

114TH CONGRESS  
2D SESSION

# H. R. 5038

To amend the Internal Revenue Code of 1986 to provide for economic recovery  
in the territories.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 21, 2016

Ms. PLASKETT introduced the following bill; which was referred to the  
Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide  
for economic recovery in the territories.

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 “Territorial Tax Equity  
5 and Economic Growth Act”.

6 **SEC. 2. MODIFICATION TO RESIDENCE AND SOURCE RULES**

7 **INVOLVING POSSESSIONS.**

8 (a) BONA FIDE RESIDENT.—Section 937(a) of the  
9 Internal Revenue Code of 1986 is amended—

10 (1) by striking the last sentence, and

1           (2) by amending paragraph (1) to read as fol-  
2           lows:

3           “(1) who has a substantial presence (deter-  
4           mined under the principles of section 7701(b)(3)(A)  
5           (applied by substituting ‘122 days’ for ‘31 days’ in  
6           clause (i) thereof) without regard to sections  
7           7701(b)(3)(B), (C), and (D)) during the taxable  
8           year in Guam, American Samoa, the Northern Mar-  
9           iana Islands, Puerto Rico, or the Virgin Islands, as  
10          the case may be, and”.

11          (b) SOURCE RULES.—Section 937(b) of such Code  
12          is amended—

13                 (1) by striking “and” at the end of paragraph  
14                 (1),

15                 (2) in paragraph (2) by striking the period at  
16                 the end and inserting the following: “to the extent  
17                 such income is attributable to an office or fixed  
18                 place of business within the United States (deter-  
19                 mined under the rules of section 864(c)(5)),”, and

20                 (3) by adding at the end the following:

21                 “(3) for purposes of paragraph (1), the prin-  
22                 ciples of section 864(c)(2), rather than rules similar  
23                 to the rules in section 864(c)(4), shall apply for pur-  
24                 poses of determining whether income from sources  
25                 without a possession specified in subsection (a)(1) is

1 effectively connected with the conduct of a trade or  
2 business within such possession, and

3 “(4) for purposes of paragraph (2), income  
4 from activities within the United States which are of  
5 a preparatory or auxiliary character shall not be  
6 treated as income from sources within the United  
7 States or as effectively connected with the conduct  
8 of a trade or business within the United States.”.

9 (c) SOURCE RULES FOR PERSONAL PROPERTY  
10 SALES.—Section 865(j)(3) of such Code is amended by  
11 adding “932,” after “931,” and before “933.”.

12 (d) EFFECTIVE DATE.—The amendments made by  
13 this section shall apply to taxable years beginning after  
14 December 31, 2016.

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