

## 116TH CONGRESS 2D SESSION

## S. 3940

To amend the Internal Revenue Code of 1986 to exclude certain amounts from the tested income of controlled foreign corporations, and for other purposes.

## IN THE SENATE OF THE UNITED STATES

June 11, 2020

Mr. Wicker introduced the following bill; which was read twice and referred to the Committee on Finance

## A BILL

To amend the Internal Revenue Code of 1986 to exclude certain amounts from the tested income of controlled foreign corporations, 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,
- 3 SECTION 1. SHORT TITLE.
- 4 This Act may be cited as the "Territorial Economic
- 5 Recovery Act".

1	SEC. 2. INCOME OF CERTAIN QUALIFIED POSSESSION COR-
2	PORATIONS EXCLUDED FROM TESTED IN-
3	COME.
4	(a) In General.—Section 951A of the Internal Rev-
5	enue Code of 1986 is amended—
6	(1) in subsection (c)(2)(A)(i), by striking "and"
7	at the end of subclause (IV), by striking "over" at
8	the end of subclause (V) and inserting "and", and
9	by adding at the end the following new subclause:
10	"(VI) any income of a qualified
11	possession corporation that is effec-
12	tively connected with the active con-
13	duct of a trade or business within a
14	possession of the United States,
15	over"; and
16	(2) by adding at the end the following new sub-
17	sections:
18	"(g) Possession of the United States.—For
19	purposes of this section, the term 'possession of the United
20	States' means Puerto Rico, the Virgin Islands, and any
21	specified possession described in section 931(c).
22	"(h) Qualified Possession Corporation.—For
23	purposes of this section, the term 'qualified possession cor-
24	poration' means any controlled foreign corporation for any
25	taxable year, if, for the 3-year period (or the period during
26	which the controlled foreign corporation has been in exist-

- 1 ence, if shorter) ending in the taxable year preceding the
- 2 taxable year in which the determination is made—
- 3 "(1) 80 percent or more of the gross income of
- 4 such corporation was derived from sources within a
- 5 possession of the United States, and
- 6 "(2) 75 percent or more of the gross income of
- 7 such corporation was effectively connected with the
- 8 active conduct of a trade or business within a pos-
- 9 session of the United States.".
- 10 (b) Effective Date.—The amendments made by
- 11 this section shall apply taxable years of foreign corpora-
- 12 tions beginning after December 31, 2019, and to taxable
- 13 years of United States shareholders in which or with which
- 14 such taxable years of foreign corporations end.

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