

109TH CONGRESS
2D SESSION

H. R. 5378

To amend the Internal Revenue Code of 1986 to reduce by 50 percent certain tax benefits allowable to profitable large corporations which make certain workforce reductions.

IN THE HOUSE OF REPRESENTATIVES

MAY 11, 2006

Ms. MCKINNEY introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on International Relations and Financial Services, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 to reduce by 50 percent certain tax benefits allowable to profitable large corporations which make certain workforce reductions.

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 Welfare Re-
5 duction and Job Preservation Act of 2006”.

6 **SEC. 2. CONGRESSIONAL FINDINGS.**

7 The Congress finds the following:

1 (1) Corporations are subject to a tax rate of up
2 to 34 percent or 35 percent.

3 (2) Over the past several years, one of the most
4 serious problems affecting the middle-class has been
5 corporate downsizing. Many large, wealthy, and
6 profitable corporations have reduced the number of
7 their American employees by transferring those jobs
8 to foreign countries or have reduced the number of
9 their employees in order to realize an immediate
10 short-term profit or increase in stock value.

11 **SEC. 3. REDUCTION OF TAX BENEFITS FOR PROFITABLE**
12 **LARGE CORPORATIONS WHICH REDUCE**
13 **WORKFORCE.**

14 (a) IN GENERAL.—Subchapter C of chapter 1 of the
15 Internal Revenue Code of 1986 (relating to corporate dis-
16 tributions and adjustments) is amended by adding at the
17 end the following new part:

18 **“PART VII—REDUCTION OF TAX BENEFITS FOR**
19 **PROFITABLE LARGE CORPORATIONS WHICH**
20 **REDUCE WORKFORCE**

“Sec. 386. Reduction of tax benefits for profitable large corporations which re-
duce workforce.

1 **“SEC. 386. REDUCTION OF TAX BENEFITS FOR PROFITABLE**
 2 **LARGE CORPORATIONS WHICH REDUCE**
 3 **WORKFORCE.**

4 “(a) IN GENERAL.—For any taxable year, if any
 5 profitable large corporation reduces by 15 percent or more
 6 the number of employees who perform any task or func-
 7 tion at any facility in the United States, the amount of
 8 each facility-related tax benefit shall be reduced by 50 per-
 9 cent.

10 “(b) DEFINITIONS AND SPECIAL RULES.—For pur-
 11 poses of this section—

12 “(1) FACILITY-RELATED TAX BENEFIT.—

13 “(A) IN GENERAL.—The term ‘facility-re-
 14 lated tax benefit’ means—

15 “(i) any tax benefit to the extent at-
 16 tributable to a facility described in sub-
 17 section (a), or

18 “(ii) to the extent that a tax benefit
 19 is not attributable to any facility, a pro
 20 rata portion of such tax benefit (as deter-
 21 mined under regulations prescribed by the
 22 Secretary).

23 “(B) EXCEPTION.—Such term shall not in-
 24 clude—

25 “(i) any exclusion from gross income
 26 under section 127 or 129 or any other de-

duction for the cost of employee health care, child care, job training, or retraining, or

“(ii) any other tax benefit (other than wages) which the Secretary determines by regulation to be a tax benefit for costs incurred primarily for the benefit of employees rather than the employer.

“(2) LARGE CORPORATION.—The term ‘large corporation’ means a corporation or partnership which is not a small-business concern (within the meaning of section 3 of the Small Business Act, as in effect on the date of the enactment of this section).

“(3) PROFITABLE.—Any large corporation shall be treated as profitable, for any taxable year, if the sum of taxable income (if any) for the 5-taxable-year period ending with the preceding taxable year (or, if shorter, the period consisting of all preceding taxable years of such large corporation) equals or exceeds the sum of the net operating losses (if any) attributable to such period.

“(4) RELATED PERSONS.—

“(A) IN GENERAL.—All related persons shall be treated as one person.

1 “(B) RELATED PERSONS DEFINED.—The
2 term ‘related persons’ means—

3 “(i) persons bearing a relationship de-
4 scribed in section 267 or 707(b), and

5 “(ii) persons treated as a single em-
6 ployer under subsection (a) or (b) of sec-
7 tion 52.

8 “(5) TAX BENEFIT.—The term ‘tax benefit’
9 means a credit, deduction, or exclusion allowable
10 under this title.”

11 (b) TRANSMISSION OF DATA BY SECRETARY OF
12 LABOR.—The Secretary of Labor shall transmit to the
13 Secretary of the Treasury, not less than annually, a list
14 of corporations and partnerships described in section
15 386(a) of the Internal Revenue Code of 1986 (as added
16 by this section).

17 (c) CLERICAL AMENDMENT.—The table of parts for
18 subchapter C of chapter 1 of such Code is amended by
19 adding at the end the following new item:

“PART VII. REDUCTION OF TAX BENEFITS FOR PROFITABLE LARGE
CORPORATIONS WHICH REDUCE WORKFORCE”

20 (d) EFFECTIVE DATE.—This section and the amend-
21 ments made by this section shall apply to taxable years
22 beginning after December 31, 2006.

1 **SEC. 4. ACCELERATION OF LOANS MADE BY CERTAIN GOV-**
 2 **ERNMENT ENTITIES AS PENALTY AGAINST**
 3 **PROFITABLE LARGE CORPORATIONS WHICH**
 4 **REDUCE WORKFORCE.**

5 (a) OPIC LOANS.—Section 235 of the Foreign As-
 6 sistance Act of 1961 (22 U.S.C. 2195) is amended by add-
 7 ing at the end the following:

8 “(g) LIMITATIONS ON ASSISTANCE TO PROFITABLE
 9 LARGE CORPORATIONS THAT REDUCE WORKFORCE.—

10 “(1) IN GENERAL.—If a facility-related tax ben-
 11 efit of an entity for a taxable year is reduced by rea-
 12 son of section 386(a) of the Internal Revenue Code
 13 of 1986, then—

14 “(A) the entity shall immediately repay to
 15 the Corporation the amount of any loan made
 16 by the Corporation to the entity under section
 17 234;

18 “(B) any insurance policy provided by the
 19 Corporation to the entity under such section is
 20 rescinded; and

21 “(C) until the Secretary of the Treasury
 22 determines that the activity on the basis of
 23 which the facility-related tax benefit of the enti-
 24 ty was so reduced has ceased, the Corporation
 25 may not, during the immediately succeeding
 26 taxable year of the entity, extend credit, partici-

1 pate in an extension of credit, or provide any
 2 insurance, directly to the entity under such sec-
 3 tion.

4 “(2) EFFECT OF FAILURE TO REPAY LOAN.—
 5 Interest shall accrue on any amount required by
 6 paragraph (1)(A) to be repaid to the Corporation at
 7 a rate of 10 percent per month.”.

8 (b) EXPORT-IMPORT BANK LOANS.—Section 2 of the
 9 Export-Import Bank Act of 1945 (12 U.S.C. 635) is
 10 amended by adding at the end the following:

11 “(g) LIMITATIONS ON ASSISTANCE TO PROFITABLE
 12 LARGE CORPORATIONS THAT REDUCE WORKFORCE.—

13 “(1) IN GENERAL.—If a facility-related tax ben-
 14 efit of an entity for a taxable year is reduced by rea-
 15 son of section 386(a) of the Internal Revenue Code
 16 of 1986, then—

17 “(A) the entity shall immediately repay to
 18 the Bank the amount of any loan made by the
 19 Bank to the entity;

20 “(B) any insurance policy provided by the
 21 Bank to the entity is rescinded; and

22 “(C) until the Secretary of the Treasury
 23 determines that the activity on the basis of
 24 which the facility-related tax benefit of the enti-
 25 ty was so reduced has ceased, the Bank may

1 not, during the immediately succeeding taxable
2 year of the entity, extend credit, participate in
3 an extension of credit, or provide any insurance,
4 directly to the entity.

5 “(2) EFFECT OF FAILURE TO REPAY LOAN.—
6 Interest shall accrue on any amount required by
7 paragraph (1)(A) to be repaid to the Bank at a rate
8 of 10 percent per month.”.

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