

112TH CONGRESS  
2D SESSION

# H. R. 4623

To amend the Internal Revenue Code of 1986 to expand and make permanent rules related to investment by nonresident aliens in domestic mutual funds.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 25, 2012

Mr. PAULSEN (for himself and Mr. CAMPBELL) introduced the following bill;  
which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to expand and make permanent rules related to investment by nonresident aliens in domestic mutual funds.

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. EXEMPTION FOR CERTAIN DIVIDENDS PAID BY**  
4                       **REGULATED INVESTMENT COMPANIES TO**  
5                       **NONRESIDENT ALIENS EXPANDED AND MADE**  
6                       **PERMANENT.**

7       (a) EXEMPTIONS FOR CERTAIN DIVIDENDS MADE  
8       PERMANENT.—

9               (1) INTEREST-RELATED DIVIDENDS.—Subpara-  
10       graph (C) of section 871(k)(1) of the Internal Rev-

1        enue Code of 1986 is amended by striking clause  
2        (v).

3                (2) CAPITAL GAIN DIVIDENDS.—Subparagraph  
4        (C) of section 871(k)(2) of such Code is amended by  
5        striking clause (v).

6        (b) EXPANSION OF EXEMPTION FOR INTEREST-RE-  
7        LATED DIVIDENDS.—

8                (1) IN GENERAL.—Subparagraph (E) of section  
9        871(k)(1) of such Code is amended by striking  
10       clauses (iii) and (iv) and inserting the following new  
11       clauses:

12                        “(iii) Any amount referred to in sub-  
13                        section (i)(2)(A) (without regard to the  
14                        trade or business of the regulated invest-  
15                        ment company) or in subsection (i)(2)(B).

16                        “(iv) Any interest which is exempt  
17                        from tax under section 103 or any other  
18                        provision of law without regard to the  
19                        identity of the holder.

20                        “(v) Any other amount includible in  
21                        gross income that is determined by ref-  
22                        erence to an interest rate and that would  
23                        not be subject to withholding under section  
24                        1441 if received by a nonresident alien in-  
25                        dividual.

1 “(vi) Any amount includible in gross  
2 income from sources without the United  
3 States.

4 “(vii) Any qualified income-related  
5 dividend includible in gross income with re-  
6 spect to stock of another regulated invest-  
7 ment company.”.

8 (2) MODIFICATION OF EXCEPTIONS.—Clause (i)  
9 of section 871(k)(1)(B) is amended by striking “in-  
10 terest (other than interest described in subparagraph  
11 (E)(i) or (iii))” and inserting “interest described in  
12 subparagraph (E)(ii) (and not described in subpara-  
13 graph (E) (i), (iii), or (iv))”.

14 (3) CONFORMING AMENDMENTS.—

15 (A) Paragraph (1) of section 871(k) of  
16 such Code is amended—

17 (i) by striking “interest-related divi-  
18 dend” each place it appears in the text and  
19 inserting “qualified income-related divi-  
20 dend”,

21 (ii) by striking “qualified net interest  
22 income” each place it appears in the text  
23 and inserting “qualified net income”,

(iii) by striking “qualified interest income” each place it appears in the text and inserting “qualified income”,

(iv) by striking “INTEREST-RELATED DIVIDENDS” in the heading thereof and inserting “QUALIFIED INCOME-RELATED DIVIDENDS”,

(v) by striking “INTEREST RELATED DIVIDEND” in the heading of subparagraph (C) and inserting “QUALIFIED INCOME-RELATED DIVIDEND”,

(vi) by striking “QUALIFIED NET INTEREST INCOME” in the heading of subparagraph (D) and inserting “QUALIFIED NET INCOME”, and

(vii) by striking “QUALIFIED INTEREST INCOME” in the heading of subparagraph (E) and inserting “QUALIFIED INCOME”.

(B) Paragraph (1) of section 881(e) of such Code is amended—

(i) by striking “interest-related dividend” each place it appears in subparagraphs (A) and (B) and inserting “qualified income-related dividend”,

1                   (ii) by striking “interest received” in  
2                   subparagraph (B)(ii) and inserting “inter-  
3                   est described in clause (ii) of section  
4                   871(k)(1)(E) (and not described in clause  
5                   (i), (iii), or (iv) of such section) received”,  
6                   (iii) by striking “interest-related divi-  
7                   dend received” in subparagraph (C) and  
8                   inserting “qualified income-related divi-  
9                   dend received from a regulated investment  
10                  company”,  
11                  (iv) by striking “clause (i) or (iii)” in  
12                  subparagraph (C) and inserting “clause  
13                  (i), (iii), or (iv)”, and  
14                  (v) by striking “INTEREST-RELATED  
15                  DIVIDENDS” in the heading thereof and in-  
16                  serting “QUALIFIED INCOME-RELATED  
17                  DIVIDENDS”.  
18       (c) EFFECTIVE DATE.—The amendments made by  
19       this section shall apply to dividends with respect to taxable  
20       years of regulated investment companies beginning after  
21       December 31, 2011.

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