

115TH CONGRESS  
1ST SESSION

# H. R. 2005

To amend the Internal Revenue Code of 1986 to provide for the taxation of income of controlled foreign corporations attributable to imported property.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 6, 2017

Mr. CICILLINE introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide for the taxation of income of controlled foreign corporations attributable to imported property.

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 “Offshoring Prevention  
5 Act”.

6 **SEC. 2. TAXATION OF INCOME OF CONTROLLED FOREIGN**  
7 **CORPORATIONS ATTRIBUTABLE TO IM-**  
8 **PORTED PROPERTY.**

9 (a) IN GENERAL.—Section 954(a) of the Internal  
10 Revenue Code of 1986 is amended by striking the period

1 at the end of paragraph (5) and inserting “, and”, by re-  
2 designating paragraph (5) as paragraph (4), and by add-  
3 ing at the end the following new paragraph:

4 “(5) imported property income for the taxable  
5 year (determined under subsection (j) and reduced  
6 as provided in subsection (b)(5)).”.

7 (b) IMPORTED PROPERTY INCOME DEFINED.—Sec-  
8 tion 954 of such Code is amended by adding at the end  
9 the following new subsection:

10 “(j) IMPORTED PROPERTY INCOME.—

11 “(1) IN GENERAL.—For purposes of subsection  
12 (a)(5), the term ‘imported property income’ means  
13 income (whether in the form of profits, commissions,  
14 fees, or otherwise) derived in connection with—

15 “(A) manufacturing, producing, growing,  
16 or extracting imported property;

17 “(B) the sale, exchange, or other disposi-  
18 tion of imported property; or

19 “(C) the lease, rental, or licensing of im-  
20 ported property.

21 Such term shall not include any foreign oil and gas  
22 extraction income (within the meaning of section  
23 907(c)) or any foreign oil related income (within the  
24 meaning of section 907(c)).

1           “(2) IMPORTED PROPERTY.—For purposes of  
2 this subsection—

3           “(A) IN GENERAL.—Except as otherwise  
4 provided in this paragraph, the term ‘imported  
5 property’ means property which is imported  
6 into the United States by the controlled foreign  
7 corporation or a related person.

8           “(B) IMPORTED PROPERTY INCLUDES CER-  
9 TAIN PROPERTY IMPORTED BY UNRELATED  
10 PERSONS.—The term ‘imported property’ in-  
11 cludes any property imported into the United  
12 States by an unrelated person if, when such  
13 property was sold to the unrelated person by  
14 the controlled foreign corporation (or a related  
15 person), it was reasonable to expect that—

16           “(i) such property would be imported  
17 into the United States; or

18           “(ii) such property would be used as  
19 a component in other property which would  
20 be imported into the United States.

21           “(C) EXCEPTION FOR PROPERTY SUBSE-  
22 QUENTLY EXPORTED.—The term ‘imported  
23 property’ does not include any property which is  
24 imported into the United States and which—

1 “(i) before substantial use in the  
2 United States, is sold, leased, or rented by  
3 the controlled foreign corporation or a re-  
4 lated person for direct use, consumption,  
5 or disposition outside the United States; or

6 “(ii) is used by the controlled foreign  
7 corporation or a related person as a com-  
8 ponent in other property which is so sold,  
9 leased, or rented.

10 “(D) EXCEPTION FOR CERTAIN AGRICUL-  
11 TURAL COMMODITIES.—The term ‘imported  
12 property’ does not include any agricultural com-  
13 modity which is not grown in the United States  
14 in commercially marketable quantities.

15 “(3) DEFINITIONS AND SPECIAL RULES.—

16 “(A) IMPORT.—For purposes of this sub-  
17 section, the term ‘import’ means entering, or  
18 withdrawal from warehouse, for consumption or  
19 use. Such term includes any grant of the right  
20 to use intangible property (as defined in section  
21 936(h)(3)(B)) in the United States.

22 “(B) UNITED STATES.—For purposes of  
23 this subsection, the term ‘United States’ in-  
24 cludes the Commonwealth of Puerto Rico, the  
25 Virgin Islands of the United States, Guam,

1 American Samoa, and the Commonwealth of  
2 the Northern Mariana Islands.

3 “(C) UNRELATED PERSON.—For purposes  
4 of this subsection, the term ‘unrelated person’  
5 means any person who is not a related person  
6 with respect to the controlled foreign corpora-  
7 tion.

8 “(D) COORDINATION WITH FOREIGN BASE  
9 COMPANY SALES INCOME.—For purposes of this  
10 section, the term ‘foreign base company sales  
11 income’ shall not include any imported property  
12 income.”.

13 (c) SEPARATE APPLICATION OF LIMITATIONS ON  
14 FOREIGN TAX CREDIT FOR IMPORTED PROPERTY IN-  
15 COME.—

16 (1) IN GENERAL.—Section 904(d)(1) of such  
17 Code is amended by striking “and” at the end of  
18 subparagraph (A), by redesignating subparagraph  
19 (B) as subparagraph (C), and by inserting after sub-  
20 paragraph (A) the following new subparagraph:

21 “(B) imported property income, and”.

22 (2) IMPORTED PROPERTY INCOME DEFINED.—  
23 Section 904(d)(2) of such Code is amended by redес-  
24 ignating subparagraphs (I), (J), and (K) as sub-  
25 paragraphs (J), (K), and (L), respectively, and by

1 inserting after subparagraph (H) the following new  
 2 subparagraph:

3 “(I) IMPORTED PROPERTY INCOME.—The  
 4 term ‘imported property income’ means any in-  
 5 come received or accrued by any person which  
 6 is of a kind which would be imported property  
 7 income (as defined in section 954(j)).”.

8 (3) CONFORMING AMENDMENT.—Section  
 9 904(d)(2)(A)(ii) of such Code is amended by insert-  
 10 ing “or imported property income” after “passive  
 11 category income”.

12 (d) CONFORMING AMENDMENTS.—

13 (1) Section 952(c)(1)(B)(iii) of such Code is  
 14 amended—

15 (A) by redesignating subclauses (II), (III),  
 16 (IV), and (V) as subclauses (III), (IV), (V), and  
 17 (VI), and

18 (B) by inserting after subclause (I) the fol-  
 19 lowing new subclause:

20 “(II) imported property in-  
 21 come,”.

22 (2) The last sentence of section 954(b)(4) of  
 23 such Code is amended by striking “subsection  
 24 (a)(5)” and inserting “subsection (a)(4)”.

1           (3) Section 954(b)(5) of such Code is amended  
2       by striking “and the foreign base company oil re-  
3       lated income” and inserting “the foreign base com-  
4       pany oil related income, and the imported property  
5       income”.

6       (e) EFFECTIVE DATE.—The amendments made by  
7       this section shall apply to taxable years of foreign corpora-  
8       tions beginning after the date of the enactment of this  
9       Act, and to taxable years of United States shareholders  
10      within which or with which such taxable years of such for-  
11      eign corporations end.

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