

114TH CONGRESS
2D SESSION

H. R. 5545

To amend the Internal Revenue Code of 1986 to modify the application of certain rules with respect to certain foreign countries.

IN THE HOUSE OF REPRESENTATIVES

JUNE 21, 2016

Mr. BOUSTANY (for himself, Mr. ROSKAM, Mr. TIBERI, Mr. BUCHANAN, Mr. SAM JOHNSON of Texas, Mr. REICHERT, Mr. YOUNG of Indiana, Mr. NUNES, and Mrs. BLACK) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to modify the application of certain rules with respect to certain foreign countries.

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 “Preventing Investment
5 in Terrorist Regimes Act”.

1 **SEC. 2. MODIFICATION OF APPLICATION OF CERTAIN**
2 **RULES WITH RESPECT TO CERTAIN FOREIGN**
3 **COUNTRIES.**

4 (a) **LIMITATION ON WAIVER AUTHORITY.**—Section
5 901(j)(5)(A) of the Internal Revenue Code of 1986 is
6 amended by inserting “(other than a country described in
7 paragraph (2)(A)(iv))” after “a country”.

8 (b) **DENIAL OF FOREIGN TAX CREDIT WITH RE-**
9 **SPECT TO INCOME DERIVED FROM CERTAIN FOREIGN**
10 **COUNTRIES WITHOUT REGARD TO WHICH COUNTRY TAX**
11 **IS PAID.**—Subparagraph (A) of section 901(j)(1) of such
12 Code is amended by striking “to any country” and all that
13 follows and inserting “to—

14 “(i) any foreign country to which this
15 subsection applies if such taxes are with
16 respect to income attributable to a period
17 during which this subsection applies to
18 such foreign country, and

19 “(ii) any foreign country (without re-
20 gard to whether this subsection applies to
21 such foreign country) if such taxes are
22 with respect to income derived from any
23 foreign country to which this subsection
24 applies during a period for which this sub-
25 section so applies (determined under rules

1 similar to the rules of section 952(d),
2 and”.

3 (c) DENIAL OF DEDUCTION FOR TAXES FOR WHICH
4 FOREIGN TAX CREDIT IS DENIED, ETC.—Section
5 901(j)(3) of such Code is amended to read as follows:

6 “(3) DENIAL OF DEDUCTION FOR TAXES FOR
7 WHICH FOREIGN TAX CREDIT IS DENIED, ETC.—

8 “(A) IN GENERAL.—No deduction shall be
9 allowed under this chapter for any tax for
10 which credit is not allowable under this section
11 by reason of paragraph (1)(A).

12 “(B) DENIAL OF DEDUCTION PARITY.—
13 Solely for purposes of section 78, the taxes
14 deemed to be paid under section 902(a) and
15 960(a)(1) shall be determined without regard to
16 this subsection.”.

17 (d) APPLICATION OF DENIAL OF DEDUCTION FOR
18 TAXES PAID BY CONTROLLED FOREIGN CORPORA-
19 TIONS.—

20 (1) DETERMINATION OF SUBPART F INCOME.—

21 Section 952(a) of such Code is amended by striking
22 “(including taxes)” in the last sentence and insert-
23 ing “(including taxes other than taxes for which
24 credit is not allowed under section 901 by reason of
25 section 901(j)(1)(A))”.

1 (2) DETERMINATION OF EARNINGS AND PROF-
2 ITS.—Section 964(a) of such Code is amended by in-
3 serting “, or any taxes for which credit is not al-
4 lowed under section 901 by reason of section
5 901(j)(1)(A),” after “other payment (within the
6 meaning of section 162(c))”.

7 (e) CLARIFICATION REGARDING COUNTRY FROM
8 WHICH INCOME IS DERIVED.—Section 952(d) of such
9 Code is amended by striking “The Secretary” and insert-
10 ing the following:

11 “(1) IN GENERAL.—For purposes of subsection
12 (a)(5), income shall be treated as derived from a for-
13 eign country if such income is derived in connection
14 with—

15 “(A) property which is sold—

16 “(i) for use, consumption, or disposi-
17 tion in such foreign country, or

18 “(ii) to any foreign person which is
19 created, organized, or controlled in such
20 foreign country or to a citizen or resident
21 of such foreign country, or

22 “(B) services provided with respect to per-
23 sons or property located in such foreign country
24 or with respect to persons described in subpara-
25 graph (A)(ii).

1 “(2) SPECIAL RULES.—For purposes of this
2 subsection—

3 “(A) ULTIMATE DISPOSITION.—Property
4 shall not fail to be treated as described in para-
5 graph (1)(A) if the controlled foreign corpora-
6 tion or any related person knew, or had reason
7 to know, that such property would be ultimately
8 sold—

9 “(i) for use, consumption, or disposi-
10 tion in such foreign country, or

11 “(ii) to any person described in para-
12 graph (1)(A)(ii).

13 “(B) SALES TO RELATED PARTIES.—If
14 property is sold to a related person, such sale
15 shall not fail to be treated as described in para-
16 graph (1)(A) unless—

17 “(i) such property is ultimately sold—

18 “(I) for use, consumption or dis-
19 position outside such foreign country,
20 or

21 “(II) to a person not described in
22 paragraph (1)(A)(ii), or

23 “(ii) such property is resold to an un-
24 related person not described in paragraph
25 (1)(A)(ii) and neither the controlled for-

1 eign corporation nor any related person
2 knew or had reason to know that such
3 property would be ultimately sold in a sale
4 described in paragraph (1)(A).

5 “(C) APPLICATION TO SERVICES.—Rules
6 similar to the rules of subparagraphs (A) and
7 (B) shall apply with respect to services de-
8 scribed in paragraph (1)(B).

9 “(D) RELATED PERSON.—The term ‘re-
10 lated person’ has the meaning given such term
11 by section 954(d)(3).

12 “(3) REGULATIONS.—The Secretary”.

13 (f) DOUBLING OF RATES OF TAX WITH RESPECT TO
14 CERTAIN FOREIGN COUNTRIES.—

15 (1) DOUBLING OF RATES OF TAX ON CITIZENS
16 AND CORPORATIONS OF CERTAIN FOREIGN COUN-
17 TRIES.—Section 891 of such Code is amended—

18 (A) by striking “Whenever the President”
19 and inserting the following:

20 “(a) DOUBLING OF RATES OF TAX ON CITIZENS AND
21 CORPORATIONS OF CERTAIN FOREIGN COUNTRIES.—

22 “(1) PRESIDENTIAL PROCLAMATION.—When-
23 ever the President”, and

24 (B) by adding at the end the following new
25 paragraph:

1 “(2) STATUTORY APPLICATION.—In the case of
2 any foreign country to which section 901(j) applies
3 for any period, paragraph (1) shall apply with re-
4 spect to such country in the same manner as if the
5 President had made a proclamation described in the
6 first sentence of paragraph (1) with respect to such
7 country at the beginning of such period and a pro-
8 clamation described in the last sentence of paragraph
9 (1) with respect to such country at the end of such
10 period.”.

11 (2) DOUBLING OF RATES OF TAX ON INCOME
12 DERIVED FROM CERTAIN FOREIGN COUNTRIES.—
13 Section 891 of such Code, as amended by paragraph
14 (1), is amended by adding at the end the following
15 new subsection:

16 “(b) DOUBLING OF RATES OF TAX ON INCOME DE-
17 RIVED FROM CERTAIN FOREIGN COUNTRIES.—

18 “(1) IN GENERAL.—In the case of any foreign
19 country to which section 901(j) applies for any pe-
20 riod, the rates of tax imposed by sections 1, 11, 801,
21 831, 852, 871, and 881 with respect to any taxpayer
22 shall be doubled in the case of income derived from
23 such foreign country during such period (determined
24 under rules similar to the rules of section 952(d)).
25 In any case in which the manner in which income

1 is stacked would change the rate of tax which is
2 treated as applying to income described in the pre-
3 ceding sentence, such income shall be stacked in the
4 manner which results in the highest rate of tax ap-
5 plying to the income so described.

6 “(2) COORDINATION WITH DOUBLING OF RATES
7 OF TAX ON CITIZENS AND CORPORATIONS OF CER-
8 TAIN FOREIGN COUNTRIES.—Paragraph (1) shall
9 not apply to any taxpayer for any period for which
10 subsection (a) applies to such taxpayer.”.

11 (3) CONFORMING AMENDMENTS.—

12 (A) The heading of section 891 of such
13 Code is amended by striking “**ON CITIZENS**
14 **AND CORPORATIONS OF**” and inserting
15 “**WITH RESPECT TO**”.

16 (B) The item relating to section 891 in the
17 table of sections for subpart D of part II of
18 subchapter N of chapter 1 of such Code is
19 amended to read as follows:

“Sec. 891. Doubling of rates of tax with respect to certain foreign countries.”.

20 (g) PROHIBITION ON AGREEMENTS TO DELEGATE
21 CERTAIN REPORTING TO CERTAIN FOREIGN COUN-
22 TRIES.—Section 1474(f) of such Code is amended—

23 (1) by striking “The Secretary” and inserting
24 the following:

25 “(1) IN GENERAL.—The Secretary”, and

1 (2) by adding at the end the following new
2 paragraph:

3 “(2) PROHIBITION ON INTERGOVERNMENTAL
4 AGREEMENTS WITH CERTAIN FOREIGN COUN-
5 TRIES.—The Secretary may not enter into any inter-
6 governmental agreement to carry out section
7 1471(b) with any country to which section 901(j)
8 applies.”.

9 (h) EFFECTIVE DATE.—

10 (1) IN GENERAL.—Except as otherwise pro-
11 vided in this subsection, the amendments made by
12 subsections (a), (b), and (c) shall apply to taxes paid
13 or incurred in taxable years ending after the date of
14 the introduction of this Act.

15 (2) AMENDMENTS RELATED TO CONTROLLED
16 FOREIGN CORPORATIONS.—The amendments made
17 by—

18 (A) subsections (a), (b), and (c) to the ex-
19 tent such amendments relate to section
20 952(a)(5) of the Internal Revenue Code of 1986
21 or to taxes deemed to have been paid under sec-
22 tion 902 or 960 of such Code, and

23 (B) subsections (d) and (e),
24 shall apply to taxable years of foreign corporations
25 ending after the date of the introduction of this Act

1 and to taxable years of United States shareholders
2 with or within which such taxable years of foreign
3 corporations end.

4 (3) AMENDMENTS RELATED TO DOUBLING OF
5 TAX ON CITIZENS AND CORPORATIONS OF CERTAIN
6 FOREIGN COUNTRIES.—The amendments made by
7 subsection (g) shall apply to taxable years ending
8 after the date of the introduction of this Act (with-
9 out regard to whether the period described in sub-
10 section (a)(2) or (b)(1) of section 891 of the Inter-
11 nal Revenue Code of 1986, as added by subsection
12 (f), begins before such date).

13 (4) AMENDMENTS RELATED TO PROHIBITION
14 ON AGREEMENTS TO DELEGATE CERTAIN REPORT-
15 ING TO CERTAIN FOREIGN COUNTRIES.—The amend-
16 ments made by subsection (g) shall take effect on
17 the date of the enactment of this Act.

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