

119TH CONGRESS
1ST SESSION

S. _____

To amend the Internal Revenue Code of 1986 to support the national defense and economic security of the United States by supporting vessels, ports, and shipyards of the United States and the United States maritime workforce through tax policy.

IN THE SENATE OF THE UNITED STATES

Mr. KELLY (for himself and Mr. YOUNG) 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 support the national defense and economic security of the United States by supporting vessels, ports, and shipyards of the United States and the United States maritime workforce through tax policy.

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.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Building Ships in America Act of 2025”.

6 (b) TABLE OF CONTENTS.—The table of contents of
7 this Act is as follows:

2

- Sec. 1. Short title; table of contents.
- Sec. 2. United States vessel investment credit.
- Sec. 3. Certain payments for maritime security excluded from gross income.
- Sec. 4. Elimination of 30-day limitation on domestic operations.
- Sec. 5. Qualifying shipping activities.
- Sec. 6. Qualifying vessel.
- Sec. 7. Credit for construction of shipyard facilities.
- Sec. 8. Tax incentives relating to merchant marine capital construction funds.
- Sec. 9. Exemption of student incentive payment agreements from gross income.
- Sec. 10. Maritime fuel tax parity.
- Sec. 11. Treatment of maritime prosperity zones as opportunity zones.

1 **SEC. 2. UNITED STATES VESSEL INVESTMENT CREDIT.**

2 (a) IN GENERAL.—Subpart E of part IV of sub-
3 chapter A of chapter 1 of the Internal Revenue Code of
4 1986 is amended by inserting after section 48E the fol-
5 lowing new section:

6 **“SEC. 48F. UNITED STATES VESSEL INVESTMENT CREDIT.**

7 “(a) IN GENERAL.—For purposes of section 46, the
8 United States Vessel Investment credit for any taxable
9 year is an amount equal to the applicable percentage of
10 any qualified investment for such taxable year with respect
11 to any qualified vessel.

12 “(b) APPLICABLE PERCENTAGE.—For purposes of
13 subsection (a), the applicable percentage with respect to
14 any qualified vessel shall be an amount equal to the sum
15 of—

16 “(1) 33 percent, plus

17 “(2) in the case of any qualified vessel for
18 which the owner of such vessel will, as part of the
19 agreement described in subsection (d)(1)(F) and for
20 the duration of such agreement, obtain protection

1 and indemnity insurance with respect to such vessel
2 from an insurance company that is domiciled and
3 headquartered in the United States and is an under-
4 writer that is approved by the Maritime Adminis-
5 trator, 5 percent, plus

6 “(3) in the case of any qualified vessel which is
7 classified by and designed in accordance with the
8 rules of the American Bureau of Shipping or any
9 other classification society headquartered in the
10 United States and recognized by the Secretary of
11 the department in which the Coast Guard is oper-
12 ating in accordance with section 3316 of title 46,
13 United States Code, 2 percent.

14 “(c) QUALIFIED INVESTMENT.—For purposes of sub-
15 section (a), the qualified investment with respect to any
16 qualified vessel is equal to the amount paid or incurred
17 by the taxpayer in connection with the construction,
18 repowering, or reconstruction of such vessel—

19 “(1) in a shipyard of the United States, and

20 “(2) by an entity which is not a foreign entity
21 of concern.

22 “(d) QUALIFIED VESSEL.—

23 “(1) IN GENERAL.—For purposes of this sec-
24 tion, the term ‘qualified vessel’ means a cargo ves-
25 sel—

1 “(A) which is a United States flag vessel
2 (as defined in section 1355),

3 “(B) which, in the case of any repowering
4 or reconstruction of such vessel, was originally
5 constructed in the United States,

6 “(C) which operates in providing transpor-
7 tation in the United States foreign trade (as
8 such term is defined in section 1355(a)),

9 “(D) which is not a passenger vessel, as
10 defined in section 2101 of title 46, United
11 States Code,

12 “(E) which is—

13 “(i) a bulk carrier vessel,

14 “(ii) a tanker vessel,

15 “(iii) a roll-on/roll-off vessel,

16 “(iv) a container vessel,

17 “(v) a multi-purpose vessel,

18 “(vi) a cable vessel,

19 “(vii) a heavy-lift vessel, or

20 “(viii) any other type of vessel deter-
21 mined appropriate by the Maritime Admin-
22 istrator,

23 “(F) which, pursuant to an agreement be-
24 tween the taxpayer and the Maritime Adminis-

1 trator, operates as a vessel of the United States
2 for a period of not less than 10 years,

3 “(G) which has entered into an emergency
4 preparedness agreement under section 53107 or
5 53407 of title 46, United States Code, or a con-
6 tingency agreement under section 53207 of
7 such title, or has otherwise entered into a vol-
8 untary agreement and plan of action with the
9 Administrator of the Maritime Administration
10 as authorized under section 708(c) of the De-
11 fense Production Act of 1950 (50 U.S.C.
12 4558(c)), and

13 “(H) the construction of which begins be-
14 fore January 1, 2033.

15 “(2) EXCLUSION RELATED TO FOREIGN ENTI-
16 TIES OF CONCERN.—The term ‘qualified vessel’ shall
17 not include a vessel which—

18 “(A) is, or was previously, owned or oper-
19 ated by a foreign entity of concern,

20 “(B) was constructed, repowered, or recon-
21 structed in a shipyard which is owned or oper-
22 ated by a foreign entity of concern, or

23 “(C) was registered as a vessel of a foreign
24 country of concern at any time prior to being
25 placed in service by the taxpayer.

1 “(e) DEFINITIONS.—For purposes of this section—

2 “(1) FOREIGN COUNTRY OF CONCERN.—The
3 term ‘foreign country of concern’ means—

4 “(A) a country that is a covered nation (as
5 defined in section 4872(d) of title 10, United
6 States Code), and

7 “(B) any country that the Maritime Ad-
8 ministrator, in consultation with the Secretary
9 of Defense, the Secretary of State, the Director
10 of National Intelligence, and the Chair of the
11 Federal Maritime Commission, determines to be
12 engaged in conduct that is detrimental to the
13 national security or foreign policy of the United
14 States.

15 “(2) FOREIGN ENTITY.—The term ‘foreign en-
16 tity’—

17 “(A) means—

18 “(i) a government of a foreign country
19 or a foreign political party, as those terms
20 are defined in section 1 of the Foreign
21 Agents Registration Act of 1938, as
22 amended (22 U.S.C. 611),

23 “(ii) a natural person who is not a
24 lawful permanent resident of the United
25 States, a citizen of the United States, or

1 any other protected individual (as such
2 term is defined in section 274B(a)(3) of
3 the Immigration and Nationality Act (8
4 U.S.C. 1324b(a)(3))), or

5 “(iii) a partnership, association, cor-
6 poration, organization, or other combina-
7 tion of persons organized under the laws of
8 or having its principal place of business in
9 a foreign country, and

10 “(B) includes—

11 “(i) any person (including an owner
12 or operator of a vessel) owned by, con-
13 trolled by, or subject to the direction of an
14 entity listed in subparagraph (A),

15 “(ii) any person, wherever located,
16 who acts as an agent, representative, or
17 employee of an entity listed in subpara-
18 graph (A),

19 “(iii) any person who acts in any
20 other capacity at the order, request, or
21 under the direction or control, of an entity
22 listed in subparagraph (A), or of a person
23 whose activities are directly or indirectly
24 supervised, directed, controlled, financed,

1 or subsidized in whole or in major part by
2 an entity listed in subparagraph (A),

3 “(iv) any person who directly or indi-
4 rectly through any contract, arrangement,
5 understanding, relationship, or otherwise,
6 owns 25 percent or more of the equity in-
7 terests of an entity listed in subparagraph
8 (A),

9 “(v) any person with significant re-
10 sponsibility to control, manage, or direct
11 an entity listed in subparagraph (A),

12 “(vi) any person, wherever located,
13 who is a citizen or resident of a country
14 controlled by an entity listed in subpara-
15 graph (A), or

16 “(vii) any corporation, partnership,
17 association, or other organization orga-
18 nized under the laws of a country con-
19 trolled by an entity listed in subparagraph
20 (A).

21 “(3) FOREIGN ENTITY OF CONCERN.—The
22 term ‘foreign entity of concern’ means any foreign
23 entity that is—

24 “(A) designated as a foreign terrorist orga-
25 nization by the Secretary of State under section

1 219 of the Immigration and Nationality Act (8
2 U.S.C. 1189),

3 “(B) included on the list of specially des-
4 ignated nationals and blocked persons main-
5 tained by the Office of Foreign Assets Control
6 of the Department of the Treasury,

7 “(C) owned by, controlled by, or subject to
8 the jurisdiction or direction of a government of
9 a foreign country of concern,

10 “(D) alleged by the Attorney General to
11 have been involved in activities for which a con-
12 viction was obtained under—

13 “(i) chapter 37 of title 18, United
14 States Code (commonly known as the ‘Es-
15 pionage Act’) (18 U.S.C. 792 et seq.),

16 “(ii) section 951 or 1030 of title 18,
17 United States Code,

18 “(iii) chapter 90 of title 18, United
19 States Code (commonly known as the ‘Eco-
20 nomic Espionage Act of 1996’),

21 “(iv) the Arms Export Control Act
22 (22 U.S.C. 2751 et seq.),

23 “(v) section 224, 225, 226, 227, or
24 236 of the Atomic Energy Act of 1954 (42

1 U.S.C. 2274, 2275, 2276, 2277, and
2 2284),

3 “(vi) the Export Control Reform Act
4 of 2018 (50 U.S.C. 4801 et seq.), or

5 “(vii) the International Emergency
6 Economic Powers Act (50 U.S.C. 1701 et
7 seq.),

8 “(E) designated by the Federal Maritime
9 Commission as a controlled carrier under chap-
10 ter 407 of title 46, United States Code,

11 “(F) found by the Federal Maritime Com-
12 mission to be practicing unfavorable conditions
13 in foreign trade under chapter 421 or 423 of
14 title 46, United States Code, or

15 “(G) determined by the Maritime Adminis-
16 trator, in consultation with the Secretary of De-
17 fense, the Secretary of State, the Director of
18 National Intelligence, and the Chair of the Fed-
19 eral Maritime Commission, to be engaged in un-
20 authorized conduct that is detrimental to the
21 national security or foreign policy of the United
22 States.

23 “(f) CERTAIN PROGRESS EXPENDITURE RULES
24 MADE APPLICABLE.—Rules similar to the rules of sub-
25 sections (c)(4) and (d) of section 46 (as in effect on the

1 day before the date of the enactment of the Revenue Rec-
2 onciliation Act of 1990) shall apply for purposes of sub-
3 section (a).

4 “(g) REGULATIONS.—The Secretary, in consultation
5 with the Maritime Administrator, shall issue such regula-
6 tions or other guidance as may be necessary or appro-
7 priate to carry out the purposes of this section, including
8 any regulations or guidance which may be necessary or
9 appropriate to recapture the benefit of any credit deter-
10 mined under this section with respect to any qualified ves-
11 sel, or any increase in the applicable percentage under
12 subsection (b) with respect to any qualified vessel, in the
13 case of any taxpayer which fails to comply with the terms
14 of the agreement described in subsection (d)(1)(F) with
15 respect to such qualified vessel.”.

16 (b) CONFORMING AMENDMENTS.—

17 (1) Section 46 of the Internal Revenue Code of
18 1986, as amended by section 13702(b)(1) of Public
19 Law 117–169, is amended—

20 (A) in paragraph (6), by striking “and” at
21 the end,

22 (B) in paragraph (7), by striking the pe-
23 riod at the end and inserting “, and”, and

24 (C) by adding at the end the following:

1 “(8) the United States Vessel Investment cred-
2 it.”.

3 (2) Section 49(a)(1)(C) of such Code, as
4 amended by section 13702(b)(2) of Public Law 117–
5 169, is amended—

6 (A) in clause (vii), by striking “and” at the
7 end,

8 (B) in clause (viii), by striking the period
9 at the end and inserting “, and”, and

10 (C) by adding at the end the following:

11 “(ix) with respect to any qualified ves-
12 sel (as defined in section 48F(d)), the por-
13 tion of the basis of such vessel attributable
14 to amounts paid or incurred by the tax-
15 payer in connection with the construction,
16 repowering, or reconstruction of such ves-
17 sel.”.

18 (3) The table of sections for subpart E of part
19 IV of subchapter A of chapter 1 of such Code is
20 amended by inserting after the item relating to sec-
21 tion 48E the following new item:

 “Sec. 48F. United States Vessel Investment credit.”.

22 (c) RECAPTURE FOR FAILURE TO OPERATE AS A
23 VESSEL OF THE UNITED STATES.—Section 50(a) of the
24 Internal Revenue Code of 1986 is amended—

1 (1) in paragraph (4), by striking “or any appli-
2 cable transaction to which paragraph (3)(A) applies”
3 and inserting “any applicable transaction to which
4 paragraph (3)(A) applies, or any violation to which
5 paragraph (6)(A) applies”,

6 (2) by redesignating paragraph (6) as para-
7 graph (7),

8 (3) by inserting after paragraph (5) the fol-
9 lowing new paragraph:

10 “(6) FAILURE TO OPERATE QUALIFIED VESSEL
11 AS A VESSEL OF THE UNITED STATES.—

12 “(A) IN GENERAL.—If an applicable tax-
13 payer violates any of the requirements of the
14 agreement described in section 48F(d)(1)(F)
15 during the duration of such agreement with re-
16 spect to any investment credit property which is
17 eligible for the United States Vessel Investment
18 credit under section 48F(a), then the tax under
19 this chapter for the taxable year in which such
20 violation occurs shall be increased by 100 per-
21 cent of the aggregate decrease in the credits al-
22 lowed under section 38 for all prior taxable
23 years which would have resulted solely from re-
24 ducing to zero any credit determined under sec-
25 tion 46 which is attributable to the United

1 States Vessel Investment credit under section
2 48F(a) with respect to such property.

3 “(B) EXCEPTION.—Subparagraph (A)
4 shall not apply if the applicable taxpayer dem-
5 onstrates to the satisfaction of the Secretary
6 and the Maritime Administrator that the tax-
7 payer is in compliance with the agreement de-
8 scribed in section 48F(d)(1)(F) within 30 days
9 of a determination and notice by the Secretary.

10 “(C) REGULATIONS AND GUIDANCE.—The
11 Secretary shall issue such regulations or other
12 guidance as the Secretary determines necessary
13 or appropriate to carry out the purposes of this
14 paragraph, including regulations or other guid-
15 ance which provide for requirements for record-
16 keeping or information reporting for purposes
17 of administering the requirements of this para-
18 graph.”, and

19 (4) in paragraph (7) (as redesignated by para-
20 graph (2))—

21 (A) in subparagraph (C), by striking “or
22 (3)” and inserting “(3), or (4)”, and

23 (B) by striking subparagraph (E) and in-
24 serting the following:

1 “(E) APPLICABLE TAXPAYER.—For pur-
2 poses of this subsection, the term ‘applicable
3 taxpayer’ means any taxpayer who has been al-
4 lowed—

5 “(i) for purposes of paragraph (3), a
6 credit under section 48D(a) for any prior
7 taxable year, or

8 “(ii) for purposes of paragraph (6), a
9 credit under section 48F(a) for any prior
10 taxable year.”.

11 (d) ELECTIVE PAYMENT AND TRANSFER OF CRED-
12 IT.—

13 (1) ELECTIVE PAYMENT.—Section 6417 of the
14 Internal Revenue Code of 1986 is amended—

15 (A) in subsection (b), by adding at the end
16 the following:

17 “(13) The United States Vessel Investment
18 credit under section 48F.”, and

19 (B) in subsection (d)(1)—

20 (i) in subparagraph (E), by striking
21 “(C), or (D)” each place it appears and in-
22 serting “(C), (D), or (E)”,

23 (ii) by redesignating subparagraph
24 (E) (as amended by clause (i)) as subpara-
25 graph (F), and

1 (iii) by inserting after subparagraph
2 (D) the following:

3 “(E) ELECTION WITH RESPECT TO
4 UNITED STATES VESSEL INVESTMENT CRED-
5 IT.—If a taxpayer other than an entity de-
6 scribed in subparagraph (A) makes an election
7 under this subparagraph with respect to any
8 taxable year in which such taxpayer has made
9 a qualified investment with respect to any quali-
10 fied vessel (as defined in section 48F), such
11 taxpayer shall be treated as an applicable entity
12 for purposes of this section for such taxable
13 year, but only with respect to the credit de-
14 scribed in subsection (b)(13).”.

15 (2) TRANSFER.—Section 6418(f)(1)(A) of the
16 Internal Revenue Code of 1986 is amended by add-
17 ing at the end the following:

18 “(xii) The United States Vessel In-
19 vestment credit under section 48F.”.

20 (e) EXCEPTION RELATING TO ALTERNATIVE TAX ON
21 QUALIFYING SHIPPING ACTIVITIES.—Section 1357(c) of
22 the Internal Revenue Code of 1986 is amended—

23 (1) in paragraph (1), by striking “paragraph
24 (2)” and inserting “paragraph (2) or (4)”, and
25 (2) by adding at the end the following:

1 “(4) EXCEPTION FOR UNITED STATES VESSEL
2 INVESTMENT CREDIT.—Paragraph (1) shall not
3 apply with respect to any credit allowed to the tax-
4 payer under section 48F.”.

5 (f) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to property placed in service after
7 December 31, 2025.

8 **SEC. 3. CERTAIN PAYMENTS FOR MARITIME SECURITY EX-**
9 **CLUDED FROM GROSS INCOME.**

10 (a) IN GENERAL.—Part III of subchapter B of chap-
11 ter 1 of the Internal Revenue Code of 1986 is amended
12 by inserting after section 139I the following new sub-
13 section:

14 **“SEC. 139J. MARITIME SECURITY PAYMENTS.**

15 “(a) IN GENERAL.—Gross income shall not include
16 any payment made pursuant to—

17 “(1) section 53106 of title 46, United States
18 Code,

19 “(2) section 53206 of such title,

20 “(3) section 53406 of such title,

21 “(4) section 54101 of such title, or

22 “(5) section 54301 of such title.

23 “(b) DENIAL OF DOUBLE BENEFIT.—No deduction
24 or credit shall be allowed for, or by reason of, any expendi-
25 ture to the extent of the amount excluded under sub-

1 section (a) for any payment which was provided with re-
2 spect to such expenditure. The adjusted basis of any prop-
3 erty shall be reduced by the amount excluded under sub-
4 section (a) which was provided with respect to such prop-
5 erty.”.

6 (b) CLERICAL AMENDMENT.—The table of sections
7 for part III of subchapter B of chapter 1 of such Code
8 is amended by inserting after the item relating to section
9 139I the following new item:

“Sec. 139J. Maritime security payments.”.

10 (c) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to taxable years beginning after
12 the date of the enactment of this Act.

13 **SEC. 4. ELIMINATION OF 30-DAY LIMITATION ON DOMESTIC**
14 **OPERATIONS.**

15 (a) IN GENERAL.—Section 1355 of the Internal Rev-
16 enue Code of 1986 is amended—

17 (1) in subsection (f), by striking paragraph (4),
18 and

19 (2) in subsection (g)(2), by striking subpara-
20 graph (D).

21 (b) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to taxable years beginning after
23 the date of enactment of this Act.

1 **SEC. 5. QUALIFYING SHIPPING ACTIVITIES.**

2 Section 1356(b) of the Internal Revenue Code of
3 1986 (relating to qualifying shipping activities) is amend-
4 ed by striking “activities in operating” and inserting “the
5 carriage of goods (as defined in section 1 of the Carriage
6 of Goods by Sea Act (46 U.S.C. 30701 note)) by”.

7 **SEC. 6. QUALIFYING VESSEL.**

8 Section 1355(a) of the Internal Revenue Code of
9 1986 is amended—

10 (1) by striking paragraph (4) and inserting the
11 following:

12 “(4) **QUALIFYING VESSEL.**—The term ‘quali-
13 fying vessel’ means a vessel which is—

14 “(A) self-propelled (or a combination self-
15 propelled and non-self-propelled),

16 “(B) a United States flag vessel or a
17 United States-owned foreign flag vessel,

18 “(C) either—

19 “(i) a vessel designed primarily for
20 use on the high seas which has a draft of
21 more than 12 feet, or

22 “(ii) not less than 6,000 deadweight
23 tons, and

24 “(D) used exclusively in the United States
25 foreign trade during the period that the election
26 under this subchapter is in effect.”, and

1 (2) by adding at the end the following:

2 “(8) UNITED STATES-OWNED FOREIGN FLAG
3 VESSEL.—The term ‘United States-owned foreign
4 flag vessel’ means any vessel which—

5 “(A) is documented under the laws of a
6 country (other than the United States) or a for-
7 eign registry which is not a foreign country of
8 concern (as defined in section 48F(e)),

9 “(B) is owned by a person which—

10 “(i)(I) is a citizen of the United
11 States (as determined under section 50501
12 of title 46, United States Code), or

13 “(II) is controlled (within the meaning
14 of section 954(d)(3)) by a citizen of the
15 United States (as so determined), and

16 “(ii) owns a fleet of United States
17 flag vessels,

18 “(C) is strategically and commercially
19 managed from within the United States, and

20 “(D) has entered into an emergency pre-
21 paredness agreement under section 53107 or
22 53407 of title 46, United States Code, or a con-
23 tingency agreement under section 53207 of
24 such title, or has otherwise entered into a vol-
25 untary agreement and plan of action with the

1 Maritime Administrator as authorized under
2 section 708(c) of the Defense Production Act of
3 1950 (50 U.S.C. 4558(c)).”.

4 **SEC. 7. CREDIT FOR CONSTRUCTION OF SHIPYARD FACILI-**
5 **TIES.**

6 (a) IN GENERAL.—Subpart E of part IV of sub-
7 chapter A of chapter 1 of the Internal Revenue Code of
8 1986, as amended by section 2(a), is amended by inserting
9 after section 48F the following new section:

10 **“SEC. 48G. CREDIT FOR CONSTRUCTION OF SHIPYARD FA-**
11 **CILITIES.**

12 “(a) IN GENERAL.—For purposes of section 46, the
13 shipyard investment tax credit for any taxable year is an
14 amount equal to 25 percent of the qualified investment
15 for such taxable year with respect to any qualified ship-
16 yard facility of a taxpayer described in section 48D(c)(1).

17 “(b) QUALIFIED INVESTMENT.—

18 “(1) IN GENERAL.—For purposes of subsection
19 (a), the qualified investment with respect to any
20 qualified shipyard facility for any taxable year is the
21 basis of any qualified property placed in service by
22 the taxpayer during such taxable year which is part
23 of a qualified shipyard facility.

24 “(2) QUALIFIED PROPERTY.—The term ‘quali-
25 fied property’ shall have the same meaning given

1 such term in section 48D(b)(2), except that subpara-
2 graph (A)(iv) of such section shall be applied by sub-
3 stituting ‘qualified shipyard facility’ for ‘advanced
4 manufacturing facility’.

5 “(3) QUALIFIED SHIPYARD FACILITY.—For
6 purposes of this section, the term ‘qualified shipyard
7 facility’ means a facility—

8 “(A) which is located within the United
9 States (including any territory or possession of
10 the United States), and

11 “(B) for which the primary purpose is—

12 “(i) constructing or repairing commer-
13 cial or military oceangoing vessels,

14 “(ii) manufacturing components which
15 are critical (as determined by the Sec-
16 retary, in consultation with the Secretary
17 of the Navy and the Maritime Adminis-
18 trator) to the operation of commercial or
19 military oceangoing vessels, or

20 “(iii) manufacturing equipment which
21 is used to produce or repair commercial or
22 military oceangoing vessels.

23 “(4) CERTAIN PROGRESS EXPENDITURE RULES
24 MADE APPLICABLE.—Rules similar to the rules of
25 subsections (c)(4) and (d) of section 46 (as in effect

1 on the day before the date of the enactment of the
2 Revenue Reconciliation Act of 1990) shall apply for
3 purposes of subsection (a).

4 “(c) DENIAL OF DOUBLE BENEFIT.—This section
5 shall not apply to any property placed in service by the
6 taxpayer during the taxable year if a credit was allowed
7 under section 48F to such taxpayer during such taxable
8 year.

9 “(d) REGULATIONS.—The Secretary shall issue such
10 regulations or other guidance as may be necessary or ap-
11 propriate to carry out the purposes of this section.

12 “(e) TERMINATION OF CREDIT.—The credit allowed
13 under this section shall not apply to property placed in
14 service after December 31, 2032.”.

15 (b) CONFORMING AMENDMENTS.—

16 (1) Section 46 of the Internal Revenue Code of
17 1986, as amended by section 2(b)(1), is amended—

18 (A) in paragraph (7), by striking “and” at
19 the end,

20 (B) in paragraph (8), by striking the pe-
21 riod at the end and inserting “, and”, and

22 (C) by adding at the end the following:

23 “(9) the shipyard investment tax credit.”.

24 (2) Section 49(a)(1)(C) of such Code, as
25 amended by section 2(b)(2), is amended—

1 (A) in clause (viii), by striking “and” at
2 the end,

3 (B) in clause (ix), by striking the period at
4 the end and inserting “, and”, and

5 (C) by adding at the end the following:

6 “(x) the basis of any qualified prop-
7 erty (as defined in subsection (b)(2) of sec-
8 tion 48G) which is part of a qualified ship-
9 yard facility (as defined in subsection
10 (b)(3) of such section).”.

11 (3) Section 50(a)(2)(E) of such Code, as
12 amended by section 13702(b) of Public Law 117–
13 169, is amended by striking “or 48E(e)” and insert-
14 ing “48E(e), or 48G(b)(4)”.

15 (4) The table of sections for subpart E of part
16 IV of subchapter A of chapter 1 of such Code, as
17 amended by section 2(b)(3), is amended by inserting
18 after the item relating to section 48F the following
19 new item:

“Sec. 48G. Shipyard investment tax credit.”.

20 (c) ELECTIVE PAYMENT AND TRANSFER OF CRED-
21 IT.—

22 (1) ELECTIVE PAYMENT.—Section 6417 of the
23 Internal Revenue Code of 1986, as amended by sec-
24 tion 2, is amended—

1 (A) in subsection (b), by adding at the end
2 the following:

3 “(14) The shipyard investment tax credit under
4 section 48G.”, and

5 (B) in subsection (d)(1)—

6 (i) in subparagraph (F), by striking
7 “(D), or (E)” each place it appears and in-
8 serting “(D), (E), or (F)”,

9 (ii) by redesignating subparagraph
10 (F) (as amended by clause (i)) as subpara-
11 graph (G), and

12 (iii) by inserting after subparagraph
13 (E) the following:

14 “(F) ELECTION WITH RESPECT TO THE
15 SHIPYARD INVESTMENT TAX CREDIT.—If a tax-
16 payer other than an entity described in sub-
17 paragraph (A) makes an election under this
18 subparagraph with respect to any taxable year
19 in which such taxpayer has placed in service
20 any qualified property which is part of a quali-
21 fied shipyard facility (as defined in section
22 48G), such taxpayer shall be treated as an ap-
23 plicable entity for purposes of this section for
24 such taxable year, but only with respect to the
25 credit described in subsection (b)(14).”.

1 (2) TRANSFER.—Section 6418(f)(1)(A) of the
2 Internal Revenue Code of 1986, as amended by sec-
3 tion 2, is amended by adding at the end the fol-
4 lowing:

5 “(xiii) The shipyard investment tax
6 credit under section 48G.”.

7 (d) EXCEPTION RELATING TO ALTERNATIVE TAX ON
8 QUALIFYING SHIPPING ACTIVITIES.—Paragraph (4) of
9 section 1357(c) of the Internal Revenue Code of 1986, sec-
10 tion 2(e), is amended to read as follows:

11 “(4) EXCEPTION FOR UNITED STATES VESSEL
12 INVESTMENT CREDIT AND SHIPYARD INVESTMENT
13 TAX CREDIT.—Paragraph (1) shall not apply with
14 respect to any credit allowed to the taxpayer under
15 section 48F or 48G.”.

16 (e) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to property placed in service after
18 December 31, 2025.

19 **SEC. 8. TAX INCENTIVES RELATING TO MERCHANT MARINE**
20 **CAPITAL CONSTRUCTION FUNDS.**

21 (a) IN GENERAL.—Section 7518 of the Internal Rev-
22 enue Code of 1986 is amended—

23 (1) in subsection (a)—

24 (A) by striking paragraph (1) and insert-
25 ing the following:

1 “(1) IN GENERAL.—The amount deposited in a
2 fund established under chapter 535 of title 46 of the
3 United States Code (hereinafter in this section re-
4 ferred to as a ‘capital construction fund’) for a tax-
5 able year may not exceed the amount specified in the
6 agreement under section 53503(a) of such title,
7 which shall be an amount that is related to a com-
8 mitment to invest the revenue from the capital con-
9 struction fund into funding the construction of new
10 vessels or funding cargo handling equipment.”,

11 (B) in paragraph (2), by striking “para-
12 graph (1)(B)” each place it appears and insert-
13 ing “paragraph (1)”, and

14 (C) by adding at the end the following new
15 paragraph:

16 “(4) REVENUE.—For the purposes of para-
17 graph (1), the revenue from the capital construction
18 fund may include—

19 “(A) income attributable to the operation
20 of any agreement vessel in foreign commerce or
21 domestic trade or fisheries or the operation of
22 a marine terminal in the United States,

23 “(B) the net proceeds from the disposition
24 of an agreement vessel or cargo handling equip-

1 “(B) the payment of the principal on in-
2 debtedness incurred in the acquisition, con-
3 struction, repowering, or reconstruction of—

4 “(i) a qualified vessel or a barge or
5 container that is part of the complement of
6 a qualified vessel, or

7 “(ii) cargo handling equipment.

8 Except to the extent provided in regulations
9 prescribed by the Secretary, subparagraph (A),
10 and so much of subparagraph (B) as relates
11 only to barges and containers, shall apply only
12 with respect to barges and containers con-
13 structed in the United States.”,

14 (B) by redesignating paragraph (2) as
15 paragraph (4), and

16 (C) by inserting after paragraph (1) the
17 following:

18 “(2) FULLY AUTOMATED CARGO HANDLING
19 EQUIPMENT.—No withdrawals may be made from a
20 capital construction fund to purchase fully auto-
21 mated cargo handling equipment that is remotely
22 operated or remotely monitored with or without the
23 exercise of human intervention or control, if the Sec-
24 retary determines such equipment would result in a
25 net loss of jobs within a marine terminal.

1 “(3) PROHIBITION ON PEOPLE’S REPUBLIC OF
2 CHINA CRANES.—No withdrawals may be made from
3 a capital construction fund to purchase cranes man-
4 ufactured in the People’s Republic of China.”,

5 (4) in subsection (f)—

6 (A) in paragraph (2), by inserting “cargo
7 handling equipment,” after “barge,” both
8 places the term appears,

9 (B) in paragraph (3), by inserting “cargo
10 handling equipment,” after “barge,” both
11 places the term appears, and

12 (C) in paragraph (4), by inserting “cargo
13 handling equipment,” after “barges,”

14 (5) in subsection (g)—

15 (A) in the flush matter at the end of para-
16 graph (2), by inserting “cargo handling equip-
17 ment,” after “advanced”, and

18 (B) in paragraph (5)(A)—

19 (i) in the heading, by striking “25
20 YEARS” and inserting “15 YEARS”,

21 (ii) by striking “26th, 27th, 28th,
22 29th, or 30th taxable year” and inserting
23 “following specified taxable year”, and

24 (iii) by striking the table contained
25 therein and inserting the following:

“If the amount remains in the fund at the close of the- **The applicable percentage is-**

16th taxable year	20 percent
17th taxable year	40 percent
18th taxable year	60 percent
19th taxable year	80 percent
20th taxable year	100 percent”, and

1 (6) in subsection (i), by striking “as in effect on
2 the date of the enactment of this section”.

3 (b) **EFFECTIVE DATE.**—The amendments made by
4 this section shall apply to taxable years beginning after
5 December 31, 2025.

6 **SEC. 9. EXEMPTION OF STUDENT INCENTIVE PAYMENT**
7 **AGREEMENTS FROM GROSS INCOME.**

8 (a) **IN GENERAL.**—Part III of subchapter B of chap-
9 ter 1 of the Internal Revenue Code of 1986, as amended
10 by section 3, is further amended by inserting after section
11 139J the following new section:

12 **“SEC. 139K. STUDENT INCENTIVE PAYMENT AGREEMENTS.**

13 “In the case of an individual who has entered into
14 an agreement described in section 51509 of title 46,
15 United States Code, gross income does not include any
16 student incentive payments made to such individual pursu-
17 ant to such agreement.”.

18 (b) **CLERICAL AMENDMENT.**—The table of sections
19 for part III of subchapter B of chapter 1 of the Internal
20 Revenue Code of 1986, as amended by section 3, is further

1 amended by inserting after the item relating to section
2 139J the following new item:

“Sec. 139K. Student incentive payment agreements.”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply with respect to payments made
5 after December 31, 2025.

6 **SEC. 10. MARITIME FUEL TAX PARITY.**

7 (a) IN GENERAL.—Section 4041(g) of the Internal
8 Revenue Code of 1986 is amended by adding at the end
9 the following new sentence: “For purposes of subsection
10 (a)(2), the exemption under paragraph (1) shall also apply
11 to fuel sold for use or used by a vessel which is both de-
12 scribed in section 4042(c)(1) and actually engaged in
13 trade between the Atlantic or Pacific ports of the United
14 States (including any territory or possession of the United
15 States).”.

16 (b) EFFECTIVE DATE.—The amendment made by
17 this section shall apply to fuel sold for use or used after
18 December 31, 2025.

19 **SEC. 11. TREATMENT OF MARITIME PROSPERITY ZONES AS**
20 **OPPORTUNITY ZONES.**

21 (a) IN GENERAL.—Subchapter Z of chapter 1 of the
22 Internal Revenue Code of 1986 is amended by adding at
23 the end the following new section:

1 **“SEC. 1400Z-3. TREATMENT OF MARITIME PROSPERITY**
2 **ZONES AS OPPORTUNITY ZONES.**

3 “(a) IN GENERAL.—A maritime prosperity zone shall
4 be treated as a qualified opportunity zone.

5 “(b) SPECIAL RULES.—In applying this subchapter
6 to any maritime prosperity zone which is a qualified op-
7 portunity zone solely by reason of this section—

8 “(1) IN GENERAL.—For purposes of deter-
9 mining—

10 “(A) whether any property which would
11 not be qualified opportunity fund business prop-
12 erty without regard to this section is qualified
13 opportunity fund business property, and

14 “(B) whether any corporation or partner-
15 ship which is not a qualified opportunity fund
16 business without regard to this section is a
17 qualified opportunity fund business,

18 section 1400Z-2(d) shall be applied with the modifications
19 described in paragraph (2).

20 “(2) MODIFICATIONS.—The modifications de-
21 scribed in this paragraph are as follows:

22 “(A) START DATE.—Subparagraphs
23 (B)(i)(I), (C)(i), and (D)(i)(I) of section
24 1400Z-2(d)(2) shall each be applied by sub-
25 stituting ‘the date of the enactment of the

1 Building Ships in America Act of 2025’ for
2 ‘December 31, 2017’.

3 “(B) QUALIFIED BUSINESS PROPERTY.—
4 Property shall not be treated as qualified oppor-
5 tunity zone business property unless such prop-
6 erty is substantially used in an industry which
7 is assigned a code under the North American
8 Industrial Classification System which is de-
9 scribed in paragraph (3).

10 “(C) QUALIFIED BUSINESS.—A trade or
11 business shall not be treated as a qualified op-
12 portunity zone business unless such trade or
13 business operates in an industry which is as-
14 signed a code under the North American Indus-
15 trial Classification System which is described in
16 paragraph (3).

17 “(3) ELIGIBLE NORTH AMERICAN INDUSTRIAL
18 CLASSIFICATION SYSTEM CODES.—The following
19 codes under the North American Industrial Classi-
20 fication System are the codes described in this para-
21 graph:

22 “(A) 48311 (deep sea freight transpor-
23 tation).

24 “(B) 483113 (coastal and Great Lakes
25 freight transportation).

1 “(C) 483211 (inland water freight trans-
2 portation).

3 “(D) 4883 (support activities for water
4 transportation).

5 “(E) 3366 (ship and boat building).

6 “(c) MARITIME PROSPERITY ZONE.—For purposes of
7 this chapter—

8 “(1) IN GENERAL.—The term ‘maritime pros-
9 perity zone’ means any population census tract
10 that—

11 “(A) contains or is determined by the Mar-
12 itime Administrator to be a viable site for —

13 “(i) a shipyard of the United States,

14 “(ii) a port, or

15 “(iii) a harbor facility, and

16 “(B) is designated as a maritime pros-
17 perity zone under paragraph (2).

18 “(2) DESIGNATION.—A population census tract
19 is designated as a maritime prosperity zone under
20 this paragraph if—

21 “(A) the Maritime Administrator, in con-
22 sultation with the Secretary of the Navy, nomi-
23 nates the tract for designation as a maritime
24 prosperity zone and notifies the Secretary in
25 writing of such nomination, and

1 “(B) the Secretary certifies such nomina-
2 tion and designates such tract as a qualified
3 maritime prosperity zone.

4 “(3) NUMBER OF POPULATION CENSUS TRACTS
5 DESIGNATED.—Not more than 100 population cen-
6 sus tracts may be designated as maritime prosperity
7 zone.

8 “(4) PERIOD FOR WHICH DESIGNATION IS IN
9 EFFECT.—Except as provided in paragraph (2), a
10 designation as a maritime prosperity zone shall re-
11 main in effect for the period—

12 “(A) beginning on the date of the designa-
13 tion, and

14 “(B) ending at the close of the 5th cal-
15 endar year beginning on or after such date of
16 designation.”.

17 (b) CLERICAL AMENDMENT.—The table of sections
18 for subchapter Z of chapter 1 of such Code is amended
19 by adding at the end the following new item:

 “Sec. 1400Z–3. Treatment of maritime prosperity zones as opportunity zones.”.

20 (c) EFFECTIVE DATE.—The amendments made by
21 this section shall take effect on the date of the enactment
22 of this Act.