

115TH CONGRESS  
1ST SESSION

# H. R. 1932

To end offshore corporate tax avoidance, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 5, 2017

Mr. DOGGETT (for himself, Mr. BLUMENAUER, Ms. BONAMICI, Mr. CAPUANO, Mr. CARTWRIGHT, Ms. JUDY CHU of California, Mr. CICILLINE, Mr. COHEN, Mr. CONYERS, Mr. CUMMINGS, Mr. DEFazio, Ms. DELAURO, Mr. DEUTCH, Mr. ELLISON, Mr. FOSTER, Mr. GRIJALVA, Mr. GUTIÉRREZ, Mr. HASTINGS, Ms. EDDIE BERNICE JOHNSON of Texas, Mr. JOHNSON of Georgia, Ms. KAPTUR, Ms. KELLY of Illinois, Mr. LANGEVIN, Mr. LARSON of Connecticut, Ms. LEE, Mr. LEWIS of Georgia, Mr. TED LIEU of California, Mr. LOEBSACK, Mr. LYNCH, Ms. MCCOLLUM, Ms. MOORE, Mrs. NAPOLITANO, Ms. NORTON, Mr. PALLONE, Mr. POCAN, Mr. RASKIN, Ms. ROYBAL-ALLARD, Mr. RUIZ, Mr. RYAN of Ohio, Mr. SARBANES, Ms. SCHAKOWSKY, Ms. SLAUGHTER, Mr. TAKANO, Mr. TONKO, Ms. TSONGAS, Ms. VELÁZQUEZ, Mrs. WATSON COLEMAN, Mr. WELCH, Mr. HIGGINS of New York, Mr. YARMUTH, Mr. NADLER, Ms. PINGREE, Mr. HUFFMAN, Mr. SCOTT of Virginia, Mr. PASCRELL, Mr. MCGOVERN, and Mr. LIPINSKI) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Financial Services, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To end offshore corporate tax avoidance, and for other purposes.

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, ETC.**

2 (a) **SHORT TITLE.**—This Act may be cited as the  
3 “Stop Tax Haven Abuse Act”.

4 (b) **AMENDMENT OF 1986 CODE.**—Except as other-  
5 wise expressly provided, whenever in this Act an amend-  
6 ment or repeal is expressed in terms of an amendment  
7 to, or repeal of, a section or other provision, the reference  
8 shall be considered to be made to a section or other provi-  
9 sion of the Internal Revenue Code of 1986.

10 (c) **TABLE OF CONTENTS.**—The table of contents of  
11 this Act is as follows:

Sec. 1. Short title, etc.

**TITLE I—ENDING CORPORATE OFFSHORE TAX AVOIDANCE**

- Sec. 101. Allocation of expenses and taxes on basis of repatriation of foreign income.
- Sec. 102. Excess income from transfers of intangibles to low-taxed affiliates treated as subpart F income.
- Sec. 103. Limitations on income shifting through intangible property transfers.
- Sec. 104. Repeal of check-the-box rules for certain foreign entities and CFC look-thru rules.
- Sec. 105. Restrictions on deduction for interest expense of members of financial reporting groups with excess domestic indebtedness.
- Sec. 106. Treatment of foreign corporations managed and controlled in the United States as domestic corporations.
- Sec. 107. Swap payments made from the United States to persons offshore.
- Sec. 108. Modifications to rules relating to inverted corporations.
- Sec. 109. Country-by-country reporting.

**TITLE II—ADDITIONAL MEASURES TO COMBAT TAX EVASION**

- Sec. 201. Authorizing special measures against foreign jurisdictions, financial institutions, and others that significantly impede United States tax enforcement.
- Sec. 202. Strengthening the Foreign Account Tax Compliance Act (FATCA).
- Sec. 203. Reporting United States beneficial owners of foreign owned financial accounts.
- Sec. 204. Penalty for failing to disclose offshore holdings.
- Sec. 205. Deadline for anti-money laundering rule for investment advisers.
- Sec. 206. Anti-money laundering requirements for formation agents.
- Sec. 207. Strengthening John Doe summons proceedings.
- Sec. 208. Improving enforcement of foreign financial account reporting.

1 **TITLE I—ENDING CORPORATE**  
 2 **OFFSHORE TAX AVOIDANCE**

3 **SEC. 101. ALLOCATION OF EXPENSES AND TAXES ON BASIS**  
 4 **OF REPATRIATION OF FOREIGN INCOME.**

5 (a) IN GENERAL.—Part III of subchapter N of chap-  
 6 ter 1 is amended by inserting after subpart G the following  
 7 new subpart:

8 **“Subpart H—Special Rules for Allocation of Foreign-**  
 9 **Related Deductions and Foreign Tax Credits**

“Sec. 975. Deductions allocated to deferred foreign income may not offset  
 United States source income.

“Sec. 976. Amount of foreign taxes computed on overall basis.

“Sec. 977. Application of subpart.

10 **“SEC. 975. DEDUCTIONS ALLOCATED TO DEFERRED FOR-**  
 11 **EIGN INCOME MAY NOT OFFSET UNITED**  
 12 **STATES SOURCE INCOME.**

13 “(a) CURRENT YEAR DEDUCTIONS.—For purposes  
 14 of this chapter, foreign-related deductions for any taxable  
 15 year—

16 “(1) shall be taken into account for such tax-  
 17 able year only to the extent that such deductions are  
 18 allocable to currently-taxed foreign income, and

19 “(2) to the extent not so allowed, shall be taken  
 20 into account in subsequent taxable years as provided  
 21 in subsection (b).

22 Foreign-related deductions shall be allocated to currently-  
 23 taxed foreign income in the same proportion which cur-

1 rently-taxed foreign income bears to the sum of currently-  
 2 taxed foreign income and deferred foreign income.

3 “(b) DEDUCTIONS RELATED TO REPATRIATED DE-  
 4 FERRED FOREIGN INCOME.—

5 “(1) IN GENERAL.—If there is repatriated for-  
 6 eign income for a taxable year, the portion of the  
 7 previously deferred deductions allocated to the repa-  
 8 triated foreign income shall be taken into account  
 9 for the taxable year as a deduction allocated to in-  
 10 come from sources outside the United States. Any  
 11 such amount shall not be included in foreign-related  
 12 deductions for purposes of applying subsection (a) to  
 13 such taxable year.

14 “(2) PORTION OF PREVIOUSLY DEFERRED DE-  
 15 Ductions.—For purposes of paragraph (1), the por-  
 16 tion of the previously deferred deductions allocated  
 17 to repatriated foreign income is—

18 “(A) the amount which bears the same  
 19 proportion to such deductions, as

20 “(B) the repatriated income bears to the  
 21 previously deferred foreign income.

22 “(c) DEFINITIONS AND SPECIAL RULE.—For pur-  
 23 poses of this section—

24 “(1) FOREIGN-RELATED DEDUCTIONS.—The  
 25 term ‘foreign-related deductions’ means the total

1 amount of deductions and expenses which would be  
2 allocated or apportioned to gross income from  
3 sources without the United States for the taxable  
4 year if both the currently-taxed foreign income and  
5 deferred foreign income were taken into account.

6 “(2) CURRENTLY-TAXED FOREIGN INCOME.—  
7 The term ‘currently-taxed foreign income’ means the  
8 amount of gross income from sources without the  
9 United States for the taxable year (determined with-  
10 out regard to repatriated foreign income for such  
11 year).

12 “(3) DEFERRED FOREIGN INCOME.—The term  
13 ‘deferred foreign income’ means the excess of—

14 “(A) the amount that would be includible  
15 in gross income under subpart F of this part  
16 for the taxable year if—

17 “(i) all controlled foreign corporations  
18 were treated as one controlled foreign cor-  
19 poration, and

20 “(ii) all earnings and profits of all  
21 controlled foreign corporations were sub-  
22 part F income (as defined in section 952),  
23 over

24 “(B) the sum of—

1                   “(i) all dividends received during the  
2                   taxable year from controlled foreign cor-  
3                   porations, plus

4                   “(ii) amounts includible in gross in-  
5                   come under section 951(a).

6                   “(4) PREVIOUSLY DEFERRED FOREIGN IN-  
7                   COME.—The term ‘previously deferred foreign in-  
8                   come’ means the aggregate amount of deferred for-  
9                   eign income for all prior taxable years to which this  
10                  part applies, determined as of the beginning of the  
11                  taxable year, reduced by the repatriated foreign in-  
12                  come for all such prior taxable years.

13                  “(5) REPATRIATED FOREIGN INCOME.—The  
14                  term ‘repatriated foreign income’ means the amount  
15                  included in gross income on account of distributions  
16                  out of previously deferred foreign income.

17                  “(6) PREVIOUSLY DEFERRED DEDUCTIONS.—  
18                  The term ‘previously deferred deductions’ means the  
19                  aggregate amount of foreign-related deductions not  
20                  taken into account under subsection (a) for all prior  
21                  taxable years (determined as of the beginning of the  
22                  taxable year), reduced by any amounts taken into  
23                  account under subsection (b) for such prior taxable  
24                  years.

1           “(7) TREATMENT OF CERTAIN FOREIGN  
2 TAXES.—

3           “(A) PAID BY CONTROLLED FOREIGN COR-  
4 PORATION.—Section 78 shall not apply for pur-  
5 poses of determining currently-taxed foreign in-  
6 come and deferred foreign income.

7           “(B) PAID BY TAXPAYER.—For purposes  
8 of determining currently-taxed foreign income,  
9 gross income from sources without the United  
10 States shall be reduced by the aggregate  
11 amount of taxes described in the applicable  
12 paragraph of section 901(b) which are paid by  
13 the taxpayer (without regard to sections 902  
14 and 960) during the taxable year.

15           “(8) COORDINATION WITH SECTION 976.—In  
16 determining currently-taxed foreign income and de-  
17 ferred foreign income, the amount of deemed foreign  
18 tax credits shall be determined with regard to sec-  
19 tion 976.

20 **“SEC. 976. AMOUNT OF FOREIGN TAXES COMPUTED ON**  
21 **OVERALL BASIS.**

22           “(a) CURRENT YEAR ALLOWANCE.—For purposes of  
23 this chapter, the amount taken into account as foreign in-  
24 come taxes for any taxable year shall be an amount which

1 bears the same ratio to the total foreign income taxes for  
2 that taxable year as—

3           “(1) the currently-taxed foreign income for such  
4 taxable year, bears to

5           “(2) the sum of the currently-taxed foreign in-  
6 come and deferred foreign income for such year.

7 The portion of the total foreign income taxes for any tax-  
8 able year not taken into account under the preceding sen-  
9 tence for a taxable year shall only be taken into account  
10 as provided in subsection (b) (and shall not be taken into  
11 account for purposes of applying sections 902 and 960).

12           “(b) ALLOWANCE RELATED TO REPATRIATED DE-  
13 FERRED FOREIGN INCOME.—

14           “(1) IN GENERAL.—If there is repatriated for-  
15 eign income for any taxable year, the portion of the  
16 previously deferred foreign income taxes paid or ac-  
17 crued during such taxable year shall be taken into  
18 account for the taxable year as foreign taxes paid or  
19 accrued. Any such taxes so taken into account shall  
20 not be included in foreign income taxes for purposes  
21 of applying subsection (a) to such taxable year.

22           “(2) PORTION OF PREVIOUSLY DEFERRED FOR-  
23 EIGN INCOME TAXES.—For purposes of paragraph  
24 (1), the portion of the previously deferred foreign in-



1       come taxes allocated to repatriated deferred foreign  
2       income is—

3               “(A) the amount which bears the same  
4               proportion to such taxes, as

5               “(B) the repatriated deferred income bears  
6               to the previously deferred foreign income.

7       “(c) DEFINITIONS AND SPECIAL RULE.—For pur-  
8       poses of this section—

9               “(1) PREVIOUSLY DEFERRED FOREIGN INCOME  
10       TAXES.—The term ‘previously deferred foreign in-  
11       come taxes’ means the aggregate amount of total  
12       foreign income taxes not taken into account under  
13       subsection (a) for all prior taxable years (determined  
14       as of the beginning of the taxable year), reduced by  
15       any amounts taken into account under subsection  
16       (b) for such prior taxable years.

17              “(2) TOTAL FOREIGN INCOME TAXES.—The  
18       term ‘total foreign income taxes’ means the sum of  
19       foreign income taxes paid or accrued during the tax-  
20       able year (determined without regard to section  
21       904(c)) plus the increase in foreign income taxes  
22       that would be paid or accrued during the taxable  
23       year under sections 902 and 960 if—

1           “(A) all controlled foreign corporations  
2           were treated as one controlled foreign corpora-  
3           tion, and

4           “(B) all earnings and profits of all con-  
5           trolled foreign corporations were subpart F in-  
6           come (as defined in section 952).

7           “(3) FOREIGN INCOME TAXES.—The term ‘for-  
8           eign income taxes’ means any income, war profits, or  
9           excess profits taxes paid by the taxpayer to any for-  
10          eign country or possession of the United States.

11          “(4) CURRENTLY-TAXED FOREIGN INCOME AND  
12          DEFERRED FOREIGN INCOME.—The terms ‘cur-  
13          rently-taxed foreign income’ and ‘deferred foreign in-  
14          come’ have the meanings given such terms by sec-  
15          tion 975(e).

16 **“SEC. 977. APPLICATION OF SUBPART.**

17          “‘This subpart—

18                 “(1) shall be applied before subpart A, and

19                 “(2) shall be applied separately with respect to  
20          the categories of income specified in section  
21          904(d)(1).”.

22          (b) CLERICAL AMENDMENT.—The table of subparts  
23          for part III of subpart N of chapter 1 is amended by in-  
24          serting after the item relating to subpart G the following  
25          new item:

“SUBPART H. SPECIAL RULES FOR ALLOCATION OF FOREIGN-RELATED  
DEDUCTIONS AND FOREIGN TAX CREDITS”.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 the date of the enactment of this Act.

4 **SEC. 102. EXCESS INCOME FROM TRANSFERS OF INTANGI-**  
5 **BLES TO LOW-TAXED AFFILIATES TREATED**  
6 **AS SUBPART F INCOME.**

7 (a) IN GENERAL.—Subsection (a) of section 954 is  
8 amended by inserting after paragraph (3) the following  
9 new paragraph:

10 “(4) the foreign base company excess intangible  
11 income for the taxable year (determined under sub-  
12 section (f) and reduced as provided in subsection  
13 (b)(5)), and”.

14 (b) FOREIGN BASE COMPANY EXCESS INTANGIBLE  
15 INCOME.—Section 954 is amended by inserting after sub-  
16 section (e) the following new subsection:

17 “(f) FOREIGN BASE COMPANY EXCESS INTANGIBLE  
18 INCOME.—For purposes of subsection (a)(4) and this sub-  
19 section:

20 “(1) FOREIGN BASE COMPANY EXCESS INTAN-  
21 GIBLE INCOME DEFINED.—

22 “(A) IN GENERAL.—The term ‘foreign  
23 base company excess intangible income’ means,

1 with respect to any covered intangible, the ex-  
2 cess of—

3 “(i) the sum of—

4 “(I) gross income from the sale,  
5 lease, license, or other disposition of  
6 property in which such covered intan-  
7 gible is used directly or indirectly, and

8 “(II) gross income from the pro-  
9 vision of services related to such cov-  
10 ered intangible or in connection with  
11 property in which such covered intan-  
12 gible is used directly or indirectly,  
13 over

14 “(ii) 150 percent of the costs properly  
15 allocated and apportioned to the gross in-  
16 come taken into account under clause (i)  
17 other than expenses for interest and taxes  
18 and any expenses which are not directly al-  
19 locable to such gross income.

20 “(B) SAME COUNTRY INCOME NOT TAKEN  
21 INTO ACCOUNT.—If—

22 “(i) the sale, lease, license, or other  
23 disposition of the property referred to in  
24 subparagraph (A)(i)(I) is for use, con-  
25 sumption, or disposition in the country

1 under the laws of which the controlled for-  
2 eign corporation is created or organized, or

3 “(ii) the services referred to in sub-  
4 paragraph (A)(i)(II) are performed in such  
5 country,

6 the gross income from such sale, lease, license,  
7 or other disposition, or provision of services,  
8 shall not be taken into account under subpara-  
9 graph (A)(i).

10 “(2) EXCEPTION BASED ON EFFECTIVE FOR-  
11 EIGN INCOME TAX RATE.—

12 “(A) IN GENERAL.—Foreign base company  
13 excess intangible income shall not include the  
14 applicable percentage of any item of income re-  
15 ceived by a controlled foreign corporation if the  
16 taxpayer establishes to the satisfaction of the  
17 Secretary that such income was subject to an  
18 effective rate of income tax imposed by a for-  
19 eign country in excess of 5 percent.

20 “(B) APPLICABLE PERCENTAGE.—For  
21 purposes of subparagraph (A), the term ‘appli-  
22 cable percentage’ means the ratio (expressed as  
23 a percentage), not greater than 100 percent,  
24 of—

1           “(i) the number of percentage points  
2           by which the effective rate of income tax  
3           referred to in subparagraph (A) exceeds 5  
4           percentage points, over

5           “(ii) 10 percentage points.

6           “(C) TREATMENT OF LOSSES IN DETER-  
7           MINING EFFECTIVE RATE OF FOREIGN INCOME  
8           TAX.—For purposes of determining the effective  
9           rate of income tax imposed by any foreign  
10          country—

11           “(i) such effective rate shall be deter-  
12           mined without regard to any losses carried  
13           to the relevant taxable year, and

14           “(ii) to the extent the income with re-  
15           spect to such intangible reduces losses in  
16           the relevant taxable year, such effective  
17           rate shall be treated as being the effective  
18           rate which would have been imposed on  
19           such income without regard to such losses.

20           “(3) COVERED INTANGIBLE.—The term ‘cov-  
21           ered intangible’ means, with respect to any con-  
22           trolled foreign corporation, any intangible property  
23           (as defined in section 936(h)(3)(B))—

24           “(A) which is sold, leased, licensed, or oth-  
25           erwise transferred (directly or indirectly) to

1 such controlled foreign corporation from a re-  
2 lated person, or

3 “(B) with respect to which such controlled  
4 foreign corporation and one or more related  
5 persons has (directly or indirectly) entered into  
6 any shared risk or development agreement (in-  
7 cluding any cost sharing agreement).

8 “(4) RELATED PERSON.—The term ‘related  
9 person’ has the meaning given such term in sub-  
10 section (d)(3).”.

11 (c) SEPARATE BASKET FOR FOREIGN TAX CRED-  
12 IT.—Subsection (d) of section 904 is amended by redesignig-  
13 nating paragraph (7) as paragraph (8) and by inserting  
14 after paragraph (6) the following new paragraph:

15 “(7) SEPARATE APPLICATION TO FOREIGN  
16 BASE COMPANY EXCESS INTANGIBLE INCOME.—

17 “(A) IN GENERAL.—Subsections (a), (b),  
18 and (c) of this section and sections 902, 907,  
19 and 960 shall be applied separately with respect  
20 to each item of income which is taken into ac-  
21 count under section 954(a)(4) as foreign base  
22 company excess intangible income.

23 “(B) REGULATIONS.—The Secretary may  
24 issue such regulations or other guidance as is  
25 necessary or appropriate to carry out the pur-

1           poses of this subsection, including regulations  
2           or other guidance which provides that related  
3           items of income may be aggregated for pur-  
4           poses of this paragraph.”.

5           (d) CONFORMING AMENDMENTS.—

6           (1) Paragraph (4) of section 954(b) is amended  
7           by inserting “foreign base company excess intangible  
8           income described in subsection (a)(4) or” before  
9           “foreign base company oil-related income” in the  
10          last sentence thereof.

11          (2) Subsection (b) of section 954 is amended by  
12          adding at the end the following new paragraph:

13                 “(7) FOREIGN BASE COMPANY EXCESS INTAN-  
14                 GIBLE INCOME NOT TREATED AS ANOTHER KIND OF  
15                 BASE COMPANY INCOME.—Income of a corporation  
16                 which is foreign base company excess intangible in-  
17                 come shall not be considered foreign base company  
18                 income of such corporation under paragraph (2),  
19                 (3), or (5) of subsection (a).”.

20          (e) EFFECTIVE DATE.—The amendments made by  
21          this section shall apply to taxable years beginning after  
22          the date of the enactment of this Act.



1 **SEC. 103. LIMITATIONS ON INCOME SHIFTING THROUGH IN-**  
2 **TANGIBLE PROPERTY TRANSFERS.**

3 (a) CLARIFICATION OF DEFINITION OF INTANGIBLE  
4 ASSET.—Clause (vi) of section 936(h)(3)(B) is amended  
5 by inserting “(including any section 197 intangible de-  
6 scribed in subparagraph (A), (B), or (C)(i) of subsection  
7 (d)(1) of such section)” after “item”.

8 (b) CLARIFICATION OF ALLOWABLE VALUATION  
9 METHODS.—

10 (1) FOREIGN CORPORATIONS.—Paragraph (2)  
11 of section 367(d) is amended by adding at the end  
12 the following new subparagraph:

13 “(D) REGULATORY AUTHORITY.—For pur-  
14 poses of the last sentence of subparagraph (A),  
15 the Secretary may require—

16 “(i) the valuation of transfers of in-  
17 tangible property on an aggregate basis, or

18 “(ii) the valuation of such a transfer  
19 on the basis of the realistic alternatives to  
20 such a transfer,

21 in any case in which the Secretary determines  
22 that such basis is the most reliable means of  
23 valuation of such transfers.”.

24 (2) ALLOCATION AMONG TAXPAYERS.—Section  
25 482 is amended by adding at the end the following:  
26 “For purposes of the preceding sentence, the Sec-

1       retary may require the valuation of transfers of in-  
2       tangible property on an aggregate basis or the valu-  
3       ation of such a transfer on the basis of the realistic  
4       alternatives to such a transfer, in any case in which  
5       the Secretary determines that such basis is the most  
6       reliable means of valuation of such transfers.”.

7       (c) EFFECTIVE DATE.—

8             (1) IN GENERAL.—The amendments made by  
9       this section shall apply to transfers in taxable years  
10      beginning after the date of the enactment of this  
11      Act.

12            (2) NO INFERENCE.—Nothing in the amend-  
13      ment made by subsection (a) shall be construed to  
14      create any inference with respect to the application  
15      of section 936(h)(3) of the Internal Revenue Code of  
16      1986, or the authority of the Secretary of the Treas-  
17      ury to provide regulations for such application, on or  
18      before the date of the enactment of such amend-  
19      ment.

20   **SEC. 104. REPEAL OF CHECK-THE-BOX RULES FOR CERTAIN**  
21                   **FOREIGN ENTITIES AND CFC LOOK-THRU**  
22                   **RULES.**

23            (a) CHECK-THE-BOX RULES.—Paragraph (3) of sec-  
24      tion 7701(a) is amended—

25             (1) by striking “and”, and

1           (2) by inserting after “insurance companies”  
2 the following: “, and any foreign business entity  
3 that—

4                   “(A) has a single owner that does not have  
5 limited liability, or

6                   “(B) has one or more members all of  
7 which have limited liability”.

8           (b) LOOK-THRU RULE.—Subparagraph (C) of sec-  
9 tion 954(c)(6) is amended to read as follows:

10                   “(C) TERMINATION.—Subparagraph (A)  
11 shall not apply to dividends, interest, rents, and  
12 royalties received or accrued after the date of  
13 the enactment of the Stop Tax Haven Abuse  
14 Act.”.

15           (c) EFFECTIVE DATE.—

16                   (1) The amendments made by subsection (a)  
17 shall take effect on the date of the enactment of this  
18 Act.

19                   (2) The amendment made by subsection (b)  
20 shall apply to payments received after the date of  
21 the enactment of this Act.

1 **SEC. 105. RESTRICTIONS ON DEDUCTION FOR INTEREST**  
 2 **EXPENSE OF MEMBERS OF FINANCIAL RE-**  
 3 **PORTING GROUPS WITH EXCESS DOMESTIC**  
 4 **INDEBTEDNESS.**

5 (a) IN GENERAL.—Section 163 is amended by redес-  
 6 ignating subsection (n) as subsection (o) and by inserting  
 7 after subsection (m) the following new subsection:

8 “(n) RESTRICTION ON DEDUCTION FOR INTEREST  
 9 EXPENSE OF MEMBERS OF FINANCIAL REPORTING  
 10 GROUPS WITH EXCESS DOMESTIC INDEBTEDNESS.—

11 “(1) IN GENERAL.—In the case of any corpora-  
 12 tion which is a member of an applicable financial re-  
 13 porting group the common parent of which is a for-  
 14 eign corporation, the deduction allowed under this  
 15 chapter for interest paid or accrued by the corpora-  
 16 tion during the taxable year shall not exceed the ap-  
 17 plicable limitation for the taxable year.

18 “(2) CARRYFORWARD.—Any amount disallowed  
 19 under paragraph (1) for any taxable year shall be  
 20 treated as interest paid or accrued in the succeeding  
 21 taxable year.

22 “(3) APPLICABLE LIMITATION.—For purposes  
 23 of this subsection—

24 “(A) IN GENERAL.—The applicable limita-  
 25 tion with respect to a taxpayer for any taxable  
 26 year is the sum of—

1 “(i) the greater of—

2 “(I) the taxpayer’s allocable  
3 share of the applicable financial re-  
4 porting group’s net interest expense  
5 for the taxable year, or

6 “(II) 10 percent of the taxpayer’s  
7 adjusted taxable income for the tax-  
8 able year, plus

9 “(ii) the excess limitation carryfor-  
10 wards to the taxable year from any pre-  
11 ceding taxable year.

12 “(B) LIMITATION NOT LESS THAN IN-  
13 CLUDIBLE INTEREST.—The applicable limita-  
14 tion under subparagraph (A) for any taxable  
15 year shall not be less than the amount of inter-  
16 est includible in the gross income of the tax-  
17 payer for the taxable year.

18 “(C) EXCESS LIMITATION  
19 CARRYFORWARD.—If the applicable limitation  
20 of a taxpayer for any taxable year (determined  
21 without regard to carryforwards under subpara-  
22 graph (A)(ii)) exceeds the interest paid or ac-  
23 crued by the taxpayer during the taxable year,  
24 such excess shall be an excess limitation  
25 carryforward to the 1st succeeding taxable year

1 and the 2nd and 3rd succeeding taxable years  
2 to the extent not previously taken into account  
3 under this paragraph.

4 “(4) ALLOCABLE SHARE OF NET INTEREST EX-  
5 PENSE.—For purposes of this subsection—

6 “(A) IN GENERAL.—A taxpayer’s allocable  
7 share of an applicable financial reporting  
8 group’s net interest expense for any taxable  
9 year shall be the amount (not less than zero)  
10 which bears the same ratio to such net interest  
11 expense as—

12 “(i) the net earnings of the taxpayer,  
13 bears to

14 “(ii) the aggregate net earnings of all  
15 members of the applicable financial report-  
16 ing group.

17 “(B) NET EARNINGS.—The term ‘net  
18 earnings’ means, with respect to any taxpayer,  
19 the earnings of the taxpayer—

20 “(i) computed without regard to any  
21 reduction allowable for—

22 “(I) net interest expense,

23 “(II) taxes, or

24 “(III) depreciation, amortization,  
25 or depletion, and

1                   “(ii) computed with such other adjust-  
2                   ments as the Secretary may by regulations  
3                   prescribe.

4                   “(C) BURDEN ON TAXPAYER.—If a tax-  
5                   payer elects not to compute its allocable share,  
6                   or fails to establish to the satisfaction of the  
7                   Secretary the amount of its allocable share, for  
8                   any taxable year, the allocable share shall be  
9                   zero.

10                  “(5) NET INTEREST EXPENSE AND NET EARN-  
11                  INGS DETERMINATIONS.—For purposes of this sub-  
12                  section—

13                         “(A) NET INTEREST EXPENSE.—Any de-  
14                         termination of net interest expense for any tax-  
15                         able year shall be made—

16                                 “(i) on the basis of the applicable fi-  
17                                 nancial statement of the applicable finan-  
18                                 cial reporting group for the last financial  
19                                 reporting year ending with or within the  
20                                 taxable year, and

21   “(ii) under United States tax prin-  
22   ciples.

23                         “(B) NET EARNINGS.—Any determination  
24                         of net earnings for any taxable year shall be  
25                         made on the basis of the applicable financial

1 statement of the applicable financial reporting  
2 group for the last financial reporting year end-  
3 ing with or within the taxable year.

4 “(C) APPLICABLE FINANCIAL STATE-  
5 MENT.—The term ‘applicable financial state-  
6 ment’ means a statement for financial reporting  
7 purposes which is made on the basis of—

8 “(i) generally accepted accounting  
9 principles,

10 “(ii) international financial reporting  
11 standards, or

12 “(iii) any other method specified by  
13 the Secretary in regulations.

14 A statement under clause (ii) or (iii) may be  
15 used as an applicable financial statement by a  
16 group only if there is no statement of the group  
17 under any preceding clause.

18 “(6) APPLICABLE FINANCIAL REPORTING  
19 GROUP.—For purposes of this subsection—

20 “(A) IN GENERAL.—The term ‘applicable  
21 financial reporting group’ means, with respect  
22 to any corporation, a group of which such cor-  
23 poration is a member and which files an appli-  
24 cable financial statement.



1           “(B) EXCEPTION FOR GROUPS WITH MINI-  
2 MAL DOMESTIC NET INTEREST EXPENSE.—  
3 Such term shall not include a group if the ag-  
4 gregate net interest expense for which a deduc-  
5 tion is allowable to all members of the group  
6 under this chapter (determined without regard  
7 to this subsection or any other limitation on de-  
8 ductibility of interest under this chapter) is less  
9 than \$5,000,000.

10           “(C) EXCEPTION FOR CERTAIN FINANCIAL  
11 ENTITIES.—A corporation which is described in  
12 section 864(f)(4)(B), or is treated as described  
13 in section 864(f)(4)(B) by reason of paragraph  
14 (4)(C) or (5)(A) of section 864(f) (without re-  
15 gard to whether an election is made under such  
16 paragraph (5)(A)), shall not be treated as a  
17 member of an applicable financial reporting  
18 group of which it is otherwise a member and  
19 this subsection shall not apply to such corpora-  
20 tion.

21           “(7) OTHER DEFINITIONS AND RULES.—For  
22 purposes of this subsection—

23           “(A) ADJUSTED TAXABLE INCOME.—The  
24 term ‘adjusted taxable income’ has the meaning  
25 given such term by subsection (j)(6)(A).

1           “(B) NET INTEREST EXPENSE.—The term  
2           ‘net interest expense’ has the meaning given  
3           such term by subsection (j)(6)(B).

4           “(C) TREATMENT OF AFFILIATED  
5           GROUP.—All members of the same affiliated  
6           group (within the meaning of section 1504(a))  
7           shall be treated as 1 taxpayer.

8           “(8) REGULATIONS.—The Secretary shall pre-  
9           scribe such regulations as may be necessary to carry  
10          out the purposes of this section, including regula-  
11          tions providing—

12           “(A) for the coordination of the application  
13           of this subsection and other provisions of this  
14           chapter relating to the deductibility of interest,

15           “(B) for the waiver of certain adjustments  
16           required under United States tax principles in  
17           appropriate cases for purposes of applying this  
18           subsection,

19           “(C) for the determination of which finan-  
20           cial institutions are eligible for the exception  
21           from membership in an applicable financial re-  
22           porting group under paragraph (6)(C) and the  
23           application of this subsection to the other mem-  
24           bers of the group which are not so excepted,  
25           and

1           “(D) for the application of this subsection  
2           in the case of pass thru entities and for the  
3           treatment of pass thru entities as corporations  
4           in cases where necessary to prevent the avoid-  
5           ance of the purposes of this subsection.”.

6           (b) COORDINATION WITH LIMITATION ON RELATED  
7 PARTY INDEBTEDNESS.—Paragraph (2) of section 163(j)  
8 of the Internal Revenue Code of 1986 is amended by add-  
9 ing at the end the following new subparagraph:

10           “(D) COORDINATION WITH LIMITATION ON  
11 EXCESS DOMESTIC INDEBTEDNESS.—This sub-  
12 section shall not apply to any corporation for  
13 any taxable year to which subsection (n) applies  
14 to such corporation.”.

15           (c) EFFECTIVE DATE.—The amendments made by  
16 this section shall apply to taxable years beginning after  
17 December 31, 2016.

18 **SEC. 106. TREATMENT OF FOREIGN CORPORATIONS MAN-**  
19 **AGED AND CONTROLLED IN THE UNITED**  
20 **STATES AS DOMESTIC CORPORATIONS.**

21           (a) IN GENERAL.—Section 7701 is amended by re-  
22 designating subsection (p) as subsection (q) and by insert-  
23 ing after subsection (o) the following new subsection:

1       “(p) CERTAIN CORPORATIONS MANAGED AND CON-  
2 TROLLED IN THE UNITED STATES TREATED AS DOMES-  
3 TIC FOR INCOME TAX.—

4           “(1) IN GENERAL.—Notwithstanding subsection  
5 (a)(4), in the case of a corporation described in  
6 paragraph (2) if—

7           “(A) the corporation would not otherwise  
8 be treated as a domestic corporation for pur-  
9 poses of this title, but

10           “(B) the management and control of the  
11 corporation occurs, directly or indirectly, pri-  
12 marily within the United States,  
13 then, solely for purposes of chapter 1 (and any other  
14 provision of this title relating to chapter 1), the cor-  
15 poration shall be treated as a domestic corporation.

16           “(2) CORPORATION DESCRIBED.—

17           “(A) IN GENERAL.—A corporation is de-  
18 scribed in this paragraph if—

19           “(i) the stock of such corporation is  
20 regularly traded on an established securi-  
21 ties market, or

22           “(ii) the aggregate gross assets of  
23 such corporation (or any predecessor there-  
24 of), including assets under management  
25 for investors, whether held directly or indi-

1           rectly, at any time during the taxable year  
2           or any preceding taxable year is  
3           \$50,000,000 or more.

4           “(B) GENERAL EXCEPTION.—A corpora-  
5           tion shall not be treated as described in this  
6           paragraph if—

7                   “(i) such corporation was treated as a  
8                   corporation described in this paragraph in  
9                   a preceding taxable year,

10                   “(ii) such corporation—

11                           “(I) is not regularly traded on an  
12                           established securities market, and

13                           “(II) has, and is reasonably ex-  
14                           pected to continue to have, aggregate  
15                           gross assets (including assets under  
16                           management for investors, whether  
17                           held directly or indirectly) of less than  
18                           \$50,000,000, and

19                           “(iii) the Secretary grants a waiver to  
20                           such corporation under this subparagraph.

21           “(3) MANAGEMENT AND CONTROL.—

22                   “(A) IN GENERAL.—The Secretary shall  
23                   prescribe regulations for purposes of deter-  
24                   mining cases in which the management and

1 control of a corporation is to be treated as oc-  
2 ccurring primarily within the United States.

3 “(B) EXECUTIVE OFFICERS AND SENIOR  
4 MANAGEMENT.—Such regulations shall provide  
5 that—

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

16 “(ii) individuals who are not executive  
17 officers and senior management of the cor-  
18 poration (including individuals who are of-  
19 ficers or employees of other corporations in  
20 the same chain of corporations as the cor-  
21 poration) shall be treated as executive offi-  
22 cers and senior management if such indi-  
23 viduals exercise the day-to-day responsibil-  
24 ities of the corporation described in clause  
25 (i).

1           “(C) CORPORATIONS PRIMARILY HOLDING  
2           INVESTMENT ASSETS.—Such regulations shall  
3           also provide that the management and control  
4           of a corporation shall be treated as occurring  
5           primarily within the United States if—

6                     “(i) the assets of such corporation (di-  
7                     rectly or indirectly) consist primarily of as-  
8                     sets being managed on behalf of investors,  
9                     and

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

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

18           **SEC. 107. SWAP PAYMENTS MADE FROM THE UNITED**  
19                     **STATES TO PERSONS OFFSHORE.**

20           (a) TAX ON SWAP PAYMENTS RECEIVED BY FOR-  
21           EIGN PERSONS.—Section 871(a)(1) is amended—

22                     (1) by inserting “swap payments (as identified  
23                     in section 1256(b)(2)(B)),” after “annuities,” in  
24                     subparagraph (A), and

1           (2) by adding at the end the following new sen-  
2           tence: “In the case of swap payments, the source of  
3           a swap payment is determined by reference to the lo-  
4           cation of the payor.”.

5           (b) TAX ON SWAP PAYMENTS RECEIVED BY FOR-  
6           EIGN CORPORATIONS.—Section 881(a) is amended—

7           (1) by inserting “swap payments (as identified  
8           in section 1256(b)(2)(B)),” after “annuities,” in  
9           paragraph (1), and

10          (2) by adding at the end the following new sen-  
11          tence: “In the case of swap payments, the source of  
12          a swap payment is determined by reference to the lo-  
13          cation of the payor.”.

14   **SEC. 108. MODIFICATIONS TO RULES RELATING TO IN-**  
15                                   **VERTED CORPORATIONS.**

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

19          “(b) INVERTED CORPORATIONS TREATED AS DO-  
20          MESTIC CORPORATIONS.—

21                 “(1) IN GENERAL.—Notwithstanding section  
22                 7701(a)(4), a foreign corporation shall be treated for  
23                 purposes of this title as a domestic corporation if—

24                         “(A) such corporation would be a surro-  
25                         gate foreign corporation if subsection (a)(2)



1           were applied by substituting ‘80 percent’ for  
2           ‘60 percent’, or

3           “(B) such corporation is an inverted do-  
4           mestic corporation.

5           “(2) INVERTED DOMESTIC CORPORATION.—For  
6           purposes of this subsection, a foreign corporation  
7           shall be treated as an inverted domestic corporation  
8           if, pursuant to a plan (or a series of related trans-  
9           actions)—

10           “(A) the entity completes after May 8,  
11           2014, the direct or indirect acquisition of—

12           “(i) substantially all of the properties  
13           held directly or indirectly by a domestic  
14           corporation, or

15           “(ii) substantially all of the assets of,  
16           or substantially all of the properties consti-  
17           tuting a trade or business of, a domestic  
18           partnership, and

19           “(B) after the acquisition, either—

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

22           “(I) in the case of an acquisition  
23           with respect to a domestic corpora-  
24           tion, by former shareholders of the  
25           domestic corporation by reason of

1 holding stock in the domestic corpora-  
2 tion, or

3 “(II) in the case of an acquisition  
4 with respect to a domestic partner-  
5 ship, by former partners of the do-  
6 mestic partnership by reason of hold-  
7 ing a capital or profits interest in the  
8 domestic partnership, or

9 “(ii) the management and control of  
10 the expanded affiliated group which in-  
11 cludes the entity occurs, directly or indi-  
12 rectly, primarily within the United States,  
13 and such expanded affiliated group has  
14 significant domestic business activities.

15 “(3) EXCEPTION FOR CORPORATIONS WITH  
16 SUBSTANTIAL BUSINESS ACTIVITIES IN FOREIGN  
17 COUNTRY OF ORGANIZATION.—A foreign corporation  
18 described in paragraph (2) shall not be treated as an  
19 inverted domestic corporation if after the acquisition  
20 the expanded affiliated group which includes the en-  
21 tity has substantial business activities in the foreign  
22 country in which or under the law of which the enti-  
23 ty is created or organized when compared to the  
24 total business activities of such expanded affiliated  
25 group. For purposes of subsection (a)(2)(B)(iii) and

1 the preceding sentence, the term ‘substantial busi-  
2 ness activities’ shall have the meaning given such  
3 term under regulations in effect on May 8, 2014, ex-  
4 cept that the Secretary may issue regulations in-  
5 creasing the threshold percent in any of the tests  
6 under such regulations for determining if business  
7 activities constitute substantial business activities for  
8 purposes of this paragraph.

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

11 “(A) IN GENERAL.—The Secretary shall  
12 prescribe regulations for purposes of deter-  
13 mining cases in which the management and  
14 control of an expanded affiliated group is to be  
15 treated as occurring, directly or indirectly, pri-  
16 marily within the United States. The regula-  
17 tions prescribed under the preceding sentence  
18 shall apply to periods after May 8, 2014.

19 “(B) EXECUTIVE OFFICERS AND SENIOR  
20 MANAGEMENT.—Such regulations shall provide  
21 that the management and control of an ex-  
22 panded affiliated group shall be treated as oc-  
23 ccurring, directly or indirectly, primarily within  
24 the United States if substantially all of the ex-  
25 ecutive officers and senior management of the

1 expanded affiliated group who exercise day-to-  
2 day responsibility for making decisions involving  
3 strategic, financial, and operational policies of  
4 the expanded affiliated group are based or pri-  
5 marily located within the United States. Indi-  
6 viduals who in fact exercise such day-to-day re-  
7 sponsibilities shall be treated as executive offi-  
8 cers and senior management regardless of their  
9 title.

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

14 “(A) the employees of the group are based  
15 in the United States,

16 “(B) the employee compensation incurred  
17 by the group is incurred with respect to employ-  
18 ees based in the United States,

19 “(C) the assets of the group are located in  
20 the United States, or

21 “(D) the income of the group is derived in  
22 the United States,

23 determined in the same manner as such determina-  
24 tions are made for purposes of determining substan-  
25 tial business activities under regulations referred to

1 in paragraph (3) as in effect on May 8, 2014, but  
2 applied by treating all references in such regulations  
3 to ‘foreign country’ and ‘relevant foreign country’ as  
4 references to ‘the United States’. The Secretary may  
5 issue regulations decreasing the threshold percent in  
6 any of the tests under such regulations for deter-  
7 mining if business activities constitute significant  
8 domestic business activities for purposes of this  
9 paragraph.”.

10 (b) CONFORMING AMENDMENTS.—

11 (1) Clause (i) of section 7874(a)(2)(B) of such  
12 Code is amended by striking “after March 4, 2003,”  
13 and inserting “after March 4, 2003, and before May  
14 9, 2014,”.

15 (2) Subsection (c) of section 7874 of such Code  
16 is amended—

17 (A) in paragraph (2)—

18 (i) by striking “subsection  
19 (a)(2)(B)(ii)” and inserting “subsections  
20 (a)(2)(B)(ii) and (b)(2)(B)(i)”, and

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

23 (B) in paragraph (3), by inserting “or  
24 (b)(2)(B)(i), as the case may be,” after  
25 “(a)(2)(B)(ii)”,

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

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

7 (c) EFFECTIVE DATE.—The amendments made by  
8 this section shall apply to taxable years ending after May  
9 8, 2014.

10 **SEC. 109. COUNTRY-BY-COUNTRY REPORTING.**

11 (a) COUNTRY-BY-COUNTRY REPORTING.—Section 13  
12 of the Securities Exchange Act of 1934 (15 U.S.C. 78m)  
13 is amended by adding at the end the following new sub-  
14 section:

15 “(s) DISCLOSURE OF FINANCIAL PERFORMANCE ON  
16 A COUNTRY-BY-COUNTRY BASIS.—

17 “(1) RULES REQUIRED.—The Commission shall  
18 issue rules that require each issuer to include in an  
19 annual report filed by the issuer with the Commis-  
20 sion information on a country-by-country basis dur-  
21 ing the covered period for each tax jurisdiction, ag-  
22 gregated from all subsidiaries residing in that juris-  
23 diction, consisting of—

24 “(A) revenues from unrelated parties, re-  
25 lated parties, and in total,

1           “(B) profit or loss before taxes,  
2           “(C) income tax accrued for the current  
3           year,  
4           “(D) income tax paid (on a cash basis),  
5           “(E) stated capital,  
6           “(F) accumulated earnings,  
7           “(G) number of employees,  
8           “(H) tangible assets other than cash or  
9           cash equivalents, and  
10           “(I) such other financial information as  
11           the Commission may determine is necessary or  
12           appropriate in the public interest or for the pro-  
13           tection of investors.

14           “(2) RULES RELATING TO FOREIGN SUB-  
15           SIDIARY.—For each foreign subsidiary, the report  
16           required by paragraph (1) shall be grouped by resi-  
17           dent jurisdiction (including a group for subsidiaries  
18           resident nowhere), the tax jurisdiction (if different),  
19           and main business activity.”.

20           (b) RULEMAKING.—

21           (1) DEADLINES.—The Securities and Exchange  
22           Commission (in this section referred to as the “Com-  
23           mission”) shall—

24           (A) not later than 270 days after the date  
25           of enactment of this Act, issue a proposed rule

1 to carry out this section and the amendment  
2 made by this section; and

3 (B) not later than 1 year after the date of  
4 enactment of this Act, issue a final rule to  
5 carry out this section and the amendment made  
6 by this section.

7 (2) DATA FORMAT.—The information required  
8 to be provided by this section shall be provided by  
9 the issuer in a report in a format prescribed by the  
10 Commission, and such report shall be made available  
11 to the public online, in such format as the Commis-  
12 sion shall prescribe.

13 (3) EFFECTIVE DATE.—Subsection (s) of sec-  
14 tion 13 of the Securities Exchange Act of 1934, as  
15 added by this section, shall become effective 1 year  
16 after the date on which the Commission issues a  
17 final rule under this section.



1 **TITLE II—ADDITIONAL MEAS-**  
2 **URES TO COMBAT TAX EVA-**  
3 **SION**

4 **SEC. 201. AUTHORIZING SPECIAL MEASURES AGAINST FOR-**  
5 **EIGN JURISDICTIONS, FINANCIAL INSTITU-**  
6 **TIONS, AND OTHERS THAT SIGNIFICANTLY**  
7 **IMPEDE UNITED STATES TAX ENFORCEMENT.**

8 Section 5318A of title 31, United States Code, is  
9 amended—

10 (1) by striking the section heading and insert-  
11 ing the following:

12 **“§ 5318A. Special measures for jurisdictions, financial**  
13 **institutions, or international transactions**  
14 **that are of primary money laundering**  
15 **concern or significantly impede United**  
16 **States tax enforcement”;**

17 (2) in subsection (a), by striking the subsection  
18 heading and inserting the following:

19 **“(a) SPECIAL MEASURES TO COUNTER MONEY**  
20 **LAUNDERING AND EFFORTS TO SIGNIFICANTLY IMPEDE**  
21 **UNITED STATES TAX ENFORCEMENT.—”;**

22 (3) in subsection (c)—

23 (A) by striking the subsection heading and  
24 inserting the following:

1       “(c) CONSULTATIONS AND INFORMATION TO BE  
2 CONSIDERED IN FINDING JURISDICTIONS, INSTITUTIONS,  
3 TYPES OF ACCOUNTS, OR TRANSACTIONS TO BE OF PRI-  
4 MARY MONEY LAUNDERING CONCERN OR TO BE SIGNIFI-  
5 CANTLY IMPEDING UNITED STATES TAX ENFORCE-  
6 MENT.—”; and

7               (B) by inserting at the end of paragraph  
8 (2) thereof the following new subparagraph:

9               “(C) OTHER CONSIDERATIONS.—The fact  
10 that a jurisdiction or financial institution is co-  
11 operating with the United States on imple-  
12 menting the requirements specified in chapter 4  
13 of the Internal Revenue Code of 1986 may be  
14 favorably considered in evaluating whether such  
15 jurisdiction or financial institution is signifi-  
16 cantly impeding United States tax enforce-  
17 ment.”;

18               (4) in subsection (a)(1), by inserting “or is sig-  
19 nificantly impeding United States tax enforcement”  
20 after “primary money laundering concern”;

21               (5) in subsection (a)(4)—

22                       (A) in subparagraph (A)—

23                               (i) by inserting “in matters involving  
24 money laundering,” before “shall consult”;

25                               and

1 (ii) by striking “and” at the end;

2 (B) by redesignating subparagraph (B) as  
3 subparagraph (C); and

4 (C) by inserting after subparagraph (A)  
5 the following:

6 “(B) in matters involving United States  
7 tax enforcement, shall consult with the Commis-  
8 sioner of Internal Revenue, the Secretary of  
9 State, the Attorney General of the United  
10 States, and in the sole discretion of the Sec-  
11 retary, such other agencies and interested par-  
12 ties as the Secretary may find to be appro-  
13 priate; and”;

14 (6) in each of paragraphs (1)(A), (2), (3), and  
15 (4) of subsection (b), by inserting “or to be signifi-  
16 cantly impeding United States tax enforcement”  
17 after “primary money laundering concern” each  
18 place that term appears;

19 (7) in subsection (b), by striking paragraph (5)  
20 and inserting the following:

21 “(5) PROHIBITIONS OR CONDITIONS ON OPEN-  
22 ING OR MAINTAINING CERTAIN CORRESPONDENT OR  
23 PAYABLE-THROUGH ACCOUNTS OR AUTHORIZING  
24 CERTAIN PAYMENT CARDS.—If the Secretary finds a  
25 jurisdiction outside of the United States, 1 or more

1 financial institutions operating outside of the United  
2 States, or 1 or more classes of transactions within  
3 or involving a jurisdiction outside of the United  
4 States to be of primary money laundering concern or  
5 to be significantly impeding United States tax en-  
6 forcement, the Secretary, in consultation with the  
7 Secretary of State, the Attorney General of the  
8 United States, and the Chairman of the Board of  
9 Governors of the Federal Reserve System, may pro-  
10 hibit, or impose conditions upon—

11 “(A) the opening or maintaining in the  
12 United States of a correspondent account or  
13 payable-through account; or

14 “(B) the authorization, approval, or use in  
15 the United States of a credit card, charge card,  
16 debit card, or similar credit or debit financial  
17 instrument by any domestic financial institu-  
18 tion, financial agency, or credit card company  
19 or association, for or on behalf of a foreign  
20 banking institution, if such correspondent ac-  
21 count, payable-through account, credit card,  
22 charge card, debit card, or similar credit or  
23 debit financial instrument, involves any such ju-  
24 risdiction or institution, or if any such trans-  
25 action may be conducted through such cor-

1           respondent account, payable-through account,  
2           credit card, charge card, debit card, or similar  
3           credit or debit financial instrument.”;

4           (8) in subsection (c)(1), by inserting “or is sig-  
5           nificantly impeding United States tax enforcement”  
6           after “primary money laundering concern”;

7           (9) in subsection (c)(2)(A)—

8                 (A) in clause (ii), by striking “bank secrecy  
9                 or special regulatory advantages” and inserting  
10                “bank, tax, corporate, trust, or financial secrecy  
11                or regulatory advantages”;

12               (B) in clause (iii), by striking “supervisory  
13                and counter-money” and inserting “supervisory,  
14                international tax enforcement, and counter-  
15                money”;

16               (C) in clause (v), by striking “banking or  
17                secrecy” and inserting “banking, tax, or se-  
18                crecy”; and

19               (D) in clause (vi), by inserting “, tax trea-  
20                ty, or tax information exchange agreement”  
21                after “treaty”;

22           (10) in subsection (c)(2)(B)—

23                (A) in clause (i), by inserting “or tax eva-  
24                sion” after “money laundering”; and

1 (B) in clause (iii), by inserting “, tax eva-  
2 sion,” after “money laundering”; and

3 (11) in subsection (d), by inserting “involving  
4 money laundering, and shall notify, in writing, the  
5 Committee on Finance of the Senate and the Com-  
6 mittee on Ways and Means of the House of Rep-  
7 resentatives of any such action involving United  
8 States tax enforcement” after “such action”.

9 **SEC. 202. STRENGTHENING THE FOREIGN ACCOUNT TAX**  
10 **COMPLIANCE ACT (FATCA).**

11 (a) REPORTING ACTIVITIES WITH RESPECT TO PAS-  
12 SIVE FOREIGN INVESTMENT COMPANIES.—Section  
13 1298(f) is amended by inserting “, or who directly or indi-  
14 rectly forms, transfers assets to, is a beneficiary of, has  
15 a beneficial interest in, or receives money or property or  
16 the use thereof from,” after “shareholder of”.

17 (b) WITHHOLDABLE PAYMENTS TO FOREIGN FINAN-  
18 CIAL INSTITUTIONS.—Section 1471(d) is amended—

19 (1) by inserting “or transaction” after “any de-  
20 pository” in paragraph (2)(A), and

21 (2) by striking “or any interest” and all that  
22 follows in paragraph (5)(C) and inserting “deriva-  
23 tives, or any interest (including a futures or forward  
24 contract, swap, or option) in such securities, part-  
25 nership interests, commodities, or derivatives.”.

1 (c) WITHHOLDABLE PAYMENTS TO OTHER FOREIGN  
2 FINANCIAL INSTITUTIONS.—Section 1472 is amended—

3 (1) by inserting “as a result of any customer  
4 identification, anti-money laundering, anti-corrup-  
5 tion, or similar obligation to identify account hold-  
6 ers,” after “reason to know,” in subsection (b)(2),  
7 and

8 (2) by inserting “as posing a low risk of tax  
9 evasion” after “this subsection” in subsection  
10 (c)(1)(G).

11 (d) DEFINITIONS.—Clauses (i) and (ii) of section  
12 1473(2)(A) are each amended by inserting “or as a bene-  
13 ficial owner” after “indirectly”.

14 (e) SPECIAL RULES.—Section 1474(c) is amended—

15 (1) by inserting “, except that information pro-  
16 vided under section 1471(c) or 1472(b) may be dis-  
17 closed to any Federal law enforcement agency, upon  
18 request or upon the initiation of the Secretary, to in-  
19 vestigate or address a possible violation of United  
20 States law” after “shall apply” in paragraph (1),  
21 and

22 (2) by inserting “, or has had an agreement  
23 terminated under such section,” after “section  
24 1471(b)” in paragraph (2).

1 (f) INFORMATION WITH RESPECT TO FOREIGN FI-  
 2 NANCIAL ASSETS.—Section 6038D(a) is amended by in-  
 3 serting “ownership or beneficial ownership” after “holds  
 4 any”.

5 (g) ESTABLISHING PRESUMPTIONS FOR ENTITIES  
 6 AND TRANSACTIONS INVOLVING NON-FATCA INSTITU-  
 7 TIONS.—

8 (1) PRESUMPTIONS FOR TAX PURPOSES.—

9 (A) IN GENERAL.—Chapter 76 is amended  
 10 by inserting after section 7491 the following  
 11 new subchapter:

12 **“Subchapter F—Presumptions for Certain**  
 13 **Legal Proceedings**

“Sec. 7492. Presumptions pertaining to entities and transactions involving non-  
 FATCA institutions.

14 **“SEC. 7492. PRESUMPTIONS PERTAINING TO ENTITIES AND**  
 15 **TRANSACTIONS INVOLVING NON-FATCA IN-**  
 16 **STITUTIONS.**

17 “(a) CONTROL.—For purposes of any United States  
 18 civil judicial or administrative proceeding to determine or  
 19 collect tax, there shall be a rebuttable presumption that  
 20 a United States person who, directly or indirectly, formed,  
 21 transferred assets to, was a beneficiary of, had a beneficial  
 22 interest in, or received money or property or the use there-  
 23 of from an entity, including a trust, corporation, limited  
 24 liability company, partnership, or foundation, that holds



1 an account, or in any other manner has assets, in a non-  
2 FATCA institution, exercised control over such entity. The  
3 presumption of control created by this subsection shall not  
4 be applied to prevent the Secretary from determining or  
5 arguing the absence of control.

6       “(b) TRANSFERS OF INCOME.—For purposes of any  
7 United States civil judicial or administrative proceeding  
8 to determine or collect tax, there shall be a rebuttable pre-  
9 sumption that any amount or thing of value received by  
10 a United States person directly or indirectly from an ac-  
11 count or from an entity that holds an account, or in any  
12 other manner has assets, in a non-FATCA institution,  
13 constitutes income of such person taxable in the year of  
14 receipt; and any amount or thing of value paid or trans-  
15 ferred by or on behalf of a United States person directly  
16 or indirectly to an account, or entity that holds an ac-  
17 count, or in any other manner has assets, in a non-  
18 FATCA institution, represents previously unreported in-  
19 come of such person taxable in the year of the transfer.

20       “(c) REBUTTING THE PRESUMPTIONS.—The pre-  
21 sumptions established in this section may be rebutted only  
22 by clear and convincing evidence, including detailed docu-  
23 mentary, testimonial, and transactional evidence, estab-  
24 lishing that—

1           “(1) in subsection (a), such taxpayer exercised  
2           no control, directly or indirectly, over account or en-  
3           tity at the time in question, and

4           “(2) in subsection (b), such amounts or things  
5           of value did not represent income related to such  
6           United States person.

7 Any court having jurisdiction of a civil proceeding in which  
8 control of such an offshore account or offshore entity or  
9 the income character of such receipts or amounts trans-  
10 ferred is an issue shall prohibit the introduction by the  
11 taxpayer of any foreign based document that is not au-  
12 thenticated in open court by a person with knowledge of  
13 such document, or any other evidence supplied by a person  
14 outside the jurisdiction of a United States court, unless  
15 such person appears before the court.”.

16           (B) The table of subchapters for chapter  
17           76 is amended by inserting after the item relat-  
18           ing to subchapter E the following new item:

“SUBCHAPTER F. PRESUMPTIONS FOR CERTAIN LEGAL PROCEEDINGS”.

19           (2) DEFINITION OF NON-FATCA INSTITUTION.—  
20           Section 7701(a) is amended by adding at the end  
21           the following new paragraph:

22           “(51) NON-FATCA INSTITUTION.—The term  
23           ‘non-FATCA institution’ means any foreign financial  
24           institution that does not meet the reporting require-  
25           ments of section 1471(b).”.

1           (3) PRESUMPTIONS FOR SECURITIES LAW PUR-  
2           POSES.—Section 21 of the Securities Exchange Act  
3           of 1934 (15 U.S.C. 78u) is amended by adding at  
4           the end the following new subsection:

5           “(j) PRESUMPTIONS PERTAINING TO CONTROL AND  
6           BENEFICIAL OWNERSHIP.—

7           “(1) CONTROL.—For purposes of any civil judi-  
8           cial or administrative proceeding under this title,  
9           there shall be a rebuttable presumption that a  
10          United States person who, directly or indirectly,  
11          formed, transferred assets to, was a beneficiary of,  
12          had a beneficial interest in, or received money or  
13          property or the use thereof from an entity, including  
14          a trust, corporation, limited liability company, part-  
15          nership, or foundation, that holds an account, or in  
16          any other manner has assets, in a non-FATCA insti-  
17          tution (as defined in section 7701(a)(51) of the In-  
18          ternal Revenue Code of 1986), exercised control over  
19          such entity. The presumption of control created by  
20          this paragraph shall not be applied to prevent the  
21          Commission from determining or arguing the ab-  
22          sence of control.

23          “(2) BENEFICIAL OWNERSHIP.—For purposes  
24          of any civil judicial or administrative proceeding  
25          under this title, there shall be a rebuttable presump-

1       tion that securities that are nominally owned by an  
2       entity, including a trust, corporation, limited liability  
3       company, partnership, or foundation, and that are  
4       held in a non-FATCA institution (as so defined), are  
5       beneficially owned by any United States person who  
6       directly or indirectly exercised control over such enti-  
7       ty. The presumption of beneficial ownership created  
8       by this paragraph shall not be applied to prevent the  
9       Commission from determining or arguing the ab-  
10      sence of beneficial ownership.”.

11               (4) PRESUMPTION FOR REPORTING PURPOSES  
12      RELATING TO FOREIGN FINANCIAL ACCOUNTS.—Sec-  
13      tion 5314 of title 31, United States Code, is amend-  
14      ed by adding at the end the following new sub-  
15      section:

16      “(d) REBUTTABLE PRESUMPTION.—For purposes of  
17      this section, there shall be a rebuttable presumption that  
18      any account with a non-FATCA institution (as defined in  
19      section 7701(a)(51) of the Internal Revenue Code of  
20      1986) contains funds in an amount that is at least suffi-  
21      cient to require a report prescribed by regulations under  
22      this section.”.

23               (5) REGULATORY AUTHORITY.—Not later than  
24      180 days after the date of enactment of this Act, the  
25      Secretary of the Treasury and the Chairman of the

1 Securities and Exchange Commission shall each  
2 adopt regulations or other guidance necessary to im-  
3 plement the amendments made by this subsection.  
4 The Secretary and the Chairman may, by regulation  
5 or guidance, provide that the presumption of control  
6 shall not extend to particular classes of transactions,  
7 such as corporate reorganizations or transactions  
8 below a specified dollar threshold, if either deter-  
9 mines that applying such amendments to such trans-  
10 actions is not necessary to carry out the purposes of  
11 such amendments.

12 (h) EFFECTIVE DATE.—The amendments made by  
13 this section shall take effect on the date which is 180 days  
14 after the date of enactment of this Act, whether or not  
15 regulations are issued under subsection (g)(5).

16 **SEC. 203. REPORTING UNITED STATES BENEFICIAL OWN-**  
17 **ERS OF FOREIGN OWNED FINANCIAL AC-**  
18 **COUNTS.**

19 (a) IN GENERAL.—Subpart B of part III of sub-  
20 chapter A of chapter 61 is amended by inserting after sec-  
21 tion 6045B the following new sections:

1 **“SEC. 6045C. RETURNS REGARDING UNITED STATES BENE-**  
2 **FICIAL OWNERS OF FINANCIAL ACCOUNTS**  
3 **LOCATED IN THE UNITED STATES AND HELD**  
4 **IN THE NAME OF A FOREIGN ENTITY.**

5 “(a) REQUIREMENT OF RETURN.—If—

6 “(1) any withholding agent under sections 1441  
7 and 1442 has the control, receipt, custody, disposal,  
8 or payment of any amount constituting gross income  
9 from sources within the United States of any foreign  
10 entity, including a trust, corporation, limited liability  
11 company, partnership, or foundation (other than an  
12 entity with shares regularly traded on an established  
13 securities market), and

14 “(2) such withholding agent determines for pur-  
15 poses of title 14, 18, or 31 of the United States  
16 Code that a United States person has any beneficial  
17 interest in the foreign entity or in the account in  
18 such entity’s name (hereafter in this section referred  
19 to as ‘United States beneficial owner’),

20 then the withholding agent shall make a return according  
21 to the forms or regulations prescribed by the Secretary.

22 “(b) REQUIRED INFORMATION.—For purposes of  
23 subsection (a) the information required to be included on  
24 the return shall include—

1           “(1) the name, address, and, if known, the tax-  
2           payer identification number of the United States  
3           beneficial owner,

4           “(2) the known facts pertaining to the relation-  
5           ship of such United States beneficial owner to the  
6           foreign entity and the account,

7           “(3) the gross amount of income from sources  
8           within the United States (including gross proceeds  
9           from brokerage transactions), and

10          “(4) such other information as the Secretary  
11          may by forms or regulations provide.

12          “(c) STATEMENTS TO BE FURNISHED TO BENE-  
13          FICIAL OWNERS WITH RESPECT TO WHOM INFORMATION  
14          IS REQUIRED TO BE REPORTED.—A withholding agent  
15          required to make a return under subsection (a) shall fur-  
16          nish to each United States beneficial owner whose name  
17          is required to be set forth in such return a statement  
18          showing—

19                 “(1) the name, address, and telephone number  
20                 of the information contact of the person required to  
21                 make such return, and

22                 “(2) the information required to be shown on  
23                 such return with respect to such United States bene-  
24                 ficial owner.

1 The written statement required under the preceding sen-  
2 tence shall be furnished to the United States beneficial  
3 owner on or before January 31 of the year following the  
4 calendar year for which the return under subsection (a)  
5 was required to be made. In the event the person filing  
6 such return does not have a current address for the United  
7 States beneficial owner, such written statement may be  
8 mailed to the address of the foreign entity.

9 **“SEC. 6045D. RETURNS BY FINANCIAL INSTITUTIONS RE-**  
10 **GARDING ESTABLISHMENT OF ACCOUNTS IN**  
11 **NON-FATCA INSTITUTIONS.**

12 “(a) **REQUIREMENT OF RETURN.**—Any financial in-  
13 stitution directly or indirectly opening a bank, brokerage,  
14 or other financial account for or on behalf of an offshore  
15 entity, including a trust, corporation, limited liability com-  
16 pany, partnership, or foundation (other than an entity  
17 with shares regularly traded on an established securities  
18 market), in a non-FATCA institution (as defined in sec-  
19 tion 7701(a)(51)) at the direction of, on behalf of, or for  
20 the benefit of a United States person shall make a return  
21 according to the forms or regulations prescribed by the  
22 Secretary.

23 “(b) **REQUIRED INFORMATION.**—For purposes of  
24 subsection (a) the information required to be included on  
25 the return shall include—



1           “(1) the name, address, and taxpayer identifica-  
2           tion number of such United States person,

3           “(2) the name and address of the financial in-  
4           stitution at which a financial account is opened, the  
5           type of account, the account number, the name  
6           under which the account was opened, and the  
7           amount of the initial deposit,

8           “(3) if the account is held in the name of an  
9           entity, the name and address of such entity, the type  
10          of entity, and the name and address of any company  
11          formation agent or other professional employed to  
12          form or acquire the entity, and

13          “(4) such other information as the Secretary  
14          may by forms or regulations provide.

15          “(c) STATEMENTS TO BE FURNISHED TO UNITED  
16          STATES PERSONS WITH RESPECT TO WHOM INFORMA-  
17          TION IS REQUIRED TO BE REPORTED.—A financial insti-  
18          tution required to make a return under subsection (a)  
19          shall furnish to each United States person whose name  
20          is required to be set forth in such return a statement  
21          showing—

22                 “(1) the name, address, and telephone number  
23                 of the information contact of the person required to  
24                 make such return, and

1           “(2) the information required to be shown on  
2           such return with respect to such United States per-  
3           son.

4           The written statement required under the preceding sen-  
5           tence shall be furnished to such United States person on  
6           or before January 31 of the year following the calendar  
7           year for which the return under subsection (a) was re-  
8           quired to be made.

9           “(d) EXEMPTION.—The Secretary may by regula-  
10          tions exempt any class of United States persons or any  
11          class of accounts or entities from the requirements of this  
12          section if the Secretary determines that applying this sec-  
13          tion to such persons, accounts, or entities is not necessary  
14          to carry out the purposes of this section.”.

15          (b) PENALTIES.—

16                 (1) RETURNS.—Section 6724(d)(1)(B) is  
17                 amended by striking “or” at the end of clause  
18                 (xxiv), by striking “and” at the end of clause (xxv),  
19                 and by adding after clause (xxv) the following new  
20                 clauses:

21                         “(xxvi) section 6045C(a) (relating to  
22                         returns regarding United States beneficial  
23                         owners of financial accounts located in the  
24                         United States and held in the name of a  
25                         foreign entity), or

1                   “(xxvii) section 6045D(a) (relating to  
2                   returns by financial institutions regarding  
3                   establishment of accounts at non-FATCA  
4                   institutions), and”.

5                   (2) PAYEE STATEMENTS.—Section 6724(d)(2)  
6                   is amended by striking “or” at the end of subpara-  
7                   graph (GG), by striking the period at the end of  
8                   subparagraph (HH), and by inserting after subpara-  
9                   graph (HH) the following new subparagraphs:

10                   “(II) section 6045C(e) (relating to returns  
11                   regarding United States beneficial owners of fi-  
12                   nancial accounts located in the United States  
13                   and held in the name of a foreign entity), or

14                   “(JJ) section 6045D(c) (relating to re-  
15                   turns by financial institutions regarding estab-  
16                   lishment of accounts at non-FATCA institu-  
17                   tions).”.

18                   (c) CLERICAL AMENDMENT.—The table of sections  
19                   for subpart B of part III of subchapter A of chapter 61  
20                   is amended by inserting after the item relating to section  
21                   6045B the following new items:

“Sec. 6045C. Returns regarding United States beneficial owners of financial  
accounts located in the United States and held in the name of  
a foreign entity.

“Sec. 6045D. Returns by financial institutions regarding establishment of ac-  
counts at non-FATCA institutions.”.

22                   (d) ADDITIONAL PENALTIES.—

1           (1) ADDITIONAL PENALTIES ON BANKS.—Sec-  
2           tion 5239(b)(1) of the Revised Statutes of the  
3           United States (12 U.S.C. 93(b)(1)) is amended by  
4           inserting “or any of the provisions of section 6045D  
5           of the Internal Revenue Code of 1986,” after “any  
6           regulation issued pursuant to,”.

7           (2) ADDITIONAL PENALTIES ON SECURITIES  
8           FIRMS.—Section 21(d)(3)(A) of the Securities Ex-  
9           change Act of 1934 (15 U.S.C. 78u(d)(3)(A)) is  
10          amended by inserting “any of the provisions of sec-  
11          tion 6045D of the Internal Revenue Code of 1986,”  
12          after “the rules or regulations thereunder,”.

13          (e) REGULATORY AUTHORITY AND EFFECTIVE  
14          DATE.—

15               (1) REGULATORY AUTHORITY.—Not later than  
16               180 days after the date of the enactment of this Act,  
17               the Secretary of the Treasury shall adopt regula-  
18               tions, forms, or other guidance necessary to imple-  
19               ment this section.

20               (2) EFFECTIVE DATE.—Section 6045C of the  
21               Internal Revenue Code of 1986 (as added by this  
22               section) and the amendment made by subsection  
23               (d)(1) shall take effect with respect to amounts paid  
24               into foreign owned accounts located in the United  
25               States after December 31 of the year of the date of

1 the enactment of this Act. Section 6045D of such  
2 Code (as so added) and the amendment made by  
3 subsection (d)(2) shall take effect with respect to ac-  
4 counts opened after December 31 of the year of the  
5 date of the enactment of this Act.

6 **SEC. 204. PENALTY FOR FAILING TO DISCLOSE OFFSHORE**  
7 **HOLDINGS.**

8 (a) SECURITIES EXCHANGE ACT OF 1934.—Section  
9 21(d)(3)(B) of the Securities Exchange Act of 1934 (15  
10 U.S.C. 78u(d)(3)(B)) is amended by adding at the end  
11 the following:

12 “(iv) FOURTH TIER.—Notwith-  
13 standing clauses (i), (ii), and (iii), for each  
14 violation, the amount of the penalty shall  
15 not exceed \$1,000,000 for any natural per-  
16 son or \$10,000,000 for any other person,  
17 if—

18 “(I) such person directly or indi-  
19 rectly controlled any foreign entity, in-  
20 cluding any trust, corporation, limited  
21 liability company, partnership, or  
22 foundation through which an issuer  
23 purchased, sold, or held equity or debt  
24 instruments;

1                   “(II) such person knowingly or  
2                   recklessly failed to disclose any such  
3                   holding, purchase, or sale by the  
4                   issuer; and

5                   “(III) the holding, purchase, or  
6                   sale would have been otherwise sub-  
7                   ject to disclosure by the issuer or such  
8                   person under this title.”.

9           (b) SECURITIES ACT OF 1933.—Section 20(d)(2) of  
10 the Securities Act of 1933 (15 U.S.C. 77t(d)(2)) is  
11 amended by adding at the end the following:

12                   “(D) FOURTH TIER.—Notwithstanding  
13                   subparagraphs (A), (B), and (C), for each viola-  
14                   tion, the amount of the penalty shall not exceed  
15                   \$1,000,000 for any natural person or  
16                   \$10,000,000 for any other person, if—

17                   “(i) such person directly or indirectly  
18                   controlled any foreign entity, including any  
19                   trust, corporation, limited liability com-  
20                   pany, partnership, or foundation through  
21                   which an issuer purchased, sold, or held  
22                   equity or debt instruments;

23                   “(ii) such person knowingly or reck-  
24                   lessly failed to disclose any such holding,  
25                   purchase, or sale by the issuer; and

1                   “(iii) the holding, purchase, or sale  
2                   would have been otherwise subject to dis-  
3                   closure by the issuer or such person under  
4                   this title.”.

5           (c) INVESTMENT ADVISERS ACT OF 1940.—Section  
6 203(i)(2) of the Investment Advisers Act of 1940 (15  
7 U.S.C. 80b-3(i)(2)) is amended by adding at the end the  
8 following:

9                   “(D)   FOURTH   TIER.—Notwithstanding  
10                   subparagraphs (A), (B), and (C), for each viola-  
11                   tion, the amount of the penalty shall not exceed  
12                   \$1,000,000 for any natural person or  
13                   \$10,000,000 for any other person, if—

14                   “(i) such person directly or indirectly  
15                   controlled any foreign entity, including any  
16                   trust, corporation, limited liability com-  
17                   pany, partnership, or foundation through  
18                   which an issuer purchased, sold, or held  
19                   equity or debt instruments;

20                   “(ii) such person knowingly or reck-  
21                   lessly failed to disclose any such holding,  
22                   purchase, or sale by the issuer; and

23                   “(iii) the holding, purchase, or sale  
24                   would have been otherwise subject to dis-

1 closure by the issuer or such person under  
2 this title.”.

3 **SEC. 205. DEADLINE FOR ANTI-MONEY LAUNDERING RULE**  
4 **FOR INVESTMENT ADVISERS.**

5 (a) ANTI-MONEY LAUNDERING OBLIGATIONS FOR  
6 INVESTMENT ADVISERS.—Section 5312(a)(2) of title 31,  
7 United States Code, is amended—

8 (1) in subparagraph (Y), by striking “or” at  
9 the end;

10 (2) by redesignating subparagraph (Z) as sub-  
11 paragraph (BB); and

12 (3) by inserting after subparagraph (Y) the fol-  
13 lowing:

14 “(Z) an investment adviser;”.

15 (b) RULES REQUIRED.—The Secretary of the Treas-  
16 ury shall—

17 (1) in consultation with the Chairman of the  
18 Securities and Exchange Commission and the Chair-  
19 man of the Commodity Futures Trading Commis-  
20 sion, not later than 180 days after the date of enact-  
21 ment of this Act, publish a proposed rule in the Fed-  
22 eral Register to carry out the amendments made by  
23 this section; and

24 (2) not later than 270 days after the date of  
25 enactment of this Act, publish a final rule in the



1 Federal Register on the matter described in para-  
2 graph (1).

3 (c) CONTENTS.—The final rule published under this  
4 section shall require, at a minimum, each investment ad-  
5 viser (as defined in section 202(a)(11) of the Investment  
6 Advisers Act of 1940 (15 U.S.C. 80b–2(a)(11))) reg-  
7 istered with the Securities and Exchange Commission pur-  
8 suant to section 203 of that Act (15 U.S.C. 80b–3)—

9 (1) to submit suspicious activity reports and es-  
10 tablish an anti-money laundering program under  
11 subsections (g) and (h), respectively, of section 5318  
12 of title 31, United States Code; and

13 (2) to comply with—

14 (A) the customer identification program  
15 requirements under section 5318(l) of title 31,  
16 United States Code; and

17 (B) the due diligence requirements under  
18 section 5318(i) of title 31, United States Code.

19 **SEC. 206. ANTI-MONEY LAUNDERING REQUIREMENTS FOR**  
20 **FORMATION AGENTS.**

21 (a) ANTI-MONEY LAUNDERING OBLIGATIONS FOR  
22 FORMATION AGENTS.—Section 5312(a)(2) of title 31,  
23 United States Code, as amended by section 203 of this  
24 Act, is amended by inserting after subparagraph (Z) the  
25 following:

1           “(AA) any person engaged in the business  
2           of forming new corporations, limited liability  
3           companies, partnerships, trusts, or other legal  
4           entities; or”.

5           (b) DEADLINE FOR ANTI-MONEY LAUNDERING  
6           RULE FOR FORMATION AGENTS.—

7           (1) PROPOSED RULE.—The Secretary of the  
8           Treasury, in consultation with the Attorney General  
9           of the United States, the Secretary of Homeland Se-  
10          curity, and the Commissioner of Internal Revenue,  
11          shall—

12                 (A) not later than 120 days after the date  
13                 of enactment of this Act, publish a proposed  
14                 rule in the Federal Register requiring persons  
15                 described in section 5312(a)(2)(AA) of title 31,  
16                 United States Code, as added by this section, to  
17                 establish anti-money laundering programs  
18                 under section 5318(h) of that title; and

19                 (B) not later than 270 days after the date  
20                 of enactment of this Act, publish a final rule in  
21                 the Federal Register on the matter described in  
22                 subparagraph (A).

23           (2) EXCLUSIONS.—The rule promulgated under  
24          this subsection shall exclude from the category of

1 persons engaged in the business of forming new cor-  
2 porations or other entities—

3 (A) any government agency; and

4 (B) any attorney or law firm that uses a  
5 paid formation agent operating within the  
6 United States to form such corporations or  
7 other entities.

8 **SEC. 207. STRENGTHENING JOHN DOE SUMMONS PRO-**  
9 **CEEDINGS.**

10 (a) IN GENERAL.—Subsection (f) of section 7609 is  
11 amended to read as follows:

12 “(f) ADDITIONAL REQUIREMENT IN THE CASE OF A  
13 JOHN DOE SUMMONS.—

14 “(1) GENERAL RULE.—Any summons described  
15 in subsection (c)(1) which does not identify the per-  
16 son with respect to whose liability the summons is  
17 issued may be served only after a court proceeding  
18 in which the Secretary establishes that—

19 “(A) the summons relates to the investiga-  
20 tion of a particular person or ascertainable  
21 group or class of persons,

22 “(B) there is a reasonable basis for believ-  
23 ing that such person or group or class of per-  
24 sons may fail or may have failed to comply with  
25 any provision of any internal revenue law, and

1           “(C) the information sought to be obtained  
2           from the examination of the records or testi-  
3           mony (and the identity of the person or persons  
4           with respect to whose liability the summons is  
5           issued) is not readily available from other  
6           sources.

7           “(2) EXCEPTION.—Paragraph (1) shall not  
8           apply to any summons which specifies that it is lim-  
9           ited to information regarding a United States cor-  
10          respondent account (as defined in section  
11          5318A(e)(1)(B) of title 31, United States Code) or  
12          a United States payable-through account (as defined  
13          in section 5318A(e)(1)(C) of such title) of a finan-  
14          cial institution that is held at a non-FATCA institu-  
15          tion (as defined in section 7701(a)(51)).

16          “(3) PRESUMPTION IN CASES INVOLVING NON-  
17          FATCA INSTITUTIONS.—For purposes of this section,  
18          in any case in which the particular person or ascer-  
19          tainable group or class of persons have financial ac-  
20          counts in or transactions related to a non-FATCA  
21          institution (as defined in section 7701(a)(51)), there  
22          shall be a presumption that there is a reasonable  
23          basis for believing that such person or group or class  
24          of persons may fail or may have failed to comply  
25          with provisions of internal revenue law.

1           “(4) PROJECT JOHN DOE SUMMONSES.—

2           “(A) IN GENERAL.—Notwithstanding the  
3 requirements of paragraph (1), the Secretary  
4 may issue a summons described in paragraph  
5 (1) if the summons—

6           “(i) relates to a project which is ap-  
7 proved under subparagraph (B),

8           “(ii) is issued to a person who is a  
9 member of the group or class established  
10 under subparagraph (B)(i), and

11           “(iii) is issued within 3 years of the  
12 date on which such project was approved  
13 under subparagraph (B).

14           “(B) APPROVAL OF PROJECTS.—A project  
15 may only be approved under this subparagraph  
16 after a court proceeding in which the Secretary  
17 establishes that—

18           “(i) any summons issued with respect  
19 to the project will be issued to a member  
20 of an ascertainable group or class of per-  
21 sons, and

22           “(ii) any summons issued with respect  
23 to such project will meet the requirements  
24 of paragraph (1).

1           “(C) EXTENSION.—Upon application of  
2           the Secretary, the court may extend the time  
3           for issuing such summonses under subpara-  
4           graph (A)(i) for additional 3-year periods, but  
5           only if the court continues to exercise oversight  
6           of such project under subparagraph (D).

7           “(D) ONGOING COURT OVERSIGHT.—Dur-  
8           ing any period in which the Secretary is author-  
9           ized to issue summonses in relation to a project  
10          approved under subparagraph (B) (including  
11          during any extension under subparagraph (C)),  
12          the Secretary shall report annually to the court  
13          on the use of such authority, provide copies of  
14          all summonses with such report, and comply  
15          with the court’s direction with respect to the  
16          issuance of any John Doe summons under such  
17          project.”.

18          (b) JURISDICTION OF COURT.—

19               (1) IN GENERAL.—Paragraph (1) of section  
20               7609(h) is amended by inserting after the first sen-  
21               tence the following new sentence: “Any United  
22               States district court in which a member of the group  
23               or class to which a summons may be issued resides  
24               or is found shall have jurisdiction to hear and deter-

1 mine the approval of a project under subsection  
2 (f)(4)(B).”.

3 (2) CONFORMING AMENDMENT.—The first sen-  
4 tence of section 7609(h)(1) is amended by striking  
5 “(f)” and inserting “(f)(1)”.

6 (c) EFFECTIVE DATE.—The amendments made by  
7 this section shall apply to summonses issued after the date  
8 of the enactment of this Act.

9 **SEC. 208. IMPROVING ENFORCEMENT OF FOREIGN FINAN-**  
10 **CIAL ACCOUNT REPORTING.**

11 (a) CLARIFYING THE CONNECTION OF FOREIGN FI-  
12 NANCIAL ACCOUNT REPORTING TO TAX ADMINISTRA-  
13 TION.—Paragraph (4) of section 6103(b) is amended by  
14 adding at the end the following new sentence:

15 “For purposes of subparagraph (A)(i), section 5314  
16 of title 31, United States Code, and sections 5321  
17 and 5322 of such title (as such sections pertain to  
18 such section 5314), shall be considered related stat-  
19 utes.”.

20 (b) SIMPLIFYING THE CALCULATION OF FOREIGN  
21 FINANCIAL ACCOUNT REPORTING PENALTIES.—Section  
22 5321(a)(5)(D)(ii) of title 31, United States Code, is  
23 amended by striking “the balance in the account at the  
24 time of the violation” and inserting “the highest balance

1 in the account during the reporting period to which the  
2 violation relates”.

3 (c) CLARIFYING THE USE OF SUSPICIOUS ACTIVITY  
4 REPORTS UNDER THE BANK SECRECY ACT FOR CIVIL  
5 TAX LAW ENFORCEMENT.—Section 5319 of title 31,  
6 United States Code, is amended by inserting “the civil and  
7 criminal enforcement divisions of the Internal Revenue  
8 Service,” after “including”.

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