

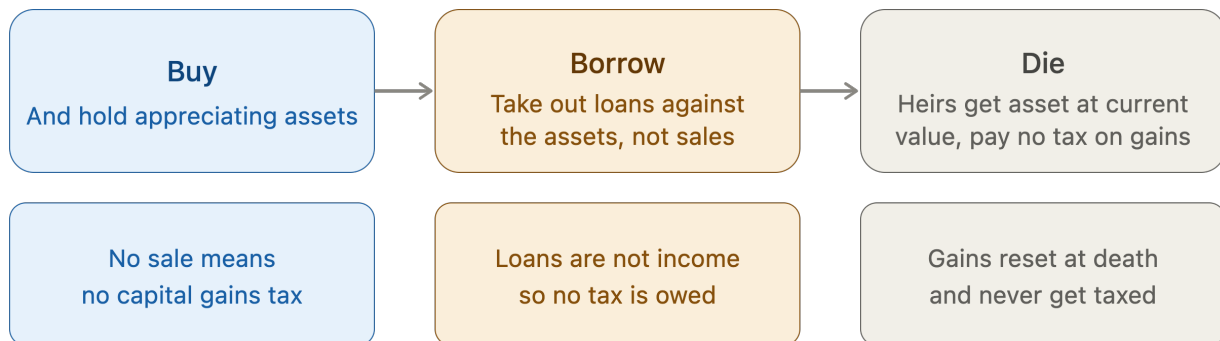


PAY YOUR T.A.B. ACT OF 2026

Pay Your Taxes Avoided by Borrowing Act • H.R. ____, 119th Congress • Rep. Laura Friedman

Closing the “buy, borrow, die” loophole by taxing large asset-backed loans that let the wealthiest Americans convert appreciated assets into spendable cash without ever paying tax.

THE PROBLEM – HOW THE ULTRA-WEALTHY AVOID TAX: "BUY, BORROW, DIE"



WHAT THE BILL DOES

The bill imposes an excise tax of **23.8 percent** on the amount of a covered loan when the loan is issued. That rate matches the top long-term capital gains rate plus the Net Investment Income Tax, so borrowing against assets is taxed comparably to selling them. The tax is paid by the borrower.

KEY PROVISIONS

- **Applies only above \$1 million.** The tax reaches only the portion of a taxpayer’s aggregate covered loans that exceeds \$1 million. Related parties are counted together so the threshold cannot be split.
- **Broad, hard-to-avoid base.** A covered loan is any loan or line of credit, and any increase to an existing loan counts as a new loan, limiting avoidance through restructuring.
- **No double taxation.** When the taxpayer later sells the asset that secured the loan, the Act allows an offsetting long-term capital loss equal to the taxed loan amount, so the same value is not taxed twice.
- **Phased transition.** Existing loans outstanding on July 1, 2027, are phased in over three years (one-third in 2027, 2028, and 2029), and amounts repaid before each date are not taxed.
- **Inflation-indexed.** The \$1 million threshold and the home equity cap adjust for inflation after 2027.

WHAT IS EXEMPT

Ordinary borrowing is protected. Exempt categories include home mortgages, home equity debt up to \$3 million, auto loans up to \$100,000, student loans, genuine business loans (other than loans used to fund distributions), and qualified margin loans used for securities trading.

COMPLIANCE

Lenders report covered loans above the threshold to the IRS and to the borrower under existing information-reporting and penalty rules. Treasury is directed to issue anti-avoidance guidance.