

107TH CONGRESS  
2D SESSION

# H. R. 3884

To amend the Internal Revenue Code of 1986 to prevent corporations from avoiding the United States income tax by reincorporating in a foreign country.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 6, 2002

Mr. NEAL of Massachusetts (for himself, Mr. MALONEY of Connecticut, Mr. FRANK, Mr. DEFAZIO, Mr. CONYERS, Mr. OLVER, Mr. GEORGE MILLER of California, Mr. TIERNEY, Mr. McGOVERN, Mr. MARKEY, Mr. LYNCH, Mr. ISRAEL, Mr. BROWN of Ohio, Mr. DUNCAN, Mr. CAPUANO, Mr. LAMPSON, Mr. MEEHAN, Mr. DELAHUNT, and Mr. TOWNS) introduced the following bill; which was referred to the Committee on Means

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# A BILL

To amend the Internal Revenue Code of 1986 to prevent corporations from avoiding the United States income tax by reincorporating in a foreign country.

1       *Be it enacted by the Senate and House of Representa-*

2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Corporate Patriot En-

5       forcement Act of 2002”.

1 **SEC. 2. PREVENTION OF CORPORATE EXPATRIATION TO**2 **AVOID UNITED STATES INCOME TAX.**3 (a) IN GENERAL.—Paragraph (4) of section 7701(a)  
4 of the Internal Revenue Code of 1986 (defining domestic)  
5 is amended to read as follows:6 **“(4) DOMESTIC.—**7 **“(A) IN GENERAL.—**Except as provided in  
8 subparagraph (B), the term ‘domestic’ when ap-  
9 plied to a corporation or partnership means cre-  
10 ated or organized in the United States or under  
11 the law of the United States or of any State  
12 unless, in the case of a partnership, the Sec-  
13 retary provides otherwise by regulations.14 **“(B) CERTAIN CORPORATIONS TREATED**  
15 **AS DOMESTIC.—**16 **“(i) IN GENERAL.—**The acquiring cor-  
17 poration in a corporate expatriation trans-  
18 action shall be treated as a domestic cor-  
19 poration.20 **“(ii) CORPORATE EXPATRIATION**  
21 **TRANSACTION.—**For purposes of this sub-  
22 paragraph, the term ‘corporate expatria-  
23 tion transaction’ means any transaction  
24 if—25 **“(I) a nominally foreign corpora-**  
26 **tion (referred to in this subparagraph**

1 as the ‘acquiring corporation’) ac-  
2 quires, as a result of such transaction,  
3 directly or indirectly substantially all  
4 of the properties held directly or indi-  
5 rectly by a domestic corporation, and

1                             “(II) the stock of the corporation  
2                             is publicly traded and the principal  
3                             market for the public trading of such  
4                             stock is in the United States.

5                             “(iv) PARTNERSHIP TRANSACTIONS.—  
6                             The term ‘corporate expatriation trans-  
7                             action’ includes any transaction if—

8                             “(I) a nominally foreign corpora-  
9                             tion (referred to in this subparagraph  
10                             as the ‘acquiring corporation’) ac-  
11                             quires, as a result of such transaction,  
12                             directly or indirectly properties consti-  
13                             tuting a trade or business of a domes-  
14                             tic partnership,

15                             “(II) immediately after the trans-  
16                             action, more than 80 percent of the  
17                             stock (by vote or value) of the acquir-  
18                             ing corporation is held by former  
19                             partners of the domestic partnership  
20                             (determined without regard to stock  
21                             of the acquiring corporation which is  
22                             sold in a public offering related to the  
23                             transaction), and

1                             “(III) the acquiring corporation  
2                             meets the requirements of subclauses  
3                             (I) and (II) of clause (iii).

4                             “(v) SPECIAL RULES.—For purposes  
5                             of this subparagraph—

6                             “(I) a series of related trans-  
7                             actions shall be treated as 1 trans-  
8                             action, and

9                             “(II) stock held by members of  
10                             the expanded affiliated group which  
11                             includes the acquiring corporation  
12                             shall not be taken into account in de-  
13                             termining ownership.

14                             “(vi) OTHER DEFINITIONS.—For pur-  
15                             poses of this subparagraph—

16                             “(I) NOMINALLY FOREIGN COR-  
17                             PORATION.—The term ‘nominally for-  
18                             eign corporation’ means any corpora-  
19                             tion which would (but for this sub-  
20                             paragraph) be treated as a foreign  
21                             corporation.

22                             “(II) EXPANDED AFFILIATED  
23                             GROUP.—The term ‘expanded affili-  
24                             ated group’ means an affiliated group

1 (as defined in section 1504(a) without  
2 regard to section 1504(b)).”

3 (b) EFFECTIVE DATES.—

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