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S. 1486

To amend the Internal Revenue Code of 1986 to provide a tax credit to Patriot employers, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 2, 2015

Mr. DURBIN (for himself, Mr. BROWN, Mr. REED, Ms. WARREN, Mr. SANDERS, and Ms. BALDWIN) introduced the following bill; which was read twice and referred to the Committee on Finance

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A BILL

To amend the Internal Revenue Code of 1986 to provide a tax credit to Patriot employers, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ‘‘Patriot Employer Tax Credit Act’’.

SEC. 2. PATRIOT EMPLOYER TAX CREDIT.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

"SEC. 45S. PATRIOT EMPLOYER TAX CREDIT.

"(a) DETERMINATION OF AMOUNT.—

"(1) IN GENERAL.—For purposes of section 38, the Patriot employer credit determined under this section with respect to any taxpayer who is a Patriot employer for any taxable year shall be equal to 10 percent of the qualified wages paid or incurred by the Patriot employer.

"(2) LIMITATION.—The amount of qualified wages which may be taken into account under paragraph (1) with respect to any employee for any taxable year shall not exceed $15,000.

"(b) PATRIOT EMPLOYER.—

"(1) IN GENERAL.—For purposes of subsection (a), the term 'Patriot employer' means, with respect to any taxable year, any taxpayer—

"(A) which—

"(i) maintains its headquarters in the United States if the taxpayer (or any predecessor) has ever been headquartered in the United States, and

"(ii) is not (and no predecessor of which is) an expatriated entity (as defined in section 7874(a)(2)) for the taxable year or any preceding taxable year ending after March 4, 2003, "(B) with respect to which no assessable payment has been imposed under section 4980H with respect to any month occurring during the taxable year, and

"(C) in the case of—

"(i) a taxpayer which employs an average of more than 50 employees on business days during the taxable year, which—

"(I) provides compensation for at least 90 percent of its employees for services provided by such employees during the taxable year at an hourly rate (or equivalent thereof) not less than an amount equal to 156 percent of the Federal poverty level for a family of three for the calendar year in which the taxable year begins divided by 2,080,

"(II) meets the retirement plan requirements of subsection (c) with respect to at least 90 percent of its employees providing services during the taxable year who are not highly compensated employees, and

"(III) meets the additional requirements of subparagraphs (A) and (B) of paragraph (2), or

"(ii) any other taxpayer, which meets the requirements of either subclause (I) or (II) of clause (i) for the taxable year.

"(2) ADDITIONAL REQUIREMENTS FOR LARGE EMPLOYERS.—

"(A) UNITED STATES EMPLOYMENT.—The requirements of this subparagraph are met for any taxable year if—

"(i) in any case in which the taxpayer increases the number of employees performing substantially all of their services for the taxable year outside the United States, the taxpayer either—

"(I) increases the number of employees performing substantially all of their services inside the United States by an amount not less than the increase in such number for employees outside the United States, or

"(II) has a percentage increase in such employees inside the United States which is not less than the percentage increase in such employees outside the United States,

"(ii) in any case in which the taxpayer decreases the number of employees performing substantially all of their services for the taxable year inside the United States, the taxpayer either—

"(I) decreases the number of employees performing substantially all of their services outside the United States by an amount not less than the decrease in such number for employees inside the United States, or

"(II) has a percentage decrease in employees outside the United States which is not less than the percentage decrease in such employees inside the United States, and

"(iii) there is not a decrease in the number of employees performing substantially all of their services for the taxable year inside the United States by reason of the taxpayer contracting out such services to persons who are not employees of the taxpayer.

"(B) TREATMENT OF INDIVIDUALS IN THE UNIFORMED SERVICES AND THE DISABLED.—The requirements of this subparagraph are met for any taxable year if—

"(i) the taxpayer provides differential wage payments (as defined in section 3401(h)(2)) to each employee described in section 3401(h)(2)(A) for any period during the taxable year in an amount not less than the difference between the wages which would have been received from the employer during such period and the amount of pay and allowances which the employee receives for service in the uniformed services during such period, and

"(ii) the taxpayer has in place at all times during the taxable year a written policy for the recruitment of employees who have served in the uniformed services or who are disabled.

"(3) SPECIAL RULES FOR APPLYING THE MINIMUM WAGE AND RETIREMENT PLAN REQUIREMENTS.—

"(A) MINIMUM WAGE.—In determining whether the minimum wage requirements of paragraph (1)(C)(i)(I) are met with respect to 90 percent of a taxpayer's employees for any taxable year—

"(i) a taxpayer may elect to exclude from such determination apprentices or learners that an employer may exclude under the regulations under section 14(a) of the Fair Labor Standards Act of 1938, and

"(ii) if a taxpayer meets the requirements of paragraph (2)(B)(i) with respect to providing differential wage payments to any employee for any period (without regard to whether such requirements apply to the taxpayer), the hourly rate (or equivalent thereof) for such payments shall be determined on the basis of the wages which would have been paid by the employer during such period if the employee had not been providing service in the uniformed services.

"(B) RETIREMENT PLAN.—In determining whether the retirement plan requirements of paragraph (1)(C)(i)(II) are met with respect to 90 percent of a taxpayer's employees for any taxable year, a taxpayer may elect to exclude from such determination—

"(i) employees not meeting the age or service requirements under section 410(a)(1) (or such lower age or service requirements as the employer provides), and

"(ii) employees described in section 410(b)(3).

"(c) RETIREMENT PLAN REQUIREMENTS.—

"(1) IN GENERAL.—The requirements of this subsection are met for any taxable year with respect to an employee of the taxpayer who is not a highly compensated employee if the employee is eligible to participate in 1 or more applicable eligible retirement plans maintained by the employer for a plan year ending with or within the taxable year.

"(2) APPLICABLE ELIGIBLE RETIREMENT PLAN.—For purposes of this subsection, the term 'applicable eligible retirement plan' means an eligible retirement plan which, with respect to the plan year described in paragraph (1), is either—

"(A) a defined contribution plan which—

"(i) requires the employer to make nonelective contributions of at least 5 percent of the compensation of the employee, or

"(ii) both—

"(I) includes an eligible automatic contribution arrangement (as defined in section 414(w)(3)) under which the uniform percentage described in section 414(w)(3)(B) is at least 5 percent, and

"(II) requires the employer to make matching contributions of 100 percent of the elective deferrals (as defined in section 414(u)(2)(C)) of the employee to the extent such deferrals do not exceed the percentage specified by the plan (not less than 5 percent) of the employee's compensation, or

"(B) a defined benefit plan—

"(i) with respect to which the accrued benefit of the employee derived from employer contributions, when expressed as an annual retirement benefit, is not less than the product of—

"(I) the lesser of 2 percent multiplied by the employee's years of service (determined under the rules of paragraphs (4), (5), and (6) of section 411(a)) with the employer or 20 percent, multiplied by

"(II) the employee's final average pay, or

"(ii) which is an applicable defined benefit plan (as defined in section 411(a)(13)(B))—

"(I) which meets the interest credit requirements of section 411(b)(5)(B)(i) with respect to the plan year, and

"(II) under which the employee receives a pay credit for the plan year which is not less than 5 percent of compensation.

"(3) DEFINITIONS AND SPECIAL RULES.—For purposes of this subsection—

"(A) ELIGIBLE RETIREMENT PLAN.—The term 'eligible retirement plan' has the meaning given such term by section 402(c)(8)(B), except that in the case of an account or annuity described in clause (i) or (ii) thereof, such term shall only include an account or annuity which is a simplified employee pension (as defined in section 408(k)).

"(B) FINAL AVERAGE PAY.—For purposes of paragraph (2)(B)(i)(II), final average pay shall be determined using the period of consecutive years (not exceeding 5) during which the employee had the greatest compensation from the taxpayer.

"(C) ALTERNATIVE PLAN DESIGNS.—The Secretary may prescribe regulations for a taxpayer to meet the requirements of this subsection through a combination of defined contribution plans or defined benefit plans described in paragraph (1) or through a combination of both such types of plans.

"(D) PLANS MUST MEET REQUIREMENTS WITHOUT TAKING INTO ACCOUNT SOCIAL SECURITY AND SIMILAR CONTRIBUTIONS AND BENEFITS.—A rule similar to the rule of section 416(e) shall apply.

"(d) QUALIFIED WAGES AND COMPENSATION.—For purposes of this section—

"(1) IN GENERAL.—The term 'qualified wages' means wages (as defined in section 51(c), determined without regard to paragraph (4) thereof) paid or incurred by the Patriot employer during the taxable year to employees—

"(A) who perform substantially all of their services for such Patriot employer inside the United States, and

"(B) with respect to whom—

"(i) in the case of a Patriot employer which employs an average of more than 50 employees on business days during the taxable year, the requirements of subclauses (I) and (II) of subsection (b)(1)(C)(i) are met, and

"(ii) in the case of any other Patriot employer, the requirements of either subclause (I) or (II) of subsection (b)(1)(C)(i) are met.

"(2) SPECIAL RULES FOR AGRICULTURAL LABOR AND RAILWAY LABOR.—Rules similar to the rules of section 51(h) shall apply.

"(3) COMPENSATION.—For purposes of subsections (b)(1)(C)(i)(I) and (c), the term 'compensation' has the same meaning as qualified wages, except that section 51(c)(2) shall be disregarded in determining the amount of such wages.

"(e) AGGREGATION RULES.—For purposes of this section—

"(1) IN GENERAL.—All persons treated as a single employer under subsection (a) or (b) of section 52 shall be treated as a single taxpayer.

"(2) SPECIAL RULES FOR CERTAIN REQUIREMENTS.—For purposes of applying paragraphs (1)(A) and (2)(A) of subsection (b)—

"(A) the determination under subsections (a) and (b) of section 52 for purposes of paragraph (1) shall be made without regard to section 1563(b)(2)(C) (relating to exclusion of foreign corporations), and

"(B) if any person treated as a single taxpayer under this subsection (after application of subparagraph (A)), or any predecessor of such person, was an expatriated entity (as defined in section 7874(a)(2)) for any taxable year ending after March 4, 2003, then all persons treated as a single taxpayer with such person shall be treated as expatriated entities.

"(f) ELECTION TO HAVE CREDIT NOT APPLY.—

"(1) IN GENERAL.—A taxpayer may elect to have this section not apply for any taxable year.

"(2) TIME FOR MAKING ELECTION.—An election under paragraph (1) for any taxable year may be made (or revoked) at any time before the expiration of the 3-year period beginning on the last date prescribed by law for filing the return for such taxable year (determined without regard to extensions).

"(3) MANNER OF MAKING ELECTION.—An election under paragraph (1) (or revocation thereof) shall be made in such manner as the Secretary may by regulations prescribe.".

(b) ALLOWANCE AS GENERAL BUSINESS CREDIT.—Section 38(b) of the Internal Revenue Code of 1986 is amended by striking "plus" at the end of paragraph (35), by striking the period at the end of paragraph (36) and inserting ", plus", and by adding at the end the following:

"(37) in the case of a Patriot employer (as defined in section 45S(b)) for any taxable year, the Patriot employer credit determined under section 45S(a).".

(c) DENIAL OF DOUBLE BENEFIT.—Subsection (a) of section 280C of the Internal Revenue Code of 1986 is amended by inserting "45S(a)," after "45P(a)".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2015.

SEC. 3. DEFER DEDUCTION OF INTEREST EXPENSE RELATED TO DEFERRED INCOME.

(a) IN GENERAL.—Section 163 of the Internal Revenue Code of 1986 (relating to deductions for interest expense) is amended by redesignating subsection (n) as subsection (o) and by inserting after subsection (m) the following new subsection:

"(n) DEFERRAL OF DEDUCTION FOR INTEREST EXPENSE RELATED TO DEFERRED INCOME.—

"(1) GENERAL RULE.—The amount of foreign-related interest expense of any taxpayer allowed as a deduction under this chapter for any taxable year shall not exceed an amount equal to the applicable percentage of the sum of—

"(A) the taxpayer's foreign-related interest expense for the taxable year, plus

"(B) the taxpayer's deferred foreign-related interest expense.

For purposes of the paragraph, the applicable percentage is the percentage equal to the current inclusion ratio.

"(2) TREATMENT OF DEFERRED DEDUCTIONS.—If, for any taxable year, the amount of the limitation determined under paragraph (1) exceeds the taxpayer's foreign-related interest expense for the taxable year, there shall be allowed as a deduction for the taxable year an amount equal to the lesser of—

"(A) such excess, or

"(B) the taxpayer's deferred foreign-related interest expense.

"(3) DEFINITIONS AND SPECIAL RULE.—For purposes of this subsection—

"(A) FOREIGN-RELATED INTEREST EXPENSE.—The term 'foreign-related interest expense' means, with respect to any taxpayer for any taxable year, the amount which bears the same ratio to the amount of interest expense for such taxable year allocated and apportioned under sections 861, 864(e), and 864(f) to income from sources outside the United States as—

"(i) the value of all stock held by the taxpayer in all section 902 corporations with respect to which the taxpayer meets the ownership requirements of subsection (a) or (b) of section 902, bears to

"(ii) the value of all assets of the taxpayer which generate gross income from sources outside the United States.

"(B) DEFERRED FOREIGN-RELATED INTEREST EXPENSE.—The term 'deferred foreign-related interest expense' means the excess, if any, of the aggregate foreign-related interest expense for all prior taxable years beginning after December 31, 2015, over the aggregate amount allowed as a deduction under paragraphs (1) and (2) for all such prior taxable years.

"(C) VALUE OF ASSETS.—Except as otherwise provided by the Secretary, for purposes of subparagraph (A)(ii), the value of any asset shall be the amount with respect to such asset determined for purposes of allocating and apportioning interest expense under sections 861, 864(e), and 864(f).

"(D) CURRENT INCLUSION RATIO.—The term 'current inclusion ratio' means, with respect to any domestic corporation which meets the ownership requirements of subsection (a) or

(b) of section 902 with respect to one or more section 902 corporations for any taxable year, the ratio (expressed as a percentage) of—

"(i) the sum of all dividends received by the domestic corporation from all such section 902 corporations during the taxable year plus amounts includible in gross income under section 951(a) from all such section 902 corporations, in each case computed without regard to section 78, divided by

"(ii) the aggregate amount of post-1986 undistributed earnings.

"(E) AGGREGATE AMOUNT OF POST-1986 UNDISTRIBUTED EARNINGS.—The term 'aggregate amount of post-1986 undistributed earnings' means, with respect to any domestic corporation which meets the ownership requirements of subsection (a) or (b) of section 902 with respect to one or more section 902 corporations, the domestic corporation's pro rata share of the post-1986 undistributed earnings (as defined in section 902(c)(1)) of all such section 902 corporations.

"(F) FOREIGN CURRENCY CONVERSION.—For purposes of determining the current inclusion ratio, and except as otherwise provided by the Secretary, the aggregate amount of post-1986 undistributed earnings for the taxable year shall be determined by translating each section 902 corporation's post-1986 undistributed earnings into dollars using the average exchange rate for such year.

"(G) SECTION 902 CORPORATION.—The term 'section 902 corporation' has the meaning given to such term by section 909(d)(5).

"(4) TREATMENT OF AFFILIATED GROUPS.—The current inclusion ratio of each member of an affiliated group (as defined in section 864(e)(5)(A)) shall be determined as if all members of such group were a single corporation.

"(5) APPLICATION TO SEPARATE CATEGORIES OF INCOME.—This subsection shall be applied separately with respect to the categories of income specified in section 904(d)(1).

"(6) REGULATIONS.—The Secretary may prescribe such regulations or other guidance as is necessary or appropriate to carry out the purposes of this subsection, including regulations or other guidance providing—

"(A) for the proper application of this subsection with respect to changes in ownership of a section 902 corporation,

"(B) that certain corporations that otherwise would not be members of the affiliated group will be treated as members of the affiliated group for purposes of this subsection,

"(C) for the proper application of this subsection with respect to the taxpayer's share of a deficit in earnings and profits of a section 902 corporation,

"(D) for appropriate adjustments to the determination of the value of stock in any section 902 corporation for purposes of this subsection or to the foreign-related interest expense to account for income that is subject to tax under section 882(a)(1), and

"(E) for the proper application of this subsection with respect to interest expense that is directly allocable to income with respect to certain assets.".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2015.

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