

106TH CONGRESS
1ST SESSION

S. 1164

To amend the Internal Revenue Code of 1986 to simplify certain rules relating to the taxation of United States business operating abroad, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 27, 1999

Mr. HATCH (for himself, Mr. BAUCUS, and Mr. MACK) 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 simplify certain rules relating to the taxation of United States business operating abroad, 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,*

3 **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE;**

4 **TABLE OF CONTENTS.**

5 (a) SHORT TITLE.—This Act may be cited as the
6 “International Tax Simplification for American Competi-
7 tiveness Act of 1999”.

8 (b) AMENDMENT OF 1986 CODE.—Except as other-
9 wise expressly provided, whenever in this Act an amend-

1 ment or repeal is expressed in terms of an amendment
 2 to, or repeal of, a section or other provision, the reference
 3 shall be considered to be made to a section or other provi-
 4 sion of the Internal Revenue Code of 1986.

5 (c) TABLE OF CONTENTS.—The table of contents for
 6 this Act is as follows:

Sec. 1. Short title; amendment of 1986 Code; table of contents.

TITLE I—TREATMENT OF CONTROLLED FOREIGN CORPORATIONS

Sec. 101. Permanent subpart F exemption for active financing income.

Sec. 102. Study of proper treatment of European Union under same country exceptions.

Sec. 103. Expansion of de minimis rule under subpart F.

Sec. 104. Subpart F earnings and profits determined under generally accepted accounting principles.

Sec. 105. Clarification of treatment of pipeline transportation income.

Sec. 106. Subpart F treatment of income from transmission of high voltage electricity.

Sec. 107. Look-through treatment for sales of partnership interests.

Sec. 108. Effective date.

TITLE II—PROVISIONS RELATING TO FOREIGN TAX CREDIT

Sec. 201. Extension of period to which excess foreign taxes may be carried.

Sec. 202. Recharacterization of overall domestic loss.

Sec. 203. Special rules relating to financial services income.

Sec. 204. Look-thru rules to apply to dividends from noncontrolled section 902 corporations.

Sec. 205. Application of look-thru rules to foreign tax credit.

Sec. 206. Ordering rules for foreign tax credit carryovers.

Sec. 207. Repeal of limitation of foreign tax credit under alternative minimum tax.

Sec. 208. Repeal of special rules for applying foreign tax credit in case of foreign oil and gas income.

TITLE III—OTHER PROVISIONS

Sec. 301. Deduction for dividends received from certain foreign corporations.

Sec. 302. Application of uniform capitalization rules to foreign persons.

Sec. 303. Treatment of military property of foreign sales corporations.

Sec. 304. United States property not to include certain assets acquired by dealers in ordinary course of trade or business.

Sec. 305. Treatment of certain dividends of regulated investment companies.

Sec. 306. Regulatory authority to exclude certain preliminary agreements from definition of intangible property.

Sec. 307. Airline mileage awards to certain foreign persons.

Sec. 308. Repeal of reduction of subpart F income of export trade corporations.

Sec. 309. Study of interest allocation.

Sec. 310. Interest payments deductible where disqualified guarantee has economic effect.

Sec. 311. Modifications of reporting requirements for certain foreign owned corporations.

1 **TITLE I—TREATMENT OF CON-** 2 **TROLLED FOREIGN COR-** 3 **PORATIONS**

4 **SEC. 101. PERMANENT SUBPART F EXEMPTION FOR ACTIVE** 5 **FINANCING INCOME.**

6 (a) BANKING, FINANCING, OR SIMILAR BUSI-
7 NESSES.—Section 954(h) (relating to special rule for in-
8 come derived in the active conduct of banking, financing,
9 or similar businesses) is amended by striking paragraph
10 (9).

11 (b) INSURANCE BUSINESSES.—Section 953(e) (defin-
12 ing exempt insurance income) is amended by striking
13 paragraph (10) and by redesignating paragraph (11) as
14 paragraph (10).

15 (c) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to taxable years of a foreign cor-
17 poration beginning after December 31, 1999, and to tax-
18 able years of United States shareholders with or within
19 which such taxable years of such foreign corporation end.

20 **SEC. 102. STUDY OF PROPER TREATMENT OF EUROPEAN** 21 **UNION UNDER SAME COUNTRY EXCEPTIONS.**

22 (a) STUDY.—The Secretary of the Treasury or the
23 Secretary's delegate shall conduct a study on the feasi-

bility of treating all countries included in the European Union as 1 country for purposes of applying the same country exceptions under subpart F of part III of subchapter N of chapter 1 of the Internal Revenue Code of 1986. Such study shall include consideration of methods of ensuring that taxpayers are subject to a substantial effective rate of foreign tax in such countries if such treatment is adopted.

(b) REPORT.—Not later than 6 months after the date of the enactment of this Act, the Secretary of the Treasury shall report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate the results of the study conducted under subsection (a), including recommendations (if any) for legislation.

SEC. 103. EXPANSION OF DE MINIMIS RULE UNDER SUBPART F.

(a) IN GENERAL.—Subparagraph (A) of section 954(b)(3) (relating to de minimis, etc., rules) is amended—

(1) by striking “5 percent” in clause (i) and inserting “10 percent”, and

(2) by striking “\$1,000,000” in clause (ii) and inserting “\$2,000,000”.

(b) TECHNICAL AMENDMENTS.—

1 (1) Clause (ii) of section 864(d)(5)(A) is
 2 amended by striking “5 percent or \$1,000,000” and
 3 inserting “10 percent or \$2,000,000”.

4 (2) Clause (i) of section 881(c)(5)(A) is amend-
 5 ed by striking “5 percent or \$1,000,000” and insert-
 6 ing “10 percent or \$2,000,000”.

7 **SEC. 104. SUBPART F EARNINGS AND PROFITS DETER-**
 8 **MINED UNDER GENERALLY ACCEPTED AC-**
 9 **COUNTING PRINCIPLES.**

10 (a) IN GENERAL.—Section 964(a) (relating to earn-
 11 ings and profits) is amended by striking “rules substan-
 12 tially similar to those applicable to domestic corporations,
 13 under regulations prescribed by the Secretary” and insert-
 14 ing “generally accepted accounting principles in the
 15 United States”.

16 (b) EFFECTIVE DATE.—The amendment made by
 17 subsection (a) shall apply to distributions during, and the
 18 determination of the inclusion under section 951 of the
 19 Internal Revenue Code of 1986 with respect to, taxable
 20 years of foreign corporations beginning after December
 21 31, 1999.

22 **SEC. 105. CLARIFICATION OF TREATMENT OF PIPELINE**
 23 **TRANSPORTATION INCOME.**

24 Section 954(g)(1) (defining foreign base company oil
 25 related income) is amended by striking “or” at the end

1 of subparagraph (A), by striking the period at the end
 2 of subparagraph (B) and inserting “, or”, and by inserting
 3 after subparagraph (B) the following new subparagraph:

4 “(C) the pipeline transportation of oil or
 5 gas within such foreign country.”

6 **SEC. 106. SUBPART F TREATMENT OF INCOME FROM**
 7 **TRANSMISSION OF HIGH VOLTAGE ELEC-**
 8 **TRICITY.**

9 Section 954(e) (relating to foreign base company
 10 services income) is amended by adding at the end the fol-
 11 lowing new paragraph:

12 “(3) EXCEPTION FOR INCOME FROM TRANS-
 13 MISSION OF HIGH VOLTAGE ELECTRICITY.—The
 14 term ‘foreign base company services income’ does
 15 not include income derived in connection with the
 16 performance of services which are related to the
 17 transmission of high voltage electricity.”

18 **SEC. 107. LOOK-THROUGH TREATMENT FOR SALES OF**
 19 **PARTNERSHIP INTERESTS.**

20 (a) IN GENERAL.—Section 954(c) (defining foreign
 21 personal holding company income) is amended by adding
 22 at the end the following new paragraph:

23 “(4) LOOK-THROUGH RULE FOR CERTAIN
 24 PARTNERSHIP SALES.—

1 “(A) IN GENERAL.—In the case of any
 2 sale by a controlled foreign corporation of an
 3 interest in a partnership with respect to which
 4 such corporation is a 10-percent owner, such
 5 corporation shall be treated for purposes of this
 6 subsection as selling the proportionate share of
 7 the assets of the partnership attributable to
 8 such interest.

9 “(B) 10-PERCENT OWNER.—For purposes
 10 of this paragraph, the term ‘10-percent owner’
 11 means a controlled foreign corporation which
 12 owns 10 percent or more of the capital or prof-
 13 its interest in the partnership. The constructive
 14 ownership rules of section 958(b) shall apply
 15 for purposes of the preceding sentence.”

16 (b) CONFORMING AMENDMENT.—Section
 17 954(c)(1)(B)(ii) is amended by inserting “except as pro-
 18 vided in paragraph (4),” before “which”.

19 **SEC. 108. EFFECTIVE DATE.**

20 Except as otherwise provided in this title, the amend-
 21 ments made by this title shall apply to taxable years of
 22 controlled foreign corporations beginning after December
 23 31, 1999, and taxable years of United States shareholders
 24 with or within which such taxable years of controlled for-
 25 eign corporations end.

1 **TITLE II—PROVISIONS RELAT-**
 2 **ING TO FOREIGN TAX CREDIT**

3 **SEC. 201. EXTENSION OF PERIOD TO WHICH EXCESS FOR-**
 4 **EIGN TAXES MAY BE CARRIED.**

5 (a) GENERAL RULE.—Section 904(c) (relating to
 6 carryback and carryover of excess tax paid) is amended
 7 by striking “in the first, second, third, fourth, or fifth”
 8 and inserting “in any of the first 10”.

9 (b) EXCESS EXTRACTION TAXES.—Paragraph (1) of
 10 section 907(f) is amended by striking “in the first, second,
 11 third, fourth, or fifth” and inserting “in any of the first
 12 10”.

13 (c) EFFECTIVE DATE.—The amendments made by
 14 this section shall apply to excess foreign taxes arising in
 15 taxable years beginning after December 31, 1999.

16 **SEC. 202. RECHARACTERIZATION OF OVERALL DOMESTIC**
 17 **LOSS.**

18 (a) GENERAL RULE.—Section 904 is amended by re-
 19 designating subsections (g), (h), (i), (j), and (k) as sub-
 20 sections (h), (i), (j), (k), and (l) respectively, and by in-
 21 serting after subsection (f) the following new subsection:

22 “(g) RECHARACTERIZATION OF OVERALL DOMESTIC
 23 LOSS.—

24 “(1) GENERAL RULE.—For purposes of this
 25 subpart, in the case of any taxpayer who sustains an

1 overall domestic loss for any taxable year beginning
 2 after December 31, 1999, that portion of the tax-
 3 payer’s taxable income from sources within the
 4 United States for each succeeding taxable year
 5 which is equal to the lesser of—

6 “(A) the amount of such loss (to the extent
 7 not used under this paragraph in prior taxable
 8 years), or

9 “(B) 50 percent of the taxpayer’s taxable
 10 income from sources within the United States
 11 for such succeeding taxable year,
 12 shall be treated as income from sources without the
 13 United States (and not as income from sources with-
 14 in the United States).

15 “(2) OVERALL DOMESTIC LOSS DEFINED.—For
 16 purposes of this subsection and section 936—

17 “(A) IN GENERAL.—The term ‘overall do-
 18 mestic loss’ means any domestic loss to the ex-
 19 tent such loss offsets taxable income from
 20 sources without the United States for the tax-
 21 able year or for any preceding taxable year by
 22 reason of a carryback. For purposes of the pre-
 23 ceding sentence, the term ‘domestic loss’ means
 24 the amount by which the gross income for the
 25 taxable year from sources within the United

1 States is exceeded by the sum of the deductions
 2 properly apportioned or allocated thereto (deter-
 3 mined without regard to any carryback from a
 4 subsequent taxable year).

5 “(B) TAXPAYER MUST HAVE ELECTED
 6 FOREIGN TAX CREDIT FOR YEAR OF LOSS.—

7 The term ‘overall domestic loss’ shall not in-
 8 clude any loss for any taxable year unless the
 9 taxpayer chose the benefits of this subpart for
 10 such taxable year.

11 “(3) CHARACTERIZATION OF SUBSEQUENT IN-
 12 COME.—

13 “(A) IN GENERAL.—Any income from
 14 sources within the United States that is treated
 15 as income from sources without the United
 16 States under paragraph (1) shall be allocated
 17 among and increase the income categories in
 18 proportion to the loss from sources within the
 19 United States previously allocated to those in-
 20 come categories.

21 “(B) INCOME CATEGORY.—For purposes of
 22 this paragraph, the term ‘income category’ has
 23 the meaning given such term by subsection
 24 (f)(5)(E)(i).

1 “(4) COORDINATION WITH SUBSECTION (f).—
 2 The Secretary shall prescribe such regulations as
 3 may be necessary to coordinate the provisions of this
 4 subsection with the provisions of subsection (f).”

5 (b) CONFORMING AMENDMENTS.—

6 (1) Section 535(d)(2) is amended by striking
 7 “section 904(g)(6)” and inserting “section
 8 904(h)(6)”.

9 (2) Subparagraph (A) of section 936(a)(2) is
 10 amended by striking “section 904(f)” and inserting
 11 “subsections (f) and (g) of section 904”.

12 (c) EFFECTIVE DATE.—The amendments made by
 13 this section shall apply to losses for taxable years begin-
 14 ning after December 31, 1999.

15 **SEC. 203. SPECIAL RULES RELATING TO FINANCIAL SERV-**
 16 **ICES INCOME.**

17 (a) EXCEPTION FOR INTEREST ON CERTAIN SECURI-
 18 TIES.—Section 904(d)(2)(B) (relating to high withholding
 19 tax interest) is amended by redesignating clause (iii) as
 20 clause (iv) and by inserting after clause (ii) the following
 21 new clause:

22 “(iii) EXCEPTION FOR INTEREST ON
 23 DEALER PROPERTY.—The term ‘high with-
 24 holding tax interest’ shall not include any
 25 interest on a security (within the meaning

1 of section 475(c)(2)) which is received or
 2 accrued by a person that holds the security
 3 in connection with the holder's activities as
 4 a dealer in securities (within the meaning
 5 of section 475(c)(1)).”

6 (b) FINANCIAL SERVICES INCOME IN EXCESS OF 80
 7 PERCENT OF GROSS INCOME.—Section 904(d)(2)(C) (re-
 8 lating to financial services income) is amended by adding
 9 at the end the following new clause:

10 “(iv) INCOME EXCEEDING 80 PERCENT
 11 OF GROSS INCOME.—If the financial serv-
 12 ices income (as defined in clause (i)) of
 13 any person exceeds 80 percent of gross in-
 14 come, the entire gross income for the tax-
 15 able year shall be treated as financial serv-
 16 ices income.”

17 (c) EXCEPTION FOR INCOME ON DEALER PROP-
 18 erty.—Subsection 904(g) (relating to source rules in case
 19 of United States-owned foreign corporations) is amended
 20 by redesignating paragraph (11) as paragraph (12) and
 21 by adding after paragraph (10) the following new para-
 22 graph:

23 “(11) EXCEPTION FOR INCOME ON DEALER
 24 PROPERTY.—Paragraph (1) shall not apply to any
 25 amount derived from a United States-owned foreign

1 corporation that is derived from income on a secu-
 2 rity (within the meaning of section 475(c)(2)) which
 3 is received or accrued by a person that holds the se-
 4 curity in connection with the holder's activities as a
 5 dealer in securities (within the meaning of section
 6 475(c)(1)).”

7 (d) EFFECTIVE DATES.—

8 (1) IN GENERAL.—The amendments made by
 9 this section shall apply to taxable years beginning
 10 after December 31, 1999.

11 (2) DEEMED PAID CREDITS.—In the case of
 12 any credit under section 901 of the Internal Revenue
 13 Code of 1986 by reason of section 902 or 960 of
 14 such Code, the amendments made by this section
 15 shall apply to taxable years of foreign corporations
 16 beginning after December 31, 1999, and to taxable
 17 years of United States shareholders in such corpora-
 18 tions with or within which such taxable years of for-
 19 eign corporations end.

20 **SEC. 204. LOOK-THRU RULES TO APPLY TO DIVIDENDS**
 21 **FROM NONCONTROLLED SECTION 902 COR-**
 22 **PORATIONS.**

23 (a) IN GENERAL.—Section 904(d)(4) (relating to
 24 look-thru rules apply to dividends from noncontrolled sec-
 25 tion 902 corporations) is amended to read as follows:

1 “(4) LOOK-THRU APPLIES TO DIVIDENDS FROM
2 CONTROLLED SECTION 902 CORPORATIONS.—

3 “(A) IN GENERAL.—For purposes of this
4 subsection, any dividend from a noncontrolled
5 section 902 corporation with respect to the tax-
6 payer shall be treated as income in a separate
7 category in proportion to the ratio of—

8 “(i) the portion of earnings and prof-
9 its attributable to income in such category,
10 to

11 “(ii) the total amount of earnings and
12 profits.

13 “(B) SPECIAL RULES.—For purposes of
14 this paragraph—

15 “(i) IN GENERAL.—Rules similar to
16 the rules of paragraph (3)(F) shall apply.

17 “(ii) EARNINGS AND PROFITS.—

18 “(I) IN GENERAL.—The rules of
19 section 316 shall apply.

20 “(II) REGULATIONS.—The Sec-
21 retary may prescribe regulations re-
22 garding the treatment of distributions
23 out of earnings and profits for periods
24 before the taxpayer’s acquisition of

1 the stock to which the distributions
2 relate.”

3 (b) CONFORMING AMENDMENTS.—

4 (1) Subparagraph (E) of section 904(d)(1), as
5 in effect both before and after the amendments
6 made by section 1105 of the Taxpayer Relief Act of
7 1997, is hereby repealed.

8 (2) Section 904(d)(2)(C)(iii), as so in effect, is
9 amended by striking subclause (II) and by redesign-
10 ating subclause (III) as subclause (II).

11 (3) The last sentence of section 904(d)(2)(D),
12 as so in effect, is amended to read as follows: “Such
13 term does not include any financial services income.”

14 (4) Section 904(d)(2)(E) is amended by strik-
15 ing clauses (ii) and (iv) and by redesignating clause
16 (iii) as clause (ii).

17 (5) Section 904(d)(3)(F) is amended by strik-
18 ing “(D), or (E)” and inserting “or (D)”.

19 (6) Section 864(d)(5)(A)(i) is amended by
20 striking “(C)(iii)(III)” and inserting “(C)(iii)(II)”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to taxable years beginning after
23 December 31, 1999.

1 **SEC. 205. APPLICATION OF LOOK-THRU RULES TO FOREIGN**
2 **TAX CREDIT.**

3 (a) INTEREST, RENTS, AND ROYALTIES.—

4 (1) NONCONTROLLED SECTION 902 CORPORA-
5 TION.—Section 904(d)(4)(A), as amended by section
6 204, is amended to read as follows:

7 “(A) IN GENERAL.—For purposes of this
8 subsection—

9 “(i) any applicable dividend shall be
10 treated as income in a separate category in
11 proportion to the ratio of—

12 “(I) the portion of the earnings
13 and profits attributable to income in
14 such category, to

15 “(II) the total amount of earn-
16 ings and profits, and

17 “(ii) any interest, rent, or royalty
18 which is received or accrued from a non-
19 controlled section 902 corporation with re-
20 spect to the taxpayer shall be treated as
21 income in a separate category to the extent
22 it is properly allocable (under regulations
23 prescribed by the Secretary) to income of
24 such corporation in such category.”

25 (2) PARTNERSHIPS.—Section 904(d)(6)(C) (re-
26 lating to regulations) is amended—

1 (A) by inserting “or (4)(A)(ii)” after
 2 “paragraph (3)(C)”, and

3 (B) by inserting “or noncontrolled section
 4 902 corporations, whichever is applicable” after
 5 “controlled foreign corporations”.

6 (3) CONFORMING AMENDMENT.—The heading
 7 for section 904(d)(4), as amended by section 204, is
 8 amended by inserting “, INTEREST, RENTS, OR ROY-
 9 ALTIES” after “DIVIDENDS”.

10 (b) EFFECTIVE DATE.—The amendments made by
 11 this section shall apply to taxable years beginning after
 12 December 31, 1999.

13 **SEC. 206. ORDERING RULES FOR FOREIGN TAX CREDIT**
 14 **CARRYOVERS.**

15 (a) IN GENERAL.—Section 904(c) (relating to
 16 carryback and carryover of excess tax paid), as amended
 17 by section 201, is amended to read as follows:

18 “(c) CARRYBACK AND CARRYOVER OF EXCESS TAX
 19 PAID.—

20 “(1) IN GENERAL.—If the sum of—

21 “(A) the foreign tax credit carryovers
 22 under this subsection to a taxable year, plus

23 “(B) the amount of all taxes paid to for-
 24 eign countries or possessions of the United
 25 States for the taxable year and for which the

1 taxpayer elects to have the benefits of this sub-
 2 part apply,
 3 exceeds the limitation under subsection (a), such ex-
 4 cess (to the extent attributable to the taxes de-
 5 scribed in subparagraph (B)) shall be a foreign tax
 6 credit carryback to each of the 2 preceding taxable
 7 years and a foreign tax credit carryforward to each
 8 of the 10 following taxable years.

9 “(2) ORDERING RULES.—For purposes of any
 10 provision of the title where it is necessary to ascer-
 11 tain the extent to which the credits to which this
 12 subpart applies are used in a taxable year or as a
 13 carryback or carryforward, such taxes shall be treat-
 14 ed as used—

15 “(A) first from carryovers to such taxable
 16 year,

17 “(B) then from credits arising in such tax-
 18 able year, and

19 “(C) finally from carrybacks to such tax-
 20 able year.

21 “(3) LIMITATIONS ON CARRYOVERS.—

22 “(A) CREDIT ONLY.—A credit may be car-
 23 ried to a taxable year under this subsection only
 24 if the taxpayer chooses for such taxable year to
 25 have the benefits of this subpart apply to taxes

1 paid or accrued to foreign countries or any pos-
 2 sessions of the United States. Any amount so
 3 carried may be availed of only as a credit and
 4 not a deduction.

5 “(B) LIMITATION TO APPLY.—The amount
 6 of the credit carryforward or carryback to a
 7 taxable year (the ‘carryover year’) from a tax-
 8 able year under this subsection shall not exceed
 9 the excess (if any) of—

10 “(i) the limitation under subsection
 11 (a) for the carryover year, over

12 “(ii) the sum of—

13 “(I) the credits arising in the
 14 carryover year, plus

15 “(II) carryforwards and
 16 carrybacks to the carryover year from
 17 taxable years earlier than the taxable
 18 year from which the credit is being
 19 carried (whether or not the taxpayer
 20 chooses to have the benefits of this
 21 subpart apply with respect to such
 22 earlier taxable year).”

23 (b) EFFECTIVE DATE.—The amendment made by
 24 this section applies to taxable years beginning after De-
 25 cember 31, 1999.

1 **SEC. 207. REPEAL OF LIMITATION OF FOREIGN TAX CREDIT**
 2 **UNDER ALTERNATIVE MINIMUM TAX.**

3 (a) IN GENERAL.—Section 59(a) (relating to alter-
 4 native minimum tax foreign tax credit) is amended by
 5 striking paragraph (2) and by redesignating paragraphs
 6 (3) and (4) as paragraphs (2) and (3), respectively.

7 (b) CONFORMING AMENDMENT.—Section
 8 53(d)(1)(B)(i)(II) is amended by striking “and if section
 9 59(a)(2) did not apply”.

10 (c) EFFECTIVE DATE.—The amendments made by
 11 this section shall apply to taxable years beginning after
 12 December 31, 1999.

13 **SEC. 208. REPEAL OF SPECIAL RULES FOR APPLYING FOR-**
 14 **EIGN TAX CREDIT IN CASE OF FOREIGN OIL**
 15 **AND GAS INCOME.**

16 (a) IN GENERAL.—Section 907 (relating to special
 17 rules in case of foreign oil and gas income) is repealed.

18 (b) CONFORMING AMENDMENTS.—

19 (1) Each of the following provisions are amend-
 20 ed by striking “907,”:

21 (A) Section 245(a)(10).

22 (B) Section 865(h)(1)(B).

23 (C) Section 904(d)(1).

24 (D) Section 904(g)(10)(A).

25 (2) Section 904(f)(5)(E)(iii) is amended by in-
 26 serting “, as in effect before its repeal by the Inter-

1 national Tax Simplification for American Competi-
 2 tiveness Act of 1999” after “section 907(c)(4)(B)”.

3 (3) Section 954(g)(1) is amended by inserting
 4 “, as in effect before its repeal by the International
 5 Tax Simplification for American Competitiveness
 6 Act of 1999” after “907(c)”.

7 (4) Section 6501(i) is amended—

8 (A) by striking “, or under section 907(f)
 9 (relating to carryback and carryover of dis-
 10 allowed oil and gas extraction taxes)”, and

11 (B) by striking “or 907(f)”.

12 (5) The table of sections for subpart A of part
 13 III of subchapter N of chapter 1 is amended by
 14 striking the item relating to section 907.

15 (c) EFFECTIVE DATE.—The amendments made by
 16 this section shall apply to taxable years beginning after
 17 December 31, 1999.

18 **TITLE III—OTHER PROVISIONS**

19 **SEC. 301. DEDUCTION FOR DIVIDENDS RECEIVED FROM** 20 **CERTAIN FOREIGN CORPORATIONS.**

21 (a) CONSTRUCTIVE OWNERSHIP RULES TO APPLY IN
 22 DETERMINING 80-PERCENT OWNERSHIP.—Section 245
 23 (a)(5) (relating to post-1986 undistributed U.S. earnings)
 24 is amended by adding at the end the following flush sen-
 25 tence:

1 “Section 318(a) shall apply for purposes of subpara-
 2 graph (B).”

3 (b) DIVIDENDS TO INCLUDE SUBPART F DISTRIBU-
 4 TIONS.—Section 245(a) (relating to dividends from 10-
 5 percent owned foreign corporations) is amended by adding
 6 at the end the following new paragraph:

7 “(12) SUBPART F INCLUSIONS TREATED AS
 8 DIVIDENDS.—For purposes of this subsection, the
 9 term ‘dividend’ shall include any amount the tax-
 10 payer is required to include in gross income for the
 11 taxable year under section 951(a).”

12 (c) EFFECTIVE DATE.—The amendments made by
 13 this section shall apply to taxable years beginning after
 14 December 31, 1999.

15 **SEC. 302. APPLICATION OF UNIFORM CAPITALIZATION**
 16 **RULES TO FOREIGN PERSONS.**

17 (a) IN GENERAL.—Section 263A(c) (relating to ex-
 18 ceptions) is amended by adding at the end the following
 19 new paragraph:

20 “(7) FOREIGN PERSONS.—This section shall
 21 apply to any taxpayer who is not a United States
 22 person only for purposes of applying sections
 23 871(b)(1) and 882(a)(1).”

24 (b) EFFECTIVE DATE.—The amendment made by
 25 subsection (a) shall apply to taxable years beginning after

1 December 31, 1999. Section 481 of the Internal Revenue
 2 Code of 1986 shall not apply to any change in a method
 3 of accounting by reason of such amendment.

4 **SEC. 303. TREATMENT OF MILITARY PROPERTY OF FOR-**
 5 **EIGN SALES CORPORATIONS.**

6 (a) IN GENERAL.—Section 923(a) (defining exempt
 7 foreign trade income) is amended by striking paragraph
 8 (5) and by redesignating paragraph (6) as paragraph (5).

9 (b) EFFECTIVE DATE.—The amendment made by
 10 this section shall apply to taxable years beginning after
 11 December 31, 1999.

12 **SEC. 304. UNITED STATES PROPERTY NOT TO INCLUDE**
 13 **CERTAIN ASSETS ACQUIRED BY DEALERS IN**
 14 **ORDINARY COURSE OF TRADE OR BUSINESS.**

15 (a) IN GENERAL.—Section 956(c)(2) (relating to ex-
 16 ceptions from property treated as United States property)
 17 is amended by striking “and” at the end of subparagraph
 18 (J), by striking the period at the end of subparagraph (K)
 19 and inserting “; and”, and by adding at the end the fol-
 20 lowing new subparagraph:

21 “(L) securities acquired and held by a con-
 22 trolled foreign corporation in the ordinary
 23 course of its business as a dealer in securities
 24 if (i) the dealer accounts for the securities as
 25 securities held primarily for sale to customers

1 in the ordinary course of business, and (ii) the
 2 dealer disposes of the securities (or such securi-
 3 ties mature while held by the dealer) within a
 4 period consistent with the holding of securities
 5 for sale to customers in the ordinary course of
 6 business.”

7 (b) CONFORMING AMENDMENT.—Section 956(c)(2)
 8 is amended by striking “and (K)” in the last sentence and
 9 inserting “, (K), and (L)”.

10 (c) EFFECTIVE DATE.—The amendments made by
 11 this section shall apply to taxable years of foreign corpora-
 12 tions beginning after December 31, 1999, and to taxable
 13 years of United States shareholders or with or within
 14 which such taxable years of foreign corporations end.

15 **SEC. 305. TREATMENT OF CERTAIN DIVIDENDS OF REGU-**
 16 **LATED INVESTMENT COMPANIES.**

17 (a) TREATMENT OF CERTAIN DIVIDENDS.—

18 (1) NONRESIDENT ALIEN INDIVIDUALS.—Sec-
 19 tion 871 (relating to tax on nonresident alien indi-
 20 viduals) is amended by redesignating subsection (k)
 21 as subsection (l) and by inserting after subsection (j)
 22 the following new subsection:

23 “(k) EXEMPTION FOR CERTAIN DIVIDENDS OF REG-
 24 ULATED INVESTMENT COMPANIES.—

25 “(1) INTEREST-RELATED DIVIDENDS.—

1 “(A) IN GENERAL.—Except as provided in
 2 subparagraph (B), no tax shall be imposed
 3 under paragraph (1)(A) of subsection (a) on
 4 any interest-related dividend received from a
 5 regulated investment company.

6 “(B) EXCEPTIONS.—Subparagraph (A)
 7 shall not apply—

8 “(i) to any interest-related dividend
 9 received from a regulated investment com-
 10 pany by a person to the extent such divi-
 11 dend is attributable to interest (other than
 12 interest described in subparagraph (E) (i)
 13 or (iii)) received by such company on in-
 14 debtedness issued by such person or by any
 15 corporation or partnership with respect to
 16 which such person is a 10-percent share-
 17 holder,

18 “(ii) to any interest-related dividend
 19 with respect to stock of a regulated invest-
 20 ment company unless the person who
 21 would otherwise be required to deduct and
 22 withhold tax from such dividend under
 23 chapter 3 receives a statement (which
 24 meets requirements similar to the require-
 25 ments of subsection (h)(5)) that the bene-

1 ficial owner of such stock is not a United
 2 States person, and

3 “(iii) to any interest-related dividend
 4 paid to any person within a foreign coun-
 5 try (or any interest-related dividend pay-
 6 ment addressed to, or for the account of,
 7 persons within such foreign country) dur-
 8 ing any period described in subsection
 9 (h)(6) with respect to such country.

10 Clause (iii) shall not apply to any dividend with
 11 respect to any stock which was acquired on or
 12 before the date of the publication of the Sec-
 13 retary’s determination under subsection (h)(6).

14 “(C) INTEREST-RELATED DIVIDEND.—For
 15 purposes of this paragraph, an interest-related
 16 dividend is any dividend (or part thereof) which
 17 is designated by the regulated investment com-
 18 pany as an interest-related dividend in a writ-
 19 ten notice mailed to its shareholders not later
 20 than 60 days after the close of its taxable year.
 21 If the aggregate amount so designated with re-
 22 spect to a taxable year of the company (includ-
 23 ing amounts so designated with respect to divi-
 24 dends paid after the close of the taxable year
 25 described in section 855) is greater than the

1 qualified net interest income of the company for
 2 such taxable year, the portion of each distribu-
 3 tion which shall be an interest-related dividend
 4 shall be only that portion of the amounts so
 5 designated which such qualified net interest in-
 6 come bears to the aggregate amount so des-
 7 ignated.

8 “(D) QUALIFIED NET INTEREST IN-
 9 COME.—For purposes of subparagraph (C), the
 10 term ‘qualified net interest income’ means the
 11 qualified interest income of the regulated in-
 12 vestment company reduced by the deductions
 13 properly allocable to such income.

14 “(E) QUALIFIED INTEREST INCOME.—For
 15 purposes of subparagraph (D), the term ‘quali-
 16 fied interest income’ means the sum of the fol-
 17 lowing amounts derived by the regulated invest-
 18 ment company from sources within the United
 19 States:

20 “(i) Any amount includible in gross
 21 income as original issue discount (within
 22 the meaning of section 1273) on an obliga-
 23 tion payable 183 days or less from the date
 24 of original issue (without regard to the pe-
 25 riod held by the company).

“(ii) Any interest includible in gross income (including amounts recognized as ordinary income in respect of original issue discount or market discount or acquisition discount under part V of subchapter P and such other amounts as regulations may provide) on an obligation which is in registered form; except that this clause shall not apply to—

“(I) any interest on an obligation issued by a corporation or partnership if the regulated investment company is a 10-percent shareholder in such corporation or partnership, and

“(II) any interest which is treated as not being portfolio interest under the rules of subsection (h)(4).

“(iii) Any interest referred to in subsection (i)(2)(A) (without regard to the trade or business of the regulated investment company).

“(iv) Any interest-related dividend includable in gross income with respect to stock of another regulated investment company.

1 “(F) 10-PERCENT SHAREHOLDER.—For
 2 purposes of this paragraph, the term ‘10-per-
 3 cent shareholder’ has the meaning given such
 4 term by subsection (h)(3)(B).

5 “(2) SHORT-TERM CAPITAL GAIN DIVIDENDS.—

6 “(A) IN GENERAL.—Except as provided in
 7 subparagraph (B), no tax shall be imposed
 8 under paragraph (1)(A) of subsection (a) on
 9 any short-term capital gain dividend received
 10 from a regulated investment company.

11 “(B) EXCEPTION FOR ALIENS TAXABLE
 12 UNDER SUBSECTION (a)(2).—Subparagraph (A)
 13 shall not apply in the case of any nonresident
 14 alien individual subject to tax under subsection
 15 (a)(2).

16 “(C) SHORT-TERM CAPITAL GAIN DIVI-
 17 DEND.—For purposes of this paragraph, a
 18 short-term capital gain dividend is any dividend
 19 (or part thereof) which is designated by the reg-
 20 ulated investment company as a short-term cap-
 21 ital gain dividend in a written notice mailed to
 22 its shareholders not later than 60 days after the
 23 close of its taxable year. If the aggregate
 24 amount so designated with respect to a taxable
 25 year of the company (including amounts so des-

1 ignated with respect to dividends paid after the
 2 close of the taxable year described in section
 3 855) is greater than the qualified short-term
 4 gain of the company for such taxable year, the
 5 portion of each distribution which shall be a
 6 short-term capital gain dividend shall be only
 7 that portion of the amounts so designated
 8 which such qualified short-term gain bears to
 9 the aggregate amount so designated.

10 “(D) QUALIFIED SHORT-TERM GAIN.—For
 11 purposes of subparagraph (C), the term ‘quali-
 12 fied short-term gain’ means the excess of the
 13 net short-term capital gain of the regulated in-
 14 vestment company for the taxable year over the
 15 net long-term capital loss (if any) of such com-
 16 pany for such taxable year. For purposes of this
 17 subparagraph—

18 “(i) the net short-term capital gain of
 19 the regulated investment company shall be
 20 computed by treating any short-term cap-
 21 ital gain dividend includible in gross in-
 22 come with respect to stock of another regu-
 23 lated investment company as a short-term
 24 capital gain, and

1 “(ii) the excess of the net short-term
 2 capital gain for a taxable year over the net
 3 long-term capital loss for a taxable year (to
 4 which an election under section 4982(e)(4)
 5 does not apply) shall be determined with-
 6 out regard to any net capital loss or net
 7 short-term capital loss attributable to
 8 transactions after October 31 of such year,
 9 and any such net capital loss or net short-
 10 term capital loss shall be treated as arising
 11 on the 1st day of the next taxable year.

12 To the extent provided in regulations, clause
 13 (ii) shall apply also for purposes of computing
 14 the taxable income of the regulated investment
 15 company.”

16 (2) FOREIGN CORPORATIONS.—Section 881 (re-
 17 lating to tax on income of foreign corporations not
 18 connected with United States business) is amended
 19 by redesignating subsection (e) as subsection (f) and
 20 by inserting after subsection (d) the following new
 21 subsection:

22 “(e) TAX NOT TO APPLY TO CERTAIN DIVIDENDS
 23 OF REGULATED INVESTMENT COMPANIES.—

24 “(1) INTEREST-RELATED DIVIDENDS.—

“(A) IN GENERAL.—Except as provided in subparagraph (B), no tax shall be imposed under paragraph (1) of subsection (a) on any interest-related dividend (as defined in section 871(k)(1)) received from a regulated investment company.

“(B) EXCEPTION.—Subparagraph (A) shall not apply—

“(i) to any dividend referred to in section 871(k)(1)(B), and

“(ii) to any interest-related dividend received by a controlled foreign corporation (within the meaning of section 957(a)) to the extent such dividend is attributable to interest received by the regulated investment company from a person who is a related person (within the meaning of section 864(d)(4)) with respect to such controlled foreign corporation.

“(C) TREATMENT OF DIVIDENDS RECEIVED BY CONTROLLED FOREIGN CORPORATIONS.—The rules of subsection (c)(5)(A) shall apply to any interest-related dividend received by a controlled foreign corporation (within the meaning of section 957(a)) to the extent such

1 dividend is attributable to interest received by
 2 the regulated investment company which is de-
 3 scribed in clause (ii) of section 871(k)(1)(E)
 4 (and not described in clause (i) or (iii) of such
 5 section).

6 “(2) SHORT-TERM CAPITAL GAIN DIVIDENDS.—
 7 No tax shall be imposed under paragraph (1) of sub-
 8 section (a) on any short-term capital gain dividend
 9 (as defined in section 871(k)(2)) received from a
 10 regulated investment company.”

11 (3) WITHHOLDING TAXES.—

12 (A) Section 1441(c) (relating to excep-
 13 tions) is amended by adding at the end the fol-
 14 lowing new paragraph:

15 “(12) CERTAIN DIVIDENDS RECEIVED FROM
 16 REGULATED INVESTMENT COMPANIES.—

17 “(A) IN GENERAL.—No tax shall be re-
 18 quired to be deducted and withheld under sub-
 19 section (a) from any amount exempt from the
 20 tax imposed by section 871(a)(1)(A) by reason
 21 of section 871(k).

22 “(B) SPECIAL RULE.—For purposes of
 23 subparagraph (A), clause (i) of section
 24 871(k)(1)(B) shall not apply to any dividend
 25 unless the regulated investment company knows

1 that such dividend is a dividend referred to in
 2 such clause. A similar rule shall apply with re-
 3 spect to the exception contained in section
 4 871(k)(2)(B).”

5 (B) Section 1442(a) (relating to with-
 6 holding of tax on foreign corporations) is
 7 amended—

8 (i) by striking “and the reference in
 9 section 1441(c)(10)” and inserting “the
 10 reference in section 1441(c)(10)”, and

11 (ii) by inserting before the period at
 12 the end the following: “, and the references
 13 in section 1441(c)(12) to sections 871(a)
 14 and 871(k) shall be treated as referring to
 15 sections 881(a) and 881(e) (except that for
 16 purposes of applying subparagraph (A) of
 17 section 1441(c)(12), as so modified, clause
 18 (ii) of section 881(e)(1)(B) shall not apply
 19 to any dividend unless the regulated invest-
 20 ment company knows that such dividend is
 21 a dividend referred to in such clause)”.

22 (b) ESTATE TAX TREATMENT OF INTEREST IN CER-
 23 TAIN REGULATED INVESTMENT COMPANIES.—Section
 24 2105 (relating to property without the United States for

1 estate tax purposes) is amended by adding at the end the
 2 following new subsection:

3 “(d) STOCK IN A RIC.—

4 “(1) IN GENERAL.—For purposes of this sub-
 5 chapter, stock in a regulated investment company
 6 (as defined in section 851) owned by a nonresident
 7 not a citizen of the United States shall not be
 8 deemed property within the United States in the
 9 proportion that, at the end of the quarter of such in-
 10 vestment company’s taxable year immediately pre-
 11 ceding a decedent’s date of death (or at such other
 12 time as the Secretary may designate in regulations),
 13 the assets of the investment company that were
 14 qualifying assets with respect to the decedent bore
 15 to the total assets of the investment company.

16 “(2) QUALIFYING ASSETS.—For purposes of
 17 this subsection, qualifying assets with respect to a
 18 decedent are assets that, if owned directly by the de-
 19 cedent, would have been—

20 “(A) amounts, deposits, or debt obligations
 21 described in subsection (b) of this section,

22 “(B) debt obligations described in the last
 23 sentence of section 2104(c), or

24 “(C) other property not within the United
 25 States.”

1 (c) TREATMENT OF REGULATED INVESTMENT COM-
 2 PANIES UNDER SECTION 897.—

3 (1) Paragraph (1) of section 897(h) is amended
 4 by striking “REIT” each place it appears and in-
 5 serting “qualified investment entity”.

6 (2) Paragraphs (2) and (3) of section 897(h)
 7 are amended to read as follows:

8 “(2) SALE OF STOCK IN DOMESTICALLY CON-
 9 TROLLED ENTITY NOT TAXED.—The term ‘United
 10 States real property interest’ does not include any
 11 interest in a domestically controlled qualified invest-
 12 ment entity.

13 “(3) DISTRIBUTIONS BY DOMESTICALLY CON-
 14 TROLLED QUALIFIED INVESTMENT ENTITIES.—In
 15 the case of a domestically controlled qualified invest-
 16 ment entity, rules similar to the rules of subsection
 17 (d) shall apply to the foreign ownership percentage
 18 of any gain.”

19 (3) Subparagraphs (A) and (B) of section
 20 897(h)(4) are amended to read as follows:

21 “(A) QUALIFIED INVESTMENT ENTITY.—
 22 The term ‘qualified investment entity’ means
 23 any real estate investment trust and any regu-
 24 lated investment company.

1 “(B) DOMESTICALLY CONTROLLED.—The
 2 term ‘domestically controlled qualified invest-
 3 ment entity’ means any qualified investment en-
 4 tity in which at all times during the testing pe-
 5 riod less than 50 percent in value of the stock
 6 was held directly or indirectly by foreign per-
 7 sons.”

8 (4) Subparagraphs (C) and (D) of section
 9 897(h)(4) are each amended by striking “REIT”
 10 and inserting “qualified investment entity”.

11 (5) The subsection heading for subsection (h) of
 12 section 897 is amended by striking “REITS” and
 13 inserting “CERTAIN INVESTMENT ENTITIES”.

14 (d) EFFECTIVE DATE.—

15 (1) IN GENERAL.—Except as otherwise pro-
 16 vided in this subsection, the amendments made by
 17 this section shall apply to dividends with respect to
 18 taxable years of regulated investment companies be-
 19 ginning after the date of the enactment of this Act.

20 (2) ESTATE TAX TREATMENT.—The amend-
 21 ment made by subsection (b) shall apply to estates
 22 of decedents dying after the date of the enactment
 23 of this Act.

24 (3) CERTAIN OTHER PROVISIONS.—The amend-
 25 ments made by subsection (c) (other than paragraph

1 (1) thereof) shall take effect on the date of the en-
 2 actment of this Act.

3 **SEC. 306. REGULATORY AUTHORITY TO EXCLUDE CERTAIN**
 4 **PRELIMINARY AGREEMENTS FROM DEFINI-**
 5 **TION OF INTANGIBLE PROPERTY.**

6 (a) IN GENERAL.—Section 936(h)(3)(B) (defining
 7 intangible property) is amended by adding at the end the
 8 following new sentence: “The Secretary shall by regulation
 9 provide that such term shall not include any preliminary
 10 agreement which is not legally enforceable.”

11 (b) EFFECTIVE DATE.—The amendment made by
 12 this section shall apply to agreements entered into after
 13 the date of the enactment of this Act.

14 **SEC. 307. AIRLINE MILEAGE AWARDS TO CERTAIN FOREIGN**
 15 **PERSONS.**

16 (a) IN GENERAL.—The last sentence of section
 17 4261(e)(3)(C) (relating to regulations) is amended by in-
 18 serting “and mileage awards which are issued to individ-
 19 uals whose mailing addresses on record with the person
 20 providing the right to air transportation are outside the
 21 United States” before the period at the end thereof.

22 (b) EFFECTIVE DATE.—The amendment made by
 23 this section shall apply to amounts paid, and benefits pro-
 24 vided, after December 31, 1997.

1 **SEC. 308. REPEAL OF REDUCTION OF SUBPART F INCOME**
 2 **OF EXPORT TRADE CORPORATIONS.**

3 (a) IN GENERAL.—Subpart G of part III of sub-
 4 chapter N of chapter 1 (relating to export trade corpora-
 5 tions) is repealed.

6 (b) TREATMENT OF CERTAIN ACTUAL DISTRIBUTU-
 7 TIONS.—

8 (1) IN GENERAL.—For purposes of applying
 9 sections 959 and 960(b) of the Internal Revenue
 10 Code of 1986, in the case of any actual distribution
 11 of export trade income made after December 31,
 12 1986, by an export trade corporation (or former ex-
 13 port trade corporation that was an export trade cor-
 14 poration on December 31, 1986), notwithstanding
 15 any other provision of chapter 1 of such Code, the
 16 earnings and profits attributable to amounts which
 17 have been included in the gross income of a United
 18 States shareholder under section 951(a) of such
 19 Code shall be treated as including an amount equal
 20 to the amount of export trade income that was in-
 21 cluded in gross income as a dividend. If a distribu-
 22 tion is excluded from gross income by application of
 23 this subsection, the amount of such distribution shall
 24 be treated as an amount described in section
 25 951(a)(2)(B) of such Code that reduces the amount

1 described in section 951(a)(2)(A) of such Code for
 2 the taxable year.

3 (2) DEFINITIONS.—For purposes of this
 4 subsection—

5 (A) EXPORT TRADE CORPORATION.—The
 6 term “export trade corporation” has the mean-
 7 ing given such term by section 971(a) of the In-
 8 ternal Revenue Code of 1986 (as in effect be-
 9 fore the amendment made by subsection (a)).

10 (B) EXPORT TRADE INCOME.—The term
 11 “export trade income” has the meaning given
 12 such term by section 971(b) of the Internal
 13 Revenue Code of 1986 (as so in effect).

14 (c) CONFORMING AMENDMENTS.—

15 (1) Section 865(e)(2)(A) is amended by striking
 16 the last sentence.

17 (2) Section 1297(b)(2)(D) is amended by strik-
 18 ing “or export trade income of an export trade cor-
 19 poration (as defined in section 971)”.

20 (3) The table of parts for part III of subchapter
 21 N of chapter 1 is amended by striking the item re-
 22 lating to subpart G.

23 (d) EFFECTIVE DATE.—The amendments made by
 24 this section shall apply to taxable years beginning after
 25 December 31, 1999.

1 **SEC. 309. STUDY OF INTEREST ALLOCATION.**

2 (a) STUDY.—The Secretary of the Treasury or the
3 Secretary’s delegate shall conduct a study of the rules
4 under section 864(e) of the Internal Revenue Code of
5 1986 for allocating interest expense of members of an af-
6 filiated group. Such study shall include an analysis of the
7 effect of such rules, including the effects such rules have
8 on different industries.

9 (b) REPORT.—Not later than 6 months after the date
10 of the enactment of this Act, the Secretary of the Treasury
11 shall report to the Committee on Ways and Means of the
12 House of Representatives and the Committee on Finance
13 of the Senate the results of the study conducted under
14 subsection (a), including recommendations (if any) for leg-
15 islation.

16 **SEC. 310. INTEREST PAYMENTS DEDUCTIBLE WHERE DIS-**
17 **QUALIFIED GUARANTEE HAS ECONOMIC EF-**
18 **FECT.**

19 (a) IN GENERAL.—Section 163(j)(6)(D)(ii) (relating
20 to exceptions to disqualified guarantee) is amended by
21 striking “or” at the end of subclause (I), by striking the
22 period at the end of subclause (II) and inserting “, or”,
23 and by inserting after subclause (II) the following new
24 subclause:

25 “(III) if, in the case of a guar-
26 antee by a foreign person, the tax-

1 payer establishes to the satisfaction of
 2 the Secretary that the loan giving rise
 3 to the indebtedness would have been
 4 made by the unrelated person without
 5 regard to the guarantee and that the
 6 guarantee resulted in a reduction in
 7 the interest payable on the loan.”

8 (b) **EFFECTIVE DATE.**—The amendments made by
 9 this section shall apply to guarantees issued on and after
 10 the date of the enactment of this Act.

11 **SEC. 311. MODIFICATIONS OF REPORTING REQUIREMENTS**
 12 **FOR CERTAIN FOREIGN OWNED CORPORA-**
 13 **TIONS.**

14 (a) **DE MINIMIS EXCEPTION.**—Section 6038A(b) (re-
 15 lating to required information) is amended by adding at
 16 the end the following new flush sentence:

17 “The Secretary shall not require the reporting corporation
 18 to report any information with respect to any foreign per-
 19 son which is a related person if the aggregate value of
 20 the transactions between the corporation and the related
 21 person (and any person related to such person) during the
 22 taxable year does not exceed \$5,000,000.”

23 (b) **TIME FOR PROVIDING TRANSLATIONS OF SPE-**
 24 **CIFIC DOCUMENTS.**—Notwithstanding Internal Revenue
 25 Service Regulation § 1.6038A-3(f)(2), a taxpayer shall

1 have at least 60 days to provide translations of specific
2 documents it is requested to translate. Nothing in this
3 subsection shall limit the right of a taxpayer to file a writ-
4 ten request for an extension of time to comply with the
5 request.

6 (c) EFFECTIVE DATES.—

7 (1) EXCEPTION.—The amendment made by
8 subsection (a) shall apply to taxable years beginning
9 after December 31, 1999.

10 (2) TRANSLATIONS.—Subsection (b) shall apply
11 to requests made by the Internal Revenue Service
12 after December 31, 1999.

○