

116TH CONGRESS
2D SESSION

H. R. 6648

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 HOUSE OF REPRESENTATIVES

MAY 1, 2020

Ms. PLASKETT (for herself and Ms. VELÁZQUEZ) introduced the following bill;
which was referred to the Committee on Ways and Means

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” and
 8 inserting “and” at the end of subclause (V), and by
 9 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 three-year period (or the period
 26 during which the controlled foreign corporation has been

1 in existence, if shorter) ending in the taxable year pre-
2 ceding the taxable year in which the determination is
3 made—

4 “(1) 80 percent or more of the gross income of
5 such corporation was derived from sources within a
6 possession of the United States, and

7 “(2) 75 percent or more of the gross income of
8 such corporation was effectively connected with the
9 active conduct of a trade or business within a pos-
10 session of the United States.”.

11 (b) EFFECTIVE DATE.—The amendments made by
12 this section shall apply with respect to taxable years begin-
13 ning after December 31, 2019.

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