

113TH CONGRESS  
1ST SESSION

# H. R. 851

To amend the Internal Revenue Code of 1986 to encourage domestic insourcing and discourage foreign outsourcing.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 27, 2013

Mr. PASCRELL (for himself, Ms. SCHWARTZ, Mr. RANGEL, Mr. LEWIS, Mr. LARSON of Connecticut, Mr. KIND, Mr. NEAL, Mr. BECERRA, Mr. DANNY K. DAVIS of Illinois, Mr. LEVIN, and Ms. LINDA T. SÁNCHEZ of California) 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 encourage domestic insourcing and discourage foreign outsourcing.

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 “Bring Jobs Home  
5 Act”.

6 **SEC. 2. CREDIT FOR INSOURCING EXPENSES.**

7 (a) IN GENERAL.—Subpart D of part IV of sub-  
8 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 is amended by adding at the end the following new  
2 section:

3 **“SEC. 45S. CREDIT FOR INSOURCING EXPENSES.**

4 “(a) IN GENERAL.—For purposes of section 38, the  
5 insourcing expenses credit for any taxable year is an  
6 amount equal to 20 percent of the eligible insourcing ex-  
7 penses of the taxpayer which are taken into account in  
8 such taxable year under subsection (d).

9 “(b) ELIGIBLE INSOURCING EXPENSES.—For pur-  
10 poses of this section—

11 “(1) IN GENERAL.—The term ‘eligible  
12 insourcing expenses’ means—

13 “(A) eligible expenses paid or incurred by  
14 the taxpayer in connection with the elimination  
15 of any business unit of the taxpayer (or of any  
16 member of any expanded affiliated group in  
17 which the taxpayer is also a member) located  
18 outside the United States, and

19 “(B) eligible expenses paid or incurred by  
20 the taxpayer in connection with the establish-  
21 ment of any business unit of the taxpayer (or  
22 of any member of any expanded affiliated group  
23 in which the taxpayer is also a member) located  
24 within the United States,

1 if such establishment constitutes the relocation of  
2 business unit so eliminated. For purposes of the pre-  
3 ceding sentence, a relocation shall not be treated as  
4 failing to occur merely because such elimination oc-  
5 curs in a different taxable year than such establish-  
6 ment.

7 “(2) ELIGIBLE EXPENSES.—The term ‘eligible  
8 expenses’ means—

9 “(A) any amount for which a deduction is  
10 allowed to the taxpayer under section 162, and

11 “(B) permit and license fees, lease broker-  
12 age fees, equipment installation costs, and, to  
13 the extent provided by the Secretary, other  
14 similar expenses.

15 Such term does not include any compensation which  
16 is paid or incurred in connection with severance  
17 from employment and, to the extent provided by the  
18 Secretary, any similar amount.

19 “(3) BUSINESS UNIT.—The term ‘business unit’  
20 means—

21 “(A) any trade or business, and

22 “(B) any line of business, or functional  
23 unit, which is part of any trade or business.

24 “(4) EXPANDED AFFILIATED GROUP.—The  
25 term ‘expanded affiliated group’ means an affiliated

1 group as defined in section 1504(a), determined  
2 without regard to section 1504(b)(3) and by sub-  
3 stituting ‘more than 50 percent’ for ‘at least 80 per-  
4 cent’ each place it appears in section 1504(a). A  
5 partnership or any other entity (other than a cor-  
6 poration) shall be treated as a member of an ex-  
7 panded affiliated group if such entity is controlled  
8 (within the meaning of section 954(d)(3)) by mem-  
9 bers of such group (including any entity treated as  
10 a member of such group by reason of this para-  
11 graph).

12 “(5) EXPENSES MUST BE PURSUANT TO  
13 INSOURCING PLAN.—Amounts shall be taken into ac-  
14 count under paragraph (1) only to the extent that  
15 such amounts are paid or incurred pursuant to a  
16 written plan to carry out the relocation described in  
17 paragraph (1).

18 “(6) OPERATING EXPENSES NOT TAKEN INTO  
19 ACCOUNT.—Any amount paid or incurred in connec-  
20 tion with the on-going operation of a business unit  
21 shall not be treated as an amount paid or incurred  
22 in connection with the establishment or elimination  
23 of such business unit.

24 “(c) INCREASED DOMESTIC EMPLOYMENT REQUIRE-  
25 MENT.—No credit shall be allowed under this section un-

1 less the number of full-time equivalent employees of the  
2 taxpayer for the taxable year for which the credit is  
3 claimed exceeds the number of full-time equivalent em-  
4 ployees of the taxpayer for the last taxable year ending  
5 before the first taxable year in which such eligible  
6 insourcing expenses were paid or incurred. For purposes  
7 of this subsection, full-time equivalent employees has the  
8 meaning given such term under section 45R(d) (and the  
9 applicable rules of section 45R(e)), determined by only  
10 taking into account wages (as otherwise defined in section  
11 45R(e)) paid with respect to services performed within the  
12 United States. All employers treated as a single employer  
13 under subsection (b), (c), (m), or (o) of section 414 shall  
14 be treated as a single employer for purposes of this sub-  
15 section.

16 “(d) CREDIT ALLOWED UPON COMPLETION OF  
17 INSOURCING PLAN.—

18 “(1) IN GENERAL.—Except as provided in para-  
19 graph (2), eligible insourcing expenses shall be taken  
20 into account under subsection (a) in the taxable year  
21 during which the plan described in subsection (b)(5)  
22 has been completed and all eligible insourcing ex-  
23 penses pursuant to such plan have been paid or in-  
24 curred.

1           “(2) ELECTION TO APPLY EMPLOYMENT TEST  
2           AND CLAIM CREDIT IN FIRST FULL TAXABLE YEAR  
3           AFTER COMPLETION OF PLAN.—If the taxpayer  
4           elects the application of this paragraph, eligible  
5           insourcing expenses shall be taken into account  
6           under subsection (a) in the first taxable year after  
7           the taxable year described in paragraph (1).

8           “(e) POSSESSIONS TREATED AS PART OF THE  
9           UNITED STATES.—For purposes of this section, the term  
10          ‘United States’ shall be treated as including each posses-  
11          sion of the United States (including the Commonwealth  
12          of Puerto Rico and the Commonwealth of the Northern  
13          Mariana Islands).

14          “(f) REGULATIONS.—The Secretary shall prescribe  
15          such regulations or other guidance as may be necessary  
16          or appropriate to carry out the purposes of this section.”.

17          (b) CREDIT TO BE PART OF GENERAL BUSINESS  
18          CREDIT.—Subsection (b) of section 38 of such Code is  
19          amended by striking “plus” at the end of paragraph (35),  
20          by striking the period at the end of paragraph (36) and  
21          inserting “, plus”, and by adding at the end the following  
22          new paragraph:

23                  “(37) the insourcing expenses credit determined  
24                  under section 45S(a).”.

1           (c) CLERICAL AMENDMENT.—The table of sections  
2 for subpart D of part IV of subchapter A of chapter 1  
3 of such Code is amended by adding at the end the fol-  
4 lowing new item:

“Sec. 45S. Credit for insourcing expenses.”.

5           (d) EFFECTIVE DATE.—The amendments made by  
6 this section shall apply to amounts paid or incurred after  
7 the date of the enactment of this Act.

8           (e) APPLICATION TO UNITED STATES POSSES-  
9 SIONS.—

10           (1) PAYMENTS TO POSSESSIONS.—

11           (A) MIRROR CODE POSSESSIONS.—The  
12 Secretary of the Treasury shall make periodic  
13 payments to each possession of the United  
14 States with a mirror code tax system in an  
15 amount equal to the loss to that possession by  
16 reason of section 45S of the Internal Revenue  
17 Code of 1986. Such amount shall be determined  
18 by the Secretary of the Treasury based on in-  
19 formation provided by the government of the re-  
20 spective possession.

21           (B) OTHER POSSESSIONS.—The Secretary  
22 of the Treasury shall make annual payments to  
23 each possession of the United States which does  
24 not have a mirror code tax system in an  
25 amount estimated by the Secretary of the

1 Treasury as being equal to the aggregate bene-  
2 fits that would have been provided to residents  
3 of such possession by reason of section 45S of  
4 such Code if a mirror code tax system had been  
5 in effect in such possession. The preceding sen-  
6 tence shall not apply with respect to any posses-  
7 sion of the United States unless such possession  
8 has a plan, which has been approved by the  
9 Secretary of the Treasury, under which such  
10 possession will promptly distribute such pay-  
11 ment to the residents of such possession.

12 (2) COORDINATION WITH CREDIT ALLOWED  
13 AGAINST UNITED STATES INCOME TAXES.—No cred-  
14 it shall be allowed against United States income  
15 taxes under section 45S of such Code to any per-  
16 son—

17 (A) to whom a credit is allowed against  
18 taxes imposed by the possession by reason of  
19 such section, or

20 (B) who is eligible for a payment under a  
21 plan described in paragraph (1)(B).

22 (3) DEFINITIONS AND SPECIAL RULES.—

23 (A) POSSESSIONS OF THE UNITED  
24 STATES.—For purposes of this section, the  
25 term “possession of the United States” includes



1 the Commonwealth of Puerto Rico and the  
2 Commonwealth of the Northern Mariana Is-  
3 lands.

4 (B) MIRROR CODE TAX SYSTEM.—For pur-  
5 poses of this section, the term “mirror code tax  
6 system” means, with respect to any possession  
7 of the United States, the income tax system of  
8 such possession if the income tax liability of the  
9 residents of such possession under such system  
10 is determined by reference to the income tax  
11 laws of the United States as if such possession  
12 were the United States.

13 (C) TREATMENT OF PAYMENTS.—For pur-  
14 poses of section 1324(b)(2) of title 31, United  
15 States Code, the payments under this section  
16 shall be treated in the same manner as a refund  
17 due from sections referred to in such section  
18 1324(b)(2).

19 **SEC. 3. DENIAL OF DEDUCTION FOR OUTSOURCING EX-**  
20 **PENSES.**

21 (a) IN GENERAL.—Part IX of subchapter B of chap-  
22 ter 1 of the Internal Revenue Code of 1986 is amended  
23 by adding at the end the following new section:

1 **“SEC. 280I. OUTSOURCING EXPENSES.**

2       “(a) IN GENERAL.—No deduction otherwise allow-  
3 able under this chapter shall be allowed for any specified  
4 outsourcing expense.

5       “(b) SPECIFIED OUTSOURCING EXPENSE.—For pur-  
6 poses of this section—

7           “(1) IN GENERAL.—The term ‘specified out-  
8 sourcing expense’ means—

9                   “(A) any eligible expense paid or incurred  
10 by the taxpayer in connection with the elimi-  
11 nation of any business unit of the taxpayer (or  
12 of any member of any expanded affiliated group  
13 in which the taxpayer is also a member) located  
14 within the United States, and

15                   “(B) any eligible expense paid or incurred  
16 by the taxpayer in connection with the estab-  
17 lishment of any business unit of the taxpayer  
18 (or of any member of any expanded affiliated  
19 group in which the taxpayer is also a member)  
20 located outside the United States,

21 if such establishment constitutes the relocation of  
22 business unit so eliminated. For purposes of the pre-  
23 ceding sentence, a relocation shall not be treated as  
24 failing to occur merely because such elimination oc-  
25 curs in a different taxable year than such establish-  
26 ment.

1           “(2) APPLICATION OF CERTAIN DEFINITIONS  
2 AND RULES.—

3           “(A) DEFINITIONS.—For purposes of this  
4 section, the terms ‘eligible expenses’, ‘business  
5 unit’, and ‘expanded affiliated group’ shall have  
6 the respective meanings given such terms by  
7 section 45S(b).

8           “(B) OPERATING EXPENSES NOT TAKEN  
9 INTO ACCOUNT.—A rule similar to the rule of  
10 section 45S(b)(6) shall apply for purposes of  
11 this section.

12          “(c) SPECIAL RULES.—

13           “(1) APPLICATION TO DEDUCTIONS FOR DE-  
14 PRECIATION AND AMORTIZATION.—In the case of  
15 any portion of a specified outsourcing expense which  
16 is not deductible in the taxable year in which paid  
17 or incurred, such portion shall neither be chargeable  
18 to capital account nor amortizable.

19           “(2) POSSESSIONS TREATED AS PART OF THE  
20 UNITED STATES.—For purposes of this section, the  
21 term ‘United States’ shall be treated as including  
22 each possession of the United States (including the  
23 Commonwealth of Puerto Rico and the Common-  
24 wealth of the Northern Mariana Islands).

1       “(d) REGULATIONS.—The Secretary shall prescribe  
2 such regulations or other guidance as may be necessary  
3 or appropriate to carry out the purposes of this section,  
4 including regulations which provide (or create a rebuttable  
5 presumption) that certain establishments of business units  
6 outside the United States will be treated as relocations  
7 (based on timing or such other factors as the Secretary  
8 may provide) of business units eliminated within the  
9 United States.”.

10       (b) LIMITATION ON SUBPART F INCOME OF CON-  
11 TROLLED FOREIGN CORPORATIONS DETERMINED WITH-  
12 OUT REGARD TO SPECIFIED OUTSOURCING EXPENSES.—  
13 Subsection (c) of section 952 of such Code is amended  
14 by adding at the end the following new paragraph:

15               “(4) EARNINGS AND PROFITS DETERMINED  
16 WITHOUT REGARD TO SPECIFIED OUTSOURCING EX-  
17 PENSES.—For purposes of this subsection, earnings  
18 and profits of any controlled foreign corporation  
19 shall be determined without regard to any specified  
20 outsourcing expense (as defined in section  
21 280I(b)).”.

22       (c) CLERICAL AMENDMENT.—The table of sections  
23 for part IX of subchapter B of chapter 1 of such Code  
24 is amended by adding at the end the following new item:

“Sec. 280I. Outsourcing expenses.”.

1       (d) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to amounts paid or incurred after  
3 the date of the enactment of this Act.

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