

114TH CONGRESS
1ST SESSION

H. R. 2115

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

IN THE HOUSE OF REPRESENTATIVES

APRIL 29, 2015

Mr. PAULSEN 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 expand and make permanent rules related to investment by nonresident aliens in domestic mutual funds and business development companies.

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.—

1 (1) INTEREST-RELATED DIVIDENDS.—Subpara-
2 graph (C) of section 871(k)(1) of the Internal Rev-
3 enue Code of 1986 is amended by striking clause
4 (v).

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

8 (b) EXPANSION OF EXEMPTION FOR INTEREST-RE-
9 LATED DIVIDENDS.—

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

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

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

22 “(v) Any other amount includible in
23 gross income that is determined by ref-
24 erence to an interest rate and that would
25 not be subject to withholding under section

1 1441 if received by a nonresident alien in-
2 dividual.

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

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

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

16 (3) CONFORMING AMENDMENTS.—

17 (A) Paragraph (1) of section 871(k) of
18 such Code is amended—

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

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

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

4 (iv) by striking “INTEREST-RELATED
5 DIVIDENDS” in the heading thereof and in-
6 serting “QUALIFIED INCOME-RELATED
7 DIVIDENDS”,

8 (v) by striking “INTEREST RELATED
9 DIVIDEND” in the heading of subparagraph
10 (C) and inserting “QUALIFIED INCOME-RE-
11 LATED DIVIDEND”,

12 (vi) by striking “QUALIFIED NET IN-
13 TEREST INCOME” in the heading of sub-
14 paragraph (D) and inserting “QUALIFIED
15 NET INCOME”, and

16 (vii) by striking “QUALIFIED INTER-
17 EST INCOME” in the heading of subpara-
18 graph (E) and inserting “QUALIFIED IN-
19 COME”.

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

22 (i) by striking “interest-related divi-
23 dend” each place it appears in subpara-
24 graphs (A) and (B) and inserting “quali-
25 fied 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, 2014.

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