

113TH CONGRESS
1ST SESSION

H. R. 1555

To amend the Internal Revenue Code of 1986 to reduce international tax avoidance and restore a level playing field for American businesses.

IN THE HOUSE OF REPRESENTATIVES

APRIL 15, 2013

Mr. DOGGETT (for himself, Ms. BASS, Mr. BECERRA, Ms. CHU, Mr. CICILLINE, Mr. CONYERS, Mr. DEFazio, Ms. DEGETTE, Ms. DELAURO, Mr. DINGELL, Mr. ELLISON, Mr. JOHNSON of Georgia, Ms. LEE of California, Mr. McDERMOTT, Mr. MCGOVERN, Mr. MORAN, Mr. RUSH, Mr. SHERMAN, Mr. TONKO, Ms. TSONGAS, Mr. GARAMENDI, Ms. SCHAKOWSKY, Mr. PAYNE, and Mr. COHEN) 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 reduce international tax avoidance and restore a level playing field for American businesses.

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 “International Tax
5 Competitiveness Act of 2013”.

1 **SEC. 2. TREATMENT OF FOREIGN CORPORATIONS MAN-**
2 **AGED AND CONTROLLED IN THE UNITED**
3 **STATES AS DOMESTIC CORPORATIONS.**

4 (a) IN GENERAL.—Section 7701 of the Internal Rev-
5 enue Code of 1986 (relating to definitions) is amended by
6 redesignating subsection (p) as subsection (q) and by in-
7 serting after subsection (o) the following new subsection:

8 “(p) CERTAIN CORPORATIONS MANAGED AND CON-
9 TROLLED IN THE UNITED STATES TREATED AS DOMES-
10 TIC FOR INCOME TAX.—

11 “(1) IN GENERAL.—Notwithstanding subsection
12 (a)(4), in the case of a corporation described in
13 paragraph (2) if—

14 “(A) the corporation would not otherwise
15 be treated as a domestic corporation for pur-
16 poses of this title, but

17 “(B) the management and control of the
18 corporation occurs, directly or indirectly, pri-
19 marily within the United States,

20 then, solely for purposes of chapter 1 (and any other
21 provision of this title relating to chapter 1), the cor-
22 poration shall be treated as a domestic corporation.

23 “(2) CORPORATION DESCRIBED.—

24 “(A) IN GENERAL.—A corporation is de-
25 scribed in this paragraph if—

1 “(i) the stock of such corporation is
2 regularly traded on an established securi-
3 ties market, or

4 “(ii) the aggregate gross assets of
5 such corporation (or any predecessor there-
6 of), including assets under management
7 for investors, whether held directly or indi-
8 rectly, at any time during the taxable year
9 or any preceding taxable year is
10 \$50,000,000 or more.

11 “(B) GENERAL EXCEPTION.—A corpora-
12 tion shall not be treated as described in this
13 paragraph if—

14 “(i) such corporation was treated as a
15 corporation described in this paragraph in
16 a preceding taxable year,

17 “(ii) such corporation—

18 “(I) is not regularly traded on an
19 established securities market, and

20 “(II) has, and is reasonably ex-
21 pected to continue to have, aggregate
22 gross assets (including assets under
23 management for investors, whether
24 held directly or indirectly) of less than
25 \$50,000,000, and

1 “(iii) the Secretary grants a waiver to
2 such corporation under this subparagraph.

3 “(C) EXCEPTION FROM GROSS ASSETS
4 TEST.—Subparagraph (A)(ii) shall not apply to
5 a corporation which is a controlled foreign cor-
6 poration (as defined in section 957) and which
7 is a member of an affiliated group (as defined
8 section 1504, but determined without regard to
9 section 1504(b)(3)) the common parent of
10 which—

11 “(i) is a domestic corporation (deter-
12 mined without regard to this subsection),
13 and

14 “(ii) has substantial assets (other
15 than cash and cash equivalents and other
16 than stock of foreign subsidiaries) held for
17 use in the active conduct of a trade or
18 business in the United States.

19 “(3) MANAGEMENT AND CONTROL.—

20 “(A) IN GENERAL.—The Secretary shall
21 prescribe regulations for purposes of deter-
22 mining cases in which the management and
23 control of a corporation is to be treated as oc-
24 ccurring primarily within the United States.

1 “(B) EXECUTIVE OFFICERS AND SENIOR
2 MANAGEMENT.—Such regulations shall provide
3 that—

4 “(i) the management and control of a
5 corporation shall be treated as occurring
6 primarily within the United States if sub-
7 stantially all of the executive officers and
8 senior management of the corporation who
9 exercise day-to-day responsibility for mak-
10 ing decisions involving strategic, financial,
11 and operational policies of the corporation
12 are located primarily within the United
13 States, and

14 “(ii) individuals who are not executive
15 officers and senior management of the cor-
16 poration (including individuals who are of-
17 ficers or employees of other corporations in
18 the same chain of corporations as the cor-
19 poration) shall be treated as executive offi-
20 cers and senior management if such indi-
21 viduals exercise the day-to-day responsibil-
22 ities of the corporation described in clause
23 (i).

24 “(C) CORPORATIONS PRIMARILY HOLDING
25 INVESTMENT ASSETS.—Such regulations shall

1 also provide that the management and control
 2 of a corporation shall be treated as occurring
 3 primarily within the United States if—

4 “(i) the assets of such corporation (di-
 5 rectly or indirectly) consist primarily of as-
 6 sets being managed on behalf of investors,
 7 and

8 “(ii) decisions about how to invest the
 9 assets are made in the United States.”.

10 (b) EFFECTIVE DATE.—The amendments made by
 11 this section shall apply to taxable years beginning on or
 12 after the date which is 2 years after the date of the enact-
 13 ment of this Act.

14 **SEC. 3. CURRENT TAXATION OF ROYALTIES AND OTHER IN-**
 15 **COME FROM INTANGIBLES RECEIVED FROM**
 16 **A CONTROLLED FOREIGN CORPORATION.**

17 (a) REPEAL OF LOOK-THRU RULE FOR ROYALTIES
 18 RECEIVED FROM CONTROLLED FOREIGN CORPORA-
 19 TIONS.—Paragraph (6) of section 954(c) of the Internal
 20 Revenue Code of 1986 is amended—

21 (1) by striking “rents, and royalties” in sub-
 22 paragraph (A) and inserting “and rents”, and

23 (2) by striking “, rent, or royalty” both places
 24 it appears in subparagraph (B) and inserting “or
 25 rent”.

1 (b) ENTITIES NOT PERMITTED TO BE DIS-
2 REGARDED IN DETERMINING ROYALTIES.—Subsection (c)
3 of section 954 of such Code is amended by adding at the
4 end the following new paragraph:

5 “(7) ALL ROYALTIES TAKEN INTO ACCOUNT.—
6 For purposes of determining the foreign personal
7 holding company income which consists of royalties,
8 this subsection shall be applied without regard to
9 any election to disregard any entity which would be
10 taken into account for Federal income tax purposes
11 but for such election.”.

12 (c) CERTAIN OTHER INCOME DERIVED FROM
13 UNITED STATES INTANGIBLES TAKEN INTO ACCOUNT AS
14 SUBPART F INCOME.—Subsection (d) of section 954 of
15 such Code is amended by adding at the end the following
16 new paragraph:

17 “(5) SPECIAL RULE FOR CERTAIN PRODUCTS
18 PRODUCED PURSUANT TO INTANGIBLES MADE
19 AVAILABLE BY UNITED STATES PERSONS.—For pur-
20 poses of this subsection, personal property shall be
21 treated as having been purchased from a related per-
22 son if any intangible property (within the meaning
23 of section 936(h)(3)(B)) made available to a con-
24 trolled foreign corporation, directly or indirectly, by
25 a related person which is a United States person

1 contributes, directly or indirectly, to the production
 2 of such personal property by the controlled foreign
 3 corporation. The preceding sentence shall not apply
 4 to any personal property produced directly by the
 5 controlled foreign corporation, without regard to any
 6 election to disregard any entity which would be
 7 taken into account for Federal income tax purposes
 8 but for such election.”.

9 (d) EFFECTIVE DATE.—The amendments made by
 10 this section shall apply to taxable years of foreign corpora-
 11 tions beginning after December 31, 2013, and to taxable
 12 years of United States shareholders within which or with
 13 which such tax years of such foreign corporations end.

14 **SEC. 4. TAXATION OF BOOT RECEIVED IN REORGANIZA-**
 15 **TIONS.**

16 (a) IN GENERAL.—Paragraph (2) of section 356(a)
 17 of the Internal Revenue Code of 1986 is amended—

18 (1) by striking “If an exchange” and inserting
 19 “Except as otherwise provided by the Secretary—

20 “(A) IN GENERAL.—If an exchange”;

21 (2) by striking “then there shall be” and all
 22 that follows through “February 28, 1913” and in-
 23 serting “then the amount of other property or
 24 money shall be treated as a dividend to the extent
 25 of the earnings and profits of the corporation”; and

1 (3) by adding at the end the following new sub-
2 paragraph:

3 “(B) CERTAIN REORGANIZATIONS.—In the
4 case of a reorganization described in section
5 368(a)(1)(D) with respect to which the require-
6 ments of subparagraphs (A) and (B) of section
7 354(b)(1) are met (or any other reorganization
8 specified by the Secretary), in applying sub-
9 paragraph (A)—

10 “(i) the earnings and profits of each
11 corporation which is a party to the reorga-
12 nization shall be taken into account, and

13 “(ii) the amount which is a dividend
14 (and source thereof) shall be determined
15 under rules similar to the rules of para-
16 graphs (2) and (5) of section 304(b).”.

17 (b) EARNINGS AND PROFITS.—Paragraph (7) of sec-
18 tion 312(n) of such Code is amended by adding at the
19 end the following: “A similar rule shall apply to an ex-
20 change to which section 356(a)(1) applies.”.

21 (c) CONFORMING AMENDMENT.—Paragraph (1) of
22 section 356(a) of such Code is amended by striking “then
23 the gain” and inserting “then (except as provided in para-
24 graph (2)) the gain”.

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to exchanges after the date of the
3 enactment of this Act.

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