

.....  
(Original Signature of Member)

114TH CONGRESS  
2D SESSION

**H. R.**

To amend the Internal Revenue Code of 1986 to modify the application  
of certain rules with respect to certain foreign countries.

---

IN THE HOUSE OF REPRESENTATIVES

Mr. BOUSTANY (for himself, Mr. ROSKAM, Mr. TIBERI, Mr. BUCHANAN, Mr.  
SAM JOHNSON of Texas, Mr. REICHERT, Mr. YOUNG of Indiana, Mr.  
NUNES, and Mrs. BLACK) introduced the following bill; which was re-  
ferred to the Committee on \_\_\_\_\_

---

**A BILL**

To amend the Internal Revenue Code of 1986 to modify  
the application of certain rules with respect to certain  
foreign countries.

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 “Preventing Investment  
5 in Terrorist Regimes Act”.

1 **SEC. 2. MODIFICATION OF APPLICATION OF CERTAIN**  
2 **RULES WITH RESPECT TO CERTAIN FOREIGN**  
3 **COUNTRIES.**

4 (a) **LIMITATION ON WAIVER AUTHORITY.**—Section  
5 901(j)(5)(A) of the Internal Revenue Code of 1986 is  
6 amended by inserting “(other than a country described in  
7 paragraph (2)(A)(iv))” after “a country”.

8 (b) **DENIAL OF FOREIGN TAX CREDIT WITH RE-**  
9 **SPECT TO INCOME DERIVED FROM CERTAIN FOREIGN**  
10 **COUNTRIES WITHOUT REGARD TO WHICH COUNTRY TAX**  
11 **IS PAID.**—Subparagraph (A) of section 901(j)(1) of such  
12 Code is amended by striking “to any country” and all that  
13 follows and inserting “to—

14 “(i) any foreign country to which this  
15 subsection applies if such taxes are with  
16 respect to income attributable to a period  
17 during which this subsection applies to  
18 such foreign country, and

19 “(ii) any foreign country (without re-  
20 gard to whether this subsection applies to  
21 such foreign country) if such taxes are  
22 with respect to income derived from any  
23 foreign country to which this subsection  
24 applies during a period for which this sub-  
25 section so applies (determined under rules

1 similar to the rules of section 952(d),  
2 and”.

3 (c) DENIAL OF DEDUCTION FOR TAXES FOR WHICH  
4 FOREIGN TAX CREDIT IS DENIED, ETC.—Section  
5 901(j)(3) of such Code is amended to read as follows:

6 “(3) DENIAL OF DEDUCTION FOR TAXES FOR  
7 WHICH FOREIGN TAX CREDIT IS DENIED, ETC.—

8 “(A) IN GENERAL.—No deduction shall be  
9 allowed under this chapter for any tax for  
10 which credit is not allowable under this section  
11 by reason of paragraph (1)(A).

12 “(B) DENIAL OF DEDUCTION PARITY.—  
13 Solely for purposes of section 78, the taxes  
14 deemed to be paid under section 902(a) and  
15 960(a)(1) shall be determined without regard to  
16 this subsection.”.

17 (d) APPLICATION OF DENIAL OF DEDUCTION FOR  
18 TAXES PAID BY CONTROLLED FOREIGN CORPORA-  
19 TIONS.—

20 (1) DETERMINATION OF SUBPART F INCOME.—

21 Section 952(a) of such Code is amended by striking  
22 “(including taxes)” in the last sentence and insert-  
23 ing “(including taxes other than taxes for which  
24 credit is not allowed under section 901 by reason of  
25 section 901(j)(1)(A))”.

1           (2) DETERMINATION OF EARNINGS AND PROF-  
2           ITS.—Section 964(a) of such Code is amended by in-  
3           serting “, or any taxes for which credit is not al-  
4           lowed under section 901 by reason of section  
5           901(j)(1)(A),” after “other payment (within the  
6           meaning of section 162(c))”.

7           (e) CLARIFICATION REGARDING COUNTRY FROM  
8           WHICH INCOME IS DERIVED.—Section 952(d) of such  
9           Code is amended by striking “The Secretary” and insert-  
10          ing the following:

11           “(1) IN GENERAL.—For purposes of subsection  
12           (a)(5), income shall be treated as derived from a for-  
13           eign country if such income is derived in connection  
14           with—

15           “(A) property which is sold—

16           “(i) for use, consumption, or disposi-  
17           tion in such foreign country, or

18           “(ii) to any foreign person which is  
19           created, organized, or controlled in such  
20           foreign country or to a citizen or resident  
21           of such foreign country, or

22           “(B) services provided with respect to per-  
23           sons or property located in such foreign country  
24           or with respect to persons described in subpara-  
25           graph (A)(ii).

1           “(2) SPECIAL RULES.—For purposes of this  
2 subsection—

3           “(A) ULTIMATE DISPOSITION.—Property  
4 shall not fail to be treated as described in para-  
5 graph (1)(A) if the controlled foreign corpora-  
6 tion or any related person knew, or had reason  
7 to know, that such property would be ultimately  
8 sold—

9           “(i) for use, consumption, or disposi-  
10 tion in such foreign country, or

11           “(ii) to any person described in para-  
12 graph (1)(A)(ii).

13           “(B) SALES TO RELATED PARTIES.—If  
14 property is sold to a related person, such sale  
15 shall not fail to be treated as described in para-  
16 graph (1)(A) unless—

17           “(i) such property is ultimately sold—

18           “(I) for use, consumption or dis-  
19 position outside such foreign country,  
20 or

21           “(II) to a person not described in  
22 paragraph (1)(A)(ii), or

23           “(ii) such property is resold to an un-  
24 related person not described in paragraph  
25 (1)(A)(ii) and neither the controlled for-

1           eign corporation nor any related person  
2           knew or had reason to know that such  
3           property would be ultimately sold in a sale  
4           described in paragraph (1)(A).

5           “(C) APPLICATION TO SERVICES.—Rules  
6           similar to the rules of subparagraphs (A) and  
7           (B) shall apply with respect to services de-  
8           scribed in paragraph (1)(B).

9           “(D) RELATED PERSON.—The term ‘re-  
10          lated person’ has the meaning given such term  
11          by section 954(d)(3).

12          “(3) REGULATIONS.—The Secretary”.

13          (f) DOUBLING OF RATES OF TAX WITH RESPECT TO  
14          CERTAIN FOREIGN COUNTRIES.—

15                 (1) DOUBLING OF RATES OF TAX ON CITIZENS  
16                 AND CORPORATIONS OF CERTAIN FOREIGN COUN-  
17                 TRIES.—Section 891 of such Code is amended—

18                         (A) by striking “Whenever the President”  
19                         and inserting the following:

20           “(a) DOUBLING OF RATES OF TAX ON CITIZENS AND  
21          CORPORATIONS OF CERTAIN FOREIGN COUNTRIES.—

22                         “(1) PRESIDENTIAL PROCLAMATION.—When-  
23                         ever the President”, and

24                         (B) by adding at the end the following new  
25                         paragraph:

1           “(2) STATUTORY APPLICATION.—In the case of  
2           any foreign country to which section 901(j) applies  
3           for any period, paragraph (1) shall apply with re-  
4           spect to such country in the same manner as if the  
5           President had made a proclamation described in the  
6           first sentence of paragraph (1) with respect to such  
7           country at the beginning of such period and a pro-  
8           clamation described in the last sentence of paragraph  
9           (1) with respect to such country at the end of such  
10          period.”.

11           (2) DOUBLING OF RATES OF TAX ON INCOME  
12          DERIVED FROM CERTAIN FOREIGN COUNTRIES.—  
13          Section 891 of such Code, as amended by paragraph  
14          (1), is amended by adding at the end the following  
15          new subsection:

16          “(b) DOUBLING OF RATES OF TAX ON INCOME DE-  
17          RIVED FROM CERTAIN FOREIGN COUNTRIES.—

18           “(1) IN GENERAL.—In the case of any foreign  
19           country to which section 901(j) applies for any pe-  
20           riod, the rates of tax imposed by sections 1, 11, 801,  
21           831, 852, 871, and 881 with respect to any taxpayer  
22           shall be doubled in the case of income derived from  
23           such foreign country during such period (determined  
24           under rules similar to the rules of section 952(d)).  
25           In any case in which the manner in which income

1 is stacked would change the rate of tax which is  
2 treated as applying to income described in the pre-  
3 ceding sentence, such income shall be stacked in the  
4 manner which results in the highest rate of tax ap-  
5 plying to the income so described.

6 “(2) COORDINATION WITH DOUBLING OF RATES  
7 OF TAX ON CITIZENS AND CORPORATIONS OF CER-  
8 TAIN FOREIGN COUNTRIES.—Paragraph (1) shall  
9 not apply to any taxpayer for any period for which  
10 subsection (a) applies to such taxpayer.”.

11 (3) CONFORMING AMENDMENTS.—

12 (A) The heading of section 891 of such  
13 Code is amended by striking “**ON CITIZENS**  
14 **AND CORPORATIONS OF**” and inserting  
15 “**WITH RESPECT TO**”.

16 (B) The item relating to section 891 in the  
17 table of sections for subpart D of part II of  
18 subchapter N of chapter 1 of such Code is  
19 amended to read as follows:

“Sec. 891. Doubling of rates of tax with respect to certain foreign countries.”.

20 (g) PROHIBITION ON AGREEMENTS TO DELEGATE  
21 CERTAIN REPORTING TO CERTAIN FOREIGN COUN-  
22 TRIES.—Section 1474(f) of such Code is amended—

23 (1) by striking “The Secretary” and inserting  
24 the following:

25 “(1) IN GENERAL.—The Secretary”, and

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

3           “(2) PROHIBITION ON INTERGOVERNMENTAL  
4 AGREEMENTS WITH CERTAIN FOREIGN COUN-  
5 TRIES.—The Secretary may not enter into any inter-  
6 governmental agreement to carry out section  
7 1471(b) with any country to which section 901(j)  
8 applies.”.

9           (h) EFFECTIVE DATE.—

10           (1) IN GENERAL.—Except as otherwise pro-  
11 vided in this subsection, the amendments made by  
12 subsections (a), (b), and (c) shall apply to taxes paid  
13 or incurred in taxable years ending after the date of  
14 the introduction of this Act.

15           (2) AMENDMENTS RELATED TO CONTROLLED  
16 FOREIGN CORPORATIONS.—The amendments made  
17 by—

18                   (A) subsections (a), (b), and (c) to the ex-  
19 tent such amendments relate to section  
20 952(a)(5) of the Internal Revenue Code of 1986  
21 or to taxes deemed to have been paid under sec-  
22 tion 902 or 960 of such Code, and

23                   (B) subsections (d) and (e),  
24 shall apply to taxable years of foreign corporations  
25 ending after the date of the introduction of this Act

1 and to taxable years of United States shareholders  
2 with or within which such taxable years of foreign  
3 corporations end.

4 (3) AMENDMENTS RELATED TO DOUBLING OF  
5 TAX ON CITIZENS AND CORPORATION OF CERTAIN  
6 FOREIGN COUNTRIES.—The amendments made by  
7 subsection (g) shall apply to taxable years ending  
8 after the date of the introduction of this Act (with-  
9 out regard to whether the period described in sub-  
10 section (a)(2) or (b)(1) of section 891 of the Inter-  
11 nal Revenue Code of 1986, as added by subsection  
12 (f), begins before such date).

13 (4) AMENDMENTS RELATED TO PROHIBITION  
14 ON AGREEMENTS TO DELEGATE CERTAIN REPORT-  
15 ING TO CERTAIN FOREIGN COUNTRIES.—The amend-  
16 ments made by subsection (g) shall take effect on  
17 the date of the enactment of this Act.