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110TH CONGRESS
2D SESSION

H. R. 6275

[Report No. 110-728]

To amend the Internal Revenue Code of 1986 to provide individuals temporary relief from the alternative minimum tax, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 17, 2008

Mr. RANGEL (for himself, Mr. McDERMOTT, Mr. LEWIS of Georgia, Mr. NEAL of Massachusetts, Mr. POMEROY, Mrs. JONES of Ohio, Mr. BLUMENAUER, Ms. BERKLEY, Mr. CROWLEY, Mr. VAN HOLLEN, Mr. MEEK of Florida, Mr. LEVIN, and Mr. LARSON of Connecticut) introduced the following bill; which was referred to the Committee on Ways and Means

JUNE 20, 2008

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on June 17, 2008]

A BILL

To amend the Internal Revenue Code of 1986 to provide individuals temporary relief from the alternative minimum tax, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE, ETC.**

2 (a) *SHORT TITLE.*—*This Act may be cited as the “Al-*
 3 *ternative Minimum Tax Relief Act of 2008”.*

4 (b) *REFERENCE.*—*Except as otherwise expressly pro-*
 5 *vided, whenever in this Act an amendment or repeal is ex-*
 6 *pressed in terms of an amendment to, or repeal of, a section*
 7 *or other provision, the reference shall be considered to be*
 8 *made to a section or other provision of the Internal Revenue*
 9 *Code of 1986.*

10 (c) *TABLE OF CONTENTS.*—*The table of contents for*
 11 *this Act is as follows:*

Sec. 1. Short title, etc.

TITLE I—INDIVIDUAL TAX RELIEF

Sec. 101. Extension of increased alternative minimum tax exemption amount.

Sec. 102. Extension of alternative minimum tax relief for nonrefundable personal credits.

TITLE II—REVENUE PROVISIONS

Sec. 201. Income of partners for performing investment management services treated as ordinary income received for performance of services.

Sec. 202. Limitation of deduction for income attributable to domestic production of oil, gas, or primary products thereof.

Sec. 203. Limitation on treaty benefits for certain deductible payments.

Sec. 204. Returns relating to payments made in settlement of payment card and third party network transactions.

Sec. 205. Application of continuous levy to property sold or leased to the Federal Government.

Sec. 206. Time for payment of corporate estimated taxes.

1 **TITLE I—INDIVIDUAL TAX**
2 **RELIEF**

3 **SEC. 101. EXTENSION OF INCREASED ALTERNATIVE MIN-**
4 **IMUM TAX EXEMPTION AMOUNT.**

5 (a) *IN GENERAL.*—Paragraph (1) of section 55(d) is
6 amended—

7 (1) by striking “(\$66,250 in the case of taxable
8 years beginning in 2007)” in subparagraph (A) and
9 inserting “(\$69,950 in the case of taxable years begin-
10 ning in 2008)”, and

11 (2) by striking “(\$44,350 in the case of taxable
12 years beginning in 2007)” in subparagraph (B) and
13 inserting “(\$46,200 in the case of taxable years begin-
14 ning in 2008)”.

15 (b) *EFFECTIVE DATE.*—The amendments made by this
16 section shall apply to taxable years beginning after Decem-
17 ber 31, 2007.

18 **SEC. 102. EXTENSION OF ALTERNATIVE MINIMUM TAX RE-**
19 **LIEF FOR NONREFUNDABLE PERSONAL**
20 **CREDITS.**

21 (a) *IN GENERAL.*—Paragraph (2) of section 26(a) is
22 amended—

23 (1) by striking “or 2007” and inserting “2007,
24 or 2008”, and

1 (2) by striking “2007” in the heading thereof and
2 inserting “2008”.

3 (b) *EFFECTIVE DATE.*—*The amendments made by this*
4 *section shall apply to taxable years beginning after Decem-*
5 *ber 31, 2007.*

6 **TITLE II—REVENUE PROVISIONS**

7 **SEC. 201. INCOME OF PARTNERS FOR PERFORMING INVEST-** 8 **MENT MANAGEMENT SERVICES TREATED AS** 9 **ORDINARY INCOME RECEIVED FOR PERFORM-** 10 **ANCE OF SERVICES.**

11 (a) *IN GENERAL.*—*Part I of subchapter K of chapter*
12 *1 is amended by adding at the end the following new sec-*
13 *tion:*

14 **“SEC. 710. SPECIAL RULES FOR PARTNERS PROVIDING IN-** 15 **VESTMENT MANAGEMENT SERVICES TO** 16 **PARTNERSHIP.**

17 “(a) *TREATMENT OF DISTRIBUTIVE SHARE OF PART-*
18 *NERSHIP ITEMS.*—*For purposes of this title, in the case of*
19 *an investment services partnership interest—*

20 “(1) *IN GENERAL.*—*Notwithstanding section*
21 702(b)—

22 “(A) *any net income with respect to such*
23 *interest for any partnership taxable year shall be*
24 *treated as ordinary income for the performance*
25 *of services, and*

1 “(B) any net loss with respect to such inter-
2 est for such year, to the extent not disallowed
3 under paragraph (2) for such year, shall be
4 treated as an ordinary loss.

5 *All items of income, gain, deduction, and loss which*
6 *are taken into account in computing net income or*
7 *net loss shall be treated as ordinary income or ordi-*
8 *nary loss (as the case may be).*

9 “(2) TREATMENT OF LOSSES.—

10 “(A) LIMITATION.—Any net loss with re-
11 spect to such interest shall be allowed for any
12 partnership taxable year only to the extent that
13 such loss does not exceed the excess (if any) of—

14 “(i) the aggregate net income with re-
15 spect to such interest for all prior partner-
16 ship taxable years, over

17 “(ii) the aggregate net loss with respect
18 to such interest not disallowed under this
19 subparagraph for all prior partnership tax-
20 able years.

21 “(B) CARRYFORWARD.—Any net loss for
22 any partnership taxable year which is not al-
23 lowed by reason of subparagraph (A) shall be
24 treated as an item of loss with respect to such

1 *partnership interest for the succeeding partner-*
2 *ship taxable year.*

3 “(C) *BASIS ADJUSTMENT.*—*No adjustment*
4 *to the basis of a partnership interest shall be*
5 *made on account of any net loss which is not al-*
6 *lowed by reason of subparagraph (A).*

7 “(D) *EXCEPTION FOR BASIS ATTRIBUTABLE*
8 *TO PURCHASE OF A PARTNERSHIP INTEREST.*—
9 *In the case of an investment services partnership*
10 *interest acquired by purchase, paragraph (1)(B)*
11 *shall not apply to so much of any net loss with*
12 *respect to such interest for any taxable year as*
13 *does not exceed the excess of—*

14 “(i) *the basis of such interest imme-*
15 *diately after such purchase, over*

16 “(ii) *the aggregate net loss with respect*
17 *to such interest to which paragraph (1)(B)*
18 *did not apply by reason of this subpara-*
19 *graph for all prior taxable years.*

20 *Any net loss to which paragraph (1)(B) does not*
21 *apply by reason of this subparagraph shall not*
22 *be taken into account under subparagraph (A).*

23 “(E) *PRIOR PARTNERSHIP YEARS.*—*Any*
24 *reference in this paragraph to prior partnership*

1 *taxable years shall only include prior partner-*
2 *ship taxable years to which this section applies.*

3 “(3) *NET INCOME AND LOSS.—For purposes of*
4 *this section—*

5 “(A) *NET INCOME.—The term ‘net income’*
6 *means, with respect to any investment services*
7 *partnership interest, for any partnership taxable*
8 *year, the excess (if any) of—*

9 “(i) *all items of income and gain taken*
10 *into account by the holder of such interest*
11 *under section 702 with respect to such in-*
12 *terest for such year, over*

13 “(ii) *all items of deduction and loss so*
14 *taken into account.*

15 “(B) *NET LOSS.—The term ‘net loss’ means*
16 *with respect to such interest for such year, the*
17 *excess (if any) of the amount described in sub-*
18 *paragraph (A)(ii) over the amount described in*
19 *subparagraph (A)(i).*

20 “(b) *DISPOSITIONS OF PARTNERSHIP INTERESTS.—*

21 “(1) *GAIN.—Any gain on the disposition of an*
22 *investment services partnership interest shall be treat-*
23 *ed as ordinary income for the performance of services.*

24 “(2) *LOSS.—Any loss on the disposition of an*
25 *investment services partnership interest shall be treat-*

1 *ed as an ordinary loss to the extent of the excess (if*
2 *any) of—*

3 *“(A) the aggregate net income with respect*
4 *to such interest for all partnership taxable years,*
5 *over*

6 *“(B) the aggregate net loss with respect to*
7 *such interest allowed under subsection (a)(2) for*
8 *all partnership taxable years.*

9 *“(3) DISPOSITION OF PORTION OF INTEREST.—*
10 *In the case of any disposition of an investment serv-*
11 *ices partnership interest, the amount of net loss which*
12 *otherwise would have (but for subsection (a)(2)(C))*
13 *applied to reduce the basis of such interest shall be*
14 *disregarded for purposes of this section for all suc-*
15 *ceeding partnership taxable years.*

16 *“(4) DISTRIBUTIONS OF PARTNERSHIP PROP-*
17 *ERTY.—In the case of any distribution of property by*
18 *a partnership with respect to any investment services*
19 *partnership interest held by a partner—*

20 *“(A) the excess (if any) of—*

21 *“(i) the fair market value of such prop-*
22 *erty at the time of such distribution, over*

23 *“(ii) the adjusted basis of such prop-*
24 *erty in the hands of the partnership,*

1 *shall be taken into account as an increase in*
2 *such partner’s distributive share of the taxable*
3 *income of the partnership (except to the extent*
4 *such excess is otherwise taken into account in de-*
5 *termining the taxable income of the partnership),*

6 *“(B) such property shall be treated for pur-*
7 *poses of subpart B of part II as money distrib-*
8 *uted to such partner in an amount equal to such*
9 *fair market value, and*

10 *“(C) the basis of such property in the hands*
11 *of such partner shall be such fair market value.*

12 *Subsection (b) of section 734 shall be applied without*
13 *regard to the preceding sentence.*

14 *“(5) APPLICATION OF SECTION 751.—In applying*
15 *section 751(a), an investment services partnership in-*
16 *terest shall be treated as an inventory item.*

17 *“(c) INVESTMENT SERVICES PARTNERSHIP INTER-*
18 *EST.—For purposes of this section—*

19 *“(1) IN GENERAL.—The term ‘investment serv-*
20 *ices partnership interest’ means any interest in a*
21 *partnership which is held by any person if such per-*
22 *son provides (directly or indirectly) a substantial*
23 *quantity of any of the following services with respect*
24 *to the assets of the partnership in the conduct of the*
25 *trade or business of providing such services:*

1 “(A) *Advising as to the advisability of in-*
2 *vesting in, purchasing, or selling any specified*
3 *asset.*

4 “(B) *Managing, acquiring, or disposing of*
5 *any specified asset.*

6 “(C) *Arranging financing with respect to*
7 *acquiring specified assets.*

8 “(D) *Any activity in support of any service*
9 *described in subparagraphs (A) through (C).*

10 *For purposes of this paragraph, the term ‘specified*
11 *asset’ means securities (as defined in section 475(c)(2)*
12 *without regard to the last sentence thereof), real es-*
13 *tate, commodities (as defined in section 475(e)(2)),*
14 *or options or derivative contracts with respect to secu-*
15 *rities (as so defined), real estate, or commodities (as*
16 *so defined).*

17 “(2) *EXCEPTION FOR CERTAIN CAPITAL INTER-*
18 *ESTS.—*

19 “(A) *IN GENERAL.—If—*

20 “(i) *a portion of an investment services*
21 *partnership interest is acquired on account*
22 *of a contribution of invested capital, and*

23 “(ii) *the partnership makes a reason-*
24 *able allocation of partnership items between*
25 *the portion of the distributive share that is*

1 *with respect to invested capital and the por-*
2 *tion of such distributive share that is not*
3 *with respect to invested capital,*
4 *then subsection (a) shall not apply to the portion*
5 *of the distributive share that is with respect to*
6 *invested capital. An allocation will not be treat-*
7 *ed as reasonable for purposes of this subpara-*
8 *graph if such allocation would result in the part-*
9 *nership allocating a greater portion of income to*
10 *invested capital than any other partner not pro-*
11 *viding services would have been allocated with*
12 *respect to the same amount of invested capital.*

13 “(B) *SPECIAL RULE FOR DISPOSITIONS.*—
14 *In any case to which subparagraph (A) applies,*
15 *subsection (b) shall not apply to any gain or loss*
16 *allocable to invested capital. The portion of any*
17 *gain or loss attributable to invested capital is the*
18 *proportion of such gain or loss which is based on*
19 *the distributive share of gain or loss that would*
20 *have been allocable to invested capital under sub-*
21 *paragraph (A) if the partnership sold all of its*
22 *assets immediately before the disposition.*

23 “(C) *INVESTED CAPITAL.*—*For purposes of*
24 *this paragraph, the term ‘invested capital’*
25 *means, the fair market value at the time of con-*

1 *tribution of any money or other property con-*
2 *tributed to the partnership.*

3 “(D) *TREATMENT OF CERTAIN LOANS.—*

4 “(i) *PROCEEDS OF PARTNERSHIP*
5 *LOANS NOT TREATED AS INVESTED CAPITAL*
6 *OF SERVICE PROVIDING PARTNERS.—For*
7 *purposes of this paragraph, an investment*
8 *services partnership interest shall not be*
9 *treated as acquired on account of a con-*
10 *tribution of invested capital to the extent*
11 *that such capital is attributable to the pro-*
12 *ceeds of any loan or other advance made or*
13 *guaranteed, directly or indirectly, by any*
14 *partner or the partnership.*

15 “(ii) *LOANS FROM NONSERVICE PRO-*
16 *VIDING PARTNERS TO THE PARTNERSHIP*
17 *TREATED AS INVESTED CAPITAL.—For pur-*
18 *poses of this paragraph, any loan or other*
19 *advance to the partnership made or guaran-*
20 *teed, directly or indirectly, by a partner not*
21 *providing services to the partnership shall*
22 *be treated as invested capital of such part-*
23 *ner and amounts of income and loss treated*
24 *as allocable to invested capital shall be ad-*
25 *justed accordingly.*

1 “(d) *OTHER INCOME AND GAIN IN CONNECTION WITH*
2 *INVESTMENT MANAGEMENT SERVICES.*—

3 “(1) *IN GENERAL.*—*If—*

4 “(A) *a person performs (directly or indi-*
5 *rectly) investment management services for any*
6 *entity,*

7 “(B) *such person holds a disqualified inter-*
8 *est with respect to such entity, and*

9 “(C) *the value of such interest (or payments*
10 *thereunder) is substantially related to the*
11 *amount of income or gain (whether or not real-*
12 *ized) from the assets with respect to which the*
13 *investment management services are performed,*
14 *any income or gain with respect to such interest shall*
15 *be treated as ordinary income for the performance of*
16 *services. Rules similar to the rules of subsection (c)(2)*
17 *shall apply where such interest was acquired on ac-*
18 *count of invested capital in such entity.*

19 “(2) *DEFINITIONS.*—*For purposes of this sub-*
20 *section—*

21 “(A) *DISQUALIFIED INTEREST.*—*The term*
22 *‘disqualified interest’ means, with respect to any*
23 *entity—*

24 “(i) *any interest in such entity other*
25 *than indebtedness,*

1 “(ii) convertible or contingent debt of
2 such entity,

3 “(iii) any option or other right to ac-
4 quire property described in clause (i) or
5 (ii), and

6 “(iv) any derivative instrument en-
7 tered into (directly or indirectly) with such
8 entity or any investor in such entity.

9 Such term shall not include a partnership inter-
10 est and shall not include stock in a taxable cor-
11 poration.

12 “(B) *TAXABLE CORPORATION.*—The term
13 ‘taxable corporation’ means—

14 “(i) a domestic C corporation, or

15 “(ii) a foreign corporation subject to a
16 comprehensive foreign income tax.

17 “(C) *INVESTMENT MANAGEMENT SERV-*
18 *ICES.*—The term ‘investment management serv-
19 ices’ means a substantial quantity of any of the
20 services described in subsection (c)(1) which are
21 provided in the conduct of the trade or business
22 of providing such services.

23 “(D) *COMPREHENSIVE FOREIGN INCOME*
24 *TAX.*—The term ‘comprehensive foreign income

1 *tax’ means, with respect to any foreign corpora-*
2 *tion, the income tax of a foreign country if—*

3 “(i) *such corporation is eligible for the*
4 *benefits of a comprehensive income tax trea-*
5 *ty between such foreign country and the*
6 *United States, or*

7 “(ii) *such corporation demonstrates to*
8 *the satisfaction of the Secretary that such*
9 *foreign country has a comprehensive income*
10 *tax.*

11 “(e) *REGULATIONS.—The Secretary shall prescribe*
12 *such regulations as are necessary or appropriate to carry*
13 *out the purposes of this section, including regulations to—*

14 “(1) *prevent the avoidance of the purposes of this*
15 *section, and*

16 “(2) *coordinate this section with the other provi-*
17 *sions of this subchapter.*

18 “(f) *CROSS REFERENCE.—For 40 percent no fault*
19 *penalty on certain underpayments due to the avoidance of*
20 *this section, see section 6662.”.*

21 (b) *APPLICATION TO REAL ESTATE INVESTMENT*
22 *TRUSTS.—*

23 (1) *IN GENERAL.—Subsection (c) of section 856*
24 *is amended by adding at the end the following new*
25 *paragraph:*

1 “(9) *EXCEPTION FROM RECHARACTERIZATION OF*
2 *INCOME FROM INVESTMENT SERVICES PARTNERSHIP*
3 *INTERESTS.—*

4 “(A) *IN GENERAL.—*Paragraphs (2), (3),
5 *and (4) shall be applied without regard to sec-*
6 *tion 710 (relating to special rules for partners*
7 *providing investment management services to*
8 *partnership).*

9 “(B) *SPECIAL RULE FOR PARTNERSHIPS*
10 *OWNED BY REITS.—*Section 7704 shall be applied
11 *without regard to section 710 in the case of a*
12 *partnership which meets each of the following re-*
13 *quirements:*

14 “(i) *Such partnership is treated as*
15 *publicly traded under section 7704 solely by*
16 *reason of interests in such partnership*
17 *being convertible into interests in a real es-*
18 *tate investment trust which is publicly trad-*
19 *ed.*

20 “(ii) *50 percent or more of the capital*
21 *and profits interests of such partnership are*
22 *owned, directly or indirectly, at all times*
23 *during the taxable year by such real estate*
24 *investment trust (determined with the ap-*
25 *plication of section 267(c)).*

1 “(iii) Such partnership meets the re-
2 quirements of paragraphs (2), (3), and (4)
3 (applied without regard to section 710).”.

4 (2) *CONFORMING AMENDMENT.*—Paragraph (4)
5 of section 7704(d) is amended by inserting “(deter-
6 mined without regard to section 856(c)(8))” after
7 “856(c)(2)”.

8 (c) *IMPOSITION OF PENALTY ON UNDERPAYMENTS.*—

9 (1) *IN GENERAL.*—Subsection (b) of section 6662
10 is amended by inserting after paragraph (5) the fol-
11 lowing new paragraph:

12 “(6) The application of subsection (d) of section
13 710 or the regulations prescribed under section 710(e)
14 to prevent the avoidance of the purposes of section
15 710.”.

16 (2) *AMOUNT OF PENALTY.*—

17 (A) *IN GENERAL.*—Section 6662 is amended
18 by adding at the end the following new sub-
19 section:

20 “(i) *INCREASE IN PENALTY IN CASE OF PROPERTY*
21 *TRANSFERRED FOR INVESTMENT MANAGEMENT SERV-*
22 *ICES.*—In the case of any portion of an underpayment to
23 which this section applies by reason of subsection (b)(6),
24 subsection (a) shall be applied with respect to such portion
25 by substituting ‘40 percent’ for ‘20 percent’.”.

1 (B) *CONFORMING AMENDMENTS.*—Subpara-
2 graph (B) of section 6662A(e)(2) is amended—

3 (i) by striking “section 6662(h)” and
4 inserting “subsection (h) or (i) of section
5 6662”, and

6 (ii) by striking “GROSS VALUATION
7 MISSTATEMENT PENALTY” in the heading
8 and inserting “CERTAIN INCREASED UNDER-
9 PAYMENT PENALTIES”.

10 (3) *REASONABLE CAUSE EXCEPTION NOT APPLI-*
11 *CABLE.*—Subsection (c) of section 6664 is amended—

12 (A) by redesignating paragraphs (2) and
13 (3) as paragraphs (3) and (4), respectively,

14 (B) by striking “paragraph (2)” in para-
15 graph (4), as so redesignated, and inserting
16 “paragraph (3)”, and

17 (C) by inserting after paragraph (1) the fol-
18 lowing new paragraph:

19 “(2) *EXCEPTION.*—Paragraph (1) shall not
20 apply to any portion of an underpayment to which
21 this section applies by reason of subsection (b)(6).”.

22 (d) *CONFORMING AMENDMENTS.*—

23 (1) Subsection (d) of section 731 is amended by
24 inserting “section 710(b)(4) (relating to distributions
25 of partnership property),” before “section 736”.

1 (2) Section 741 is amended by inserting “or sec-
2 tion 710 (relating to special rules for partners pro-
3 viding investment management services to partner-
4 ship)” before the period at the end.

5 (3) Paragraph (13) of section 1402(a) is amend-
6 ed—

7 (A) by striking “other than guaranteed”
8 and inserting “other than—

9 “(A) guaranteed”,

10 (B) by striking the semicolon at the end and
11 inserting “, and”, and

12 (C) by adding at the end the following new
13 subparagraph:

14 “(B) any income treated as ordinary in-
15 come under section 710 received by an indi-
16 vidual who provides investment management
17 services (as defined in section 710(d)(2));”.

18 (4) Paragraph (12) of section 211(a) of the So-
19 cial Security Act is amended—

20 (A) by striking “other than guaranteed”
21 and inserting “other than—

22 “(A) guaranteed”,

23 (B) by striking the semicolon at the end and
24 inserting “, and”, and

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

3 “(B) any income treated as ordinary in-
4 come under section 710 of the Internal Revenue
5 Code of 1986 received by an individual who pro-
6 vides investment management services (as de-
7 fined in section 710(d)(2) of such Code);”.

8 (5) The table of sections for part I of subchapter
9 K of chapter 1 is amended by adding at the end the
10 following new item:

 “Sec. 710. Special rules for partners providing investment management services
 to partnership.”.

11 (e) *EFFECTIVE DATE.*—

12 (1) *IN GENERAL.*—*Except as otherwise provided*
13 *in this subsection, the amendments made by this sec-*
14 *tion shall apply to taxable years ending after June*
15 *18, 2008.*

16 (2) *PARTNERSHIP TAXABLE YEARS WHICH IN-*
17 *CLUDE EFFECTIVE DATE.*—*In applying section 710(a)*
18 *of the Internal Revenue Code of 1986 (as added by*
19 *this section) in the case of any partnership taxable*
20 *year which includes June 18, 2008, the amount of the*
21 *net income referred to in such section shall be treated*
22 *as being the lesser of the net income for the entire*
23 *partnership taxable year or the net income deter-*
24 *mined by only taking into account items attributable*

1 to the portion of the partnership taxable year which
2 is after such date.

3 (3) *DISPOSITIONS OF PARTNERSHIP INTER-*
4 *ESTS.—Section 710(b) of the Internal Revenue Code*
5 *of 1986 (as added by this section) shall apply to dis-*
6 *positions and distributions after June 18, 2008.*

7 (4) *OTHER INCOME AND GAIN IN CONNECTION*
8 *WITH INVESTMENT MANAGEMENT SERVICES.—Section*
9 *710(d) of such Code (as added by this section) shall*
10 *take effect on June 18, 2008.*

11 (5) *PUBLICLY TRADED PARTNERSHIPS.—For*
12 *purposes of applying section 7704, the amendments*
13 *made by this section shall apply to taxable years be-*
14 *ginning after December 31, 2010.*

15 **SEC. 202. LIMITATION OF DEDUCTION FOR INCOME ATTRIB-**
16 **UTABLE TO DOMESTIC PRODUCTION OF OIL,**
17 **GAS, OR PRIMARY PRODUCTS THEREOF.**

18 (a) *DENIAL OF DEDUCTION FOR MAJOR INTEGRATED*
19 *OIL COMPANIES FOR INCOME ATTRIBUTABLE TO DOMESTIC*
20 *PRODUCTION OF OIL, GAS, OR PRIMARY PRODUCTS*
21 *THEREOF.—*

22 (1) *IN GENERAL.—Subparagraph (B) of section*
23 *199(c)(4) (relating to exceptions) is amended by strik-*
24 *ing “or” at the end of clause (ii), by striking the pe-*
25 *riod at the end of clause (iii) and inserting “, or”,*

1 and by inserting after clause (iii) the following new
2 clause:

3 “(iv) in the case of any major inte-
4 grated oil company (as defined in section
5 167(h)(5)(B)), the production, refining,
6 processing, transportation, or distribution
7 of oil, gas, or any primary product thereof
8 during any taxable year described in sec-
9 tion 167(h)(5)(B).”.

10 (2) *PRIMARY PRODUCT*.—Section 199(c)(4)(B) is
11 amended by adding at the end the following flush sen-
12 tence:

13 “*For purposes of clause (iv), the term ‘primary*
14 *product’ has the same meaning as when used in*
15 *section 927(a)(2)(C), as in effect before its re-*
16 *peal.*”.

17 (b) *LIMITATION ON OIL RELATED QUALIFIED PRO-*
18 *DUCTION ACTIVITIES INCOME FOR TAXPAYERS OTHER*
19 *THAN MAJOR INTEGRATED OIL COMPANIES*.—

20 (1) *IN GENERAL*.—Section 199(d) is amended by
21 redesignating paragraph (9) as paragraph (10) and
22 by inserting after paragraph (8) the following new
23 paragraph:

1 “(9) *SPECIAL RULE FOR TAXPAYERS WITH OIL*
2 *RELATED QUALIFIED PRODUCTION ACTIVITIES IN-*
3 *COME.—*

4 “(A) *IN GENERAL.—If a taxpayer (other*
5 *than a major integrated oil company (as defined*
6 *in section 167(h)(5)(B))) has oil related qualified*
7 *production activities income for any taxable*
8 *year beginning after 2009, the amount of the de-*
9 *duction under subsection (a) shall be reduced by*
10 *3 percent of the least of—*

11 “(i) *the oil related qualified production*
12 *activities income of the taxpayer for the*
13 *taxable year,*

14 “(ii) *the qualified production activities*
15 *income of the taxpayer for the taxable year,*
16 *or*

17 “(iii) *taxable income (determined with-*
18 *out regard to this section).*

19 “(B) *OIL RELATED QUALIFIED PRODUCTION*
20 *ACTIVITIES INCOME.—The term ‘oil related*
21 *qualified production activities income’ means for*
22 *any taxable year the qualified production activi-*
23 *ties income which is attributable to the produc-*
24 *tion, refining, processing, transportation, or dis-*

1 *tribution of oil, gas, or any primary product*
2 *thereof during such taxable year.”.*

3 (2) *CONFORMING AMENDMENT.—Section*
4 *199(d)(2) (relating to application to individuals) is*
5 *amended by striking “subsection (a)(1)(B)” and in-*
6 *serting “subsections (a)(1)(B) and (d)(9)(A)(iii)”.*

7 (c) *EFFECTIVE DATE.—The amendments made by this*
8 *section shall apply to taxable years beginning after Decem-*
9 *ber 31, 2008.*

10 ***SEC. 203. LIMITATION ON TREATY BENEFITS FOR CERTAIN***
11 ***DEDUCTIBLE PAYMENTS.***

12 (a) *IN GENERAL.—Section 894 (relating to income af-*
13 *ected by treaty) is amended by adding at the end the fol-*
14 *lowing new subsection:*

15 “*(d) LIMITATION ON TREATY BENEFITS FOR CERTAIN*
16 *DEDUCTIBLE PAYMENTS.—*

17 “*(1) IN GENERAL.—In the case of any deductible*
18 *related-party payment, any withholding tax imposed*
19 *under chapter 3 (and any tax imposed under subpart*
20 *A or B of this part) with respect to such payment*
21 *may not be reduced under any treaty of the United*
22 *States unless any such withholding tax would be re-*
23 *duced under a treaty of the United States if such*
24 *payment were made directly to the foreign parent cor-*
25 *poration.*

1 “(2) *DEDUCTIBLE RELATED-PARTY PAYMENT.*—
2 *For purposes of this subsection, the term ‘deductible*
3 *related-party payment’ means any payment made,*
4 *directly or indirectly, by any person to any other per-*
5 *son if the payment is allowable as a deduction under*
6 *this chapter and both persons are members of the*
7 *same foreign controlled group of entities.*

8 “(3) *FOREIGN CONTROLLED GROUP OF ENTI-*
9 *TIES.*—*For purposes of this subsection—*

10 “(A) *IN GENERAL.*—*The term ‘foreign con-*
11 *trolled group of entities’ means a controlled*
12 *group of entities the common parent of which is*
13 *a foreign corporation.*

14 “(B) *CONTROLLED GROUP OF ENTITIES.*—
15 *The term ‘controlled group of entities’ means a*
16 *controlled group of corporations as defined in*
17 *section 1563(a)(1), except that—*

18 “(i) *‘more than 50 percent’ shall be*
19 *substituted for ‘at least 80 percent’ each*
20 *place it appears therein, and*

21 “(ii) *the determination shall be made*
22 *without regard to subsections (a)(4) and*
23 *(b)(2) of section 1563.*

24 *A partnership or any other entity (other than a*
25 *corporation) shall be treated as a member of a*

1 *controlled group of entities if such entity is con-*
2 *trolled (within the meaning of section 954(d)(3))*
3 *by members of such group (including any entity*
4 *treated as a member of such group by reason of*
5 *this sentence).*

6 “(4) *FOREIGN PARENT CORPORATION.*—*For pur-*
7 *poses of this subsection, the term ‘foreign parent cor-*
8 *poration’ means, with respect to any deductible re-*
9 *lated-party payment, the common parent of the for-*
10 *foreign controlled group of entities referred to in para-*
11 *graph (3)(A).*

12 “(5) *REGULATIONS.*—*The Secretary may pre-*
13 *scribe such regulations or other guidance as are nec-*
14 *essary or appropriate to carry out the purposes of*
15 *this subsection, including regulations or other guid-*
16 *ance which provide for—*

17 “(A) *the treatment of two or more persons*
18 *as members of a foreign controlled group of enti-*
19 *ties if such persons would be the common parent*
20 *of such group if treated as one corporation, and*

21 “(B) *the treatment of any member of a for-*
22 *foreign controlled group of entities as the common*
23 *parent of such group if such treatment is appro-*
24 *priate taking into account the economic relation-*
25 *ships among such entities.”.*

1 (b) *EFFECTIVE DATE.*—The amendment made by this
2 section shall apply to payments made after the date of the
3 enactment of this Act.

4 **SEC. 204. RETURNS RELATING TO PAYMENTS MADE IN SET-**
5 **TLEMENT OF PAYMENT CARD AND THIRD**
6 **PARTY NETWORK TRANSACTIONS.**

7 (a) *IN GENERAL.*—Subpart B of part III of subchapter
8 A of chapter 61 is amended by adding at the end the fol-
9 lowing new section:

10 **“SEC. 6050W. RETURNS RELATING TO PAYMENTS MADE IN**
11 **SETTLEMENT OF PAYMENT CARD AND THIRD**
12 **PARTY NETWORK TRANSACTIONS.**

13 “(a) *IN GENERAL.*—Each payment settlement entity
14 shall make a return for each calendar year setting forth—

15 “(1) the name, address, and TIN of each partici-
16 pating payee to whom one or more payments in set-
17 tlement of reportable payment transactions are made,
18 and

19 “(2) the gross amount of the reportable payment
20 transactions with respect to each such participating
21 payee.

22 Such return shall be made at such time and in such form
23 and manner as the Secretary may require by regulations.

24 “(b) *PAYMENT SETTLEMENT ENTITY.*—For purposes of
25 this section—

1 “(1) *IN GENERAL.*—*The term ‘payment settle-*
2 *ment entity’ means—*

3 “(A) *in the case of a payment card trans-*
4 *action, the merchant acquiring bank, and*

5 “(B) *in the case of a third party network*
6 *transaction, the third party settlement organiza-*
7 *tion.*

8 “(2) *MERCHANT ACQUIRING BANK.*—*The term*
9 *‘merchant acquiring bank’ means the bank or other*
10 *organization which has the contractual obligation to*
11 *make payment to participating payees in settlement*
12 *of payment card transactions.*

13 “(3) *THIRD PARTY SETTLEMENT ORGANIZA-*
14 *TION.*—*The term ‘third party settlement organization’*
15 *means the central organization which has the contrac-*
16 *tual obligation to make payment to participating*
17 *payees of third party network transactions.*

18 “(4) *SPECIAL RULES RELATED TO INTER-*
19 *MEDIARIES.*—*For purposes of this section—*

20 “(A) *AGGREGATED PAYEES.*—*In any case*
21 *where reportable payment transactions of more*
22 *than one participating payee are settled through*
23 *an intermediary—*

24 “(i) *such intermediary shall be treated*
25 *as the participating payee for purposes of*

1 *determining the reporting obligations of the*
2 *payment settlement entity with respect to*
3 *such transactions, and*

4 “(i) *such intermediary shall be treated*
5 *as the payment settlement entity with re-*
6 *spect to the settlement of such transactions*
7 *with the participating payees.*

8 “(B) *ELECTRONIC PAYMENT*
9 *FACILITATORS.—In any case where an electronic*
10 *payment facilitator or other third party makes*
11 *payments in settlement of reportable payment*
12 *transactions on behalf of the payment settlement*
13 *entity, the return under subsection (a) shall be*
14 *made by such electronic payment facilitator or*
15 *other third party in lieu of the payment settle-*
16 *ment entity.*

17 “(c) *REPORTABLE PAYMENT TRANSACTION.—For pur-*
18 *poses of this section—*

19 “(1) *IN GENERAL.—The term ‘reportable pay-*
20 *ment transaction’ means any payment card trans-*
21 *action and any third party network transaction.*

22 “(2) *PAYMENT CARD TRANSACTION.—The term*
23 *‘payment card transaction’ means any transaction in*
24 *which a payment card is accepted as payment.*

1 “(3) *THIRD PARTY NETWORK TRANSACTION.*—

2 *The term ‘third party network transaction’ means*
3 *any transaction which is settled through a third*
4 *party payment network.*

5 “(d) *OTHER DEFINITIONS.*—*For purposes of this sec-*
6 *tion—*

7 “(1) *PARTICIPATING PAYEE.*—

8 “(A) *IN GENERAL.*—*The term ‘participating*
9 *payee’ ‘ means—*

10 “(i) *in the case of a payment card*
11 *transaction, any person who accepts a pay-*
12 *ment card as payment, and*

13 “(ii) *in the case of a third party net-*
14 *work transaction, any person who accepts*
15 *payment from a third party settlement or-*
16 *ganization in settlement of such trans-*
17 *action.*

18 “(B) *EXCLUSION OF FOREIGN PERSONS.*—

19 *Except as provided by the Secretary in regula-*
20 *tions or other guidance, such term shall not in-*
21 *clude any person with a foreign address.*

22 “(C) *INCLUSION OF GOVERNMENTAL*
23 *UNITS.*—*The term ‘person’ includes any govern-*
24 *mental unit (and any agency or instrumentality*
25 *thereof).*

1 “(2) *PAYMENT CARD.*—*The term ‘payment card’*
2 *means any card which is issued pursuant to an*
3 *agreement or arrangement which provides for—*

4 “(A) *one or more issuers of such cards,*

5 “(B) *a network of persons unrelated to each*
6 *other, and to the issuer, who agree to accept such*
7 *cards as payment, and*

8 “(C) *standards and mechanisms for settling*
9 *the transactions between the merchant acquiring*
10 *banks and the persons who agree to accept such*
11 *cards as payment.*

12 *The acceptance as payment of any account number or*
13 *other indicia associated with a payment card shall be*
14 *treated for purposes of this section in the same man-*
15 *ner as accepting such payment card as payment.*

16 “(3) *THIRD PARTY PAYMENT NETWORK.*—*The*
17 *term ‘third party payment network’ means any agree-*
18 *ment or arrangement—*

19 “(A) *which involves the establishment of ac-*
20 *counts with a central organization for the pur-*
21 *pose of settling transactions between persons who*
22 *establish such accounts,*

23 “(B) *which provides for standards and*
24 *mechanisms for settling such transactions,*

1 “(C) which involves a substantial number of
2 persons unrelated to such central organization
3 who provide goods or services and who have
4 agreed to settle transactions for the provision of
5 such goods or services pursuant to such agree-
6 ment or arrangement, and

7 “(D) which guarantees persons providing
8 goods or services pursuant to such agreement or
9 arrangement that such persons will be paid for
10 providing such goods or services.

11 Such term shall not include any agreement or ar-
12 rangement which provides for the issuance of pay-
13 ment cards.

14 “(e) EXCEPTION FOR DE MINIMIS PAYMENTS BY
15 THIRD PARTY SETTLEMENT ORGANIZATIONS.—A third
16 party settlement organization shall be required to report
17 any information under subsection (a) with respect to third
18 party network transactions of any participating payee only
19 if—

20 “(1) the amount which would otherwise be re-
21 ported under subsection (a)(2) with respect to such
22 transactions exceeds \$10,000, and

23 “(2) the aggregate number of such transactions
24 exceeds 200.

1 “(f) *STATEMENTS TO BE FURNISHED TO PERSONS*
2 *WITH RESPECT TO WHOM INFORMATION IS REQUIRED.*—

3 *Every person required to make a return under subsection*
4 *(a) shall furnish to each person with respect to whom such*
5 *a return is required a written statement showing—*

6 “(1) *the name, address, and phone number of the*
7 *information contact of the person required to make*
8 *such return, and*

9 “(2) *the gross amount of the reportable payment*
10 *transactions with respect to the person required to be*
11 *shown on the return.*

12 *The written statement required under the preceding sen-*
13 *tence shall be furnished to the person on or before January*
14 *31 of the year following the calendar year for which the*
15 *return under subsection (a) was required to be made. Such*
16 *statement may be furnished electronically.*

17 “(g) *REGULATIONS.*—*The Secretary may prescribe*
18 *such regulations or other guidance as may be necessary or*
19 *appropriate to carry out this section, including rules to pre-*
20 *vent the reporting of the same transaction more than once.”.*

21 “(b) *PENALTY FOR FAILURE TO FILE.*—

22 “(1) *RETURN.*—*Subparagraph (B) of section*
23 *6724(d)(1) is amended—*

24 “(A) *by striking “and” at the end of clause*
25 *(xx),*

1 (B) by redesignating the clause (xix) that
2 follows clause (xx) as clause (xxi),

3 (C) by striking “and” at the end of clause
4 (xxi), as redesignated by subparagraph (B) and
5 inserting “or”, and

6 (D) by adding at the end the following:

7 “(xxii) section 6050W (relating to re-
8 turns to payments made in settlement of
9 payment card transactions), and”.

10 (2) STATEMENT.—Paragraph (2) of section
11 6724(d) is amended by inserting a comma at the end
12 of subparagraph (BB), by striking the period at the
13 end of the subparagraph (CC) and inserting “, or”,
14 and by inserting after subparagraph (CC) the fol-
15 lowing:

16 “(DD) section 6050W(c) (relating to returns
17 relating to payments made in settlement of pay-
18 ment card transactions).”.

19 (c) APPLICATION OF BACKUP WITHHOLDING.—Para-
20 graph (3) of section 3406(b) is amended by striking “or”
21 at the end of subparagraph (D), by striking the period at
22 the end of subparagraph (E) and inserting “, or”, and by
23 adding at the end the following new subparagraph:

1 “(F) section 6050W (relating to returns re-
2 lating to payments made in settlement of pay-
3 ment card transactions).”.

4 (d) *CLERICAL AMENDMENT.*—*The table of sections for*
5 *subpart B of part III of subchapter A of chapter 61 is*
6 *amended by inserting after the item relating to section*
7 *6050V the following:*

 “Sec. 6050W. Returns relating to payments made in settlement of payment card
 and third party network transactions.”.

8 (e) *EFFECTIVE DATE.*—

9 (1) *IN GENERAL.*—*Except as otherwise provided*
10 *in this subsection, the amendments made by this sec-*
11 *tion shall apply to returns for calendar years begin-*
12 *ning after December 31, 2010.*

13 (2) *APPLICATION OF BACKUP WITHHOLDING.*—

14 (A) *IN GENERAL.*—*The amendment made*
15 *by subsection (c) shall apply to amounts paid*
16 *after December 31, 2011.*

17 (B) *ELIGIBILITY FOR TIN MATCHING PRO-*
18 *GRAM.*—*Solely for purposes of carrying out any*
19 *TIN matching program established by the Sec-*
20 *retary under section 3406(i) of the Internal Rev-*
21 *enue Code of 1986—*

22 (i) *the amendments made this section*
23 *shall be treated as taking effect on the date*
24 *of the enactment of this Act, and*

1 (ii) each person responsible for setting
2 the standards and mechanisms referred to
3 in section 6050W(d)(2)(C) of such Code, as
4 added by this section, for settling trans-
5 actions involving payment cards shall be
6 treated in the same manner as a payment
7 settlement entity.

8 **SEC. 205. APPLICATION OF CONTINUOUS LEVY TO PROP-**
9 **ERTY SOLD OR LEASED TO THE FEDERAL**
10 **GOVERNMENT.**

11 (a) *IN GENERAL.*—Paragraph (3) of section 6331(h)
12 is amended by striking “goods” and inserting “property”.

13 (b) *EFFECTIVE DATE.*—The amendment made by this
14 section shall apply to levies approved after the date of the
15 enactment of this Act.

16 **SEC. 206. TIME FOR PAYMENT OF CORPORATE ESTIMATED**
17 **TAXES.**

18 (a) *REPEAL OF ADJUSTMENT FOR 2012.*—Subpara-
19 graph (B) of section 401(1) of the Tax Increase Prevention
20 and Reconciliation Act of 2005 is amended by striking the
21 percentage contained therein and inserting “100 percent”.

22 (b) *MODIFICATION OF ADJUSTMENT FOR 2013.*—The
23 percentage under subparagraph (C) of section 401(1) of the
24 Tax Increase Prevention and Reconciliation Act of 2005 in

- 1 *effect on the date of the enactment of this Act is increased*
- 2 *by 59.5 percentage points.*

Union Calendar No. 463

110TH CONGRESS
2^D SESSION

H. R. 6275

[Report No. 110-728]

A BILL

To amend the Internal Revenue Code of 1986 to provide individuals temporary relief from the alternative minimum tax, and for other purposes.

JUNE 20, 2008

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed