

113TH CONGRESS  
1ST SESSION

# S. 1844

To restore full military retirement benefits by closing corporate tax loopholes.

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## IN THE SENATE OF THE UNITED STATES

DECEMBER 17, 2013

Mrs. SHAHEEN (for herself, Mr. SCHATZ, Mr. WARNER, Mr. UDALL of New Mexico, Mr. REED, Ms. HIRONO, Mr. SANDERS, Mr. FRANKEN, Mr. BLUMENTHAL, Mr. MERKLEY, Ms. WARREN, Mr. KAINE, Mr. KING, Mr. BEGICH, Mr. UDALL of Colorado, Ms. KLOBUCHAR, and Ms. LANDRIEU) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To restore full military retirement benefits by closing  
corporate tax loopholes.

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 “Military Retirement  
5 Restoration Act”.

### 6 **SEC. 2. REPEAL OF REDUCTIONS MADE BY BIPARTISAN** 7 **BUDGET ACT OF 2013.**

8 Section 403 of the Bipartisan Budget Act of 2013  
9 is repealed as of the date of the enactment of such Act.

1 **SEC. 3. 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 is amended by redesignating subsection  
 6 (p) as subsection (q) and by inserting after subsection (o)  
 7 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 “(3) MANAGEMENT AND CONTROL.—

4 “(A) IN GENERAL.—The Secretary shall  
5 prescribe regulations for purposes of deter-  
6 mining cases in which the management and  
7 control of a corporation is to be treated as oc-  
8 ccurring primarily within the United States.

9 “(B) EXECUTIVE OFFICERS AND SENIOR  
10 MANAGEMENT.—Such regulations shall provide  
11 that—

12 “(i) the management and control of a  
13 corporation shall be treated as occurring  
14 primarily within the United States if sub-  
15 stantially all of the executive officers and  
16 senior management of the corporation who  
17 exercise day-to-day responsibility for mak-  
18 ing decisions involving strategic, financial,  
19 and operational policies of the corporation  
20 are located primarily within the United  
21 States, and

22 “(ii) individuals who are not executive  
23 officers and senior management of the cor-  
24 poration (including individuals who are of-  
25 ficers or employees of other corporations in

1 the same chain of corporations as the cor-  
 2 poration) shall be treated as executive offi-  
 3 cers and senior management if such indi-  
 4 viduals exercise the day-to-day responsibil-  
 5 ities of the corporation described in clause  
 6 (i).

7 “(C) CORPORATIONS PRIMARILY HOLDING  
 8 INVESTMENT ASSETS.—Such regulations shall  
 9 also provide that the management and control  
 10 of a corporation shall be treated as occurring  
 11 primarily within the United States if—

12 “(i) the assets of such corporation (di-  
 13 rectly or indirectly) consist primarily of as-  
 14 sets being managed on behalf of investors,  
 15 and

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

18 (b) EFFECTIVE DATE.—The amendments made by  
 19 this section shall apply to taxable years beginning on or  
 20 after the date which is 2 years after the date of the enact-  
 21 ment of this Act, whether or not regulations are issued  
 22 under section 7701(p)(3) of the Internal Revenue Code  
 23 of 1986, as added by this section.

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