

111TH CONGRESS  
1ST SESSION

# H. R. 1874

To provide Federal contracting preferences for, and a reduction in the rate of income tax imposed on, Patriot corporations, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 2, 2009

Ms. SCHAKOWSKY (for herself, Mr. HARE, Mr. HALL of New York, Mr. MICHAUD, Ms. SUTTON, Mr. MASSA, and Ms. WOOLSEY) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Oversight and Government Reform, 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

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## A BILL

To provide Federal contracting preferences for, and a reduction in the rate of income tax imposed on, Patriot corporations, 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.**

4       This Act may be cited as the “Patriot Corporations  
5       of America Act of 2009”.

1 **SEC. 2. FEDERAL CONTRACTING PREFERENCE FOR PA-**  
 2 **TRIBUT CORPORATIONS.**

3 After December 31, 2009, in the evaluation of bids  
 4 or proposals for a contract for the procurement of goods  
 5 or services, the Federal Government shall provide a pref-  
 6 erence to any entity that is a Patriot corporation (as de-  
 7 fined in section 11(e) of the Internal Revenue Code of  
 8 1986, as added by section 3 of this Act), unless the award  
 9 of the contract to such entity would jeopardize the na-  
 10 tional security interests of the United States.

11 **SEC. 3. REDUCTION IN RATE OF INCOME TAX FOR PATRIOT**  
 12 **CORPORATIONS.**

13 (a) IN GENERAL.—Section 11 of the Internal Rev-  
 14 enue Code of 1986 is amended by adding at the end the  
 15 following new subsection:

16 “(e) PATRIOT CORPORATIONS.—

17 “(1) RATE REDUCTION FOR PATRIOT CORPORA-  
 18 TIONS.—In the case of a Patriot corporation, the  
 19 amount of the tax imposed under subsection (a) (de-  
 20 termined without regard to this paragraph) shall be  
 21 reduced (but not below zero) by an amount equal to  
 22 5 percent of the taxable income of such corporation.

23 “(2) PATRIOT CORPORATION DEFINED.—For  
 24 purposes of this subsection—

25 “(A) IN GENERAL.—The term ‘Patriot cor-  
 26 poration’ means, with respect to any taxable

1 year, any corporation which is certified by the  
2 Secretary as meeting the requirements of sub-  
3 paragraph (B) for such taxable and the pre-  
4 ceding taxable year.

5 “(B) REQUIREMENTS.—A corporation  
6 meets the requirements of this subparagraph,  
7 with respect to any taxable year, if such cor-  
8 poration—

9 “(i) produces in the United States at  
10 least 90 percent of the goods and services  
11 sold by such corporation during such tax-  
12 able year,

13 “(ii) does not provide compensation to  
14 any management personnel of such cor-  
15 poration at a level of compensation which  
16 exceeds 10,000 percent of the level of com-  
17 pensation of the full-time employee of such  
18 corporation with the lowest level of com-  
19 pensation during such taxable year,

20 “(iii) conducts at least 50 percent of  
21 the research and development conducted by  
22 such corporation during such taxable year  
23 (determined on the basis of cost) in the  
24 United States,

1 “(iv) has contributed at least 5 per-  
2 cent of wages paid by the corporation dur-  
3 ing the taxable year to a portable pension  
4 fund for the benefit of employees of the  
5 corporation,

6 “(v) has paid at least 70 percent of  
7 the cost of a standardized health insurance  
8 plan for the benefit of employees of the  
9 corporation during such taxable year,

10 “(vi) has maintained at all times dur-  
11 ing such taxable year neutrality in em-  
12 ployee organizing drives and has in effect  
13 a policy to that effect,

14 “(vii) provides full differential salary  
15 and insurance benefits for all National  
16 Guard and Reserve employees who are  
17 called to active duty,

18 “(viii) has not been (at any time dur-  
19 ing such taxable year) in violation of ap-  
20 propriate Federal regulations including  
21 those related to the environment, work-  
22 place safety, labor relations, and consumer  
23 protections, as determined by the Sec-  
24 retary, and

1                   “(ix) has not been in violation of any  
2                   other regulations specified by the Sec-  
3                   retary.

4                   “(C) CERTIFICATION PROCESS.—Not later  
5                   than 90 days after the date of the enactment of  
6                   this subsection, the Secretary shall establish an  
7                   application and certification process to annually  
8                   certify corporations as Patriot corporations.  
9                   Such certifications shall be made at such time  
10                  and on the basis of such materials as the Sec-  
11                  retary determines appropriate.”.

12               (b) EFFECTIVE DATE.—The amendment made by  
13               this section shall apply to taxable years beginning after  
14               December 31, 2009.

15               (c) CERTIFICATION ALLOWED FOR YEAR PRECEDING  
16               EFFECTIVE DATE OF RATE REDUCTION.—For purposes  
17               of section 11(e) of the Internal Revenue Code of 1986,  
18               as added by this section, the Secretary may certify a cor-  
19               poration as a Patriot corporation for the last taxable year  
20               of the corporation beginning on or before December 31,  
21               2009, if the corporation meets the requirements of para-  
22               graph (2)(B) of such section for such taxable year.

1 **SEC. 4. TAX AVOIDANCE FOREIGN CORPORATIONS SUB-**  
2 **JECT TO 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) TAX AVOIDANCE FOREIGN CORPORA-  
15 TIONS TREATED AS DOMESTIC.—Any corpora-  
16 tion which would (but for this subparagraph) be  
17 treated as a foreign corporation shall be treated  
18 as a domestic corporation if the Secretary de-  
19 termines that such corporation was created or  
20 organized as a foreign corporation (instead of  
21 as a domestic corporation) principally for the  
22 purpose of avoiding being treated as a domestic  
23 corporation under this title.”.

24 (b) EFFECTIVE DATES.—The amendment made by  
25 this section shall apply to taxable years beginning after  
26 the date of the enactment of this Act.

1 **SEC. 5. REDUCTION IN BENEFIT OF RATE REDUCTION FOR**  
 2 **FAMILIES WITH INCOMES OVER \$1,000,000.**

3 (a) GENERAL RULE.—Section 1 of the Internal Rev-  
 4 enue Code of 1986 is amended by adding at the end the  
 5 following new subsection:

6 “(j) REDUCTION IN BENEFIT OF RATE REDUCTION  
 7 FOR FAMILIES WITH INCOMES OVER \$1,000,000.—

8 “(1) IN GENERAL.—If the adjusted gross in-  
 9 come of a taxpayer exceeds the threshold amount,  
 10 the tax imposed by this section (determined without  
 11 regard to this subsection) shall be increased by an  
 12 amount equal to 4.6 percent of so much of the ad-  
 13 justed gross income as exceeds the threshold  
 14 amount.

15 “(2) THRESHOLD AMOUNTS.—For purposes of  
 16 this subsection, the term ‘threshold amount’  
 17 means—

18 “(A) \$1,000,000 in the case of a joint re-  
 19 turn, and

20 “(B) \$500,000 in the case of any other re-  
 21 turn.

22 “(3) SPECIAL RULE.—For purposes of section  
 23 55, the amount of the regular tax shall be deter-  
 24 mined without regard to this subsection.”.

1       (b) EFFECTIVE DATE.—The amendment made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2008.

4       (c) APPLICATION OF EGTRRA SUNSET.—The  
5 amendment made by this section shall be subject to title  
6 IX of the Economic Growth and Tax Relief Reconciliation  
7 Act of 2001 to the same extent and in the same manner  
8 as section 101 of such Act.

9       (d) SECTION 15 NOT TO APPLY.—The amendment  
10 made by subsection (a) shall not be treated as a change  
11 in a rate of tax for purposes of section 15 of the Internal  
12 Revenue Code of 1986.

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