

103^D CONGRESS
2^D SESSION

S. 2523

To amend the Internal Revenue Code of 1986 to permit certain foreign pension plans to invest in the United States on a nontaxable basis.

IN THE SENATE OF THE UNITED STATES

OCTOBER 6 (legislative day, SEPTEMBER 12), 1994

Mr. WALLOP introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to permit certain foreign pension plans to invest in the United States on a nontaxable basis.

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. TAX EXEMPTION FOR CERTAIN FOREIGN PEN-**
4 **SION PLANS INVESTING IN THE UNITED**
5 **STATES.**

6 (a) IN GENERAL.—Section 501(c) of the Internal
7 Revenue Code of 1986 (relating to organizations exempt
8 from tax under section 501(a)) is amended by adding at
9 the end the following new paragraph:

1 “(26)(A) Except as provided in subparagraph
2 (B), a trust, corporation, or fund which is formed
3 pursuant to, or as part of, a foreign pension plan—

4 “(i) which is described in section 3(2) of
5 the Employee Retirement Income Security Act
6 (29 U.S.C. 1002(2));

7 “(ii) the assets of which are segregated
8 from the assets of the employer or employers
9 maintaining the plan pursuant to the laws of
10 the foreign country in which such plan is main-
11 tained;

12 “(iii) the income of which is, under the
13 laws of the foreign country in which the plan is
14 maintained, exempt from tax or is subject to a
15 lower rate of taxation than is generally imposed
16 on other residents of such foreign country; and

17 “(iv) which provides benefits to a broad
18 classification of employees, not merely highly
19 compensated employees or owners.

20 If all of the assets of a trust, corporation, or fund
21 are held for the benefit of one or more foreign pen-
22 sion plans described in this subparagraph, such
23 trust, corporation, or fund shall be treated as de-
24 scribed in this subparagraph.

1 “(B) The exemption provided by this paragraph
2 shall be subject to adjustment under section 896 (re-
3 lating to the adjustment of tax of nationals of for-
4 eign countries). The President shall, no later than
5 January 1, 1996, report to Congress on the extent
6 to which the President has exercised the authority
7 under that section with respect to relief from foreign
8 income taxes for plans described in section 401(a).”

9 (b) CONFORMING AMENDMENTS.—(1) Section
10 512(a)(2) of the Internal Revenue Code of 1986 (relating
11 to the unrelated business taxable income of certain foreign
12 organizations) is amended by inserting “or section
13 501(c)(26)” after “section 511”.

14 (2) Clause (ii) of section 514(c)(9)(C) of such Code
15 (relating to unrelated debt-financed income of qualified
16 trusts) is amended by inserting “or any foreign pension
17 plan described in section 501(c)(26)” after “section 401”.

18 (3) Section 818(a) of such Code (relating to pension
19 plan contracts of life insurance companies) is amended by
20 striking “or” at the end of paragraph (5), by striking the
21 period at the end of paragraph (6) and inserting “; or”,
22 and by adding at the end the following new paragraph:

23 “(7) entered into with trusts, corporations, or
24 funds which are formed pursuant to, or as part of,

1 a foreign pension plan described in section
2 501(c)(26).”

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall take effect on January 1, 1995.

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