

109TH CONGRESS  
1ST SESSION

# S. 750

To amend the Internal Revenue Code of 1986 to allow look-through treatment of payments between related foreign corporations.

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IN THE SENATE OF THE UNITED STATES

APRIL 11, 2005

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

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## A BILL

To amend the Internal Revenue Code of 1986 to allow look-through treatment of payments between related foreign corporations.

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. LOOK-THROUGH TREATMENT OF PAYMENTS**  
4                       **BETWEEN RELATED CONTROLLED FOREIGN**  
5                       **CORPORATIONS UNDER THE FOREIGN PER-**  
6                       **SONAL HOLDING COMPANY RULES.**

7       (a) IN GENERAL.—Section 954(c) of the Internal  
8       Revenue Code of 1986 (relating to foreign personal hold-  
9       ing company income) is amended by adding at the end  
10      the following new paragraph:

1           “(6) LOOK-THRU RULE FOR RELATED CON-  
2           TROLLED FOREIGN CORPORATIONS.—For purposes  
3           of this subsection, dividends, interest, rents, and  
4           royalties received or accrued from a controlled for-  
5           eign corporation which is a related person shall not  
6           be treated as foreign personal holding company in-  
7           come to the extent attributable or properly allocable  
8           (determined under rules similar to the rules of sub-  
9           paragraphs (C) and (D) of section 904(d)(3)) to in-  
10          come of the related person which is not subpart F  
11          income. For purposes of this paragraph, interest  
12          shall include factoring income which is treated as in-  
13          come equivalent to interest for purposes of para-  
14          graph (1)(E). The Secretary shall prescribe such  
15          regulations as may be appropriate to prevent the  
16          abuse of the purposes of this paragraph.”.

17          (b) EFFECTIVE DATE.—The amendment made by  
18          this section shall apply to taxable years of foreign corpora-  
19          tions ending after January 1, 2005, and to taxable years  
20          of United States shareholders with or within which such  
21          taxable years of foreign corporations end.

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