

112TH CONGRESS
2D SESSION

H. R. 6544

To amend the Internal Revenue Code of 1986 to allow a deduction for patent box profit from the use of United States patents.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 21, 2012

Ms. SCHWARTZ introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow a deduction for patent box profit from the use of United States patents.

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 “Manufacturing Innova-
5 tion in America Act of 2012”.

6 **SEC. 2. DEDUCTION FOR PATENT BOX PROFITS.**

7 (a) IN GENERAL.—Part VI of subchapter B of chap-
8 ter 1 of the Internal Revenue Code of 1986 is amended
9 by adding at the end the following new section:

1 **“SEC. 200. PATENT BOX PROFITS.**

2 “(a) ALLOWANCE OF DEDUCTION.—If the taxpayer
3 elects the application of this section, there shall be allowed
4 as a deduction an amount equal to 71 percent of the lesser
5 of—

6 “(1) the patent box profit of the taxpayer for
7 the taxable year, or

8 “(2) taxable income (determined without regard
9 to this section) for the taxable year.

10 “(b) PATENT BOX PROFIT.—For purposes of this
11 section—

12 “(1) IN GENERAL.—Except as provided by
13 paragraph (9), the term ‘patent box profit’ means,
14 with respect to a taxable year, IP profit multiplied
15 by the ratio—

16 “(A) the numerator of which is the 5-year
17 research and development expenditures of the
18 taxpayer with respect to the taxable year, and

19 “(B) the denominator of which is the 5-
20 year total costs of the taxpayer with respect to
21 the taxable year.

22 “(2) IP PROFIT.—The term ‘IP profit’ means
23 the excess (if any) of—

24 “(A) patent gross receipts, over

25 “(B) the sum of—

1 “(i) the taxpayer’s cost of goods sold
2 for the taxable year that are properly allo-
3 cable to patent gross receipts,

4 “(ii) other expenses, losses, or deduc-
5 tions (other than the deduction allowed
6 under this section), which are properly al-
7 locable to patent gross receipts, plus

8 “(iii) routine profit.

9 “(3) ROUTINE PROFIT.—The term ‘routine
10 profit’ means—

11 “(A) the taxpayer’s cost of goods sold for
12 the taxable year properly allocable to patent
13 gross receipts reduced by the portion of cost of
14 goods sold related to the sum of cost of raw
15 materials, cost of items purchased for resale,
16 and amounts incurred for intangible property
17 rights (including royalties and amortization),
18 multiplied by

19 “(B) 15 percent.

20 “(4) ALLOCATION METHOD.—The Secretary
21 shall prescribe rules for the proper allocation of
22 items described in this paragraph for purposes of de-
23 termining patent box profit. Such rules shall provide
24 for the proper allocation of items whether or not

1 such items are directly allocable to patent gross re-
2 cepts.

3 “(5) SPECIAL RULES.—

4 “(A) DETERMINATION OF COSTS.—

5 “(i) IN GENERAL.—Cost shall be de-
6 termined in accordance with the principles
7 of sections 263A and 471, as provided for
8 by the Secretary under regulations or other
9 guidance.

10 “(ii) ITEMS BROUGHT INTO THE
11 UNITED STATES.—For purposes of deter-
12 mining cost of goods sold, any item or
13 service brought into the United States
14 shall be treated as acquired by purchase,
15 and its cost shall be treated as not less
16 than its value immediately after it entered
17 the United States. A similar rule shall
18 apply in determining the adjusted basis of
19 leased or rented property where the lease
20 or rental gives rise to patent gross re-
21 cepts.

22 “(iii) EXPORTS FOR FURTHER MANU-
23 FACTURE.—In the case of any property de-
24 scribed in clause (ii) that had been ex-
25 ported by the taxpayer for further manu-

1 facture, the increase in cost or adjusted
2 basis under subparagraph (A) shall not ex-
3 ceed the difference between the value of
4 the property when exported and the value
5 of the property when brought back into the
6 United States after the further manufac-
7 ture.

8 “(B) 5-YEAR RESEARCH AND DEVELOP-
9 MENT EXPENDITURES.—The term ‘5-year re-
10 search and development expenditures’ means
11 with respect to a taxable year the research and
12 development expenditures paid or incurred by
13 the taxpayer for the performance of research
14 and development in the United States for which
15 a deduction is allowed under subsection (a) or
16 (b) of section 174 (determined without regard
17 to section 41) for the 5-taxable-year period end-
18 ing with the taxable year.

19 “(C) 5-YEAR TOTAL COSTS.—The term ‘5-
20 year total costs’ means with respect to a taxable
21 year the excess of—

22 “(i) all costs paid or incurred by the
23 taxpayer for the 5-taxable year period end-
24 ing with such taxable year, over

25 “(ii) the sum of—

1 “(I) the taxpayer’s cost of goods
2 sold for such 5-taxable year period,

3 “(II) interest paid or accrued for
4 such 5-taxable year period,

5 “(III) taxes paid or accrued for
6 such 5-taxable year period, and

7 “(IV) the net gain or loss for
8 such 5-taxable year period from the
9 sale or exchange of capital assets.

10 “(D) RULES RELATING TO 5-YEAR PE-
11 RIOD.—For purposes of this paragraph—

12 “(i) NOT IN EXISTENCE FOR ENTIRE
13 5-YEAR PERIOD.—If the taxpayer was not
14 in existence for the entire 5-year period re-
15 ferred to in subparagraphs (B) and (C),
16 such subparagraphs shall be applied on the
17 basis of the period during which such tax-
18 payer was in existence.

19 “(ii) TREATMENT OF PREDE-
20 CESSORS.—Any reference in this para-
21 graph to a taxpayer shall include a ref-
22 erence to any predecessor of such taxpayer.

23 “(6) PATENT GROSS RECEIPTS.—

24 “(A) IN GENERAL.—The term ‘patent
25 gross receipts’ means gross receipts of the tax-

1 payer for the taxable year which are derived
2 from the sale, lease, license, or other disposition
3 of qualified patent property.

4 “(B) RELATED PERSONS.—

5 “(i) IN GENERAL.—The term ‘patent
6 gross receipts’ shall not include any gross
7 receipts of the taxpayer derived from prop-
8 erty leased, licensed, or rented by the tax-
9 payer for use by any related person.

10 “(ii) RELATED PERSON.—For pur-
11 poses of clause (i), a person shall be treat-
12 ed as related to another person if such per-
13 sons are treated as a single employer
14 under subsection (a) or (b) of section 52 or
15 subsection (m) or (o) of section 414, ex-
16 cept that determinations under subsections
17 (a) and (b) of section 52 shall be made
18 without regard to section 1563(b).

19 “(7) QUALIFIED PATENT PROPERTY.—

20 “(A) IN GENERAL.—The term ‘qualified
21 patent property’ means property which is a
22 product which incorporates a qualified patent or
23 patents—

24 “(i) if more than a substantial per-
25 centage of the value of the product is de-

1 rived from the direct or indirect use of one
2 or more qualified patents, and

3 “(ii) the gross receipts of the taxpayer
4 from the sale, lease, license, or other dis-
5 position of the product are domestic pro-
6 duction gross receipts under section
7 199(c)(4).

8 “(B) SPECIAL RULE RELATING TO CON-
9 TRACT MANUFACTURING.—For purposes of sub-
10 paragraph (A)(ii), if the product was produced
11 to the taxpayer’s specifications within the
12 United States under a contract, the taxpayer’s
13 gross receipts from the sale, lease, license or
14 other disposition of the product shall be treated
15 as domestic production gross receipts if the con-
16 tract manufacturer certifies to the taxpayer
17 that the contract manufacturer’s sale of such
18 product to the taxpayer resulted in domestic
19 production gross receipts of the contract manu-
20 facturer.

21 “(C) DOMESTIC PRODUCTION GROSS RE-
22 CEIPTS.—For purposes of this paragraph, the
23 term ‘domestic production gross receipts’ has
24 the meaning given such term by section
25 199(c)(4), except that the term ‘United States’

1 as defined in subsection (d)(7) of this section
2 shall be substituted for the term ‘United States’
3 as used in such section.

4 “(8) QUALIFIED PATENT.—

5 “(A) IN GENERAL.—The term ‘qualified
6 patent’ means a patent—

7 “(i) issued or extended by, or for
8 which an application is pending before, the
9 United States Patent and Trademark Of-
10 fice under title 35, United States Code,

11 “(ii) with respect to which—

12 “(I) the taxpayer is the patent
13 owner or the holder of an exclusive li-
14 cense to exploit the patent within a
15 specified territory or for a specific
16 purpose,

17 “(II) the taxpayer is actively in-
18 volved in the decision-making con-
19 nected with exploiting the patent, and

20 “(III) either the taxpayer or a
21 member of the affiliated group of
22 which the taxpayer is a member per-
23 formed substantial activity to develop
24 the patented invention, its application,

1 or a product incorporating the pat-
2 ented invention, and

3 “(iii) for any taxable year beginning
4 after the third taxable year beginning after
5 the date of the enactment of this section,
6 more than a substantial percentage of the
7 activity to develop the patented invention
8 or its application occurs in the United
9 States.

10 Clause (iii) shall not apply to a patent if a
11 member of the taxpayer’s affiliated group per-
12 formed more than a substantial percentage of
13 the activity to develop the patent outside the
14 United States prior to the end of such third
15 taxable year, and the taxpayer owns the patent
16 in the United States at the end of such third
17 taxable year.

18 “(B) SPECIAL RULE FOR CERTAIN FOR-
19 EIGN PATENTS.—If the taxpayer—

20 “(i) is the patent owner or the holder
21 of an exclusive license to exploit a patent
22 which meets the requirements of subpara-
23 graph (A),

24 “(ii) is issued or extended by a foreign
25 country a patent for the same or substan-

1 tially similar invention or application as
2 the patent described in clause (i), and

3 “(iii) is the owner of, or the holder of
4 an exclusive license to exploit, the foreign
5 patent described in clause (ii),

6 then the foreign patent described in clause (ii)
7 shall be treated as a qualified patent for pur-
8 poses of this section.

9 “(C) SPECIAL RULES RELATING TO LI-
10 CENSING.—

11 “(i) LICENSEE TAXPAYER.—In the
12 case of a license of a patent to the licensee
13 taxpayer, the patent shall not be treated as
14 a qualified patent in the hands of the li-
15 censee taxpayer unless the licensee satisfies
16 the requirements of subparagraph (A)(ii)
17 and the licensor—

18 “(I) certifies to the licensee (in
19 such form and manner as the Sec-
20 retary may prescribe) that the patent
21 satisfies the requirements of clauses
22 (i) and (iii) of subparagraph (A), and

23 “(II) provides to the licensee
24 such information as the Secretary

1 may require to determine whether the
2 patent is a qualified patent.

3 “(ii) LICENSOR TAXPAYER.—In the
4 case of a license of a qualified patent by
5 the licensor taxpayer, the amount of royal-
6 ties, profit shares, and similar amounts re-
7 ceived from the license that directly relate
8 to the production of qualified patent prop-
9 erty by the licensee taxpayer shall be treat-
10 ed as patent gross receipts if—

11 “(I) the licensor meets the re-
12 quirements of clause (i),

13 “(II) the licensor developed or
14 acquired and added substantial value
15 to the qualified patent, but only so
16 long as the licensor is regularly en-
17 gaged in the development and addi-
18 tion of substantial value to property
19 of such kind, and

20 “(III) the licensee certifies to the
21 licensor (in such form and manner as
22 the Secretary may prescribe) that the
23 royalty relates to the production of
24 qualified patent property by the li-
25 censee taxpayer.

1 “(D) SPECIAL RULES RELATING TO PAT-
2 ENT CLAIMS DENIED OR RULED INVALID.—

3 “(i) RECAPTURE.—If—

4 “(I) there is a recapture event
5 with respect to any claim contained in
6 a qualified patent, and

7 “(II) a deduction was allowed
8 under subsection (a) for any taxable
9 year with respect to such claim,
10 the tax imposed by this chapter for the
11 taxable year in which such recapture event
12 occurs shall be increased by the recapture
13 amount.

14 “(ii) RECAPTURE EVENT.—For pur-
15 poses of clause (i), the term ‘recapture
16 event’ means, with respect to a claim
17 that—

18 “(I) the patent does not issue on
19 the basis (in whole or in part) of such
20 claim, or

21 “(II) such claim is determined by
22 the United States Patent and Trade-
23 mark Office or a court of competent
24 jurisdiction not to be valid.

1 “(iii) RECAPTURE AMOUNT.—For
2 purposes of clause (i), the recapture
3 amount with respect to a claim is the sum
4 of—

5 “(I) the excess of the amount by
6 which—

7 “(aa) the total tax (deter-
8 mined without regard to sub-
9 section (a)) that would be shown
10 on returns of tax of the taxpayer
11 for all taxable years for which a
12 deduction was allowed under sub-
13 section (a) with respect to such
14 claim, exceeds

15 “(bb) the total tax shown on
16 all returns of tax of the taxpayer
17 for all taxable years for which a
18 deduction was allowed under sub-
19 section (a) with respect to such
20 claim, determined with regard to
21 subsection (a), plus

22 “(II) in the case of a recapture
23 event described in clause (ii)(I), inter-
24 est at the underpayment rate estab-
25 lished under section 6621 on the

1 amount determined under subclause
2 (I) for each prior taxable year for the
3 period beginning on the due date for
4 filing the return for the prior taxable
5 year involved.

6 “(9) ALTERNATIVE DETERMINATION OF PAT-
7 ENT BOX PROFIT.—

8 “(A) IN GENERAL.—In accordance with
9 regulations or other guidance provided by the
10 Secretary, the taxpayer may elect to determine
11 patent box profit as the amount equal to the
12 net income derived from patent gross receipts
13 related to exploitation of the qualified patent
14 that would be received for the taxable year if all
15 transactions of the taxpayer for the taxable
16 year were conducted at arm’s length under the
17 principles of section 482.

18 “(B) ELECTION.—An election under sub-
19 paragraph (A) for a taxable year shall apply
20 with respect to all qualified patents. Such elec-
21 tion, once made, may be revoked only with the
22 consent of the Secretary.

23 “(c) ALTERNATIVE METHOD FOR CERTAIN TAX-
24 PAYERS.—In the case of a taxpayer which meets the
25 \$5,000,000 gross receipts test of section 448(c) for the

1 taxable year, patent box profit shall be the greater of the
 2 amount determined under subsection (b) or 50 percent of
 3 IP profit.

4 “(d) DEFINITIONS AND SPECIAL RULES.—For pur-
 5 poses of this section—

6 “(1) APPLICATION OF SECTION TO PASS-THRU
 7 ENTITIES.—

8 “(A) PARTNERSHIPS AND S CORPORA-
 9 TIONS.—In the case of a partnership or S cor-
 10 poration—

11 “(i) the deduction under subsection
 12 (a) shall be determined at the partner or
 13 shareholder level,

14 “(ii) except as provided in clause (i),
 15 all determinations relating to receipts, ex-
 16 penses, and whether a patent is a qualified
 17 patent shall be made at the entity level,
 18 and

19 “(iii) each partner or shareholder
 20 shall take into account such person’s allo-
 21 cable share of each item described in
 22 clause (i) or (ii) of subsection (b)(2)(A)
 23 (determined without regard to whether the
 24 items described in such clause (i) exceed
 25 the items described in such clause (ii)).

1 “(B) TRUSTS AND ESTATES.—In the case
2 of a trust or estate—

3 “(i) the items referred to in subpara-
4 graph (A)(ii) (as determined therein) shall
5 be apportioned between the beneficiaries
6 and the fiduciary (and among the bene-
7 ficiaries) under regulations prescribed by
8 the Secretary, and

9 “(ii) for purposes of paragraph (2),
10 adjusted gross income of the trust or es-
11 tate shall be determined as provided in sec-
12 tion 67(e) with the adjustments described
13 in such paragraph.

14 “(C) APPLICATION TO INDIVIDUALS.—In
15 the case of an individual, subsection (a)(2) shall
16 be applied by substituting ‘adjusted gross in-
17 come’ for ‘taxable income’. For purposes of the
18 preceding sentence, adjusted gross income shall
19 be determined—

20 “(i) after application of sections 86,
21 135, 137, 199, 219, 221, 222, and 469,
22 and

23 “(ii) without regard to this section.

24 “(D) AGRICULTURAL AND HORTI-
25 CULTURAL COOPERATIVES.—

1 “(i) DEDUCTION ALLOWED TO PA-
2 TRONS.—Any person who receives a quali-
3 fied payment from a specified agricultural
4 or horticultural cooperative shall be al-
5 lowed for the taxable year in which such
6 payment is received a deduction under sub-
7 section (a) equal to the portion of the de-
8 duction allowed under subsection (a) to
9 such cooperative which is—

10 “(I) allowed with respect to the
11 portion of the patent box profit to
12 which such payment is attributable,
13 and

14 “(II) identified by such coopera-
15 tive in a written notice mailed to such
16 person during the payment period de-
17 scribed in section 1382(d).

18 “(ii) COOPERATIVE DENIED DEDUC-
19 TION FOR PORTION OF QUALIFIED PAY-
20 MENTS.—The taxable income of a specified
21 agricultural or horticultural cooperative
22 shall not be reduced under section 1382 by
23 reason of that portion of any qualified pay-
24 ment as does not exceed the deduction al-

1 lowable under clause (i) with respect to
2 such payment.

3 “(iii) TAXABLE INCOME OF COOPERA-
4 TIVES DETERMINED WITHOUT REGARD TO
5 CERTAIN DEDUCTIONS.—For purposes of
6 this section, the taxable income of a speci-
7 fied agricultural or horticultural coopera-
8 tive shall be computed without regard to
9 any deduction allowable under subsection
10 (b) or (c) of section 1382 (relating to pa-
11 tronage dividends, per-unit retain alloca-
12 tions, and nonpatronage distributions).

13 “(iv) SPECIAL RULE FOR MARKETING
14 COOPERATIVES.—For purposes of this sec-
15 tion, a specified agricultural or horti-
16 cultural cooperative described in clause
17 (vi)(II) shall be treated as having manufac-
18 tured, produced, grown, or extracted in
19 whole or significant part any qualifying
20 production property marketed by the orga-
21 nization which its patrons have so manu-
22 factured, produced, grown, or extracted.

23 “(v) QUALIFIED PAYMENT.—For pur-
24 poses of this paragraph, the term ‘qualified

1 payment' means, with respect to any per-
2 son, any amount which—

3 “(I) is described in paragraph (1)
4 or (3) of section 1385(a),

5 “(II) is received by such person
6 from a specified agricultural or horti-
7 cultural cooperative, and

8 “(III) is attributable to patent
9 box profits with respect to which a de-
10 duction is allowed to such cooperative
11 under subsection (a).

12 “(vi) SPECIFIED AGRICULTURAL OR
13 HORTICULTURAL COOPERATIVE.—For pur-
14 poses of this paragraph, the term ‘specified
15 agricultural or horticultural cooperative’
16 means an organization to which part I of
17 subchapter T applies which is the owner
18 of, or the holder of an exclusive license to
19 exploit, a qualified patent.

20 “(E) REGULATIONS.—The Secretary may
21 prescribe rules requiring or restricting the allo-
22 cation of items under this paragraph and may
23 prescribe such reporting requirements as the
24 Secretary determines appropriate.

1 “(2) SPECIAL RULE FOR AFFILIATED
2 GROUPS.—

3 “(A) IN GENERAL.—All members of an ex-
4 panded affiliated group shall be treated as a
5 single corporation for purposes of this section.

6 “(B) EXPANDED AFFILIATED GROUP.—
7 For purposes of this section, the term ‘ex-
8 panded affiliated group’ means an affiliated
9 group as defined in section 1504(a), deter-
10 mined—

11 “(i) by substituting ‘more than 50
12 percent’ for ‘at least 80 percent’ each place
13 it appears, and

14 “(ii) without regard to paragraphs (2)
15 and (4) of section 1504(b).

16 “(C) ALLOCATION OF DEDUCTION.—Ex-
17 cept as provided in regulations, the deduction
18 under subsection (a) shall be allocated among
19 the members of the expanded affiliated group in
20 proportion to each member’s respective amount
21 (if any) of patent box profit.

22 “(3) COORDINATION WITH MINIMUM TAX.—For
23 purposes of determining alternative minimum tax-
24 able income under section 55—

1 “(A) patent box profit shall be determined
2 without regard to any adjustments under sec-
3 tions 56 through 59, and

4 “(B) in the case of a corporation, sub-
5 section (a)(2) shall be applied by substituting
6 ‘alternative minimum taxable income’ for ‘tax-
7 able income’.

8 “(4) COORDINATION WITH DOMESTIC PRODUC-
9 TION ACTIVITIES DEDUCTION.—This section shall be
10 applied without regard to the deduction allowed
11 under section 199.

12 “(5) UNRELATED BUSINESS TAXABLE IN-
13 COME.—For purposes of determining the tax im-
14 posed by section 511, subsection (a)(2) shall be ap-
15 plied by substituting ‘unrelated business taxable in-
16 come’ for ‘taxable income’.

17 “(6) ACQUISITIONS AND DISPOSITIONS.—The
18 Secretary shall provide for the application of this
19 subsection in cases where the taxpayer acquires, or
20 disposes of, the major portion of a trade or business
21 or the major portion of a separate unit of a trade
22 or business during the taxable year.

23 “(7) UNITED STATES.—The term ‘United
24 States’ includes the District of Columbia, Puerto
25 Rico, the Virgin Islands, Guam, American Samoa,

1 the Commonwealth of the Northern Mariana Is-
2 lands, the Federated States of Micronesia, the Re-
3 public of the Marshall Islands, and Palau.

4 “(e) ELECTION.—

5 “(1) IN GENERAL.—The taxpayer may make an
6 election to have this section apply for any taxable
7 year.

8 “(2) PASS-THRU ENTITIES.—In the case of a
9 pass-thru entity, the election shall be made at the
10 partner or shareholder level.

11 “(3) REVOCATION.—An election under para-
12 graph (1), once made, may be revoked only with the
13 consent of the Secretary.

14 “(f) REGULATIONS.—The Secretary shall prescribe
15 such regulations as may be appropriate to carry out this
16 section, including regulations which prevent the abuse of
17 the purposes of this section.”.

18 (b) CONFORMING AMENDMENTS.—

19 (1) Section 56(d)(1)(A) of such Code is amend-
20 ed by striking “deduction under section 199” both
21 places it appears and inserting “deductions under
22 sections 199 and 200”.

23 (2) Section 56(g)(4)(C) of such Code is amend-
24 ed by adding at the end the following new clause:

1 “(vii) DEDUCTION FOR DOMESTIC
2 BUSINESS INCOME.—Clause (i) shall not
3 apply to any amount allowable as a deduc-
4 tion under section 200.”.

5 (3) The following provisions of such Code are
6 each amended by inserting “200,” after “199,”.

7 (A) Section 86(b)(2)(A).

8 (B) Section 135(c)(4)(A).

9 (C) Section 137(b)(3)(A).

10 (D) Section 219(g)(3)(A)(ii).

11 (E) Section 221(b)(2)(C)(i).

12 (F) Section 222 (b)(2)(C)(i).

13 (G) Section 246(b)(1).

14 (H) Section 469(i)(3)(F)(iii).

15 (4) Section 163(j)(6)(A)(i) of such Code is
16 amended by striking “and” at the end of subclause
17 (III) and by inserting after subclause (IV) the fol-
18 lowing new subclause:

19 “(V) any deduction allowable
20 under section 200, and”.

21 (5) Section 170(b)(2)(C) of such Code is
22 amended by striking “and” at the end of clause (iv),
23 by striking the period at the end of clause (v) and
24 inserting “, and”, and by inserting after clause (v)
25 the following new clause:

1 “(vi) section 200.”.

2 (6) Section 172(d) of such Code is amended by
3 adding at the end the following new paragraph:

4 “(8) DOMESTIC BUSINESS INCOME.—The de-
5 duction under section 200 shall not be allowed.”.

6 (7) Section 199(c) of such Code is amended by
7 adding at the end the following new paragraph:

8 “(8) COORDINATION WITH PATENT BOX PROF-
9 ITS DEDUCTION.—Qualified production activities in-
10 come, taxable income, and domestic production gross
11 receipts shall be determined without regard to sec-
12 tion 200.”.

13 (8) Section 199(d)(2)(B) of such Code is
14 amended by striking “this section” and inserting
15 “this section and section 200”.

16 (9) Section 613(a) of such Code is amended by
17 striking “deduction under section 199” and insert-
18 ing “deductions under sections 199 and 200”.

19 (10) Section 613A(d)(1) of such Code is
20 amended by redesignating subparagraphs (C), (D),
21 and (E) as subparagraphs (D), (E), and (F), respec-
22 tively, and by inserting after subparagraph (B) the
23 following new subparagraph:

24 “(C) any deduction allowable under section
25 200,”.

1 (11) Section 1402(a) of such Code is amended
2 by striking “and” at the end of paragraph (16), by
3 redesignating paragraph (17) as paragraph (18),
4 and by inserting after paragraph (16) the following
5 new paragraph:

6 “(17) the deduction provided by section 200
7 shall not be allowed; and”.

8 (c) CLERICAL AMENDMENT.—The table of sections
9 for part VI of subchapter B of chapter 1 of such Code
10 is amended by adding at the end the following new item:

“Sec. 200. Patent box profits.”.

11 (d) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to taxable years beginning after
13 the date of the enactment of this Act.

○