

111TH CONGRESS  
1ST SESSION

# H. R. 507

To amend the Internal Revenue Code of 1986 to allow a temporary dividends received deduction for taxable years beginning in 2008 or 2009.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 14, 2009

Mr. BRADY of Texas (for himself, Mr. SAM JOHNSON of Texas, and Mr. HERGER) 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 allow a temporary dividends received deduction for taxable years beginning in 2008 or 2009.

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. TEMPORARY DIVIDENDS RECEIVED DEDUC-**  
4 **TION ALLOWED FOR 2009 OR 2010.**

5 (a) ELECTION.—Subsection (f) of section 965 of the  
6 Internal Revenue Code of 1986 (relating to election) is  
7 amended to read as follows:

1       “(f) ELECTION.—In the case of any taxable year be-  
2       ginning after September 30, 2008, the taxpayer may elect  
3       to apply this section to—

4               “(1) the taxpayer’s last taxable year which be-  
5       gins before the date of the enactment of this sub-  
6       section, or

7               “(2) the taxpayer’s first taxable year which be-  
8       gins during the 1-year period beginning on such  
9       date.

10       Such election may be made for a taxable year only if made  
11       on or before the due date (including extensions) for filing  
12       the return of tax for such taxable year.”.

13       (b) FAILURE TO MAINTAIN EMPLOYMENT LEV-  
14       ELS.—Subsection (b) of section 965 of such Code (relating  
15       to limitations) is amended by adding at the end the fol-  
16       lowing:

17               “(5) REDUCTION IN BENEFITS FOR FAILURE  
18       TO MAINTAIN EMPLOYMENT LEVELS.—

19               “(A) IN GENERAL.—If, during the period  
20       consisting of the calendar month in which the  
21       taxpayer first receives a distribution described  
22       in paragraph (1) and the succeeding 23 cal-  
23       endar months, the taxpayer does not maintain  
24       an average employment level at least equal to  
25       the taxpayer’s prior average employment, an

1 additional amount equal to \$25,000 multiplied  
2 by the number of employees by which the tax-  
3 payers average employment level during such  
4 period falls below the prior average employment  
5 (but not exceeding the aggregate amount al-  
6 lowed as a deduction pursuant to paragraph  
7 (1)) shall be taken into income by the taxpayer  
8 during the taxable year that includes the final  
9 day of such period.

10 “(B) PRIOR AVERAGE EMPLOYMENT.—For  
11 purposes of this paragraph, the taxpayer’s  
12 ‘prior average employment’ shall be the average  
13 number of employees of the taxpayer during the  
14 period consisting of the 24 calendar months im-  
15 mediately preceding the calendar month in  
16 which the taxpayer first receives a distribution  
17 described in paragraph (1).

18 “(C) AGGREGATION RULES.—In deter-  
19 mining the taxpayer’s average employment level  
20 and prior average employment, all domestic  
21 members of a controlled group shall be treated  
22 as a single taxpayer.”.

23 (c) THRESHOLD PERIOD.—Section 965 of such Code  
24 is amended by striking “June 30, 2003” each place it oc-  
25 curs and inserting “June 30, 2008”.

1 (d) BASE PERIOD.—Subparagraph (A) of section  
2 965(c)(2) of such Code (as amended by subsection (e))  
3 is amended to read as follows:

4 “(A) IN GENERAL.—The base period years  
5 are the 3 taxable years—

6 “(i) which are among the 6 most re-  
7 cent taxable years ending on or before  
8 June 30, 2008, and

9 “(ii) which are determined by dis-  
10 regarding—

11 “(I) 1 taxable year for which the  
12 sum of the amounts described in  
13 clauses (i), (ii), and (iii) of subsection  
14 (b)(2)(B) is the largest,

15 “(II) 1 taxable year for which  
16 such sum is the smallest, and

17 “(III) the taxable year for which  
18 an election was made before the en-  
19 actment of this subclause.”.

20 (e) INDEBTEDNESS DETERMINATION DATE.—Sub-  
21 paragraph (B) of section 965(b)(3) of such Code is  
22 amended by striking “October 3, 2004” and inserting  
23 “January 13, 2009”.

1           (f) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years ending after the  
3 date of the enactment of this Act.

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