

119TH CONGRESS  
2D SESSION

# H. R. 7636

To amend the Internal Revenue Code of 1986 to establish the individual tariff refund credit.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 20, 2026

Mr. THOMPSON of California introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to establish the individual tariff refund credit.

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. INDIVIDUAL TARIFF REFUND CREDIT.**

4 (a) IN GENERAL.—Subchapter B of chapter 65 of  
5 subtitle F of the Internal Revenue Code of 1986 is amend-  
6 ed by adding at the end the following new section:

7 **“SEC. 6436. INDIVIDUAL TARIFF REFUND CREDIT.**

8 “(a) IN GENERAL.—In the case of an eligible indi-  
9 vidual, there shall be allowed a credit against the tax im-

1 posed by subtitle A for the covered taxable year in an  
2 amount equal to the applicable tariff refund amount.

3 “(b) TREATMENT OF CREDIT.—The credit allowed by  
4 subsection (a) shall be treated as allowed by subpart C  
5 of part IV of subchapter A of chapter 1.

6 “(c) ELIGIBLE INDIVIDUAL.—For purposes of this  
7 section, the term ‘eligible individual’ means any individual  
8 who, on the date on which any covered court order is  
9 issued, is an individual other than—

10 “(1) any nonresident alien individual,

11 “(2) any individual with respect to whom a de-  
12 duction under section 151 is allowable to another  
13 taxpayer for a taxable year beginning in the cal-  
14 endar year in which the individual’s taxable year be-  
15 gins, and

16 “(3) an estate or trust.

17 “(d) COVERED TAXABLE YEAR.—For purposes of  
18 this section, the term ‘covered taxable year’ means, with  
19 respect to an individual, the most recent taxable year of  
20 such individual ending before the date on which a covered  
21 court order is issued.

22 “(e) COVERED COURT ORDER.—

23 “(1) IN GENERAL.—For purposes of this sec-  
24 tion, the term ‘covered court order’ means a final  
25 court order which requires the Federal Government

1 to repay tariff revenues collected pursuant to an un-  
2 lawfully imposed tariff.

3 “(2) UNLAWFUL TARIFF.—For purposes of  
4 paragraph (1), the term ‘unlawful tariff’ means a  
5 tariff imposed unlawfully after January 20, 2025,  
6 and before the date of the enactment of this section.

7 “(f) COVERED TARIFF REVENUES.—For purposes of  
8 this section, the term ‘covered tariff revenues’ means the  
9 aggregate amount of tariff revenues required to be repaid  
10 by the Federal Government pursuant to a covered court  
11 order.

12 “(g) APPLICABLE TARIFF REFUND AMOUNT.—

13 “(1) IN GENERAL.—For purposes of subsection  
14 (a), the term ‘applicable tariff refund amount’  
15 means, with respect to any individual, an amount  
16 equal to—

17 “(A) the individual tariff refund amount,  
18 multiplied by

19 “(B) the number of individuals in such in-  
20 dividual’s household.

21 “(2) HOUSEHOLD.—For purposes of this sub-  
22 section, the number of individuals in an individual’s  
23 household for any taxable year is equal to the sum  
24 of—

1           “(A) 1 (2 in the case of a joint return),  
2           plus

3           “(B) the number of dependents of the indi-  
4           vidual for such taxable year.

5           “(3) INDIVIDUAL TARIFF REFUND AMOUNT.—

6           The term ‘tariff refund amount’ means the amount  
7           that the Secretary determines is equal to the  
8           quotient of—

9           “(A) the aggregate amount of covered tar-  
10          iff revenues, divided by

11          “(B) the aggregate number of individuals  
12          in the households of eligible individuals.

13          “(h) COORDINATION WITH ADVANCE REFUND OF  
14          CREDIT.—

15          “(1) REDUCTION OF REFUNDABLE CREDIT.—

16          The amount of the credit which would (but for this  
17          paragraph) be allowable under subsection (a) shall  
18          be reduced (but not below zero) by the aggregate re-  
19          funds and credits made or allowed to the individual  
20          (or, except as otherwise provided by the Secretary,  
21          any dependent of the individual) under subsection  
22          (i). Any failure to so reduce the credit shall be treat-  
23          ed as arising out of a mathematical or clerical error  
24          and assessed according to section 6213(b)(1).

1           “(2) JOINT RETURNS.—Except as otherwise  
2 provided by the Secretary, in the case of a refund  
3 or credit made or allowed under subsection (i) with  
4 respect to a joint return, half of such refund or cred-  
5 it shall be treated as having been made or allowed  
6 to each individual filing such return.

7           “(i) ADVANCED PAYMENT.—

8           “(1) IN GENERAL.—Each eligible individual  
9 shall be treated as having made a payment against  
10 the tax imposed by chapter 1 for the covered taxable  
11 year in an amount equal to the amount of the credit  
12 allowed to such individual under subsection (a) for  
13 such covered taxable year.

14           “(2) TIMING OF PAYMENT.—The Secretary  
15 shall, subject to the provisions of this title, refund  
16 or credit any overpayment attributable to this sub-  
17 section as rapidly as possible.

18           “(3) NO INTEREST.—No interest shall be al-  
19 lowed on any overpayments attributable to this sub-  
20 section.

21           “(4) NOTICE TO TAXPAYER.—Not later than 15  
22 days after the date on which the Secretary distrib-  
23 uted any payment to an eligible individual pursuant  
24 to this subsection, notice shall be sent by mail to  
25 such individual’s last known address. Such notice

1 shall indicate the method by which such payment  
2 was made, the amount of such payment, and a  
3 phone number for the appropriate point of contact  
4 at the Internal Revenue Service to report any failure  
5 to receive such payment.”.

6 (b) DEFINITION OF DEFICIENCY.—Section  
7 6211(b)(4)(A) of such Code is amended by striking “and  
8 6433” and inserting “6433, and 6436”.

9 (c) TREATMENT OF CERTAIN POSSESSIONS.—

10 (1) PAYMENTS TO POSSESSIONS WITH MIRROR  
11 CODE TAX SYSTEMS.—The Secretary of the Treas-  
12 ury shall pay to each possession of the United States  
13 which has a mirror code tax system amounts equal  
14 to the loss (if any) to that possession by reason of  
15 the amendments made by this section. Such  
16 amounts shall be determined by the Secretary of the  
17 Treasury based on information provided by the gov-  
18 ernment of the respective possession.

19 (2) PAYMENTS TO OTHER POSSESSIONS.—The  
20 Secretary of the Treasury shall pay to each posses-  
21 sion of the United States which does not have a mir-  
22 ror code tax system amounts estimated by the Sec-  
23 retary of the Treasury as being equal to the aggre-  
24 gate benefits (if any) that would have been provided  
25 to residents of such possession by reason of the

1 amendments made by this section if a mirror code  
2 tax system had been in effect in such possession.  
3 The preceding sentence shall not apply unless the re-  
4 spective possession has a plan, which has been ap-  
5 proved by the Secretary of the Treasury, under  
6 which such possession will promptly distribute such  
7 payments to its residents.

8 (3) INCLUSION OF ADMINISTRATIVE EX-  
9 PENSES.—The Secretary of the Treasury shall pay  
10 to each possession of the United States to which the  
11 Secretary makes a payment under paragraph (1) or  
12 (2) an amount equal to the lesser of—

13 (A) the increase (if any) of the administra-  
14 tive expenses of such possession—

15 (i) in the case of a possession de-  
16 scribed in paragraph (1), by reason of the  
17 amendments made by this section, and

18 (ii) in the case of a possession de-  
19 scribed in paragraph (2), by reason of car-  
20 rying out the plan described in such para-  
21 graph, or

22 (B) \$500,000 (\$10,000,000 in the case of  
23 Puerto Rico).

24 The amount described in subparagraph (A) shall be  
25 determined by the Secretary of the Treasury based

1 on information provided by the government of the  
2 respective possession.

3 (4) COORDINATION WITH CREDIT ALLOWED  
4 AGAINST UNITED STATES INCOME TAXES.—No cred-  
5 it shall be allowed against United States income  
6 taxes under section 6436 of such Code (as added by  
7 this section), nor shall any credit or refund be made  
8 or allowed under subsection (i) of such section, to  
9 any person—

10 (A) to whom a credit is allowed against  
11 taxes imposed by the possession by reason of  
12 the amendments made by this section, or

13 (B) who is eligible for a payment under a  
14 plan described in paragraph (2).

15 (5) MIRROR CODE TAX SYSTEM.—For purposes  
16 of this subsection, the term “mirror code tax sys-  
17 tem” means, with respect to any possession of the  
18 United States, the income tax system of such posses-  
19 sion if the income tax liability of the residents of  
20 such possession under such system is determined by  
21 reference to the income tax laws of the United  
22 States as if such possession were the United States.

23 (6) TREATMENT OF PAYMENTS.—For purposes  
24 of section 1324 of title 31, United States Code, the  
25 payments under this subsection shall be treated in

1 the same manner as a refund due from a credit pro-  
2 vision referred to in subsection (b)(2) of such sec-  
3 tion.

4 (d) CLERICAL AMENDMENT.—The table of sections  
5 for subchapter B of chapter 65 of subtitle F of such Code  
6 is amended by adding at the end the following new item:

“Sec. 6436. Individual tariff refund credit.”.

7 (e) CONFORMING AMENDMENT.—Section 1324(b)(2)  
8 of title 31, United States Code, is amended by striking  
9 “or 7527A” and inserting “7527A, or 6436”.

10 (f) EFFECTIVE DATE.—The amendments made by  
11 this sections shall apply to taxable years beginning after  
12 December 31, 2024.

13 **SEC. 2. EXCISE TAX ON CERTAIN TARIFF REFUNDS.**

14 (a) IN GENERAL.—Chapter 42 of the Internal Rev-  
15 enue Code of 1986 is amended by adding at the end the  
16 following new subchapter:

17 **“Subchapter I—Excise Tax on Certain Tariff**  
18 **Refunds**

“Sec. 4969. Excise tax on certain tariff refunds.

19 **“SEC. 4969. EXCISE TAX ON CERTAIN TARIFF REFUNDS.**

20 “(a) IN GENERAL.—There is hereby imposed on each  
21 covered taxpayer for the taxable year a tax in an amount  
22 equal to 100 percent of the non-qualifying tariff refunds  
23 received by such taxpayer.

1       “(b) EXCEPTION FOR COSTS NOT PASSED ON TO  
2 CONSUMERS.—

3           “(1) IN GENERAL.—Subsection (a) shall not  
4 apply with respect to a covered taxpayer if such tax-  
5 payer can demonstrate that any increase in price of  
6 products sold by the taxpayer during the covered pe-  
7 riod did not exceed 50 percent of the amount of the  
8 tariffs imposed on such products on any input used  
9 by the taxpayer to produce such products.

10          “(2) COVERED PERIOD.—For purposes of para-  
11 graph (1), the term ‘covered period’ means the pe-  
12 riod beginning on January 20, 2025, and ending on  
13 the date on which a covered court order is issued.

14          “(3) TREATMENT OF PRICE INCREASES ATTRIB-  
15 UTABLE TO INFLATION.—For purposes of paragraph  
16 (1), the amount of the increase in the retail price of  
17 any product shall be determined without regard to  
18 so much of such increase as is attributable to infla-  
19 tion.

20       “(c) DEFINITIONS.—For purposes of this section—

21           “(1) COVERED COURT ORDER.—The term ‘cov-  
22 ered court order’ has the meaning given such term  
23 in section 6436.

24           “(2) COVERED TAXPAYER.—The term ‘covered  
25 taxpayer’ means a corporation or taxpayer which

1 does not meet the gross receipts test of section  
2 448(c), determined by substituting ‘\$1,000,000,000’  
3 for ‘\$25,000,000’ in paragraph (1) thereof.

4 “(3) NON-QUALIFYING TARIFF REFUND.—For  
5 purposes of this section, the term ‘non-qualifying  
6 tariff refund’ means a repayment made pursuant to  
7 a covered court order of tariff revenues which were  
8 collected from the taxpayer in the course of the  
9 trade or business of such taxpayer.”.

10 (b) CLERICAL AMENDMENT.—The table of sub-  
11 chapters for chapter 42 of such Code is amended by add-  
12 ing at the end the following new item:

“I. Excise Tax on Certain Tariff Refunds”.

13 (c) EFFECTIVE DATE.—The amendments made by  
14 this section shall apply to amounts received after Decem-  
15 ber 31, 2025.

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