enactment of the Creating Small
18 Business Jobs Act of 2010, an amount”.

19 (B) CONFORMING AMENDMENT.—Section
20 1202(a)(4) is amended—

1 (i) by striking “, and” at the end of
2 subparagraph (B) and inserting a period,
3 and

4 (ii) by striking subparagraph (C).

5 (4) OTHER CONFORMING AMENDMENTS.—

6 (A) Section 1202(a)(4) is amended by in-
7 serting “and before the date of the enactment
8 of the Small Business Jobs Act” after “Act of
9 2010”.

10 (B) Paragraphs (3) and (4) of section
11 1202(a) are each amended by inserting “held
12 for more than 5 years and” after “In the case
13 of qualified small business stock”.

14 (C) Section 1202(a)(3)(A) of such Code is
15 amended to read as follows:

16 “(A) the applicable percentage under para-
17 graph (1) shall be 75 percent, and”,

18 (D) Section 1202(a)(4)(A) is amended to
19 read as follows:

20 “(A) the applicable percentage under para-
21 graph (1) shall be 100 percent, and”.

22 (E) Section 1202(b)(2) is amended by
23 striking “more than 5 years” and inserting “at
24 least 3 years”.

1 (F) Section 1202(g)(2)(A) is amended by
2 striking “more than 5 years” and inserting “at
3 least 3 years”.

4 (G) Section 1202(j)(1)(A) is amended by
5 striking “more than 5 years” and inserting “at
6 least 3 years”.

7 (b) TACKING HOLDING PERIOD OF CONVERTIBLE
8 DEBT INSTRUMENTS.—

9 (1) IN GENERAL.—Section 1202(f) is amend-
10 ed—

11 (A) by redesignating paragraphs (1) and
12 (2) as subparagraphs (A) and (B) and moving
13 such subparagraphs (as so redesignated) 2 ems
14 to the right,

15 (B) by striking “CONVERSION OF OTHER
16 STOCK.—If any stock” and inserting the fol-
17 lowing: “CONVERSION.—

18 “(1) OTHER STOCK.—If any stock”, and

19 (C) by adding at the end the following new
20 paragraph:

21 “(2) CONVERTIBLE DEBT INSTRUMENTS.—

22 “(A) IN GENERAL.—If any stock in a cor-
23 poration is acquired by the taxpayer, without
24 recognition of gain, solely through the conver-

1 sion of a qualified convertible debt instru-
2 ment—

3 “(i) the stock so acquired shall be
4 treated as qualified small business stock in
5 the hands of the taxpayer, and

6 “(ii) the stock so acquired shall be
7 treated as having been held during the pe-
8 riod during which the qualified convertible
9 debt instrument was held.

10 “(B) QUALIFIED CONVERTIBLE DEBT IN-
11 STRUMENT.—For purposes of this paragraph,
12 the term ‘qualified convertible debt instrument’
13 means any bond or other evidence of indebted-
14 ness—

15 “(i) which is originally issued by the
16 corporation to the taxpayer,

17 “(ii) the issuer of which—

18 “(I) from issuance until conver-
19 sion, is a qualified small business, and

20 “(II) during substantially all of
21 the taxpayer’s holding period of such
22 bond or evidence of indebtedness, the
23 corporation meets the active business
24 requirements of subsection (e), and

1 “(iii) which is convertible into stock in
2 the corporation.”.

3 (c) GAIN EXCLUSION ALLOWED WITH RESPECT TO
4 QUALIFIED SMALL BUSINESS STOCK IN CORPORATION.—

5 (1) IN GENERAL.—Section 1202(c) is amend-
6 ed—

7 (A) by striking “C corporation” in para-
8 graphs (1) and inserting “corporation”, and

9 (B) by striking “and such corporation is a
10 C corporation” in paragraph (2)(A).

11 (2) QUALIFIED SMALL BUSINESS DEFINI-
12 TION.—Section 1202(d)(1) is amended by striking
13 “which is a C corporation”.

14 (3) CLARIFICATION OF AGGREGATION RULES
15 APPLICABLE TO S CORPORATIONS.—Section
16 1202(d)(3) is amended by adding at the end the fol-
17 lowing new subparagraph:

18 “(C) CLARIFICATION WITH RESPECT TO S
19 CORPORATIONS.—Any determination of the
20 members of a controlled group of corporations
21 under this paragraph shall include taking into
22 account any stock ownership in an S corpora-
23 tion.”.

1 (4) TREATMENT OF PASSIVE LOSSES.—Section
2 469(g)(1) is amended by adding at the end the fol-
3 lowing new subparagraph:

4 “(D) CERTAIN DISPOSITIONS OF SMALL
5 BUSINESS STOCK.—In the case a disposition
6 any gain from which is excluded from gross in-
7 come under section 1202, subparagraph (A)
8 shall not apply.”.

9 (5) SPECIAL RULES RELATING TO S CORPORA-
10 TIONS.—Section 1202(e) is amended by adding at
11 the end the following new paragraph:

12 “(9) APPLIED AT S CORPORATION LEVEL.—In
13 the case of an S corporation, the requirements of
14 this subsection shall be applied at the corporate
15 level.”.

16 (d) EFFECTIVE DATES.—

17 (1) IN GENERAL.—Except as otherwise pro-
18 vided in this subsection, the amendments made by
19 this section shall apply to stock acquired after the
20 date of the enactment of this Act.

21 (2) CONTINUED TREATMENT AS NOT ITEM OF
22 TAX PREFERENCE.—The amendments made by sub-
23 section (a)(3) shall take effect as if included in the
24 enactment of section 2011 the Creating Small Busi-
25 ness Jobs Act of 2010.

1 (3) TACKING HOLDING PERIOD OF CONVERT-
2 IBLE DEBT INSTRUMENTS.—The amendments made
3 by subsection (b) shall apply to debt instruments
4 originally issued after the date of the enactment of
5 this Act.

6 **SEC. 5. INCREASE IN LIMITATIONS ON EXPENSING OF DE-**
7 **PRECIABLE BUSINESS ASSETS.**

8 (a) IN GENERAL.—Section 179(b) is amended—

9 (1) by striking “\$1,000,000” in paragraph (1)
10 and inserting “\$2,500,000”, and

11 (2) by striking “\$2,500,000” in paragraph (2)
12 and inserting “\$4,000,000”.

13 (b) INFLATION ADJUSTMENT.—Section 179(b)(6) is
14 amended—

15 (1) by striking “2018” and inserting “2024
16 (2018 in the case of the dollar amount in paragraph
17 (5)(A))”, and

18 (2) by striking “calendar year 2017” and in-
19 serting “‘calendar year 2024’ (‘calendar year 2017’
20 in the case of the dollar amount in paragraph
21 (5)(A))”.

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to property placed in service in
24 taxable years beginning after December 31, 2023.

1 **SEC. 6. ESTABLISHMENT OF SPECIAL RULES FOR CAPITAL**
2 **GAINS INVESTED IN RURAL OPPORTUNITY**
3 **ZONES.**

4 (a) IN GENERAL.—Subchapter Z of chapter 1 is
5 amended by adding at the end the following new section:

6 **“SEC. 1400Z-3. SPECIAL RULES FOR CAPITAL GAINS IN-**
7 **VESTED IN RURAL OPPORTUNITY ZONES.**

8 “(a) IN GENERAL.—

9 “(1) TREATMENT OF GAINS.—In the case of
10 capital gain from the sale to, or exchange with, an
11 unrelated person of any property held by the tax-
12 payer, at the election of the taxpayer—

13 “(A) gross income for the taxable year
14 shall not include so much of such gain as does
15 not exceed the aggregate amount invested by
16 the taxpayer in a qualified rural opportunity
17 fund during the 180-day period beginning on
18 the date of such sale or exchange,

19 “(B) the amount of gain excluded by sub-
20 paragraph (A) shall be included in gross income
21 as provided by subsection (b), and

22 “(C) subsection (c) shall apply.

23 “(2) ELECTION.—No election may be made
24 under paragraph (1)—

1 “(A) with respect to a sale or exchange if
2 an election previously made with respect to such
3 sale or exchange is in effect, or

4 “(B) with respect to any sale or exchange
5 after December 31, 2032.

6 “(b) DEFERRAL OF GAIN INVESTED IN QUALIFIED
7 RURAL OPPORTUNITY ZONE PROPERTY.—

8 “(1) YEAR OF INCLUSION.—Gain to which sub-
9 section (a)(1)(B) applies shall be included in income
10 in the taxable year which includes the earlier of—

11 “(A) the date on which such investment is
12 sold or exchanged, or

13 “(B) December 31, 2032.

14 “(2) AMOUNT INCLUDIBLE.—

15 “(A) IN GENERAL.—The amount of gain
16 included in gross income under subsection
17 (a)(1)(A) shall be the excess of—

18 “(i) the lesser of the amount of gain
19 excluded under paragraph (1) or the fair
20 market value of the investment as deter-
21 mined as of the date described in para-
22 graph (1), over

23 “(ii) the taxpayer’s basis in the in-
24 vestment.

1 “(B) DETERMINATION OF BASIS QUALI-
2 FIED RURAL OPPORTUNITY ZONE PROPERTY.—

3 “(i) IN GENERAL.—Except as other-
4 wise provided in this clause or subsection
5 (c), the taxpayer’s basis in the investment
6 shall be zero.

7 “(ii) INCREASE FOR GAIN RECOG-
8 NIZED UNDER SUBSECTION (A)(1)(B).—The
9 basis in the investment shall be increased
10 by the amount of gain recognized by rea-
11 son of subsection (a)(1)(B) with respect to
12 such property.

13 “(iii) INVESTMENTS HELD FOR 5
14 YEARS.—In the case of any investment
15 held for at least 5 years, the basis of such
16 investment shall be increased by an
17 amount equal to 10 percent of the amount
18 of gain deferred by reason of subsection
19 (a)(1)(A).

20 “(iv) INVESTMENTS HELD FOR 7
21 YEARS.—In the case of any investment
22 held by the taxpayer for at least 7 years,
23 in addition to any adjustment made under
24 clause (iii), the basis of such property shall
25 be increased by an amount equal to 5 per-

1 cent of the amount of gain deferred by rea-
2 son of subsection (a)(1)(A).

3 “(c) SPECIAL RULE FOR INVESTMENTS HELD FOR
4 AT LEAST 10 YEARS.—In the case of any investment held
5 by the taxpayer for at least 10 years and with respect to
6 which the taxpayer makes an election under this sub-
7 section, the basis of such property shall be equal to the
8 fair market value of such investment on the date that the
9 investment is sold or exchanged.

10 “(d) QUALIFIED RURAL OPPORTUNITY FUND.—For
11 purposes of this section—

12 “(1) IN GENERAL.—The term ‘qualified rural
13 opportunity fund’ means any investment vehicle
14 which is organized as a corporation or a partnership
15 for the purpose of investing in qualified rural oppor-
16 tunity zone property (other than another qualified
17 rural opportunity fund) that holds at least 90 per-
18 cent of its assets in qualified rural opportunity zone
19 property, determined by the average of the percent-
20 age of qualified rural opportunity zone property held
21 in the fund as measured—

22 “(A) on the last day of the first 6-month
23 period of the taxable year of the fund, and

24 “(B) on the last day of the taxable year of
25 the fund.

1 “(2) QUALIFIED RURAL OPPORTUNITY ZONE
2 PROPERTY.—

3 “(A) IN GENERAL.—The term ‘qualified
4 rural opportunity zone property’ means prop-
5 erty which is—

6 “(i) qualified rural opportunity zone
7 stock,

8 “(ii) qualified rural opportunity zone
9 partnership interest, or

10 “(iii) qualified rural opportunity zone
11 business property.

12 “(B) QUALIFIED RURAL OPPORTUNITY
13 ZONE STOCK.—

14 “(i) IN GENERAL.—Except as pro-
15 vided in clause (ii), the term ‘qualified
16 rural opportunity zone stock’ means any
17 stock in a domestic corporation if—

18 “(I) such stock is acquired by the
19 qualified rural opportunity fund after
20 December 31, 2023, at its original
21 issue (directly or through an under-
22 writer) from the corporation solely in
23 exchange for cash,

24 “(II) as of the time such stock
25 was issued, such corporation was a

1 qualified rural opportunity zone busi-
2 ness (or, in the case of a new corpora-
3 tion, such corporation was being orga-
4 nized for purposes of being a qualified
5 rural opportunity zone business), and

6 “(III) during substantially all of
7 the qualified rural opportunity fund’s
8 holding period for such stock, such
9 corporation qualified as a qualified
10 rural opportunity zone business.

11 “(ii) REDEMPTIONS.—A rule similar
12 to the rule of section 1202(c)(3) shall
13 apply for purposes of this paragraph.

14 “(C) QUALIFIED RURAL OPPORTUNITY
15 ZONE PARTNERSHIP INTEREST.—The term
16 ‘qualified rural opportunity zone partnership in-
17 terest’ means any capital or profits interest in
18 a domestic partnership if—

19 “(i) such interest is acquired by the
20 qualified rural opportunity fund after De-
21 cember 31, 2023, from the partnership
22 solely in exchange for cash,

23 “(ii) as of the time such interest was
24 acquired, such partnership was a qualified
25 rural opportunity zone business (or, in the

1 case of a new partnership, such partner-
2 ship was being organized for purposes of
3 being a qualified rural opportunity zone
4 business), and

5 “(iii) during substantially all of the
6 qualified rural opportunity fund’s holding
7 period for such interest, such partnership
8 qualified as a qualified rural opportunity
9 zone business.

10 “(D) QUALIFIED RURAL OPPORTUNITY
11 ZONE BUSINESS PROPERTY.—

12 “(i) IN GENERAL.—The term ‘quali-
13 fied rural opportunity zone business prop-
14 erty’ means tangible property used in a
15 trade or business of the qualified rural op-
16 portunity fund if—

17 “(I) such property was acquired
18 by the qualified rural opportunity
19 fund by purchase (as defined in sec-
20 tion 179(d)(2)) after December 31,
21 2023,

22 “(II) the original use of such
23 property in the qualified rural oppor-
24 tunity zone commences with the quali-
25 fied rural opportunity fund or the

1 qualified rural opportunity fund sub-
2 stantially improves the property, and

3 “(III) during substantially all of
4 the qualified rural opportunity fund’s
5 holding period for such property, sub-
6 stantially all of the use of such prop-
7 erty was in a qualified rural oppor-
8 tunity zone.

9 “(ii) SUBSTANTIAL IMPROVEMENT.—
10 For purposes of subparagraph (A)(ii),
11 property shall be treated as substantially
12 improved by the qualified rural opportunity
13 fund only if, during any 30-month period
14 beginning after the date of acquisition of
15 such property, additions to basis with re-
16 spect to such property in the hands of the
17 qualified rural opportunity fund exceed an
18 amount equal to the adjusted basis of such
19 property at the beginning of such 30-
20 month period in the hands of the qualified
21 rural opportunity fund.

22 “(iii) RELATED PARTY.—For pur-
23 poses of subparagraph (A)(i), the related
24 person rule of section 179(d)(2) shall be
25 applied pursuant to subsection (e)(2) in

1 lieu of the application of such rule in sec-
2 tion 179(d)(2)(A).

3 “(3) QUALIFIED RURAL OPPORTUNITY ZONE
4 BUSINESS.—

5 “(A) IN GENERAL.—The term ‘qualified
6 rural opportunity zone business’ means a trade
7 or business—

8 “(i) in which substantially all of the
9 tangible property owned or leased by the
10 taxpayer is qualified rural opportunity zone
11 business property (determined by sub-
12 stituting ‘qualified rural opportunity zone
13 business’ for ‘qualified rural opportunity
14 fund’ each place it appears in paragraph
15 (2)(D)),

16 “(ii) which satisfies the requirements
17 of paragraphs (2), (4), and (8) of section
18 1397C(b), and

19 “(iii) which is not described in section
20 144(c)(6)(B).

21 “(B) SPECIAL RULE.—For purposes of
22 subparagraph (A), tangible property that ceases
23 to be a qualified rural opportunity zone busi-
24 ness property shall continue to be treated as a

1 qualified rural opportunity zone business prop-
2 erty for the lesser of—

3 “(i) 5 years after the date on which
4 such tangible property ceases to be so
5 qualified, or

6 “(ii) the date on which such tangible
7 property is no longer held by the qualified
8 rural opportunity zone business.

9 “(4) QUALIFIED RURAL OPPORTUNITY ZONE.—

10 “(A) IN GENERAL.—The term ‘qualified
11 rural opportunity zone’ means any population
12 census tract which—

13 “(i) is located in a rural county, and

14 “(ii) is in persistent poverty (as deter-
15 mined by the Bureau of the Census using
16 the same methodology and data as used for
17 purposes of the May 2023 report of such
18 Bureau entitled ‘Persistent Poverty in
19 Counties and Census Tracts’).

20 “(B) RURAL COUNTY.—The term ‘rural
21 county’ means any county if more than 50 per-
22 cent of the census blocks which comprise such
23 county are rural blocks (as determined by the
24 Bureau of the Census as of the date of the en-
25 actment of this Act). A rule similar to section

1 143(k)(2)(D) shall apply for purposes of the
2 preceding sentence.

3 “(e) APPLICABLE RULES.—

4 “(1) TREATMENT OF INVESTMENTS WITH
5 MIXED FUNDS.—In the case of any investment in a
6 qualified rural opportunity fund only a portion of
7 which consists of investments of gain to which an
8 election under subsection (a) is in effect—

9 “(A) such investment shall be treated as 2
10 separate investments, consisting of—

11 “(i) one investment that only includes
12 amounts to which the election under sub-
13 section (a) applies, and

14 “(ii) a separate investment consisting
15 of other amounts, and

16 “(B) subsections (a), (b), and (c) shall
17 only apply to the investment described in sub-
18 paragraph (A)(i).

19 “(2) RELATED PERSONS.—For purposes of this
20 section, persons are related to each other if such
21 persons are described in section 267(b) or 707(b)(1),
22 determined by substituting ‘20 percent’ for ‘50 per-
23 cent’ each place it occurs in such sections.

24 “(3) DECEDENTS.—In the case of a decedent,
25 amounts recognized under this section shall, if not

1 properly includible in the gross income of the dece-
2 dent, be includible in gross income as provided by
3 section 691.

4 “(4) REGULATIONS.—The Secretary shall pre-
5 scribe such regulations as may be necessary or ap-
6 propriate to carry out the purposes of this section,
7 including—

8 “(A) rules for the certification of qualified
9 rural opportunity funds for the purposes of this
10 section,

11 “(B) rules to ensure a qualified rural op-
12 portunity fund has a reasonable period of time
13 to reinvest the return of capital from invest-
14 ments in qualified rural opportunity zone stock
15 and qualified rural opportunity zone partner-
16 ship interests, and to reinvest proceeds received
17 from the sale or disposition of qualified rural
18 opportunity zone property, and

19 “(C) rules to prevent abuse.

20 “(f) FAILURE OF QUALIFIED RURAL OPPORTUNITY
21 FUND TO MAINTAIN INVESTMENT STANDARD.—

22 “(1) IN GENERAL.—If a qualified rural oppor-
23 tunity fund fails to meet the 90-percent requirement
24 of subsection (d)(1), the qualified rural opportunity
25 fund shall pay a penalty for each month it fails to

1 meet the requirement in an amount equal to the
2 product of—

3 “(A) the excess of—

4 “(i) the amount equal to 90 percent of
5 its aggregate assets, over

6 “(ii) the aggregate amount of quali-
7 fied rural opportunity zone property held
8 by the fund, multiplied by

9 “(B) the underpayment rate established
10 under section 6621(a)(2) for such month.

11 “(2) SPECIAL RULE FOR PARTNERSHIPS.—In
12 the case that the qualified rural opportunity fund is
13 a partnership, the penalty imposed by paragraph (1)
14 shall be taken into account proportionately as part
15 of the distributive share of each partner of the part-
16 nership.

17 “(3) REASONABLE CAUSE EXCEPTION.—No
18 penalty shall be imposed under this subsection with
19 respect to any failure if it is shown that such failure
20 is due to reasonable cause.”.

21 (b) CLERICAL AMENDMENT.—The table of sections
22 for subchapter Z of chapter 1 is amended by adding at
23 the end the following new item:

“Sec. 1400Z-3. Special rules for capital gains invested in rural opportunity
zones.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to amounts invested after the date
3 of the enactment of this section.

4 **SEC. 7. REPORTING ON QUALIFIED OPPORTUNITY FUNDS**
5 **AND QUALIFIED RURAL OPPORTUNITY**
6 **FUNDS.**

7 (a) IN GENERAL.—

8 (1) FILING REQUIREMENTS FOR FUNDS AND
9 INVESTORS.—Subpart A of part III of subchapter A
10 of chapter 61 is amended by inserting after section
11 6039J the following new sections:

12 **“SEC. 6039K. RETURNS WITH RESPECT TO QUALIFIED OP-**
13 **PORTUNITY FUNDS AND QUALIFIED RURAL**
14 **OPPORTUNITY FUNDS.**

15 “(a) IN GENERAL.—Every qualified opportunity fund
16 shall file an annual return (at such time and in such man-
17 ner as the Secretary may prescribe) containing the infor-
18 mation described in subsection (b).

19 “(b) INFORMATION FROM QUALIFIED OPPORTUNITY
20 FUNDS.—The information described in this subsection
21 is—

22 “(1) the name, address, and taxpayer identifica-
23 tion number of the qualified opportunity fund,

24 “(2) whether the qualified opportunity fund is
25 organized as a corporation or a partnership,

1 “(3) the value of the total assets held by the
2 qualified opportunity fund as of each date described
3 in section 1400Z–2(d)(1),

4 “(4) the value of all qualified opportunity zone
5 property held by the qualified opportunity fund on
6 each such date,

7 “(5) with respect to each investment held by
8 the qualified opportunity fund in qualified oppor-
9 tunity zone stock or a qualified opportunity zone
10 partnership interest—

11 “(A) the name, address, and taxpayer
12 identification number of the corporation in
13 which such stock is held or the partnership in
14 which such interest is held, as the case may be,

15 “(B) each North American Industry Clas-
16 sification System (NAICS) code that applies to
17 the trades or businesses conducted by such cor-
18 poration or partnership,

19 “(C) the population census tracts in which
20 the qualified opportunity zone business property
21 of such corporation or partnership is located,

22 “(D) the amount of the investment in such
23 stock or partnership interest as of each date de-
24 scribed in section 1400Z–2(d)(1),

1 “(E) the value of tangible property held by
2 such corporation or partnership on each such
3 date which is owned by such corporation or
4 partnership,

5 “(F) the value of tangible property held by
6 such corporation or partnership on each such
7 date which is leased by such corporation or
8 partnership,

9 “(G) the approximate number of residen-
10 tial units (if any) for any real property held by
11 such corporation or partnership, and

12 “(H) the approximate average monthly
13 number of full-time equivalent employees of
14 such corporation or partnership for the year
15 (within numerical ranges identified by the Sec-
16 retary) or such other indication of the employ-
17 ment impact of such corporation or partnership
18 as determined appropriate by the Secretary,

19 “(6) with respect to the items of qualified op-
20 portunity zone business property held by the quali-
21 fied opportunity fund—

22 “(A) the North American Industry Classi-
23 fication System (NAICS) code that applies to
24 the trades or businesses in which such property
25 is held,

1 “(B) the population census tract in which
2 the property is located,

3 “(C) whether the property is owned or
4 leased,

5 “(D) the aggregate value of the items of
6 qualified opportunity zone property held by the
7 qualified opportunity fund as of each date de-
8 scribed in section 1400Z-2(d)(1), and

9 “(E) in the case of real property, number
10 of residential units (if any),

11 “(7) the approximate average monthly number
12 of full-time equivalent employees for the year of the
13 trades or businesses of the qualified opportunity
14 fund in which qualified opportunity zone business
15 property is held (within numerical ranges identified
16 by the Secretary) or such other indication of the em-
17 ployment impact of such trades or businesses as de-
18 termined appropriate by the Secretary,

19 “(8) with respect to each person who disposed
20 of an investment in the qualified opportunity fund
21 during the year—

22 “(A) the name and taxpayer identification
23 number of such person,

24 “(B) the date or dates on which the invest-
25 ment disposed was acquired, and

1 “(C) the date or dates on which any such
2 investment was disposed and the amount of the
3 investment disposed, and

4 “(9) such other information as the Secretary
5 may require.

6 “(c) STATEMENT REQUIRED TO BE FURNISHED TO
7 INVESTORS.—Every person required to make a return
8 under subsection (a) shall furnish to each person whose
9 name is required to be set forth in such return by reason
10 of subsection (b)(8) a written statement showing—

11 “(1) the name, address and phone number of
12 the information contact of the person required to
13 make such return, and

14 “(2) the information required to be shown on
15 such return by reason of subsection (b)(8) with re-
16 spect to the person whose name is required to be so
17 set forth.

18 “(d) DEFINITIONS.—For purposes of this section—

19 “(1) IN GENERAL.—Any term used in this sec-
20 tion which is also used in subchapter Z of chapter
21 1 shall have the meaning given such term under
22 such subchapter.

23 “(2) FULL-TIME EQUIVALENT EMPLOYEES.—
24 The term ‘full-time equivalent employees’ means,
25 with respect to any month, the sum of—

1 “(A) the number of full-time employees (as
2 defined in section 4980H(c)(4)) for the month,
3 plus

4 “(B) the number of employees determined
5 (under rules similar to the rules of section
6 4980H(c)(2)(E)) by dividing the aggregate
7 number of hours of service of employees who
8 are not full-time employees for the month by
9 120.

10 “(e) APPLICATION TO QUALIFIED RURAL OPPOR-
11 TUNITY FUNDS.—Every qualified rural opportunity fund
12 shall file the annual return required under subsection (a),
13 and the statements required under subsection (c), ap-
14 plied—

15 “(1) by substituting ‘qualified rural oppor-
16 tunity’ for ‘qualified opportunity’ each place it ap-
17 pears, and

18 “(2) by substituting ‘section 1400Z–3(d)(1)’ for
19 ‘section 1400Z–2(d)(1)’ each place it appears.

20 **“SEC. 6039L. INFORMATION REQUIRED FROM QUALIFIED**
21 **OPPORTUNITY ZONE BUSINESSES AND**
22 **QUALIFIED RURAL OPPORTUNITY ZONE**
23 **BUSINESSES.**

24 “(a) IN GENERAL.—Every applicable qualified oppor-
25 tunity zone business shall furnish to the qualified oppor-

1 tunity fund described in subsection (b) a written state-
2 ment in such manner and setting forth such information
3 as the Secretary may by regulations prescribe for purposes
4 of enabling such qualified opportunity fund to meet the
5 requirements of section 6039K(b)(5).

6 “(b) APPLICABLE QUALIFIED OPPORTUNITY ZONE
7 BUSINESS.—For purposes of subsection (a), the term ‘ap-
8 plicable qualified opportunity zone business’ means any
9 qualified opportunity zone business—

10 “(1) which is a trade or business of a qualified
11 opportunity fund,

12 “(2) in which a qualified opportunity fund holds
13 qualified opportunity zone stock, or

14 “(3) in which a qualified opportunity fund holds
15 a qualified opportunity zone partnership interest.

16 “(c) OTHER TERMS.—Any term used in this section
17 which is also used in subchapter Z of chapter 1 shall have
18 the meaning given such term under such subchapter.

19 “(d) APPLICATION TO QUALIFIED RURAL OPPOR-
20 TUNITY FUNDS.—Every qualified rural opportunity zone
21 business (as defined in subsection (b) determined after ap-
22 plication of the substitutions described in this sentence)
23 shall furnish the written statement required under sub-
24 section (a), applied by substituting ‘qualified rural oppor-
25 tunity’ for ‘qualified opportunity’ each place it appears.”.

1 (2) PENALTIES.—

2 (A) IN GENERAL.—Part II of subchapter
3 B of chapter 68 is amended by inserting after
4 section 6725 the following new section:

5 **“SEC. 6726. FAILURE TO COMPLY WITH INFORMATION RE-**
6 **PORTING REQUIREMENTS RELATING TO**
7 **QUALIFIED OPPORTUNITY FUNDS AND**
8 **QUALIFIED RURAL OPPORTUNITY FUNDS.**

9 “(a) IN GENERAL.—In the case of any person re-
10 quired to file a return under section 6039K fails to file
11 a complete and correct return under such section in the
12 time and in the manner prescribed therefor, such person
13 shall pay a penalty of \$500 for each day during which
14 such failure continues.

15 “(b) LIMITATION.—

16 “(1) IN GENERAL.—The maximum penalty
17 under this section on failures with respect to any 1
18 return shall not exceed \$10,000.

19 “(2) LARGE QUALIFIED OPPORTUNITY
20 FUNDS.—In the case of any failure described in sub-
21 section (a) with respect to a fund the gross assets
22 of which (determined on the last day of the taxable
23 year) are in excess of \$10,000,000, paragraph (1)
24 shall be applied by substituting ‘\$50,000’ for
25 ‘\$10,000’.

1 “(c) PENALTY IN CASES OF INTENTIONAL DIS-
2 REGARD.—If a failure described in subsection (a) is due
3 to intentional disregard, then—

4 “(1) subsection (a) shall be applied by sub-
5 stituting ‘\$2,500’ for ‘\$500’,

6 “(2) subsection (b)(1) shall be applied by sub-
7 stituting ‘\$50,000’ for ‘\$10,000’, and

8 “(3) subsection (b)(2) shall be applied by sub-
9 stituting ‘\$250,000’ for ‘\$50,000’.

10 “(d) INFLATION ADJUSTMENT.—

11 “(1) IN GENERAL.—In the case of any failure
12 relating to a return required to be filed in a calendar
13 year beginning after 2023, each of the dollar
14 amounts in subsections (a), (b), and (c) shall be in-
15 creased by an amount equal to such dollar amount
16 multiplied by the cost-of-living adjustment deter-
17 mined under section 1(f)(3) for the calendar year
18 determined by substituting ‘calendar year 2022’ for
19 ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

20 “(2) ROUNDING.—

21 “(A) IN GENERAL.—If the \$500 dollar
22 amount in subsection (a) and (c)(1) or the
23 \$2,500 amount in subsection (c)(1), after being
24 increased under paragraph (1), is not a mul-

1 title of \$10, such dollar amount shall be round-
2 ed to the next lowest multiple of \$10.

3 “(B) ASSET THRESHOLD.—If the
4 \$10,000,000 dollar amount in subsection (b)(2),
5 after being increased under paragraph (1), is
6 not a multiple of \$10,000, such dollar amount
7 shall be rounded to the next lowest multiple of
8 \$10,000.

9 “(C) OTHER DOLLAR AMOUNTS.—If any
10 dollar amount in subsection (b) or (c) (other
11 than any amount to which subparagraph (A) or
12 (B) applies), after being increased under para-
13 graph (1), is not a multiple of \$1,000, such dol-
14 lar amount shall be rounded to the next lowest
15 multiple of \$1,000.”.

16 (B) INFORMATION REQUIRED TO BE SENT
17 TO OTHER TAXPAYERS.—Section 6724(d)(2) is
18 amended—

19 (i) by striking “or” at the end of sub-
20 paragraph (II),

21 (ii) by striking the period at the end
22 of the first subparagraph (JJ) (relating to
23 section 6226) and inserting a comma,

1 (iii) by redesignating the second sub-
2 paragraph (JJ) (relating to section 6050Y)
3 as subparagraph (KK),

4 (iv) by striking the period at the end
5 of subparagraph (KK) (as redesignated by
6 clause (iii)) and inserting a comma, and

7 (v) by inserting after subparagraph
8 (KK) (as so redesignated) the following
9 new subparagraphs:

10 “(LL) section 6039K(c) (relating to dis-
11 position of qualified opportunity fund invest-
12 ments), or

13 “(MM) section 6039L (relating to informa-
14 tion required from certain qualified opportunity
15 zone businesses and qualified rural opportunity
16 zone businesses).”.

17 (3) ELECTRONIC FILING.—Section 6011(e) is
18 amended by adding at the end the following new
19 paragraph:

20 “(8) QUALIFIED OPPORTUNITY FUNDS AND
21 QUALIFIED RURAL OPPORTUNITY FUNDS.—Notwith-
22 standing paragraphs (1) and (2), any return filed by
23 a qualified opportunity fund or qualified rural oppor-
24 tunity fund shall be filed on magnetic media or other
25 machine-readable form.”.

1 (4) CLERICAL AMENDMENTS.—

2 (A) The table of sections for subpart A of
3 part III of subchapter A of chapter 61 is
4 amended by inserting after the item relating to
5 section 6039J the following new items:

“Sec. 6039K. Returns with respect to qualified opportunity funds and qualified rural opportunity funds.

“Sec. 6039L. Information required from certain qualified opportunity zone businesses and qualified rural opportunity zone businesses.”.

6 (B) The table of sections for part II of
7 subchapter B of chapter 68 is amended by in-
8 serting after the item relating to section 6725
9 the following new item:

“Sec. 6726. Failure to comply with information reporting requirements relating to qualified opportunity funds and qualified rural opportunity zone businesses.”.

10 (5) EFFECTIVE DATE.—The amendments made
11 by this subsection shall apply to taxable years begin-
12 ning after the date of the enactment of this Act.

13 (b) REPORTING OF DATA ON OPPORTUNITY ZONE
14 AND RURAL OPPORTUNITY ZONE TAX INCENTIVES.—

15 (1) IN GENERAL.—As soon as practical after
16 the date of the enactment of this Act, and annually
17 thereafter, the Secretary of the Treasury, or the
18 Secretary’s delegate (referred to in this section as
19 the “Secretary”), in consultation with the Director
20 of the Bureau of the Census and such other agencies
21 as the Secretary determines appropriate, shall make

1 publicly available a report on qualified opportunity
2 funds.

3 (2) INFORMATION INCLUDED.—The report re-
4 quired under paragraph (1) shall include, to the ex-
5 tent available, the following information:

6 (A) The number of qualified opportunity
7 funds.

8 (B) The aggregate dollar amount of assets
9 held in qualified opportunity funds.

10 (C) The aggregate dollar amount of invest-
11 ments made by qualified opportunity funds in
12 qualified opportunity fund property, stated sep-
13 arately for each North American Industry Clas-
14 sification System (NAICS) code.

15 (D) The percentage of population census
16 tracts designated as qualified opportunity zones
17 that have received qualified opportunity fund
18 investments.

19 (E) For each population census tract des-
20 ignated as a qualified opportunity zone, the ap-
21 proximate average monthly number of full-time
22 equivalent employees of the qualified oppor-
23 tunity zone businesses in such qualified oppor-
24 tunity zone for the preceding 12-month period
25 (within numerical ranges identified by the Sec-

1 retary) or such other indication of the employ-
2 ment impact of such qualified opportunity fund
3 businesses as determined appropriate by the
4 Secretary.

5 (F) The percentage of the total amount of
6 investments made by qualified opportunity
7 funds in—

8 (i) qualified opportunity zone property
9 which is real property; and

10 (ii) other qualified opportunity zone
11 property.

12 (G) For each population census tract, the
13 aggregate approximate number of residential
14 units resulting from investments made by quali-
15 fied opportunity funds in real property.

16 (H) The aggregate dollar amount of in-
17 vestments made by qualified opportunity funds
18 in each population census tract.

19 (3) ADDITIONAL INFORMATION.—

20 (A) IN GENERAL.—Beginning with the re-
21 port submitted under paragraph (1) for the 6th
22 year after the date of the enactment of this Act,
23 the Secretary shall include in such report the
24 impacts and outcomes of a designation of a
25 population census tract as a qualified oppor-

1 tunity zone as measured by economic indicators,
2 such as job creation, poverty reduction, new
3 business starts, and other metrics as deter-
4 mined by the Secretary.

5 (B) SEMI-DECENNIAL INFORMATION.—

6 (i) IN GENERAL.—In the case of any
7 report submitted under paragraph (1) in
8 the 6th year or the 11th year after the
9 date of the enactment of this Act, the Sec-
10 retary shall include the following informa-
11 tion:

12 (I) For population census tracts
13 designated as a qualified opportunity
14 zone, a comparison (based on aggre-
15 gate information) of the factors listed
16 in clause (iii) between the 5-year pe-
17 riod ending on the date of the enact-
18 ment of Public Law 115–97 and the
19 most recent 5-year period for which
20 data is available.

21 (II) For population census tracts
22 designated as a qualified opportunity
23 zone, a comparison (based on aggre-
24 gate information) of the factors listed
25 in clause (iii) for the most recent 5-

1 year period for which data is available
2 between such population census tracts
3 and a similar population census tracts
4 that were not designated as a quali-
5 fied opportunity zone.

6 (ii) CONTROL GROUPS.—For purposes
7 of clause (i), the Secretary may combine
8 population census tracts into such groups
9 as the Secretary determines appropriate
10 for purposes of making comparisons.

11 (iii) FACTORS LISTED.—The factors
12 listed in this paragraph are the following:

13 (I) The unemployment rate.

14 (II) The number of persons
15 working in the population census
16 tract, including the percentage of such
17 persons who were not residents in the
18 population census tract in the pre-
19 ceding year.

20 (III) Individual, family, and
21 household poverty rates.

22 (IV) Median family income of
23 residents of the population census
24 tract.

1 (V) Demographic information on
2 residents of the population census
3 tract, including age, income, edu-
4 cation, race, and employment.

5 (VI) The average percentage of
6 income of residents of the population
7 census tract spent on rent annually.

8 (VII) The number of residences
9 in the population census tract.

10 (VIII) The rate of home owner-
11 ship in the population census tract.

12 (IX) The average value of resi-
13 dential property in the population cen-
14 sus tract.

15 (X) The number of affordable
16 housing units in the population census
17 tract.

18 (XI) The number and percentage
19 of residents in the population census
20 tract that were not employed for the
21 preceding year.

22 (XII) The number of new busi-
23 ness starts in the population census
24 tract.

1 (XIII) The distribution of em-
2 ployees in the population census tract
3 by North American Industry Classi-
4 fication System (NAICS) code.

5 (4) PROTECTION OF IDENTIFIABLE RETURN IN-
6 FORMATION.—In making reports required under this
7 subsection, the Secretary—

8 (A) shall establish appropriate procedures
9 to ensure that any amounts reported do not dis-
10 close taxpayer return information that can be
11 associated with any particular taxpayer or com-
12 petitive or proprietary information, and

13 (B) if necessary to protect taxpayer return
14 information, may combine information required
15 with respect to individual population census
16 tracts into larger geographic areas.

17 (5) DEFINITIONS.—Any term used in this sub-
18 section which is also used in subchapter Z of chapter
19 1 of the Internal Revenue Code of 1986 shall have
20 the meaning given such term under such subchapter.

21 (6) REPORTS ON QUALIFIED RURAL OPPOR-
22 TUNITY FUNDS.—The Secretary shall make publicly
23 available, with respect to qualified rural opportunity
24 funds, separate reports as required under this sub-
25 section, applied—

1 (A) by substituting “qualified rural oppor-
2 tunity” for “qualified opportunity” each place it
3 appears, and

4 (B) by substituting “the Small Business
5 Jobs Act” for “Public Law 115–97”.

