

119TH CONGRESS
2D SESSION

S. _____

To amend the Internal Revenue Code of 1986 to establish an excise tax
on digital advertising, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Mr. MURPHY 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 establish
an excise tax on digital advertising, and for other purposes.

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 “In Real Life Act” or
5 the “IRL Act”.

6 **SEC. 2. PURPOSE.**

7 The purpose of this Act is to strengthen the social
8 fabric that unites the American people to continue our
9 250-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.

SEC. 3. EXCISE TAX ON DIGITAL ADVERTISEMENTS.

(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—DIGITAL
ADVERTISEMENTS**

“Sec. 5000E. Digital advertisements.

“SEC. 5000E. DIGITAL ADVERTISEMENTS.

“(a) IN GENERAL.—There is hereby imposed on any person that received algorithmic digital advertising revenue during the taxable year a tax determined in accordance with the following table:

“If algorithmic digital advertising revenue is: The tax is:

Not over \$500,000,000	\$0
Over \$500,000,000 but not over \$2,500,000,000.	10% of the excess over \$500,000,000.
Over \$2,500,000,000 but not over \$5,000,000,000.	\$200,000,000, plus 20% of the excess over \$2,500,000,000.
Over \$5,000,000,000 but not over \$7,500,000,000.	\$700,000,000, plus 30% of the excess over \$5,000,000,000.
Over \$7,500,000,000 but not over \$10,000,000,000.	\$1,450,000,000, plus 40% of the excess over \$7,500,000,000.
Over \$10,000,000,000	\$2,450,000,000, plus 50% of the excess over \$10,000,000,000.

1 “(b) INFLATION ADJUSTMENT.—In the case of any
2 taxable year beginning after December 31, 2027, each dol-
3 lar amount in the table in subsection (a) shall be increased
4 by an amount equal to—

5 “(1) such dollar amount, multiplied by

6 “(2) the cost-of-living adjustment determined
7 under section 1(f)(3) for the calendar year in which
8 the taxable year begins, determined by substituting
9 ‘calendar year 2026’ for ‘calendar year 2016’ in sub-
10 paragraph (A)(ii) thereof.

11 Any increase determined under the preceding sentence
12 shall be rounded to the next lowest multiple of \$1,000,000.

13 “(c) AGGREGATION RULES.—

14 “(1) IN GENERAL.—For purposes of the tax im-
15 posed under subsection (a), a corporation or part-
16 nership shall be treated as a single person for any
17 taxable year if such entity meets the gross receipts
18 test of section 448(c) for such taxable year, except
19 that for purposes of the application of paragraph (2)
20 of such section, the reference to subsection (b) of
21 section 52 shall be applied pursuant to the modifica-
22 tions described in paragraph (2).

23 “(2) MODIFICATIONS.—For purposes of para-
24 graph (1), with respect to the application of sub-
25 section (b) of section 52, the term ‘trade or busi-

1 ness’ shall include any activity treated as a trade or
2 business under paragraph (5) or (6) of section
3 469(c) (determined without regard to the phrase ‘To
4 the extent provided in regulations’ in such para-
5 graph (6)).

6 “(3) RULE OF CONSTRUCTION.—Nothing in
7 paragraph (2) shall be construed to create any infer-
8 ence with respect to the proper application of section
9 52 with respect to any other provision of this title.

10 “(d) DEFINITIONS.—In this section—

11 “(1) ALGORITHMIC DIGITAL ADVERTISING REV-
12 ENUE.—The term ‘algorithmic digital advertising
13 revenue’ means the total gross revenue derived from
14 the sale of any digital advertisements that are—

15 “(A) viewed from a location in the United
16 States, and

17 “(B) displayed by a social media platform
18 using a personalized recommendation system.

19 “(2) DIGITAL ADVERTISEMENT.—The term
20 ‘digital advertisement’ means an advertisement that
21 is served electronically over a computer network, in-
22 cluding the internet.

23 “(3) PERSONAL DATA.—

24 “(A) IN GENERAL.—The term ‘personal
25 data’ means information that identifies or is

1 linked or reasonably linkable, alone or in com-
2 bination with other information, to an indi-
3 vidual or a device that identifies or is linked or
4 reasonably linkable to an individual.

5 “(B) DERIVED DATA.—The term ‘personal
6 data’ may include data that is created by the
7 derivation of information, data, assumptions,
8 correlations, inferences, predictions, or conclu-
9 sions from facts, evidence, or another source of
10 information or data about an individual or an
11 individual’s device.

12 “(C) EXCLUSION.—The term ‘personal
13 data’ does not include publicly available infor-
14 mation.

15 “(4) PERSONALIZED RECOMMENDATION SYS-
16 TEM.—

17 “(A) IN GENERAL.—The term ‘personal-
18 ized recommendation system’ means a fully or
19 partially automated system used to suggest,
20 promote, or rank content, including other users
21 or posts, based on the personal data of users.

22 “(B) EXCEPTION.—A system shall not be
23 deemed to be a personalized recommendation
24 system solely on the basis that such system only
25 uses the following personal data of the user:

1 “(i) The type of device used by the
2 user.

3 “(ii) The languages used by the user
4 to communicate.

5 “(iii) The recognized place in which
6 the user is located.

7 “(iv) The age of the user.

8 “(C) RULE OF CONSTRUCTION.—A system
9 shall not be deemed to be a personalized rec-
10 ommendation system on the basis of such sys-
11 tem—

12 “(i) providing search results to a user
13 deliberately or independently searching for
14 (such as by typing a phrase into a search
15 bar or providing spoken input), or specifi-
16 cally requesting, content, so long as such
17 results are not based on the personal data
18 of the user (with the exception of personal
19 data described in subparagraph (B)),

20 “(ii) taking reasonable measures to—

21 “(I) block, detect, or prevent the
22 distribution of unlawful or obscene
23 material,

1 “(II) block or filter spam, or pro-
2 tect the security of such platform or
3 service, or

4 “(III) prevent criminal activity,
5 or

6 “(iii) displaying user-generated con-
7 tent that has been selected, followed, or
8 subscribed to by a user as long as the dis-
9 play of the content is based on a chrono-
10 logical format.

11 “(5) RECOGNIZED PLACE.—

12 “(A) IN GENERAL.—The term ‘recognized
13 place’ means any of the following:

14 “(i) A State.

15 “(ii) Indian lands.

16 “(iii) A county, municipality, city,
17 town, township, village, borough, or similar
18 unit of general government that is incor-
19 porated pursuant to a State law.

20 “(iv) A census designated place (as
21 defined in the most recent glossary of the
22 Bureau of the Census).

23 “(v) A designated market area (as de-
24 fined in section 122(j) of title 17, United
25 States Code).

1 “(vi) A congressional district.

2 “(B) EXCLUSIONS.—The term ‘recognized
3 place’ does not include—

4 “(i) a subdivision of any item listed in
5 subparagraph (A) that is not itself listed in
6 such subparagraph, or

7 “(ii) a ZIP Code.

8 “(6) SOCIAL MEDIA PLATFORM.—

9 “(A) IN GENERAL.—The term ‘social
10 media platform’ means a public-facing website,
11 online service, online application, or mobile ap-
12 plication that—

13 “(i) is directed to consumers,

14 “(ii) collects personal data,

15 “(iii) primarily derives revenue from
16 advertising or the sale of personal data,
17 and

18 “(iv) as its primary function provides
19 a community forum for user-generated
20 content, including messages, videos, and
21 audio files among users where such content
22 is primarily intended for viewing, re-
23 sharing, or platform-enabled distributed
24 social endorsement or comment.

1 “(B) LIMITATION.—The term ‘social media
2 platform’ does not include a platform that, as
3 its primary function for consumers, provides or
4 facilitates any of the following:

5 “(i) The purchase and sale of com-
6 mercial goods.

7 “(ii) Teleconferencing or
8 videoconferencing services that allow recep-
9 tion and transmission of audio or video
10 signals for real-time communication, pro-
11 vided that the real-time communication is
12 initiated by using a unique link or identi-
13 fier to facilitate access.

14 “(iii) Crowd-sourced reference guides
15 such as encyclopedias and dictionaries.

16 “(iv) Cloud storage, file sharing, or
17 file collaboration services, including such
18 services that allow collaborative editing by
19 invited users.

20 “(v) The playing or creation of video
21 games.

22 “(vi) Content that consists primarily
23 of news, sports, sports coverage, entertain-
24 ment, or other information or content that
25 is not user-generated but is preselected by

1 the platform and for which any chat, com-
2 ment, or interactive functionality is inci-
3 dental, directly related to, or dependent on
4 the provision of the content provided by
5 the platform.

6 “(vii) Business, product, or travel in-
7 formation including user reviews or
8 rankings of such businesses, products, or
9 other travel information.

10 “(viii) Educational information, expe-
11 riences, training, or instruction provided to
12 build knowledge, skills, or a craft, district-
13 sanctioned or school-sanctioned learning
14 management systems and school informa-
15 tion systems for the purposes of schools
16 conveying content related to the education
17 of students, or services or services on be-
18 half of or in support of an elementary
19 school or secondary school, as such terms
20 are defined in section 8101 of the Elemen-
21 tary and Secondary Education Act of 1965
22 (20 U.S.C. 7801).

23 “(ix) An email service.

24 “(x) A wireless messaging service, in-
25 cluding such a service provided through

1 short message service or multimedia mes-
2 saging protocols, that is not a component
3 of, or linked to, a social media platform
4 and where the predominant or exclusive
5 function of the messaging service is direct
6 messaging consisting of the transmission of
7 text, photos, or videos that are sent by
8 electronic means, where messages are
9 transmitted from the sender to the recipi-
10 ent and are not posted publicly or within
11 a social media platform.

12 “(xi) A broadband internet access
13 service (as such term is defined for pur-
14 poses of section 8.1(b) of title 47, Code of
15 Federal Regulations, or any successor reg-
16 ulation).

17 “(xii) A virtual private network or
18 similar service that exists solely to route
19 internet traffic between locations.

20 “(7) STATE.—The term ‘State’ means any
21 State of the United States, the District of Columbia,
22 the Commonwealth of Puerto Rico, the Virgin Is-
23 lands of the United States, Guam, American Samoa,
24 the Commonwealth of the Northern Mariana Is-
25 lands, and any possession of the United States.

1 “(8) USER.—The term ‘user’ means, with re-
2 spect to a social media platform, an individual who
3 registers an account or creates a profile on the social
4 media platform.

5 “(e) REGULATIONS AND GUIDANCE.—

6 “(1) IN GENERAL.—The Secretary shall issue
7 such regulations or other guidance as may be nec-
8 essary or appropriate to carry out the purposes of
9 this section, including any regulations or guidance to
10 require reporting with respect to algorithmic digital
11 advertising revenue as is necessary and appropriate
12 to implement and enforce the requirements under
13 this section.

14 “(2) CONSULTATION.—With respect to any reg-
15 ulations issued pursuant to paragraph (1), the Sec-
16 retary may consult with other relevant Federal agen-
17 cies, including the Federal Communications Com-
18 mission and the Department of Commerce.”.

19 (b) SOCIAL CAPITAL FUND.—Subchapter A of chap-
20 ter 98 of the Internal Revenue Code of 1986 is amended
21 by adding at the end the following new section:

22 **“SEC. 9512. SOCIAL CAPITAL FUND.**

23 “(a) CREATION OF TRUST FUND.—There is estab-
24 lished in the Treasury of the United States a trust fund

1 to be known as the ‘Social Capital Fund’, consisting of
2 such amounts as may be—

3 “(1) appropriated to such Trust Fund as pro-
4 vided in this section, or

5 “(2) credited to such Trust Fund as provided
6 in section 9602(b).

7 “(b) TRANSFERS TO TRUST FUND.—There are here-
8 by appropriated to the Social Capital Fund amounts
9 equivalent to the taxes received in the Treasury under
10 chapter 50B.

11 “(c) EXPENDITURES FROM TRUST FUND.—

12 “(1) IN GENERAL.—Subject to paragraph (2),
13 amounts in the Social Capital Fund shall be avail-
14 able to the Secretary of Housing and Urban Devel-
15 opment, without further appropriation and to remain
16 available until expended, to make grants for the
17 funding of eligible activities.

18 “(2) ALLOCATION AND DISTRIBUTION OF
19 FUNDS.—For purposes of making grants under
20 paragraph (1)—

21 “(A) 75 percent of amounts in the Social
22 Capital Fund shall be allocated pursuant to
23 rules similar to the rules under section 106 of
24 the Housing and Community Development Act
25 of 1974 (42 U.S.C. 5306) to recipients that—

1 “(i) submit an application described
2 in subsection (e), and

3 “(ii) are eligible for grants authorized
4 by section 103 of the Housing and Com-
5 munity Development Act of 1974 (42
6 U.S.C. 5303), and

7 “(B) 25 percent of amounts in the Social
8 Capital Fund shall be allocated on a competitive
9 basis to recipients that—

10 “(i) submit an application described
11 in subsection (e), and

12 “(ii) are—

13 “(I) a unit of general local gov-
14 ernment (as defined in section 102(a)
15 of the Housing and Community De-
16 velopment Act of 1974 (42 U.S.C.
17 5302(a))),

18 “(II) an organization described
19 in section 501(c)(3) and exempt from
20 tax under section 501(a),

21 “(III) a religious or civic not-for-
22 profit organization which is at least
23 partially governed, operated, and
24 funded by individuals who are resi-

1 dents of the community served by
2 such organization,

3 “(IV) an Indian tribe (as defined
4 section 102(a) of the Housing and
5 Community Development Act of 1974
6 (42 U.S.C. 5302(a))), or

7 “(V) a consortium of any entities
8 described in subclauses (I) through
9 (IV).

“(3) NONENTITLEMENT AREAS.—With respect to any allocations made pursuant to paragraph (2)(A) to States for use in nonentitlement areas, such amount shall be distributed pursuant to rules similar to the rules under section 106 of the Housing and Community Development Act of 1974 (42 U.S.C. 5306).

“(d) ELIGIBLE ACTIVITIES.—For purposes of sub-
section (c), the term ‘eligible activities’ means any of the
following:

20 “(1) An athletic or other recreational program
21 operated by a governmental, tribal, or not-for-profit
22 organization.

23 “(2) Construction, renovation, operation (in-
24 cluding programming), or maintenance of—

1 “(A) parks, trails, playgrounds, recreation
2 centers, pools, libraries, or other public spaces
3 that are accessible at no cost to residents of the
4 community,

5 “(B) museums, arts and cultural centers,
6 or performing arts venues that are affordable
7 for residents of the community, or

8 “(C) beaches that are open and accessible
9 to the public at no cost, including training, sup-
10 plies, uniforms, and related infrastructure for
11 lifeguards, maintenance staff, and other per-
12 sonnel staffing or maintaining a beach.

13 “(3) Support for any not-for-profit organization
14 that is formed to support any of the spaces and
15 venues described in paragraph (2), such as a friends
16 group.

17 “(4) Support for any Parent Teacher Organiza-
18 tion for a public elementary or secondary school.

19 “(5) Programs or services provided by a reli-
20 gious or civic not-for-profit organization which—

21 “(A) is at least partially governed, oper-
22 ated, and funded by individuals who are resi-
23 dents of the community served by such organi-
24 zation, and

1 “(B) certifies that any amounts provided
2 under subsection (c) shall be used to support
3 programs or services which are—

4 “(i) not sectarian worship, instruction,
5 or proselytization, and

6 “(ii) made available to all residents of
7 the community.

8 “(6) Support for locally-owned small businesses
9 that serve as social spaces for residents of the com-
10 munity.

11 “(7) Support for festivals or events that are
12 open to the public at no cost.

13 “(8) Disseminating information about local
14 civic life, which may include opportunities to volun-
15 teer, organizations to join, or events to attend.

16 “(9) Support for programs to teach responsible
17 use of technology or treat addiction to social media
18 or artificial intelligence.

19 “(10) Support for community development fi-
20 nancial institutions (as defined in section 103 of the
21 Community Development Banking and Financial In-
22 stitutions Act of 1994 (12 U.S.C. 4702)) to expand
23 their financing for any of the activities described in
24 paragraphs (1) through (9).

1 “(11) Community participation, public out-
2 reach, administrative costs, and program evaluation
3 for any of the activities described in paragraphs (1)
4 through (10).

5 “(e) APPLICATION.—An applicant for a grant under
6 subsection (c) shall provide the Secretary of Housing and
7 Urban Development with a detailed proposal for how the
8 grant will help to cultivate civic life, which shall include
9 the following:

10 “(1) The capacity of the applicant to implement
11 its proposal and act as a responsible steward of Fed-
12 eral funds, including through its community partner-
13 ships and collaborative networks.

14 “(2) The extent to which the proposal is likely
15 to increase social connection, trust, and participation
16 by people of all incomes and backgrounds in the
17 community.

18 “(3) The extent to which the proposal cultivates
19 organizations that are at least partially governed,
20 operated, and funded by individuals who are resi-
21 dents of the community by involving such organiza-
22 tions in the design and implementation of the pro-
23 posal, which may include encouraging the creation of
24 new organizations.

1 “(4) Any other information deemed necessary
2 by the Secretary of Housing and Urban Develop-
3 ment.

4 “(f) PROGRAM EVALUATION.—

5 “(1) IN GENERAL.—The Secretary of Housing
6 and Urban Development, acting through the Office
7 of Policy Development and Research, shall—

8 “(A) evaluate programs funded by this sec-
9 tion, and

10 “(B) disseminate best practices for culti-
11 vating civic life.

12 “(2) REPORTING.—Any recipient of grant fund-
13 ing under this section shall provide reports and in-
14 formation deemed necessary by the Secretary of
15 Housing and Urban Development to audit or evalu-
16 ate their program.

17 “(3) STANDARDIZED METRICS.—Any evaluation
18 under paragraph (1)(A) or report under paragraph
19 (2) shall utilize standardized metrics to minimize ad-
20 ministrative and compliance costs, including scientif-
21 ically validated measurements of evidence-based
22 components of social capital.”.

23 (c) CLERICAL AMENDMENTS.—

24 (1) The table of chapters for subtitle D of the
25 Internal Revenue Code of 1986 is amended by in-

1 serting after the item relating to chapter 50A the
2 following new item:

“CHAPTER 50B—DIGITAL ADVERTISEMENTS”.

3 (2) The table of sections for subchapter A of
4 chapter 98 of the Internal Revenue Code of 1986 is
5 amended by adding at the end the following new
6 item:

“Sec. 9512. Social Capital Fund.”.

7 (d) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to taxable years beginning after
9 December 31, 2026.