II

119TH CONGRESS
2D SESSION

S. 4825

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

JUNE 18, 2026

Mr. SANDERS introduced the following bill; which was read twice and referred to the Committee on Finance

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A BILL

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

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "American A.I. Sovereign Wealth Fund Act".

SEC. 2. FINDINGS.

Congress makes the following findings:

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

(2) Artificial intelligence is a public resource that derives its economic value from humanity's collective intelligence, including our books, songs, artwork, journalism, computer code, scientific research, videos, conversations, images, and ideas spanning generations.

(3) A small number of oligarchs have essentially stolen the creative work of hundreds of millions of people—writers, artists, musicians, journalists, teachers, scientists, and ordinary citizens—without permission, acknowledgment, or compensation in order to control the majority of economic value created by artificial intelligence.

(4) Artificial intelligence is built on the collective knowledge of humanity and the wealth it generates must benefit humanity.

(5) Sixty-seven countries throughout the world operate more than 100 sovereign wealth funds to ensure working families benefit from public resources and national wealth.

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

(7) The Texas Permanent School Fund was established in 1845 and distributed nearly

$5,000,000,000 to Texas schools for the 2026–2027 school year.

(8) The Alaska Permanent Fund was established 50 years ago from the State's oil revenues, and for decades it has paid dividends directly to Alaskans. In 2022, that dividend check was $3,284 per person; in 2023 it was $1,312; in 2024 it was $1,702; and in 2025 it was $1,000.

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

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

(A) OpenAI, which has proposed a ''Public Wealth Fund that provides every citizen—including those not invested in financial markets—a stake in AI-driven economic growth'';

(B) Anthropic, which has proposed a sovereign wealth fund to ''shape the sector's behavior and distribute AI-derived wealth more equitably''; and

(C) Elon Musk, who has proposed ''universal HIGH INCOME via checks issued by the

Federal Government'' to address unemployment caused by artificial intelligence.

SEC. 3. EXCISE TAX ON SYSTEMICALLY IMPORTANT AI COMPANIES.

(a) IN GENERAL.—Subtitle D of the Internal Revenue Code of 1986 is amended by adding at the end the following new chapter:

"CHAPTER 50B—SYSTEMICALLY IMPORTANT AI COMPANIES

"SEC. 5000E. EXCISE TAX ON SYSTEMICALLY IMPORTANT AI ACTIVITY.

''(a) IN GENERAL.—

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

''(2) ADDITIONAL TAX.—

''(A) IN GENERAL.—In any case in which an applicable AI company issues equity interests (including equity interests issued as, or in settlement of, employee or other service-provider compensation) after the date on which the tax is first imposed on such applicable AI company under paragraph (1), there shall be imposed a tax equal to the amount determined under subsection (b) by taking into account only the equity interests so issued.

"(B) SPECIAL RULE.—For the purposes of this paragraph, equity interests transferred or delivered in connection with the settlement, exercise, or vesting of any stock option, restricted stock unit, or other equity-based compensation award shall be treated as additional equity interests issued at the time of such transfer or delivery without regard to when the award was granted.

"(3) COORDINATION WITH SEPARATION REQUIREMENT.—

"(A) IN GENERAL.—In the case of an applicable AI company that is required to separate its applicable AI trade or business pursuant to section 4 of the American A.I. Sovereign Wealth Fund Act, no tax shall be imposed under this section until such separation is complete, and upon completion the tax shall apply only to the separated entity that holds the applicable AI trade or business.

"(B) SEPARATION PERIOD.—The tax under this section shall be imposed on the separated entity as of the date the separation is complete or the date by which structural separation is required under section 4 of the American A.I. Sovereign Wealth Fund Act, whichever is earlier.

"(b) AMOUNT OF TAX; REMITTANCE.—

"(1) IN GENERAL.—The amount of tax imposed by subsection (a) is of such amount that immediately after the tax has been paid, the Secretary shall hold 50 percent of all outstanding equity interests in the applicable AI company, to be remitted in exact proportion of the outstanding equity interests (including by class of interest) in such entity immediately prior to the tax being paid.

"(2) FORM OF REMITTANCE.—All equity interests remitted in satisfaction of the tax imposed by this section shall be equity interests newly issued by the applicable AI company for purposes of such remittance. No previously outstanding, treasury, or repurchased equity interest may be used to satisfy the tax. Notwithstanding any provision of the certificate of incorporation, bylaws, or other governing document of the applicable AI company, including any limitation on the number of authorized equity interests or any requirement of approval for issuance, the company shall issue and remit the equity interests required under this section.

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

"(c) APPLICABLE AI COMPANY.—For purposes of this section—

"(1) IN GENERAL.—The term 'applicable AI company' means any corporation or partnership—

"(A) which is engaged in 1 or more applicable AI trades or businesses for any taxable year beginning after December 31, 2025, and

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

"(2) APPLICABLE AI TRADE OR BUSINESS.—

"(A) IN GENERAL.—The term 'applicable AI trade or business' means any trade or business engaged in activities related to one or more of the following:

"(i) AI data centers.

"(ii) AI computing infrastructure.

"(iii) AI services.

"(iv) Researching, producing, or manufacturing advanced robotics.

"(B) TRADE OR BUSINESS.—For purposes of this paragraph, the term 'trade or business' shall include any activity treated as a trade or business under paragraph (5) or (6) of section 469(c) (determined without regard to the phrase 'To the extent provided in regulations' in such paragraph (6)).

"(3) SPECIAL RULES.—For purposes of paragraph (1)(B)—

"(A) AGGREGATION RULES.—For purposes of determining aggregate gross receipts, all persons which are treated as a single employer under subsections (a) and (b) of section 52 shall be treated as a single person.

"(B) ELECTION TO USE TAXABLE YEAR.—

"(i) IN GENERAL.—If an applicable AI company makes an election under this subparagraph, paragraph (1)(B) shall be applied by substituting 'such taxable year' for 'the calendar year in which such taxable year begins'.

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

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

"(d) OTHER DEFINITIONS.—For purposes of this section—

"(1) AI DATA CENTER.—The term 'AI data center' means all the buildings, equipment, structures, and other stationary items, such as server racks, that—

"(A) are located on a single site or on contiguous, adjacent, or otherwise connected sites,

"(B) are owned or operated by the same entity or by any entity that controls, is controlled by, or is under the common control of that entity, regardless of whether the site is a single-occupant or multi-occupant facility, and

"(C)(i) are used for the development or operation of artificial intelligence models at scale, or

"(ii)(I) have a maximum rated power capacity or total peak power load in excess of 20 megawatts, and

"(II) are designed or equipped—

"(aa) to deliver 20 kilowatts or more of electrical power to a single server rack, or

"(bb) to utilize cooling systems that circulate liquid to individual hardware components or submerge electronic hardware in liquid.

"(2) AI COMPUTING INFRASTRUCTURE.—The term 'AI computing infrastructure' means semiconductors, integrated circuits, and products containing integrated circuits, including computers, networking equipment, and data storage systems, that will be used:

"(A) in an artificial intelligence data center, or

"(B) in the training or deployment of artificial intelligence models at scale.

"(3) AI SERVICES.—

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

"(B) ADJUSTMENT.—The Secretary shall annually, in coordination with the Secretary of Commerce, adjust the computing power threshold under subparagraph (A) to reflect changes in the efficiency of training methods or other technological developments made after the date of enactment of this section to maintain equivalency with 10^{25} integer or floating-point operations.

"(4) ADVANCED ROBOTICS.—The term 'advanced robotics' means an automated or semi-automated mechanical system that uses artificial intelligence to perform tasks with partial or full independence from direct human control for commercial or industrial applications.

"(5) EQUITY INTERESTS.—The term 'equity interests' means—

"(A) in the case of a corporation, stock in such corporation, and

"(B) in the case of a partnership, any capital or profits interest.

"(e) REGULATIONS AND GUIDANCE.—The Secretary shall prescribe such regulations or other guidance as the Secretary determines necessary or appropriate to carry out this section.".

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

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

"SEC. 9512. AMERICAN A.I. SOVEREIGN WEALTH FUND.

"(a) CREATION OF TRUST FUND.—There is established in the Treasury of the United States a trust fund to be known as the American A.I. Sovereign Wealth Fund (in this section referred to as the 'Fund'), consisting of such amounts as may be transferred to such Trust Fund as provided in this section or section 9602(b).

"(b) TRANSFERS TO FUND.—There is hereby transferred to the Fund the equity interests collected as taxes under section 5000E and any income or gain from such equity interests.

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

"(d) DISTRIBUTIONS FROM FUND.—

"(1) IN GENERAL.—

"(A) ANNUAL AMOUNT.—There are authorized to be appropriated from the Fund for each fiscal year amounts equal to 5 percent of the average market value of the Fund for the fiscal year, reduced by the reasonable costs of administering the Fund.

"(B) AVERAGE MARKET VALUE.—For purposes of subparagraph (A), the average market value of the Fund for a fiscal year is the average of the market values of the Fund determined as of the last day of each calendar month ending in such fiscal year during which the Fund held assets.

"(C) DETERMINATION OF MARKET VALUE.—In determining the market value of the Fund—

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

"(ii) equity interests for which there is no readily ascertainable market price shall be valued by the Secretary using the most recent transaction price, appraisal, or other reasonable valuation method the Secretary determines appropriate, and shall be revalued not less frequently than annually.

"(2) USE OF DISTRIBUTIONS.—Amounts appropriated from the Fund shall be used, as provided in appropriations Act or law, to provide for direct payments to the American people and to ensure that every man, woman and child in the United States has a decent and dignified standard of living, including health care, education, housing, and a healthy and habitable environment, in such manner as Congress may provide.

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

"(4) NO BAILOUT.—No amounts in the Fund may be used to provide financial assistance to, or for the benefit of, any applicable AI company (as defined in section 5000E) or other firm that is insolvent or for the purpose of preventing the failure, insolvency, or liquidation of any such firm.".

(2) INDEPENDENT COMMISSION FOR DEMOCRATIC AI.—

(A) IN GENERAL.—

(i) ESTABLISHMENT.—There is established within the Department of the Treasury the Independent Commission for Democratic AI (in this paragraph referred to as the "Commission").

(ii) COMMISSIONERS.—The Commission shall consist of 7 commissioners appointed by the President, by and with the advice and consent of the Senate, of whom—

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

(II) 1 shall be designated as Vice-Chairperson of the Commission and shall be selected from a list submitted by the Speaker of the House of Representatives;

(III) 1 shall be appointed as a representative of labor interests and shall be selected from a list submitted by the Majority Leader of the Senate in consultation with the chair and ranking member of the Committee on Health, Education, Labor, and Pensions of the Senate;

(IV) 1 shall be appointed from among persons who have demonstrated experience in the management of a public pension fund, endowment, sovereign wealth fund, or comparable institutional fund subject to fiduciary obligations and shall be selected from a list submitted by the Speaker of the House of Representatives in consultation with the chair and ranking member of the Committee on Ways and Means of the House of Representatives;

(V) 1 shall be appointed from among persons who have demonstrated experience in the development, deployment, or governance of artificial intelligence systems and shall be selected from a list submitted by the Majority Leader of the Senate in consultation with the chair and ranking member of the Committee on Commerce, Science, and Transportation of the Senate;

(VI) 1 shall be appointed from among persons who have demonstrated experience in privacy and data protection and shall be selected from a list submitted by the Speaker of the House of Representatives in consultation with the chair and ranking member of the Committee on the Judiciary of the House of Representatives; and

(VII) 1 shall be appointed as a representative of public safety or national security interests and shall be selected from a list submitted by the

Majority Leader of the Senate in consultation with the chair and ranking member of the Committee on Armed Services of the Senate.

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

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

(iv) QUALIFICATIONS.—

(I) FINANCIAL INTERESTS.—No commissioner, and no spouse or dependent of a commissioner, may hold any equity or other financial interest in any applicable AI company during the commissioner's service. Each commissioner shall divest any such interest upon appointment.

(II) PRIOR EMPLOYMENT.—No individual may be appointed to the Commission if the individual was employed by an applicable AI company at any time during the two-year period preceding appointment.

(III) PROHIBITION ON SERVICE ON COMPANY BOARDS.—No person shall be a commissioner if such person, or the spouse or any dependent of such person, serves on the board of directors of an applicable AI company.

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

(vi) VACANCIES.—

(I) IN GENERAL.—A vacancy on the Commission shall be filled in the manner in which the original appointment was made and shall be subject to any conditions that applied with respect to the original appointment.

(II) FILLING UNEXPIRED TERM.—An individual chosen to fill a vacancy shall be appointed for the unexpired term of the commissioner replaced.

(vii) REMOVAL.—A commissioner may be removed by the President only for inefficiency, neglect of duty, or malfeasance in office.

(B) DUTIES AND POWERS.—

(i) IN GENERAL.—The Commission shall—

(I) exercise all voting and governance rights attached to the equity interests held in the American A.I. Sovereign Wealth Fund; and

(II) manage the American A.I. Sovereign Wealth Fund, in consultation with the Secretary of Labor, in such manner as to effectively promote the goals of worker welfare, public safety, fair competition among applicable AI companies (as defined in section 5000E of the Internal Revenue Code of 1986), environmental sustainability, and financial solvency.

(ii) DESIGNATION OF REPRESENTATIVES.—

(I) IN GENERAL.—The Commission shall designate qualified individuals to serve as representatives of the Fund on the board of directors of each applicable AI company in which the Fund holds equity interests, and shall exercise the voting and governance rights attached to those interests to cause such individuals to be elected, appointed, or designated to the board of directors of the company, in the largest number the Fund's equity interests entitle it to elect, appoint, or designate.

(II) DUTIES OF REPRESENTATIVES.—A representative designated under this section shall act to advance the goals described in clause (i)(II).

(III) FIDUCIARY DUTIES.—Notwithstanding any other provision of law, any provision of the certificate of incorporation, bylaws, or other governing document of the company, or any duty owed under the law of the company's jurisdiction of organization (including any duty to balance interests under a public benefit corporation statute), advancing the goals described in clause (i)(II) shall be a proper purpose consistent with the fiduciary and other duties of a representative, even where doing so conflicts with the financial interests of the company or its other equity holders. No representative, and no action of a board of directors taken in accordance with this clause, shall be subject to liability or challenge on the 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.

(v) TRANSPARENCY.—

(I) DISCLOSURE OF VOTES.—The Commission shall make publicly available, not less frequently than quarterly, a complete record of how it exercised the voting rights attached to the equity interests held by the American A.I. Sovereign Wealth Fund in each applicable AI company, including the matter voted upon and the manner in which the Commission voted.

(II) DISCLOSURE OF GOVERNANCE ACTIVITY.—The Commission shall make publicly available, not less frequently than annually, a report describing the significant positions taken and actions directed by each commissioner serving on the board of directors of an applicable AI company to the extent such disclosure is not prohibited by applicable law and does not require the disclosure of material nonpublic information of the company.

(III) FORM OF DISCLOSURE.—Disclosures under this clause shall be made in a manner that is publicly accessible and machine-readable.

(C) PERSONNEL MATTERS.—

(i) COMPENSATION OF COMMISSIONERS.—A commissioner who is not an officer or employee of the Federal Government shall be compensated at a rate equal to the daily equivalent of the annual rate of basic pay prescribed for level IV of the Executive Schedule under section 5315 of title 5, United States Code, for each day (including travel time) during which the commissioner is engaged in the performance of the duties of the Commission.

(ii) TRAVEL EXPENSES.—A commissioner shall be allowed travel expenses, including per diem in lieu of subsistence, at rates authorized for employees of agencies under subchapter I of chapter 57 of title 5, United States Code, while away from their homes or regular places of business in the performance of services for the Commission.

(iii) STAFF.—

(I) IN GENERAL.—The Chairperson of the Commission may, without regard to the civil service laws (including regulations), appoint and terminate an executive director and such other additional personnel as may be necessary to enable the Commission to perform its duties, except that the employment of an executive director shall be subject to confirmation by the Commission.

(II) COMPENSATION.—The Chairperson of the Commission may fix the compensation of the executive director and other personnel without regard to chapter 51 and subchapter III of chapter 53 of title 5, United States Code, relating to classification of positions and General Schedule pay rates, except that the rate of pay for the executive director and other personnel may not exceed the rate payable for level V of the Executive

Schedule under section 5316 of that title.

(iv) DETAIL OF GOVERNMENT EMPLOYEES.—A Federal Government employee may be detailed to the Commission without reimbursement, and such detail shall be without interruption or loss of civil service status or privilege.

(v) PROCUREMENT OF TEMPORARY AND INTERMITTENT SERVICES.—The Chairperson of the Commission may procure temporary and intermittent services under section 3109(b) of title 5, United States Code, at rates for individuals that do not exceed the daily equivalent of the annual rate of basic pay prescribed for level V of the Executive Schedule under section 5316 of that title.

(vi) CONFLICTS OF INTEREST.—

(I) FINANCIAL HOLDINGS.—Any equity investments of a commissioner shall be held in a blind trust during any period in which such commissioner serves on the Commission.

(II) SUBSEQUENT EMPLOYMENT.—A former commissioner of the Commission may not accept employment or compensation from any applicable AI company or begin service on the board of directors of such company during the 5-year period following the commissioner's service on the Commission.

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

(E) APPLICABLE AI COMPANY.—For purposes of this paragraph, the term ''applicable AI company'' has the meaning given such term under section 5000E of the Internal Revenue Code of 1986.

(c) INFORMATION REPORTING.—

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

''SEC. 6050BB. PURCHASES FROM AI BUSINESSES.

''(a) IN GENERAL.—Any person—

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

"(2) who in the course of such trade or businesses purchases during the taxable year AI data centers, AI computing infrastructure, AI services, or advanced robotics in excess of the amount in effect under section 448(c)(1) for such taxable year,

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

"(b) STATEMENT TO BE FURNISHED TO PERSONS WITH RESPECT TO WHOM INFORMATION IS REQUIRED.—Every person required to make a return under subsection (a) shall furnish to each corporation or partnership whose name is required to be set forth in such return a written statement showing—

"(1) the name, address, and phone number of the information contact of the person required to make such return, and

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

The written statement required under the preceding sentence shall be furnished (either in person or in a statement mailing by first-class mail which includes adequate notice that the statement is enclosed) to the person at such time and in such form as the Secretary may prescribe by regulations.

"(c) DEFINITIONS.—Any term used in this section which is used in section 5000E shall have the meaning given such term under section 5000E.".

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

(A) in paragraph (1)(B), by striking "or" at the end of clause (xxviii), by inserting "or" at the end of clause (xxix), and by adding at the end the following new clause:

"(xxx) section 6050BB(a) (relating to purchases from AI businesses),", and

(B) in paragraph (2), by striking "or" at the end of subparagraph (NN), by striking the period at the end of subparagraph (OO) and inserting ", or", and by inserting after subparagraph (OO) the following new subparagraph:

"(PP) section 6050BB(b) (relating to purchases from AI businesses).".

(d) ACCURACY RELATED PENALTIES.—Section 6662 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

"(n) APPLICATION TO EXCISE TAX ON SYSTEMICALLY IMPORTANT AI COMPANIES.—In the case of any underpayment of tax required under section 5000E, there shall be added to the tax under such section an amount equal to the excess of—

"(1) the amount determined under section 5000E(b) (determined by substituting '60 percent' for '50 percent'), over

"(2) the amount of tax remitted.".

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

"(k) APPLICATION TO EXCISE TAX ON SYSTEMICALLY IMPORTANT AI COMPANIES.—In the case of any failure to file any return of tax imposed under section 5000E, subsection (a) shall not apply and there shall be added to the amount required to be shown as tax on such return $1,000,000.".

(f) RULES FOR EXPATRIATED ENTITIES.—

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

"(b) INVERTED CORPORATIONS TREATED AS DOMESTIC CORPORATIONS.—

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

"(A) such corporation would be a surrogate foreign corporation if subsection (a)(2) were applied by substituting '80 percent' for '60 percent', or

"(B) such corporation is an inverted applicable AI company.

"(2) INVERTED APPLICABLE AI COMPANY.—For purposes of this subsection, a foreign corporation shall be treated as an inverted applicable AI company if, pursuant to a plan (or a series of related transactions)—

"(A) the entity completes the direct or indirect acquisition of—

"(i) substantially all of the properties held directly or indirectly by a domestic corporation which is an applicable AI company, or

"(ii) substantially all of the assets of, or substantially all of the properties constituting a trade or business of, a domestic partnership which is an applicable AI company, and

"(B) after the acquisition, either—

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

"(I) in the case of an acquisition with respect to a domestic corporation, by former shareholders of the applicable AI company by reason of holding stock in the applicable AI company, or

"(II) in the case of an acquisition with respect to a domestic partnership, by former partners of the applicable AI company by reason of holding a capital or profits interest in the applicable AI company, or

"(ii) the management and control of the expanded affiliated group which includes the entity occurs, directly or indirectly, primarily within the United States, and such expanded affiliated group has significant domestic business activities.

"(3) EXCEPTION FOR CORPORATIONS WITH SUBSTANTIAL BUSINESS ACTIVITIES IN FOREIGN

COUNTRY OF ORGANIZATION.—A foreign corporation described in paragraph (2) shall not be treated as an inverted applicable AI company if after the acquisition the expanded affiliated group which includes the entity has substantial business activities in the foreign country in which or under the law of which the entity is created or organized when compared to the total business activities of such expanded affiliated group. For purposes of subsection (a)(2)(B)(iii) and the preceding sentence, the term 'substantial business activities' shall have the meaning given such term under regulations in effect on January 18, 2017, except that the Secretary may issue regulations increasing the threshold percent in any of the tests under such regulations for determining if business activities constitute substantial business activities for purposes of this paragraph.

"(4) MANAGEMENT AND CONTROL.—For purposes of paragraph (2)(B)(ii)—

"(A) IN GENERAL.—The Secretary shall prescribe regulations for purposes of determining cases in which the management and control of an expanded affiliated group is to be treated as occurring, directly or indirectly, primarily within the United States.

"(B) EXECUTIVE OFFICERS AND SENIOR MANAGEMENT.—Such regulations shall provide that the management and control of an expanded affiliated group shall be treated as occurring, directly or indirectly, primarily within the United States if substantially all of the executive officers and senior management of the expanded affiliated group who exercise day-to-day responsibility for making decisions involving strategic, financial, and operational policies of the expanded affiliated group are based or primarily located within the United States. Individuals who in fact exercise such day-to-day responsibilities shall be treated as executive officers and senior management regardless of their title.

"(5) SIGNIFICANT DOMESTIC BUSINESS ACTIVITIES.—For purposes of paragraph (2)(B)(ii), an expanded affiliated group has significant domestic business activities if at least 25 percent of—

"(A) the employees of the group are based in the United States,

"(B) the employee compensation incurred by the group is incurred with respect to employees based in the United States, "(C) the assets of the group are located in the United States, or

"(D) the income of the group is derived in 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.".

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

(A) in paragraph (2)—

(i) by striking "subsection (a)(2)(B)(ii)" and inserting "subsections (a)(2)(B)(ii) and (b)(2)(B)(i)"; and

(ii) by inserting "or (b)(2)(A)" after "(a)(2)(B)(i)" in subparagraph (B);

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

(C) in paragraph (5), by striking "subsection (a)(2)(B)(ii)" and inserting "subsections (a)(2)(B)(ii) and (b)(2)(B)(i)"; and

(D) in paragraph (6), by inserting "or inverted applicable AI company, as the case may be," after "surrogate foreign corporation".

(g) CLERICAL AMENDMENTS.—

(1) The table of chapters for subtitle D of the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

"CHAPTER 50B—SYSTEMICALLY IMPORTANT AI COMPANIES".

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

"Sec. 9512. American A.I. Sovereign Wealth Fund.".

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

"Sec. 6050BB. Purchases from AI businesses.".

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

SEC. 4. STRUCTURAL SEPARATION.

(a) DEFINITIONS.—

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

(2) STRUCTURAL SEPARATION.—The term ‘‘structural separation’’, with respect to an applicable AI company, means adoption of an operating structure under which the applicable AI company—

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

(B) does not hold equity in, provide credit to, or otherwise provide financing to any business other than the applicable AI trade or business;

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

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

(E) does not participate in any joint ventures with an entity that is not an applicable AI company.

(b) STRUCTURAL SEPARATION REQUIRED.—The Federal Trade Commission shall require that each applicable AI company complete structural separation—

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

(2) with respect to an applicable AI company established on or after the date of enactment of this Act, not later than 90 days after meeting the definition of an applicable AI company.

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