

119TH CONGRESS
2D SESSION

S. _____

To amend the Internal Revenue Code of 1986 to impose an excise tax
on systemically important AI activity, and for other purposes.

IN THE SENATE OF THE UNITED STATES

_____ introduced the following bill; which was read twice
and referred to the Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to impose
an excise tax on systemically important AI activity, and
for other purposes.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “American A.I. Sov-
5 ereign Wealth Fund Act”.

6 **SEC. 2. FINDINGS.**

7 Congress makes the following findings:

8 (1) When a public resource generates wealth,
9 the public should share in that wealth.

1 (2) Artificial intelligence is a public resource
2 that derives its economic value from humanity's col-
3 lective intelligence, including our books, songs, art-
4 work, journalism, computer code, scientific research,
5 videos, conversations, images, and ideas spanning
6 generations.

7 (3) A small number of oligarchs have essentially
8 stolen the creative work of hundreds of millions of
9 people – writers, artists, musicians, journalists,
10 teachers, scientists, and ordinary citizens – without
11 permission, acknowledgment, or compensation in
12 order to control the majority of economic value cre-
13 ated by artificial intelligence.

14 (4) Artificial intelligence is built on the collec-
15 tive knowledge of humanity and the wealth it gen-
16 erates must benefit humanity.

17 (5) Sixty-seven countries throughout the world
18 operate more than 100 sovereign wealth funds to en-
19 sure working families benefit from public resources
20 and national wealth.

21 (6) Sovereign wealth funds have existed in the
22 United States for more than 150 years.

23 (7) The Texas Permanent Fund was established
24 in 1845 and distributed nearly \$5,000,000,000 to
25 Texas schools for the 2026-2027 school year.

1 (8) The Alaska Permanent Fund was estab-
2 lished 50 years ago from the state’s oil revenues,
3 and for decades it has paid dividends directly to
4 Alaskans. In 2022, that dividend check was \$3,284
5 per person; in 2023 it was \$1,312; in 2024 it was
6 \$1,702; and in 2025 it was \$1,000.

7 (9) Today, 6 States operate sovereign wealth
8 funds that control over \$300,000,000,000 in assets.

9 (10) Industry leaders support the creation of an
10 artificial intelligence sovereign wealth fund to ensure
11 the American people have a seat at the table to en-
12 sure artificial intelligence is developed safely and to
13 benefit humanity, including—

14 (A) OpenAI, which has proposed a “Public
15 Wealth Fund that provides every citizen – in-
16 cluding those not invested in financial markets
17 – a stake in AI-driven economic growth”;

18 (B) Anthropic, which has proposed a sov-
19 ereign wealth fund to “shape the sector’s behav-
20 ior and distribute AI-derived wealth more equi-
21 tably”; and

22 (C) Elon Musk, who has proposed “uni-
23 versal HIGH INCOME via checks issued by the
24 Federal government” to address unemployment
25 caused by artificial intelligence.

1 **SEC. 3. EXCISE TAX ON SYSTEMICALLY IMPORTANT AI**
2 **COMPANIES.**

3 (a) IN GENERAL.—Subtitle D of the Internal Rev-
4 enue Code of 1986 is amended by adding at the end the
5 following new chapter:

6 **“CHAPTER 50B—SYSTEMICALLY**
7 **IMPORTANT AI COMPANIES**

“Sec. 5000E. Excise tax on systemically important AI activity.

8 **“SEC. 5000E. EXCISE TAX ON SYSTEMICALLY IMPORTANT AI**
9 **ACTIVITY.**

10 “(a) IN GENERAL.—

11 “(1) INITIAL TAX.—There is hereby imposed on
12 any applicable AI company a tax equal to the
13 amount determined under subsection (b).

14 “(2) ADDITIONAL TAX.—

15 “(A) IN GENERAL.—In any case in which
16 an applicable AI company issues equity inter-
17 ests (including equity interests issued as, or in
18 settlement of, employee or other service-pro-
19 vider compensation) after the date on which the
20 tax is first imposed on such applicable AI com-
21 pany under paragraph (1), there shall be im-
22 posed a tax equal to the amount determined
23 under subsection (b) by taking into account
24 only the equity interests so issued.

1 “(B) SPECIAL RULE.—For the purposes of
2 this paragraph, equity interests transferred or
3 delivered in connection with the settlement, ex-
4 ercise, or vesting of any stock option, restricted
5 stock unit, or other equity-based compensation
6 award shall be treated as additional equity in-
7 terests issued at the time of such transfer or
8 delivery without regard to when the award was
9 granted.

10 “(3) COORDINATION WITH SEPARATION RE-
11 QUIREMENT.—

12 “(A) IN GENERAL.—In the case of an ap-
13 plicable AI company that is required to sepa-
14 rate its applicable AI trade or business pursu-
15 ant to section 4 of the American A.I. Sovereign
16 Wealth Fund Act, no tax shall be imposed
17 under this section until such separation is com-
18 plete, and upon completion the tax shall apply
19 only to the separated entity that holds the ap-
20 plicable AI trade or business.

21 “(B) SEPARATION PERIOD.—The tax
22 under this section shall be imposed on the sepa-
23 rated entity as of the date the separation is
24 complete or the date by which structural sepa-
25 ration is required under section 4 of the Amer-

1 ican A.I. Sovereign Wealth Fund Act, whichever
2 is earlier.

3 “(b) AMOUNT OF TAX; REMITTANCE.—

4 “(1) IN GENERAL.—The amount of tax imposed
5 by subsection (a) is of such amount that imme-
6 diately after the tax has been paid, the Secretary
7 shall hold 50 percent of all outstanding equity inter-
8 ests in the applicable AI company, to be remitted in
9 exact proportion of the outstanding equity interests
10 (including by class of interest) in such entity imme-
11 diately prior to the tax being paid.

12 “(2) FORM OF REMITTANCE.—All equity inter-
13 ests remitted in satisfaction of the tax imposed by
14 this section shall be equity interests newly issued by
15 the applicable AI company for purposes of such re-
16 mittance. No previously outstanding, treasury, or re-
17 purchased equity interest may be used to satisfy the
18 tax. Notwithstanding any provision of the certificate
19 of incorporation, bylaws, or other governing docu-
20 ment of the applicable AI company, including any
21 limitation on the number of authorized equity inter-
22 ests or any requirement of approval for issuance, the
23 company shall issue and remit the equity interests
24 required under this section.

1 “(3) TREATMENT OF REPURCHASES AND NEW
2 ISSUANCES.—Equity interests issued and remitted
3 under paragraph (2) shall not be treated as an
4 issuance of additional equity interests for purposes
5 of subsection (a)(2). Any repurchase or redemption
6 of equity interests by the applicable AI company
7 shall not reduce the number of outstanding equity
8 interests taken into account in determining the
9 amount required to be remitted under this sub-
10 section.

11 “(c) APPLICABLE AI COMPANY.—For purposes of
12 this section—

13 “(1) IN GENERAL.—The term ‘applicable AI
14 company’ means any corporation or partnership—

15 “(A) which is engaged in 1 or more appli-
16 cable AI trades or businesses for any taxable
17 year beginning after December 31, 2025, and

18 “(B) with respect to which the aggregate
19 gross receipts from such trades or businesses
20 for the calendar year in which such taxable year
21 begins exceed \$200,000,000.

22 “(2) APPLICABLE AI TRADE OR BUSINESS.—

23 “(A) IN GENERAL.—The term ‘applicable
24 AI trade or business’ means any trade or busi-

1 applied by substituting ‘such taxable year’
2 for ‘the calendar year in which such tax-
3 able year begins’.

4 “(ii) ELECTION.—An election under
5 this subparagraph shall be made at such
6 time and manner as the Secretary may
7 provide and, once made, may be revoked
8 only with the consent of the Secretary.

9 “(C) GROSS RECEIPTS.—Rules similar to
10 the rules of subparagraphs (B), (C), and (D) of
11 section 448(c)(3) shall apply in determining
12 gross receipts.

13 “(d) OTHER DEFINITIONS.—For purposes of this
14 section—

15 “(1) AI DATA CENTER.—The term ‘AI data
16 center’ means all the buildings, equipment, struc-
17 tures, and other stationary items, such as server
18 racks, that—

19 “(A) are located on a single site or on con-
20 tiguous, adjacent, or otherwise connected sites,

21 “(B) are owned or operated by the same
22 entity or by any entity that controls, is con-
23 trolled by, or is under the common control of
24 that entity, regardless of whether the site is a
25 single-occupant or multi-occupant facility, and

1 “(C)(i) are used for the development or op-
2 eration of artificial intelligence models at scale,
3 or

4 “(ii)(I) have a maximum rated power
5 capacity or total peak power load in excess
6 of 20 megawatts; and

7 “(II) are designed or equipped—

8 “(aa) to deliver 20 kilowatts
9 or more of electrical power to a
10 single server rack, or

11 “(bb) to utilize cooling sys-
12 tems that circulate liquid to indi-
13 vidual hardware components or
14 submerge electronic hardware in
15 liquid.

16 “(2) AI COMPUTING INFRASTRUCTURE.—The
17 term ‘AI computing infrastructure’ means semi-
18 conductors, integrated circuits, and products con-
19 taining integrated circuits, including computers, net-
20 working equipment, and data storage systems, that
21 will be used:

22 “(A) in an artificial intelligence data cen-
23 ter, or

24 “(B) in the training or deployment of arti-
25 ficial intelligence models at scale.

1 “(3) AI SERVICES.—

2 “(A) IN GENERAL.—The term ‘AI services’
3 means the development, distribution, or sale of
4 an artificial intelligence model that was trained
5 using a quantity of computing power greater
6 than or equal to 10^{25} integer or floating-point
7 operations.

8 “(B) ADJUSTMENT.—The Secretary shall
9 annually, in coordination with the Secretary of
10 Commerce, adjust the computing power thresh-
11 old under subparagraph (A) to reflect changes
12 in the efficiency of training methods or other
13 technological developments made after the date
14 of enactment of this section to maintain equiva-
15 lency with 10^{25} integer or floating-point oper-
16 ations.

17 “(4) ADVANCED ROBOTICS.—The term ‘ad-
18 vanced robotics’ means an automated or semi-auto-
19 mated mechanical system that uses artificial intel-
20 ligence to perform tasks with partial or full inde-
21 pendence from direct human control for commercial
22 or industrial applications.

23 “(5) EQUITY INTERESTS.—The term ‘equity in-
24 terests’ means—

1 “(A) in the case of a corporation, stock in
2 such corporation, and

3 “(B) in the case of a partnership, any cap-
4 ital or profits interest.

5 “(e) REGULATIONS AND GUIDANCE.—The Secretary
6 shall prescribe such regulations or other guidance as the
7 Secretary determines necessary or appropriate to carry
8 out this section.”.

9 (b) AMERICAN A.I. SOVEREIGN WEALTH FUND.—

10 (1) ESTABLISHMENT OF FUND.—Subchapter A
11 of chapter 98 of the Internal Revenue Code of 1986
12 is amended by adding at the end the following new
13 section:

14 **“SEC. 9512. AMERICAN A.I. SOVEREIGN WEALTH FUND.**

15 “(a) CREATION OF TRUST FUND.—There is estab-
16 lished in the Treasury of the United States a trust fund
17 to be known as the American A.I. Sovereign Wealth Fund
18 (in this section referred to as the ‘Fund’), consisting of
19 such amounts as may be transferred to such Trust Fund
20 as provided in this section or section 9602(b).

21 “(b) TRANSFERS TO FUND.—There is hereby trans-
22 ferred to the Fund the equity interests collected as taxes
23 under section 5000E and any income or gain from such
24 equity interests.

1 “(c) MANAGEMENT OF FUND.—The assets of the
2 Fund shall be managed by the Independent Commission
3 for Democratic AI.

4 “(d) DISTRIBUTIONS FROM FUND.—

5 “(1) IN GENERAL.—

6 “(A) ANNUAL AMOUNT.—There are au-
7 thorized to be appropriated from the Fund for
8 each fiscal year amounts equal to 5 percent of
9 the average market value of the Fund for the
10 fiscal year, reduced by the reasonable costs of
11 administering the Fund.

12 “(B) AVERAGE MARKET VALUE.—For pur-
13 poses of subparagraph (A), the average market
14 value of the Fund for a fiscal year is the aver-
15 age of the market values of the Fund deter-
16 mined as of the last day of each calendar month
17 ending in such fiscal year during which the
18 Fund held assets.

19 “(C) DETERMINATION OF MARKET
20 VALUE.—In determining the market value of
21 the Fund—

22 “(i) equity interests for which there is
23 a readily ascertainable market price shall
24 be valued at such price, and

1 “(ii) equity interests for which there
2 is no readily ascertainable market price
3 shall be valued by the Secretary using the
4 most recent transaction price, appraisal, or
5 other reasonable valuation method the Sec-
6 retary determines appropriate, and shall be
7 revalued not less frequently than annually.

8 “(2) USE OF DISTRIBUTIONS.—Amounts appro-
9 priated from the Fund shall be used, as provided in
10 appropriations Act or law, to provide for direct pay-
11 ments to the American people and to ensure that
12 every man, woman and child in the United States
13 has a decent and dignified standard of living, includ-
14 ing health care, education, housing, and a healthy
15 and habitable environment, in such manner as Con-
16 gress may provide.

17 “(3) PRESERVATION OF EQUITY INTERESTS.—
18 No distribution or amount appropriated from the
19 Fund under this subsection shall require the sale or
20 other disposition of, the equity interests held in the
21 Fund.

22 “(4) NO BAILOUT.—No amounts in the Fund
23 may be used to provide financial assistance to, or for
24 the benefit of, any applicable AI company (as de-
25 fined in section 5000E) or other firm that is insol-

1 vent or for the purpose of preventing the failure, in-
2 solvency, or liquidation of any such firm.”.

3 (2) INDEPENDENT COMMISSION FOR DEMO-
4 CRATIC AI.—

5 (A) IN GENERAL.—

6 (i) ESTABLISHMENT.—There is estab-
7 lished within the Department of Treasury
8 the Independent Commission for Demo-
9 cratic AI (in this paragraph referred to as
10 the “Commission”).

11 (ii) COMMISSIONERS.—The Commis-
12 sion shall consist of 7 commissioners ap-
13 pointed by the President, by and with the
14 advice and consent of the Senate, of
15 whom—

16 (I) 1 shall be designated as the
17 Chairperson of the Commission and
18 shall be selected from a list submitted
19 by the Majority Leader of the Senate;

20 (II) 1 shall be designated as
21 Vice-Chairperson of the Commission
22 and shall be selected from a list sub-
23 mitted by the Speaker of the House of
24 Representatives;

1 (III) 1 shall be appointed as a
2 representative of labor interests and
3 shall be selected from a list submitted
4 by the Majority Leader of the Senate
5 in consultation with the chair and
6 ranking member of the Committee on
7 Health, Education, Labor, and Pen-
8 sions of the Senate;

9 (IV) 1 shall be appointed from
10 among persons who have dem-
11 onstrated experience in the manage-
12 ment of a public pension fund, endow-
13 ment, sovereign wealth fund, or com-
14 parable institutional fund subject to
15 fiduciary obligations and shall be se-
16 lected from a list submitted by the
17 Speaker of the House of Representa-
18 tives in consultation with the chair
19 and ranking member of the Com-
20 mittee on Ways and Means of the
21 House of Representatives;

22 (V) 1 shall be appointed from
23 among persons who have dem-
24 onstrated experience in the develop-
25 ment, deployment, or governance of

1 artificial intelligence systems and shall
2 be selected from a list submitted by
3 the Majority Leader of the Senate in
4 consultation with the chair and rank-
5 ing member of the Committee on
6 Commerce, Science, and Transpor-
7 tation of the Senate;

8 (VI) 1 shall be appointed from
9 among persons who have dem-
10 onstrated experience in privacy and
11 data protection and shall be selected
12 from a list submitted by the Speaker
13 of the House of Representatives in
14 consultation with the chair and rank-
15 ing member of the Committee on the
16 Judiciary of the House of Representa-
17 tives; and

18 (VII) 1 shall be appointed as a
19 representative of public safety or na-
20 tional security interests and shall be
21 selected from a list submitted by the
22 Majority Leader of the Senate in con-
23 sultation with the chair and ranking
24 member of the Committee on Armed
25 Services of the Senate.

1 Of the commissioners appointed under the
2 preceding sentence, not more than 4 shall
3 be affiliated with the same political party.

4 (iii) TIMING OF APPOINTMENT.—The
5 President shall nominate a commissioner
6 under each subclause of clause (ii) not
7 later than 30 days after a list is submitted
8 under such subclause.

9 (iv) QUALIFICATIONS.—

10 (I) FINANCIAL INTERESTS.—No
11 commissioner, and no spouse or de-
12 pendent of a commissioner, may hold
13 any equity or other financial interest
14 in any applicable AI company during
15 the commissioner's service. Each com-
16 missioner shall divest any such inter-
17 est upon appointment.

18 (II) PRIOR EMPLOYMENT.—No
19 individual may be appointed to the
20 Commission if the individual was em-
21 ployed by an applicable AI company
22 at any time during the two-year pe-
23 riod preceding appointment.

24 (III) PROHIBITION ON SERVICE
25 ON COMPANY BOARDS.—No person

1 shall be a commissioner if such per-
2 son, or the spouse or any dependent
3 of such person, serves on the board of
4 directors of an applicable AI company.

5 (v) TERMS.—A commissioner shall be
6 appointed for a term of 5 years.

7 (vi) VACANCIES.—

8 (I) IN GENERAL.—A vacancy on
9 the Commission shall be filled in the
10 manner in which the original appoint-
11 ment was made and shall be subject
12 to any conditions that applied with re-
13 spect to the original appointment.

14 (II) FILLING UNEXPIRED
15 TERM.—An individual chosen to fill a
16 vacancy shall be appointed for the un-
17 expired term of the commissioner re-
18 placed.

19 (vii) REMOVAL.—A commissioner may
20 be removed by the President only for inef-
21 ficiency, neglect of duty, or malfeasance in
22 office.

23 (B) DUTIES AND POWERS.—

24 (i) IN GENERAL.—The Commission
25 shall—

1 (I) exercise all voting and govern-
2 ance rights attached to the equity in-
3 terests held in the American A.I. Sov-
4 ereign Wealth Fund; and

5 (II) manage the American A.I.
6 Sovereign Wealth Fund, in consulta-
7 tion with the Secretary of Labor, in
8 such manner as to effectively promote
9 the goals of worker welfare, public
10 safety, fair competition among appli-
11 cable AI companies (as defined in sec-
12 tion 5000E of the Internal Revenue
13 Code of 1986), environmental sustain-
14 ability, and financial solvency.

15 (ii) DESIGNATION OF REPRESENTA-
16 TIVES.—

17 (I) IN GENERAL.—The Commis-
18 sion shall designate qualified individ-
19 uals to serve as representatives of the
20 Fund on the board of directors of
21 each applicable AI company in which
22 the Fund holds equity interests, and
23 shall exercise the voting and govern-
24 ance rights attached to those interests
25 to cause such individuals to be elect-

1 ed, appointed, or designated to the
2 board of directors of the company, in
3 the largest number the Fund's equity
4 interests entitle it to elect, appoint, or
5 designate.

6 (II) DUTIES OF REPRESENTA-
7 TIVES.—A representative designated
8 under this section shall act to advance
9 the goals described in clause (i)(II).

10 (III) FIDUCIARY DUTIES.—Not-
11 withstanding any other provision of
12 law, any provision of the certificate of
13 incorporation, bylaws, or other gov-
14 erning document of the company, or
15 any duty owed under the law of the
16 company's jurisdiction of organization
17 (including any duty to balance inter-
18 ests under a public benefit corporation
19 statute), advancing the goals de-
20 scribed in subclause (II) shall be a
21 proper purpose consistent with the fi-
22 duciary and other duties of a rep-
23 resentative, even where doing so con-
24 flicts with the financial interests of
25 the company or its other equity hold-

1 ers. No representative, and no action
2 of a board of directors taken in ac-
3 cordance with this clause, shall be
4 subject to liability or challenge on the
5 ground that it advanced those goals.

(iii) NO COORDINATION AMONG COMPETITORS.—The Commission shall not exercise the voting or governance rights attached to equity interests in two or more applicable AI companies that compete in the same market in any manner that coordinates, or has the effect of coordinating, the competitive conduct of such companies.

(iv) **RECUSAL.**—A commissioner shall recuse himself or herself from any decision uniquely affecting a company by which the commissioner, or the spouse or any dependent of such commissioner, was formerly employed during the 2-year period after the commissioner was first appointed to the Commission.

22 (v) TRANSPARENCY.—

(I) DISCLOSURE OF VOTES.—The Commission shall make publicly available, not less frequently than quar-

1 terly, a complete record of how it ex-
2 ercised the voting rights attached to
3 the equity interests held by the Amer-
4 ican A.I. Sovereign Wealth Fund in
5 each applicable AI company, including
6 the matter voted upon and the man-
7 ner in which the Commission voted.

8 (II) DISCLOSURE OF GOVERN-
9 ANCE ACTIVITY.—The Commission
10 shall make publicly available, not less
11 frequently than annually, a report de-
12 scribing the significant positions taken
13 and actions directed by each commis-
14 sioner serving on the board of direc-
15 tors of an applicable AI company to
16 the extent such disclosure is not pro-
17 hibited by applicable law and does not
18 require the disclosure of material non-
19 public information of the company.

20 (III) FORM OF DISCLOSURE.—
21 Disclosures under this clause shall be
22 made in a manner that is publicly ac-
23 cessible and machine-readable.

24 (C) PERSONNEL MATTERS.—

1 (i) COMPENSATION OF COMMISS-
2 SIONERS.—A commissioner who is not an
3 officer or employee of the Federal Govern-
4 ment shall be compensated at a rate equal
5 to the daily equivalent of the annual rate
6 of basic pay prescribed for level IV of the
7 Executive Schedule under section 5315 of
8 title 5, United States Code, for each day
9 (including travel time) during which the
10 commissioner is engaged in the perform-
11 ance of the duties of the Commission.

12 (ii) TRAVEL EXPENSES.—A commis-
13 sioner shall be allowed travel expenses, in-
14 cluding per diem in lieu of subsistence, at
15 rates authorized for employees of agencies
16 under subchapter I of chapter 57 of title 5,
17 United States Code, while away from their
18 homes or regular places of business in the
19 performance of services for the Commis-
20 sion.

21 (iii) STAFF.—

22 (I) IN GENERAL.—The Chair-
23 person of the Commission may, with-
24 out regard to the civil service laws (in-
25 cluding regulations), appoint and ter-

1 minate an executive director and such
2 other additional personnel as may be
3 necessary to enable the Commission to
4 perform its duties, except that the em-
5 ployment of an executive director shall
6 be subject to confirmation by the
7 Commission.

8 (II) COMPENSATION.—The
9 Chairperson of the Commission may
10 fix the compensation of the executive
11 director and other personnel without
12 regard to chapter 51 and subchapter
13 III of chapter 53 of title 5, United
14 States Code, relating to classification
15 of positions and General Schedule pay
16 rates, except that the rate of pay for
17 the executive director and other per-
18 sonnel may not exceed the rate pay-
19 able for level V of the Executive
20 Schedule under section 5316 of that
21 title.

22 (iv) DETAIL OF GOVERNMENT EM-
23 PLOYEES.—A Federal Government em-
24 ployee may be detailed to the Commission
25 without reimbursement, and such detail

1 shall be without interruption or loss of civil
2 service status or privilege.

3 (v) PROCUREMENT OF TEMPORARY
4 AND INTERMITTENT SERVICES.—The
5 Chairperson of the Commission may pro-
6 cure temporary and intermittent services
7 under section 3109(b) of title 5, United
8 States Code, at rates for individuals that
9 do not exceed the daily equivalent of the
10 annual rate of basic pay prescribed for
11 level V of the Executive Schedule under
12 section 5316 of that title.

13 (vi) CONFLICTS OF INTEREST.—

14 (I) FINANCIAL HOLDINGS.—Any
15 equity investments of a commissioner
16 shall be held in a blind trust during
17 any period in which such commis-
18 sioner serves on the Commission.

19 (II) SUBSEQUENT EMPLOY-
20 MENT.—A former commissioner of the
21 Commission may not accept employ-
22 ment or compensation from any appli-
23 cable AI company or begin service on
24 the board of directors of such com-
25 pany during the 5-year period fol-

1 lowing the commissioner’s service on
2 the Commission.

3 (D) FUNDING.—The costs of the operation
4 of the Commission shall be paid from the assets
5 and income of the American A.I. Sovereign
6 Wealth Fund.

7 (E) APPLICABLE AI COMPANY.—For pur-
8 poses of this paragraph, the term “applicable
9 AI company” has the meaning given such term
10 under section 5000E of the Internal Revenue
11 Code of 1986.

12 (c) INFORMATION REPORTING.—

13 (1) IN GENERAL.—Subpart B of part III of
14 subchapter A of chapter 61 of the Internal Revenue
15 Code of 1986 is amended by adding at the end the
16 following new section:

17 **“SEC. 6050BB. PURCHASES FROM AI BUSINESSES.**

18 “(a) IN GENERAL.—Any person—

19 “(1) who is engaged in a trade or business, and

20 “(2) who in the course of such trade or busi-
21 nesses purchases during the taxable year AI data
22 centers, AI computing infrastructure, AI services, or
23 advanced robotics in excess of the amount in effect
24 under section 448(c)(1) for such taxable year,

1 shall make a return according to the forms or regulations
2 prescribed by the Secretary, setting forth the amount of
3 such purchases and the name and address of the person
4 from whom such AI data center, AI computing infrastruc-
5 ture, AI services, or advanced robotics were purchased.

6 “(b) STATEMENT TO BE FURNISHED TO PERSONS
7 WITH RESPECT TO WHOM INFORMATION IS REQUIRED.—

8 Every person required to make a return under subsection
9 (a) shall furnish to each corporation or partnership whose
10 name is required to be set forth in such return a written
11 statement showing—

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

15 “(2) the aggregate amount of purchases from
16 such corporation or partnership required to be
17 shown on the return.

18 The written statement required under the preceding sen-
19 tence shall be furnished (either in person or in a statement
20 mailing by first-class mail which includes adequate notice
21 that the statement is enclosed) to the person at such time
22 and in such form as the Secretary may prescribe by regu-
23 lations.

1 “(c) DEFINITIONS.—Any term used in this section
2 which is used in section 5000E shall have the meaning
3 given such term under section 5000E.”.

4 (2) PENALTIES.—Section 6724(d) of such Code
5 is amended—

6 (A) in paragraph (1)(B), by striking “or”
7 at the end of clause (xxviii), by inserting “or”
8 at the end of clause (xxix), and by adding at
9 the end the following new clause:

10 “(xxx) section 6050BB(a) (relating to
11 purchases from AI businesses),”, and

12 (B) in paragraph (2), by striking “or” at
13 the end of subparagraph (NN), by striking the
14 period at the end of subparagraph (OO) and in-
15 serting “, or”, and by inserting after subpara-
16 graph (OO) the following new subparagraph:

17 “(PP) section
18 6050BB(b) (relating to pur-
19 chases from AI busi-
20 nesses).”.

21 (d) ACCURACY RELATED PENALTIES.—Section 6662
22 of the Internal Revenue Code of 1986 is amended by add-
23 ing at the end the following new subsection:

24 “(n) APPLICATION TO EXCISE TAX ON SYSTEM-
25 ICALLY IMPORTANT AI COMPANIES.—In the case of any

1 underpayment of tax required under section 5000E, there
2 shall be added to the tax under such section an amount
3 equal to the excess of—

4 “(1) the amount determined under section
5 5000E(b) (determined by substituting ‘60 percent’
6 for ‘50 percent’), over

7 “(2) the amount of tax remitted.”.

8 (e) FAILURE TO FILE.—Section 6651 of the Internal
9 Revenue Code of 1986 is amended by adding at the end
10 the following new subsection:

11 “(k) APPLICATION TO EXCISE TAX ON SYSTEM-
12 ICALLY IMPORTANT AI COMPANIES.—In the case of any
13 failure to file any return of tax imposed under section
14 5000E, subsection (a) shall not apply and there shall be
15 added to the amount required to be shown as tax on such
16 return \$1,000,000.”.

17 (f) RULES FOR EXPATRIATED ENTITIES.—

18 (1) IN GENERAL.—Subsection (b) of section
19 7874 of the Internal Revenue Code of 1986 is
20 amended to read as follows:

21 “(b) INVERTED CORPORATIONS TREATED AS DO-
22 MESTIC CORPORATIONS.—

23 “(1) IN GENERAL.—Notwithstanding section
24 7701(a)(4), a foreign corporation shall be treated for
25 purposes of this title as a domestic corporation if—

1 “(A) such corporation would be a surro-
2 gate foreign corporation if subsection (a)(2)
3 were applied by substituting ‘80 percent’ for
4 ‘60 percent’, or

5 “(B) such corporation is an inverted appli-
6 cable AI company.

7 “(2) INVERTED APPLICABLE AI COMPANY.—For
8 purposes of this subsection, a foreign corporation
9 shall be treated as an inverted applicable AI com-
10 pany if, pursuant to a plan (or a series of related
11 transactions)—

12 “(A) the entity completes the direct or in-
13 direct acquisition of—

14 “(i) substantially all of the properties
15 held directly or indirectly by a domestic
16 corporation which is an applicable AI com-
17 pany, or

18 “(ii) substantially all of the assets of,
19 or substantially all of the properties consti-
20 tuting a trade or business of, a domestic
21 partnership which is an applicable AI com-
22 pany, and

23 “(B) after the acquisition, either—

24 “(i) more than 50 percent of the stock
25 (by vote or value) of the entity is held—

1 “(I) in the case of an acquisition
2 with respect to a domestic corpora-
3 tion, by former shareholders of the
4 applicable AI company by reason of
5 holding stock in the applicable AI
6 company, or

7 “(II) in the case of an acquisition
8 with respect to a domestic partner-
9 ship, by former partners of the appli-
10 cable AI company by reason of hold-
11 ing a capital or profits interest in the
12 applicable AI company, or

13 “(ii) the management and control of
14 the expanded affiliated group which in-
15 cludes the entity occurs, directly or indi-
16 rectly, primarily within the United States,
17 and such expanded affiliated group has
18 significant domestic business activities.

19 “(3) EXCEPTION FOR CORPORATIONS WITH
20 SUBSTANTIAL BUSINESS ACTIVITIES IN FOREIGN
21 COUNTRY OF ORGANIZATION.—A foreign corporation
22 described in paragraph (2) shall not be treated as an
23 inverted applicable AI company if after the acquisi-
24 tion the expanded affiliated group which includes the
25 entity has substantial business activities in the for-

1 eign country in which or under the law of which the
2 entity is created or organized when compared to the
3 total business activities of such expanded affiliated
4 group. For purposes of subsection (a)(2)(B)(iii) and
5 the preceding sentence, the term ‘substantial busi-
6 ness activities’ shall have the meaning given such
7 term under regulations in effect on January 18,
8 2017, except that the Secretary may issue regula-
9 tions increasing the threshold percent in any of the
10 tests under such regulations for determining if busi-
11 ness activities constitute substantial business activi-
12 ties for purposes of this paragraph.

13 “(4) MANAGEMENT AND CONTROL.—For pur-
14 poses of paragraph (2)(B)(ii)—

15 “(A) IN GENERAL.—The Secretary shall
16 prescribe regulations for purposes of deter-
17 mining cases in which the management and
18 control of an expanded affiliated group is to be
19 treated as occurring, directly or indirectly, pri-
20 marily within the United States.

21 “(B) EXECUTIVE OFFICERS AND SENIOR
22 MANAGEMENT.—Such regulations shall provide
23 that the management and control of an ex-
24 panded affiliated group shall be treated as oc-
25 curring, directly or indirectly, primarily within

1 the United States if substantially all of the ex-
2 ecutive officers and senior management of the
3 expanded affiliated group who exercise day-to-
4 day responsibility for making decisions involving
5 strategic, financial, and operational policies of
6 the expanded affiliated group are based or pri-
7 marily located within the United States. Indi-
8 viduals who in fact exercise such day-to-day re-
9 sponsibilities shall be treated as executive offi-
10 cers and senior management regardless of their
11 title.

12 “(5) SIGNIFICANT DOMESTIC BUSINESS ACTIVI-
13 TIES.—For purposes of paragraph (2)(B)(ii), an ex-
14 panded affiliated group has significant domestic
15 business activities if at least 25 percent of—

16 “(A) the employees of the group are based
17 in the United States,

18 “(B) the employee compensation incurred
19 by the group is incurred with respect to employ-
20 ees based in the United States,

21 “(C) the assets of the group are located in
22 the United States, or

23 “(D) the income of the group is derived in
24 the United States,

determined in the same manner as such determinations are made for purposes of determining substantial business activities under regulations referred to in paragraph (3) as in effect on January 18, 2017, but applied by treating all references in such regulations to ‘foreign country’ and ‘relevant foreign country’ as references to ‘the United States’. The Secretary may issue regulations decreasing the threshold percent in any of the tests under such regulations for determining if business activities constitute significant domestic business activities for purposes of this paragraph.

“**(6) APPLICABLE AI COMPANY.**—For purposes of this section, the term ‘applicable AI company’ has the meaning given such term under section 5000E.”.

16 (2) CONFORMING AMENDMENTS.—Subsection
17 (c) of section 7874 of such Code is amended—

18 (A) in paragraph (2)—

19 (i) by striking “subsection
20 (a)(2)(B)(ii)” and inserting “subsections
21 (a)(2)(B)(ii) and (b)(2)(B)(i)”; and

22 (ii) by inserting “or (b)(2)(A)” after
23 “(a)(2)(B)(i)” in subparagraph (B);

1 (B) in paragraph (3), by inserting “or
2 (b)(2)(B)(i), as the case may be,” after
3 “(a)(2)(B)(ii)”;

4 (C) in paragraph (5), by striking “sub-
5 section (a)(2)(B)(ii)” and inserting “sub-
6 sections (a)(2)(B)(ii) and (b)(2)(B)(i)”;

7 (D) in paragraph (6), by inserting “or in-
8 verted applicable AI company, as the case may
9 be,” after “surrogate foreign corporation”.

10 (g) CLERICAL AMENDMENTS.—

11 (1) The table of chapters for subtitle D of the
12 Internal Revenue Code of 1986 is amended by add-
13 ing at the end the following new item:

“CHAPTER 50B—SYSTEMICALLY IMPORTANT AI COMPANIES”.

14 (2) The table of sections for subchapter A of
15 chapter 98 of such Code is amended by adding at
16 the end the following new item:

“Sec. 9512. American A.I. Sovereign Wealth Fund.”.

17 (3) The table of sections for subpart B of part
18 III of subchapter A of chapter 61 of such Code is
19 amended by adding at the end the following new
20 item:

“Sec. 6050BB. Purchases from AI businesses.”.

21 (h) EFFECTIVE DATE.—The amendments made by
22 this section shall take effect on the date that is 90 days
23 after the date of the enactment of this Act.

1 **SEC. 4. STRUCTURAL SEPARATION.**

2 (a) DEFINITIONS.—

3 (1) APPLICABLE AI COMPANY; APPLICABLE AI
4 TRADE OR BUSINESS.—The terms “applicable AI
5 company” and “applicable AI trade or business”
6 have the meanings given those terms, respectively, in
7 section 5000E of the Internal Revenue Code of 1986
8 (as added by section 3 of this Act).

9 (2) STRUCTURAL SEPARATION.—The term
10 “structural separation”, with respect to an applica-
11 ble AI company, means adoption of an operating
12 structure under which the applicable AI company—

13 (A) does not conduct any business that is
14 not an applicable AI trade or business;

15 (B) does not hold equity in, provide credit
16 to, or otherwise provide financing to any busi-
17 ness other than the applicable AI trade or busi-
18 ness;

19 (C) is not held by any entity engaged in
20 any business other than the applicable AI trade
21 or business;

22 (D) does not share any officer or director
23 with any entity that is not an applicable AI
24 company; and

1 (E) does not participate in any joint ven-
2 tures with an entity that is not an applicable AI
3 company.

4 (b) STRUCTURAL SEPARATION REQUIRED.—The
5 Federal Trade Commission shall require that each applica-
6 ble AI company complete structural separation—

7 (1) with respect to an applicable AI company in
8 existence on the date of enactment of this Act, not
9 later than 90 days after the date of enactment of
10 this Act; and

11 (2) with respect to an applicable AI company
12 established on or after the date of enactment of this
13 Act, not later than 90 days after meeting the defini-
14 tion of an applicable AI company.