CHRIS MURPHY

U.S. SENATOR FOR CONNECTICUT

SECTION-BY-SECTION EXPLAINER: The *In Real Life (IRL) Act*

<u>Sec. 1: Short Title</u>: In Real Life Act, or IRL Act.

<u>Sec. 2: Purpose</u>

The purpose of this Act is to strengthen the social fabric that unites the American people to continue our 250-year-old experiment in shared self-governance by—

(1) pushing big technology companies away from business models that profit from screen addiction and cause withdrawal from in-person connection; and

(2) investing in the local civic infrastructure and organizations that link citizens together in common cause.

<u>Sec. 3: Excise tax on digital advertisements</u>

(a) Adds a new Sec. 5000E to the tax code to establish a tax on gross revenue from digital advertising on algorithmic social media.

(a) Uses tax brackets and rates in the table below:

BRACKET	RATE
$500,000,000 or less	0%
$500,000,001 to $2,500,000,000	10%
$2,500,000,001 to $5,000,000,000	20%
$5,000,000,001 to $7,500,000,000	30%
$7,500,000,001 to $10,000,000,000	40%
Over $10,000,000,000	50%

(b) Adjusts dollar amounts in the table for inflation.

(c) Aggregation rules prevent multiple subsidiaries of the same entity from paying lower rates by treating them as a single taxpayer.

(d) Defines key terms to specify what digital advertising revenue is subject to the tax. The effect of these definitions is summarized below:

   a. The tax only applies to digital advertising displayed on algorithmic social media in the United States.

b. Algorithmic social media means a platform that selects user-generated content for display to the platform's users based on their personal data, and that makes money primarily from advertising or selling personal data.
c. This does not include platforms such as crowd-sourced encyclopedias, online gaming, or streaming services where the content is not user-generated.

(e) The IRS issues regulations to implement the tax and consults with other relevant federal agencies like the Federal Communications Commission and Department of Commerce.

(b) Adds a new Sec. 9512 to the tax code to establish a Social Capital Fund to distribute revenues collected by the digital advertising tax.

(a) Establishes a Social Capital Fund using existing law for federal trust funds.
(b) Appropriates money raised by the digital advertising tax to the Social Capital Fund.
(c) Sets forth how the Social Capital Fund is distributed:
1. The Department of Housing and Urban Development distributes the funds.
2. The funds are distributed using a mix of formula and competitive grants:
   A. 75% of the funds are allocated to local and tribal governments using the existing Community Development Block Grant formula.
   B. 25% of the funds are awarded competitively by HUD to local governments, charities, not-for-profit membership organizations, Indian tribes, or a consortium of any of these entities.
3. Under the CDBG formula, after a 1% allocation for tribal governments and other set-asides, 70% of the remaining funding is distributed directly to urban governments and 30% goes to states to distribute to rural governments. The formula funding for the Social Capital Fund works the same way.

(d) Lists the eligible activities that a recipient may support with the Social Capital Fund:
1. Athletic or recreational programs.
2. Construction, renovation, operation, and maintenance of public spaces:
   A. Parks, trails, playgrounds, rec centers, pools, libraries, or other public spaces that local residents can access for free.
   B. Museums, arts and cultural centers, and performing arts venues that are affordable for local residents.
   C. Beaches that are open and accessible at no cost to the public.
3. Groups that support the public spaces in Paragraph (2), like a "friends" group.
4. Parent teacher organizations at public schools.
5. Programs or services provided by a religious or civic not-for-profit membership organization, such as a church, union, or service club; if the program or service is available to all local residents and is not sectarian worship, instruction, or proselytization.
6. Locally owned small businesses that serve as social spaces for the community.
7. Festivals and events that are free to attend.
8. Disseminating information about local civic life.

9. Programs teaching responsible tech use or treating addiction to social media or AI.
10. Community Development Financial Institutions financing any of these activities.
11. Related expenses for community participation, public outreach, administrative costs, and program evaluation.

(e) Recipients must apply with a detailed proposal for how they will use the funds to cultivate civic life, including the following:

1. Capacity to implement their proposal and use federal funds responsibly.
2. How the proposal will increase social connection, trust, and participation by people of all incomes and backgrounds in the community.
3. How the proposal cultivates membership organizations.
4. Any other information required by HUD.

(f) HUD evaluates programs supported by the Social Capital Fund and disseminates best practices.

(c) Clerical amendments to the tables of contents in the tax code.

(d) Effective date: Takes effect in 2027.