

113TH CONGRESS
2D SESSION

H. R. 4985

To amend the Internal Revenue Code of 1986 to modify the rules relating to inverted corporations and to transfer the resulting revenues to the Highway Trust Fund.

IN THE HOUSE OF REPRESENTATIVES

JUNE 26, 2014

Mr. VAN HOLLEN (for himself, Mr. LEVIN, Mr. BECERRA, Mr. DANNY K. DAVIS of Illinois, Mr. RANGEL, Mr. McDERMOTT, Ms. SCHWARTZ, Mr. BLUMENAUER, Mr. DOGETT, Mr. LANGEVIN, Ms. DELAURO, Ms. SLAUGHTER, Mr. GEORGE MILLER of California, Ms. SHEA-PORTER, Mr. CARTWRIGHT, Ms. SCHAKOWSKY, Mr. HUFFMAN, Mr. DEFazio, Ms. ROYBAL-ALLARD, Mr. MICHAUD, Mr. GARAMENDI, Ms. DUCKWORTH, Ms. ESTY, Mr. LOWENTHAL, Mr. CÁRDENAS, Mr. HECK of Washington, Mr. RUSH, Ms. MATSUI, Mr. POCAN, Mr. NOLAN, Mr. SIRES, Ms. VELÁZQUEZ, Mr. SERRANO, Mrs. CAROLYN B. MALONEY of New York, Mr. CONNOLLY, Mr. WELCH, Ms. EDWARDS, Mr. COURTNEY, Mrs. NEGRETE McLEOD, Mr. HORSFORD, Mr. VARGAS, Ms. NORTON, Ms. CLARK of Massachusetts, and Mr. WALZ) 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 modify the rules relating to inverted corporations and to transfer the resulting revenues to the Highway Trust Fund.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Stop Corporate Expa-
3 triation and Invest in America’s Infrastructure Act of
4 2014”.

5 **SEC. 2. MODIFICATIONS TO RULES RELATING TO IN-**
6 **VERTED CORPORATIONS.**

7 (a) IN GENERAL.—Subsection (b) of section 7874 of
8 the Internal Revenue Code of 1986 is amended to read
9 as follows:

10 “(b) INVERTED CORPORATIONS TREATED AS DO-
11 MESTIC CORPORATIONS.—

12 “(1) IN GENERAL.—Notwithstanding section
13 7701(a)(4), a foreign corporation shall be treated for
14 purposes of this title as a domestic corporation if—

15 “(A) such corporation would be a surro-
16 gate foreign corporation if subsection (a)(2)
17 were applied by substituting ‘80 percent’ for
18 ‘60 percent’, or

19 “(B) such corporation is an inverted do-
20 mestic corporation.

21 “(2) INVERTED DOMESTIC CORPORATION.—For
22 purposes of this subsection, a foreign corporation
23 shall be treated as an inverted domestic corporation
24 if, pursuant to a plan (or a series of related trans-
25 actions)—

1 “(A) the entity completes after May 8,
2 2014, the direct or indirect acquisition of—

3 “(i) substantially all of the properties
4 held directly or indirectly by a domestic
5 corporation, or

6 “(ii) substantially all of the assets of,
7 or substantially all of the properties consti-
8 tuting a trade or business of, a domestic
9 partnership, and

10 “(B) after the acquisition, either—

11 “(i) more than 50 percent of the stock
12 (by vote or value) of the entity is held—

13 “(I) in the case of an acquisition
14 with respect to a domestic corpora-
15 tion, by former shareholders of the
16 domestic corporation by reason of
17 holding stock in the domestic corpora-
18 tion, or

19 “(II) in the case of an acquisition
20 with respect to a domestic partner-
21 ship, by former partners of the do-
22 mestic partnership by reason of hold-
23 ing a capital or profits interest in the
24 domestic partnership, or

1 “(ii) the management and control of
2 the expanded affiliated group which in-
3 cludes the entity occurs, directly or indi-
4 rectly, primarily within the United States,
5 and such expanded affiliated group has
6 significant domestic business activities.

7 “(3) EXCEPTION FOR CORPORATIONS WITH
8 SUBSTANTIAL BUSINESS ACTIVITIES IN FOREIGN
9 COUNTRY OF ORGANIZATION.—A foreign corporation
10 described in paragraph (2) shall not be treated as an
11 inverted domestic corporation if after the acquisition
12 the expanded affiliated group which includes the en-
13 tity has substantial business activities in the foreign
14 country in which or under the law of which the enti-
15 ty is created or organized when compared to the
16 total business activities of such expanded affiliated
17 group. For purposes of subsection (a)(2)(B)(iii) and
18 the preceding sentence, the term ‘substantial busi-
19 ness activities’ shall have the meaning given such
20 term under regulations in effect on May 8, 2014, ex-
21 cept that the Secretary may issue regulations in-
22 creasing the threshold percent in any of the tests
23 under such regulations for determining if business
24 activities constitute substantial business activities for
25 purposes of this paragraph.

1 “(4) MANAGEMENT AND CONTROL.—For pur-
2 poses of paragraph (2)(B)(ii)—

3 “(A) IN GENERAL.—The Secretary shall
4 prescribe regulations for purposes of deter-
5 mining cases in which the management and
6 control of an expanded affiliated group is to be
7 treated as occurring, directly or indirectly, pri-
8 marily within the United States. The regula-
9 tions prescribed under the preceding sentence
10 shall apply to periods after May 8, 2014.

11 “(B) EXECUTIVE OFFICERS AND SENIOR
12 MANAGEMENT.—Such regulations shall provide
13 that the management and control of an ex-
14 panded affiliated group shall be treated as oc-
15 curring, directly or indirectly, primarily within
16 the United States if substantially all of the ex-
17 ecutive officers and senior management of the
18 expanded affiliated group who exercise day-to-
19 day responsibility for making decisions involving
20 strategic, financial, and operational policies of
21 the expanded affiliated group are based or pri-
22 marily located within the United States. Indi-
23 viduals who in fact exercise such day-to-day re-
24 sponsibilities shall be treated as executive offi-

1 cers and senior management regardless of their
2 title.

3 “(5) SIGNIFICANT DOMESTIC BUSINESS ACTIVI-
4 TIES.—For purposes of paragraph (2)(B)(ii), an ex-
5 panded affiliated group has significant domestic
6 business activities if at least 25 percent of—

7 “(A) the employees of the group are based
8 in the United States,

9 “(B) the employee compensation incurred
10 by the group is incurred with respect to employ-
11 ees based in the United States,

12 “(C) the assets of the group are located in
13 the United States, or

14 “(D) the income of the group is derived in
15 the United States,

16 determined in the same manner as such determina-
17 tions are made for purposes of determining substan-
18 tial business activities under regulations referred to
19 in paragraph (3) as in effect on May 8, 2014, but
20 applied by treating all references in such regulations
21 to ‘foreign country’ and ‘relevant foreign country’ as
22 references to ‘the United States’. The Secretary may
23 issue regulations decreasing the threshold percent in
24 any of the tests under such regulations for deter-
25 mining if business activities constitute significant

1 domestic business activities for purposes of this
2 paragraph.”.

3 (b) CONFORMING AMENDMENTS.—

4 (1) Clause (i) of section 7874(a)(2)(B) of such
5 Code is amended by striking “after March 4, 2003,”
6 and inserting “after March 4, 2003, and before May
7 9, 2014,”.

8 (2) Subsection (c) of section 7874 of such Code
9 is amended—

10 (A) in paragraph (2)—

11 (i) by striking “subsection
12 (a)(2)(B)(ii)” and inserting “subsections
13 (a)(2)(B)(ii) and (b)(2)(B)(i)”, and

14 (ii) by inserting “or (b)(2)(A)” after
15 “(a)(2)(B)(i)” in subparagraph (B),

16 (B) in paragraph (3), by inserting “or
17 (b)(2)(B)(i), as the case may be,” after
18 “(a)(2)(B)(ii),”

19 (C) in paragraph (5), by striking “sub-
20 section (a)(2)(B)(ii)” and inserting “sub-
21 sections (a)(2)(B)(ii) and (b)(2)(B)(i)”, and

22 (D) in paragraph (6), by inserting “or in-
23 verted domestic corporation, as the case may
24 be,” after “surrogate foreign corporation”.

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to taxable years ending after May
 3 8, 2014.

4 **SEC. 3. TRANSFERS TO HIGHWAY TRUST FUND.**

5 (a) IN GENERAL.—Section 9503(f) of the Internal
 6 Revenue Code of 1986 is amended by redesignating para-
 7 graph (5) as paragraph (6) and by inserting after para-
 8 graph (4) the following new paragraph:

9 “(5) ADDITIONAL APPROPRIATIONS TO TRUST
 10 FUND.—Out of money in the Treasury not otherwise
 11 appropriated, there is hereby appropriated—

12 “(A) \$15,566,000,000 to the Highway Ac-
 13 count (as defined in subsection (e)(5)(B)) in
 14 the Highway Trust Fund, and

15 “(B) \$3,891,000,000 to the Mass Transit
 16 Account in the Highway Trust Fund.”.

17 (b) EFFECTIVE DATE.—The amendments made by
 18 this section shall take effect on the date of the enactment
 19 of this Act.

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