



(Original Signature of Member)

118TH CONGRESS  
2D SESSION

**H. R.** \_\_\_\_\_

To amend the Internal Revenue Code of 1986 to exclude from gross income the discharge of indebtedness of certain individuals who are unlawfully or wrongfully detained abroad.

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IN THE HOUSE OF REPRESENTATIVES

Mr. BACON introduced the following bill; which was referred to the Committee  
on \_\_\_\_\_

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**A BILL**

To amend the Internal Revenue Code of 1986 to exclude from gross income the discharge of indebtedness of certain individuals who are unlawfully or wrongfully detained abroad.

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 "Hostage Private Debt  
5 Tax Freedom Act".

1       that there is credible information that such United  
2       States national is wrongfully or unlawfully detained  
3       abroad.

4           “(2) SPECIFIED WRONGFULLY DETAINED IN-  
5       DEBTEDNESS.—

6           “(A) IN GENERAL.—The term ‘specified  
7       wrongfully detained indebtedness’ means, with  
8       respect to any wrongfully detained abroad indi-  
9       vidual, any indebtedness—

10           “(i) which is discharged during the  
11       period beginning on the date on which  
12       such individual is first wrongfully or un-  
13       lawfully detained and ending on the date  
14       that is 2 years after the conclusion of such  
15       detention, and

16           “(ii) with respect to which the tax-  
17       payer elects (at such time and in such  
18       manner as the Secretary may provide) the  
19       application of this subparagraph.

20           “(B) DOLLAR LIMITATION.—The aggre-  
21       gate amount of indebtedness which may be  
22       treated as specified wrongfully detained indebt-  
23       edness with respect to any wrongfully detained  
24       abroad individual (including any amount treat-  
25       ed as such indebtedness with respect to such in-

1 that there is credible information that such United  
2 States national is wrongfully or unlawfully detained  
3 abroad.

4 “(2) SPECIFIED WRONGFULLY DETAINED IN-  
5 DEBTEDNESS.—

6 “(A) IN GENERAL.—The term ‘specified  
7 wrongfully detained indebtedness’ means, with  
8 respect to any wrongfully detained abroad indi-  
9 vidual, any indebtedness—

10 “(i) which is discharged during the  
11 period beginning on the date on which  
12 such individual is first wrongfully or un-  
13 lawfully detained and ending on the date  
14 that is 2 years after the conclusion of such  
15 detention, and

16 “(ii) with respect to which the tax-  
17 payer elects (at such time and in such  
18 manner as the Secretary may provide) the  
19 application of this subparagraph.

20 “(B) DOLLAR LIMITATION.—The aggre-  
21 gate amount of indebtedness which may be  
22 treated as specified wrongfully detained indebt-  
23 edness with respect to any wrongfully detained  
24 abroad individual (including any amount treat-  
25 ed as such indebtedness with respect to such in-

1           dividual's spouse) for any taxable year shall not  
2           exceed the excess (if any) of \$5,000 over the  
3           aggregate amount so treated for all prior tax-  
4           able years.”.

5           (c) COORDINATION OF EXCLUSIONS.—

6           (1) COORDINATION WITH TITLE 11 EXCLU-  
7           SION.—Section 108(a)(2)(A) of such Code is amend-  
8           ed by striking “and (E)” and inserting “(E), and  
9           (F)”.

10          (2) COORDINATION WITH INSOLVENCY EXCLU-  
11          SION.—Section 108(a)(2) of such Code is amended  
12          by adding at the end the following new subpara-  
13          graph:

14                   “(D) WRONGFULLY DETAINED ABROAD  
15                   EXCLUSION TAKES PRECEDENCE OVER INSOL-  
16                   VENCY AND QUALIFIED FARM INDEBTEDNESS  
17                   EXCLUSION UNLESS ELECTED OTHERWISE.—  
18                   Subparagraphs (B) and (C) of paragraph (1)  
19                   shall not apply to a discharge to which para-  
20                   graph (1)(F) applies unless the taxpayer elects  
21                   to apply subparagraph (B) or (C) of paragraph  
22                   (1) in lieu of paragraph (1)(F).”.

23          (d) EFFECTIVE DATE.—The amendments made by  
24          this section shall apply to discharges of indebtedness after  
25          December 31, 2023.