



(Original Signature of Member)

118TH CONGRESS  
1ST SESSION

# H. R. 3937

To amend the Internal Revenue Code of 1986 to promote the establishment and growth of small businesses.

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IN THE HOUSE OF REPRESENTATIVES

Mr. SMITH of Missouri introduced the following bill; which was referred to the Committee on \_\_\_\_\_

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## A BILL

To amend the Internal Revenue Code of 1986 to promote the establishment and growth of small businesses.

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; TABLE OF CONTENTS, ETC.**

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

6 (b) AMENDMENT OF 1986 CODE.—Except as other-  
7 wise expressly provided, whenever in this Act an amend-  
8 ment or repeal is expressed in terms of an amendment  
9 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-  
2 sion of the Internal Revenue Code of 1986.

3 (c) TABLE OF CONTENTS.—The table of contents for  
4 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.

5 **SEC. 2. INCREASE IN THRESHOLD FOR REQUIRING INFOR-**  
6 **MATION REPORTING WITH RESPECT TO CER-**  
7 **TAIN PAYEES.**

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

10 (b) INFLATION ADJUSTMENT.—Section 6041 is  
11 amended by adding at the end the following new sub-  
12 section:

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

16 “(1) such dollar amount, multiplied by

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

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

4 (c) APPLICATION TO REPORTING ON REMUNERATION  
5 FOR SERVICES AND DIRECT SALES.—Section 6041A is  
6 amended—

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

11 (2) in subsection (b)(1)(B), by striking “is  
12 \$5,000 or more” and inserting “equals or exceeds  
13 the dollar amount in effect for such calendar year  
14 under section 6041(a)”.

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

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

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

23 (e) CONFORMING AMENDMENTS.—

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

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

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

9 **SEC. 3. RESTORATION OF REPORTING RULE FOR THIRD**  
10 **PARTY NETWORK TRANSACTIONS.**

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

14 “(e) EXCEPTION FOR DE MINIMIS PAYMENTS BY  
15 THIRD PARTY SETTLEMENT ORGANIZATIONS.—A third  
16 party settlement organization shall be required to report  
17 any information under subsection (a) with respect to third  
18 party network transactions of any participating payee only  
19 if—

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

23 “(2) the aggregate number of such transactions  
24 exceeds 200.”.

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

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

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

8 (1) IN GENERAL.—Section 1202(a)(1) is  
 9 amended—

10 (A) by striking “50 percent” and inserting  
 11 “the applicable percentage”, and

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

14 (2) APPLICABLE PERCENTAGE.—Section  
 15 1202(a) is amended by adding at the end the fol-  
 16 lowing new paragraph:

17 “(5) APPLICABLE PERCENTAGE.—Except as  
 18 provided in paragraphs (3) and (4), the applicable  
 19 percentage under paragraph (1) shall be determined  
 20 under the following table:

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

21 (3) CONTINUED TREATMENT AS NOT ITEM OF  
 22 TAX PREFERENCE.—

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

6 (B) CONFORMING AMENDMENT.—Section  
7 1202(a)(4) is amended—

8 (i) by striking “, and” at the end of  
9 subparagraph (B) and inserting a period,  
10 and

11 (ii) by striking subparagraph (C).

12 (4) OTHER CONFORMING AMENDMENTS.—

13 (A) Section 1202(a)(4) is amended by in-  
14 serting “and before the date of the enactment  
15 of the Small Business Jobs Act” after “Act of  
16 2010”.

17 (B) Paragraphs (3) and (4) of section  
18 1202(a) are each amended by inserting “held  
19 for more than 5 years and” after “In the case  
20 of qualified small business stock”.

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

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

1 (D) Section 1202(a)(4)(A) is amended to  
2 read as follows:

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

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

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

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

14 (b) TACKING HOLDING PERIOD OF CONVERTIBLE  
15 DEBT INSTRUMENTS.—

16 (1) IN GENERAL.—Section 1202(f) is amend-  
17 ed—

18 (A) by redesignating paragraphs (1) and  
19 (2) as subparagraphs (A) and (B) and moving  
20 such subparagraphs (as so redesignated) 2 ems  
21 to the right,

22 (B) by striking “CONVERSION OF OTHER  
23 STOCK.—If any stock” and inserting the fol-  
24 lowing: “CONVERSION.—

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

1 (C) by adding at the end the following new  
2 paragraph:

3 “(2) CONVERTIBLE DEBT INSTRUMENTS.—

4 “(A) IN GENERAL.—If any stock in a cor-  
5 poration is acquired by the taxpayer, without  
6 recognition of gain, solely through the conver-  
7 sion of a qualified convertible debt instru-  
8 ment—

9 “(i) the stock so acquired shall be  
10 treated as qualified small business stock in  
11 the hands of the taxpayer, and

12 “(ii) the stock so acquired shall be  
13 treated as having been held during the pe-  
14 riod during which the qualified convertible  
15 debt instrument was held.

16 “(B) QUALIFIED CONVERTIBLE DEBT IN-  
17 STRUMENT.—For purposes of this paragraph,  
18 the term ‘qualified convertible debt instrument’  
19 means any bond or other evidence of indebted-  
20 ness—

21 “(i) which is originally issued by the  
22 corporation to the taxpayer,

23 “(ii) the issuer of which—

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



1                   “(II) during substantially all of  
2                   the taxpayer’s holding period of such  
3                   bond or evidence of indebtedness, the  
4                   corporation meets the active business  
5                   requirements of subsection (e), and  
6                   “(iii) which is convertible into stock in  
7                   the corporation.”.

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

10           (1) IN GENERAL.—Section 1202(c) is amend-  
11 ed—

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

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

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

19           (3) CLARIFICATION OF AGGREGATION RULES  
20           APPLICABLE TO S CORPORATIONS.—Section  
21           1202(d)(3) is amended by adding at the end the fol-  
22           lowing new subparagraph:

23                   “(C) CLARIFICATION WITH RESPECT TO S  
24                   CORPORATIONS.—Any determination of the  
25                   members of a controlled group of corporations

1 under this paragraph shall include taking into  
2 account any stock ownership in an S corpora-  
3 tion.”.

4 (4) TREATMENT OF PASSIVE LOSSES.—Section  
5 469(g)(1) is amended by adding at the end the fol-  
6 lowing new subparagraph:

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

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

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

19 (d) EFFECTIVE DATES.—

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

24 (2) CONTINUED TREATMENT AS NOT ITEM OF  
25 TAX PREFERENCE.—The amendments made by sub-

1 section (a)(3) shall take effect as if included in the  
2 enactment of section 2011 the Creating Small Busi-  
3 ness Jobs Act of 2010.

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

9 **SEC. 5. INCREASE IN LIMITATIONS ON EXPENSING OF DE-**  
10 **PRECIABLE BUSINESS ASSETS.**

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

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

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

16 (b) INFLATION ADJUSTMENT.—Section 179(b)(6) is  
17 amended—

18 (1) by striking “2018” and inserting “2024  
19 (2018 in the case of the dollar amount in paragraph  
20 (5)(A))”, and

21 (2) by striking “calendar year 2017” and in-  
22 sserting “‘calendar year 2024’ (‘calendar year 2017’  
23 in the case of the dollar amount in paragraph  
24 (5)(A))”.

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

4 **SEC. 6. ESTABLISHMENT OF SPECIAL RULES FOR CAPITAL**  
5 **GAINS INVESTED IN RURAL OPPORTUNITY**  
6 **ZONES.**

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

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

11 “(a) IN GENERAL.—

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

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

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

25 “(C) subsection (c) shall apply.

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

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

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

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

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

13                           “(A) the date on which such investment is  
14                           sold or exchanged, or

15                           “(B) December 31, 2032.

16           “(2) AMOUNT INCLUDIBLE.—

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

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

1           “(ii) the taxpayer’s basis in the in-  
2           vestment.

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

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

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

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

22          “(iv) INVESTMENTS HELD FOR 7  
23          YEARS.—In the case of any investment  
24          held by the taxpayer for at least 7 years,  
25          in addition to any adjustment made under

1 clause (iii), the basis of such property shall  
2 be increased by an amount equal to 5 per-  
3 cent of the amount of gain deferred by rea-  
4 son of subsection (a)(1)(A).

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

12 “(d) QUALIFIED RURAL OPPORTUNITY FUND.—For  
13 purposes of this section—

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

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

1           “(B) on the last day of the taxable year of  
2           the fund.

3           “(2) QUALIFIED RURAL OPPORTUNITY ZONE  
4           PROPERTY.—

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

8                   “(i) qualified rural opportunity zone  
9                   stock,

10                   “(ii) qualified rural opportunity zone  
11                   partnership interest, or

12                   “(iii) qualified rural opportunity zone  
13                   business property.

14           “(B) QUALIFIED RURAL OPPORTUNITY  
15           ZONE STOCK.—

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

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



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

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

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

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

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

1           “(ii) as of the time such interest was  
2           acquired, such partnership was a qualified  
3           rural opportunity zone business (or, in the  
4           case of a new partnership, such partner-  
5           ship was being organized for purposes of  
6           being a qualified rural opportunity zone  
7           business), and

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

13          “(D) QUALIFIED RURAL OPPORTUNITY  
14          ZONE BUSINESS PROPERTY.—

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

20                         “(I) such property was acquired  
21                         by the qualified rural opportunity  
22                         fund by purchase (as defined in sec-  
23                         tion 179(d)(2)) after December 31,  
24                         2023,

1                   “(II) the original use of such  
2                   property in the qualified rural oppor-  
3                   tunity zone commences with the quali-  
4                   fied rural opportunity fund or the  
5                   qualified rural opportunity fund sub-  
6                   stantially improves the property, and

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

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

1                   “(iii) RELATED PARTY.—For pur-  
2                   poses of subparagraph (A)(i), the related  
3                   person rule of section 179(d)(2) shall be  
4                   applied pursuant to subsection (e)(2) in  
5                   lieu of the application of such rule in sec-  
6                   tion 179(d)(2)(A).

7                   “(3) QUALIFIED RURAL OPPORTUNITY ZONE  
8 BUSINESS.—

9                   “(A) IN GENERAL.—The term ‘qualified  
10                  rural opportunity zone business’ means a trade  
11                  or business—

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

20                   “(ii) which satisfies the requirements  
21                  of paragraphs (2), (4), and (8) of section  
22                  1397C(b), and

23                   “(iii) which is not described in section  
24                  144(c)(6)(B).

1           “(B) SPECIAL RULE.—For purposes of  
2           subparagraph (A), tangible property that ceases  
3           to be a qualified rural opportunity zone busi-  
4           ness property shall continue to be treated as a  
5           qualified rural opportunity zone business prop-  
6           erty for the lesser of—

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

10                   “(ii) the date on which such tangible  
11                   property is no longer held by the qualified  
12                   rural opportunity zone business.

13           “(4) QUALIFIED RURAL OPPORTUNITY ZONE.—

14                   “(A) IN GENERAL.—The term ‘qualified  
15                   rural opportunity zone’ means any population  
16                   census tract which—

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

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

24                   “(B) RURAL COUNTY.—The term ‘rural  
25                   county’ means any county if more than 50 per-

1 cent of the census blocks which comprise such  
2 county are rural blocks (as determined by the  
3 Bureau of the Census as of the date of the en-  
4 actment of this Act). A rule similar to section  
5 143(k)(2)(D) shall apply for purposes of the  
6 preceding sentence.

7 “(e) APPLICABLE RULES.—

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

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

15 “(i) one investment that only includes  
16 amounts to which the election under sub-  
17 section (a) applies, and

18 “(ii) a separate investment consisting  
19 of other amounts, and

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

23 “(2) RELATED PERSONS.—For purposes of this  
24 section, persons are related to each other if such  
25 persons are described in section 267(b) or 707(b)(1),

1 determined by substituting ‘20 percent’ for ‘50 per-  
2 cent’ each place it occurs in such sections.

3 “(3) DECEDENTS.—In the case of a decedent,  
4 amounts recognized under this section shall, if not  
5 properly includible in the gross income of the dece-  
6 dent, be includible in gross income as provided by  
7 section 691.

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

12 “(A) rules for the certification of qualified  
13 rural opportunity funds for the purposes of this  
14 section,

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

23 “(C) rules to prevent abuse.

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

1           “(1) IN GENERAL.—If a qualified rural oppor-  
2           tunity fund fails to meet the 90-percent requirement  
3           of subsection (d)(1), the qualified rural opportunity  
4           fund shall pay a penalty for each month it fails to  
5           meet the requirement in an amount equal to the  
6           product of—

7                   “(A) the excess of—

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

10                           “(ii) the aggregate amount of quali-  
11                           fied rural opportunity zone property held  
12                           by the fund, multiplied by

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

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

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



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

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

4 (c) EFFECTIVE DATE.—The amendments made by  
5 this section shall apply to amounts invested after the date  
6 of the enactment of this section.

7 **SEC. 7. REPORTING ON QUALIFIED OPPORTUNITY FUNDS**  
8 **AND QUALIFIED RURAL OPPORTUNITY**  
9 **FUNDS.**

10 (a) IN GENERAL.—

11 (1) FILING REQUIREMENTS FOR FUNDS AND  
12 INVESTORS.—Subpart A of part III of subchapter A  
13 of chapter 61 is amended by inserting after section  
14 6039J the following new sections:

15 **“SEC. 6039K. RETURNS WITH RESPECT TO QUALIFIED OP-**  
16 **PORTUNITY FUNDS AND QUALIFIED RURAL**  
17 **OPPORTUNITY FUNDS.**

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

22 “(b) INFORMATION FROM QUALIFIED OPPORTUNITY  
23 FUNDS.—The information described in this subsection  
24 is—

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

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

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

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

11          “(5) with respect to each investment held by  
12          the qualified opportunity fund in qualified oppor-  
13          tunity zone stock or a qualified opportunity zone  
14          partnership interest—

15                 “(A) the name, address, and taxpayer  
16                 identification number of the corporation in  
17                 which such stock is held or the partnership in  
18                 which such interest is held, as the case may be,

19                 “(B) each North American Industry Clas-  
20                 sification System (NAICS) code that applies to  
21                 the trades or businesses conducted by such cor-  
22                 poration or partnership,

23                 “(C) the population census tracts in which  
24                 the qualified opportunity zone business property  
25                 of such corporation or partnership is located,

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

4           “(E) the value of tangible property held by  
5 such corporation or partnership on each such  
6 date which is owned by such corporation or  
7 partnership,

8           “(F) the value of tangible property held by  
9 such corporation or partnership on each such  
10 date which is leased by such corporation or  
11 partnership,

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

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

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

1           “(A) the North American Industry Classi-  
2           fication System (NAICS) code that applies to  
3           the trades or businesses in which such property  
4           is held,

5           “(B) the population census tract in which  
6           the property is located,

7           “(C) whether the property is owned or  
8           leased,

9           “(D) the aggregate value of the items of  
10          qualified opportunity zone property held by the  
11          qualified opportunity fund as of each date de-  
12          scribed in section 1400Z–2(d)(1), and

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

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

23          “(8) with respect to each person who disposed  
24          of an investment in the qualified opportunity fund  
25          during the year—

1           “(A) the name and taxpayer identification  
2           number of such person,

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

5           “(C) the date or dates on which any such  
6           investment was disposed and the amount of the  
7           investment disposed, and

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

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

15                 “(1) the name, address and phone number of  
16                 the information contact of the person required to  
17                 make such return, and

18                 “(2) the information required to be shown on  
19                 such return by reason of subsection (b)(8) with re-  
20                 spect to the person whose name is required to be so  
21                 set forth.

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

23                 “(1) IN GENERAL.—Any term used in this sec-  
24                 tion which is also used in subchapter Z of chapter

1       1 shall have the meaning given such term under  
2       such subchapter.

3           “(2) FULL-TIME EQUIVALENT EMPLOYEES.—

4       The term ‘full-time equivalent employees’ means,  
5       with respect to any month, the sum of—

6           “(A) the number of full-time employees (as  
7           defined in section 4980H(c)(4)) for the month,  
8           plus

9           “(B) the number of employees determined  
10          (under rules similar to the rules of section  
11          4980H(c)(2)(E)) by dividing the aggregate  
12          number of hours of service of employees who  
13          are not full-time employees for the month by  
14          120.

15          “(e) APPLICATION TO QUALIFIED RURAL OPPOR-  
16       TUNITY FUNDS.—Every qualified rural opportunity fund  
17       shall file the annual return required under subsection (a),  
18       and the statements required under subsection (c), ap-  
19       plied—

20           “(1) by substituting ‘qualified rural oppor-  
21          tunity’ for ‘qualified opportunity’ each place it ap-  
22          pears, and

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

1 **“SEC. 6039L. INFORMATION REQUIRED FROM QUALIFIED**  
2 **OPPORTUNITY ZONE BUSINESSES AND**  
3 **QUALIFIED RURAL OPPORTUNITY ZONE**  
4 **BUSINESSES.**

5 “(a) IN GENERAL.—Every applicable qualified oppor-  
6 tunity zone business shall furnish to the qualified oppor-  
7 tunity fund described in subsection (b) a written state-  
8 ment in such manner and setting forth such information  
9 as the Secretary may by regulations prescribe for purposes  
10 of enabling such qualified opportunity fund to meet the  
11 requirements of section 6039K(b)(5).

12 “(b) APPLICABLE QUALIFIED OPPORTUNITY ZONE  
13 BUSINESS.—For purposes of subsection (a), the term ‘ap-  
14 plicable qualified opportunity zone business’ means any  
15 qualified opportunity zone business—

16 “(1) which is a trade or business of a qualified  
17 opportunity fund,

18 “(2) in which a qualified opportunity fund holds  
19 qualified opportunity zone stock, or

20 “(3) in which a qualified opportunity fund holds  
21 a qualified opportunity zone partnership interest.

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

25 “(d) APPLICATION TO QUALIFIED RURAL OPPOR-  
26 TUNITY FUNDS.—Every qualified rural opportunity zone

1 business (as defined in subsection (b) determined after ap-  
2 plication of the substitutions described in this sentence)  
3 shall furnish the written statement required under sub-  
4 section (a), applied by substituting ‘qualified rural oppor-  
5 tunity’ for ‘qualified opportunity’ each place it appears.”.

6 (2) PENALTIES.—

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

10 **“SEC. 6726. FAILURE TO COMPLY WITH INFORMATION RE-**  
11 **PORTING REQUIREMENTS RELATING TO**  
12 **QUALIFIED OPPORTUNITY FUNDS AND**  
13 **QUALIFIED RURAL OPPORTUNITY FUNDS.**

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

20 “(b) LIMITATION.—

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

24 “(2) LARGE QUALIFIED OPPORTUNITY  
25 FUNDS.—In the case of any failure described in sub-



1 section (a) with respect to a fund the gross assets  
2 of which (determined on the last day of the taxable  
3 year) are in excess of \$10,000,000, paragraph (1)  
4 shall be applied by substituting ‘\$50,000’ for  
5 ‘\$10,000’.

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

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

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

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

15 “(d) INFLATION ADJUSTMENT.—

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

25 “(2) ROUNDING.—

1           “(A) IN GENERAL.—If the \$500 dollar  
2 amount in subsection (a) and (c)(1) or the  
3 \$2,500 amount in subsection (c)(1), after being  
4 increased under paragraph (1), is not a mul-  
5 tiple of \$10, such dollar amount shall be round-  
6 ed to the next lowest multiple of \$10.

7           “(B) ASSET THRESHOLD.—If the  
8 \$10,000,000 dollar amount in subsection (b)(2),  
9 after being increased under paragraph (1), is  
10 not a multiple of \$10,000, such dollar amount  
11 shall be rounded to the next lowest multiple of  
12 \$10,000.

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

20           (B) INFORMATION REQUIRED TO BE SENT  
21 TO OTHER TAXPAYERS.—Section 6724(d)(2) is  
22 amended—

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

1 (ii) by striking the period at the end  
2 of the first subparagraph (JJ) (relating to  
3 section 6226) and inserting a comma,

4 (iii) by redesignating the second sub-  
5 paragraph (JJ) (relating to section 6050Y)  
6 as subparagraph (KK),

7 (iv) by striking the period at the end  
8 of subparagraph (KK) (as redesignated by  
9 clause (iii)) and inserting a comma, and

10 (v) by inserting after subparagraph  
11 (KK) (as so redesignated) the following  
12 new subparagraphs:

13 “(LL) section 6039K(c) (relating to dis-  
14 position of qualified opportunity fund invest-  
15 ments), or

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

20 (3) ELECTRONIC FILING.—Section 6011(e) is  
21 amended by adding at the end the following new  
22 paragraph:

23 “(8) QUALIFIED OPPORTUNITY FUNDS AND  
24 QUALIFIED RURAL OPPORTUNITY FUNDS.—Notwith-  
25 standing paragraphs (1) and (2), any return filed by

1 a qualified opportunity fund or qualified rural oppor-  
2 tunity fund shall be filed on magnetic media or other  
3 machine-readable form.”.

4 (4) CLERICAL AMENDMENTS.—

5 (A) The table of sections for subpart A of  
6 part III of subchapter A of chapter 61 is  
7 amended by inserting after the item relating to  
8 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.”.

9 (B) The table of sections for part II of  
10 subchapter B of chapter 68 is amended by in-  
11 sserting after the item relating to section 6725  
12 the following new item:

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

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

16 (b) REPORTING OF DATA ON OPPORTUNITY ZONE  
17 AND RURAL OPPORTUNITY ZONE TAX INCENTIVES.—

18 (1) IN GENERAL.—As soon as practical after  
19 the date of the enactment of this Act, and annually  
20 thereafter, the Secretary of the Treasury, or the  
21 Secretary’s delegate (referred to in this section as

1 the “Secretary”), in consultation with the Director  
2 of the Bureau of the Census and such other agencies  
3 as the Secretary determines appropriate, shall make  
4 publicly available a report on qualified opportunity  
5 funds.

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

9 (A) The number of qualified opportunity  
10 funds.

11 (B) The aggregate dollar amount of assets  
12 held in qualified opportunity funds.

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

18 (D) The percentage of population census  
19 tracts designated as qualified opportunity zones  
20 that have received qualified opportunity fund  
21 investments.

22 (E) For each population census tract des-  
23 igned as a qualified opportunity zone, the ap-  
24 proximate average monthly number of full-time  
25 equivalent employees of the qualified oppor-

1           tunity zone businesses in such qualified oppor-  
2           tunity zone for the preceding 12-month period  
3           (within numerical ranges identified by the Sec-  
4           retary) or such other indication of the employ-  
5           ment impact of such qualified opportunity fund  
6           businesses as determined appropriate by the  
7           Secretary.

8           (F) The percentage of the total amount of  
9           investments made by qualified opportunity  
10          funds in—

11                 (i) qualified opportunity zone property  
12                 which is real property; and

13                 (ii) other qualified opportunity zone  
14                 property.

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

19          (H) The aggregate dollar amount of in-  
20          vestments made by qualified opportunity funds  
21          in each population census tract.

22          (3) ADDITIONAL INFORMATION.—

23                 (A) IN GENERAL.—Beginning with the re-  
24                 port submitted under paragraph (1) for the 6th  
25                 year after the date of the enactment of this Act,

1 the Secretary shall include in such report the  
2 impacts and outcomes of a designation of a  
3 population census tract as a qualified oppor-  
4 tunity zone as measured by economic indicators,  
5 such as job creation, poverty reduction, new  
6 business starts, and other metrics as deter-  
7 mined by the Secretary.

8 (B) SEMI-DECENNIAL INFORMATION.—

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

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

24 (II) For population census tracts  
25 designated as a qualified opportunity

1 zone, a comparison (based on aggregate  
2 information) of the factors listed  
3 in clause (iii) for the most recent 5-  
4 year period for which data is available  
5 between such population census tracts  
6 and a similar population census tracts  
7 that were not designated as a quali-  
8 fied opportunity zone.

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

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

16 (I) The unemployment rate.

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

23 (III) Individual, family, and  
24 household poverty rates.



1 (IV) Median family income of  
2 residents of the population census  
3 tract.

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

8 (VI) The average percentage of  
9 income of residents of the population  
10 census tract spent on rent annually.

11 (VII) The number of residences  
12 in the population census tract.

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

15 (IX) The average value of resi-  
16 dential property in the population cen-  
17 sus tract.

18 (X) The number of affordable  
19 housing units in the population census  
20 tract.

21 (XI) The number and percentage  
22 of residents in the population census  
23 tract that were not employed for the  
24 preceding year.

1 (XII) The number of new busi-  
2 ness starts in the population census  
3 tract.

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

8 (4) PROTECTION OF IDENTIFIABLE RETURN IN-  
9 FORMATION.—In making reports required under this  
10 subsection, the Secretary—

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

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

20 (5) DEFINITIONS.—Any term used in this para-  
21 graph which is also used in subchapter Z of chapter  
22 1 of the Internal Revenue Code of 1986 shall have  
23 the meaning given such term under such subchapter.

24 (6) REPORTS ON QUALIFIED RURAL OPPOR-  
25 TUNITY FUNDS.—The Secretary shall make publicly

1 available, with respect to qualified rural opportunity  
2 funds, separate reports as required under this sub-  
3 section, applied—

4 (A) by substituting “qualified rural oppor-  
5 tunity” for “qualified opportunity” each place it  
6 appears, and

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