

107TH CONGRESS
2^D SESSION

H. R. 4810

To amend the Internal Revenue Code of 1986 to apply the look-thru rules for purposes of the foreign tax credit limitation to dividends from foreign corporations not controlled by a domestic corporation.

IN THE HOUSE OF REPRESENTATIVES

MAY 22, 2002

Mr. SAM JOHNSON of Texas (for himself, Mr. MATSUI, Mr. RAMSTAD, Mrs. THURMAN, Mr. ENGLISH, and Mr. BECERRA) 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 apply the look-thru rules for purposes of the foreign tax credit limitation to dividends from foreign corporations not controlled by a domestic corporation.

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. LOOK-THRU RULES TO APPLY TO DIVIDENDS**
4 **FROM NONCONTROLLED SECTION 902 COR-**
5 **PORATIONS.**

6 (a) IN GENERAL.—Section 904(d)(4) of the Internal
7 Revenue Code of 1986 (relating to application of look-thru

1 rules to dividends from noncontrolled section 902 corpora-
 2 tions) is amended to read as follows:

3 “(4) LOOK-THRU APPLIES TO DIVIDENDS FROM
 4 NONCONTROLLED SECTION 902 CORPORATIONS.—

5 “(A) IN GENERAL.—For purposes of this
 6 subsection, any dividend from a noncontrolled
 7 section 902 corporation with respect to the tax-
 8 payer shall be treated as income in a separate
 9 category in proportion to the ratio of—

10 “(i) the portion of earnings and prof-
 11 its attributable to income in such category,
 12 to

13 “(ii) the total amount of earnings and
 14 profits.

15 “(B) SPECIAL RULES.—For purposes of
 16 this paragraph—

17 “(i) IN GENERAL.—Rules similar to
 18 the rules of paragraph (3)(F) shall apply;
 19 except that the term ‘separate category’
 20 shall include the category of income de-
 21 scribed in paragraph (1)(I).

22 “(ii) EARNINGS AND PROFITS.—

23 “(I) IN GENERAL.—The rules of
 24 section 316 shall apply.

1 “(II) REGULATIONS.—The Sec-
2 retary may prescribe regulations re-
3 garding the treatment of distributions
4 out of earnings and profits for periods
5 before the taxpayer’s acquisition of
6 the stock to which the distributions
7 relate.

8 “(iii) DIVIDENDS NOT ALLOCABLE TO
9 SEPARATE CATEGORY.—The portion of any
10 dividend from a noncontrolled section 902
11 corporation which is not treated as income
12 in a separate category under subparagraph
13 (A) shall be treated as a dividend to which
14 subparagraph (A) does not apply.

15 “(iv) LOOK-THRU WITH RESPECT TO
16 CARRYFORWARDS OF CREDIT.—Rules simi-
17 lar to subparagraph (A) also shall apply to
18 any carryforward under subsection (c)
19 from a taxable year beginning before Janu-
20 ary 1, 2003, of tax allocable to a dividend
21 from a noncontrolled section 902 corpora-
22 tion with respect to the taxpayer.”.

23 (b) CONFORMING AMENDMENTS.—

24 (1) Subparagraph (E) of section 904(d)(1) of
25 such Code, as in effect both before and after the

1 amendments made by section 1105 of the Taxpayer
2 Relief Act of 1997, is hereby repealed.

3 (2) Section 904(d)(2)(C)(iii) of such Code, as
4 so in effect, is amended by striking subclause (II)
5 and by redesignating subclause (III) as subclause
6 (II).

7 (3) The last sentence of section 904(d)(2)(D) of
8 such Code, as so in effect, is amended to read as fol-
9 lows: “Such term does not include any financial
10 services income.”.

11 (4) Section 904(d)(2)(E) of such Code is
12 amended by striking clauses (ii) and (iv) and by re-
13 designating clause (iii) as clause (ii).

14 (5) Section 904(d)(3)(F) of such Code is
15 amended by striking “(D), or (E)” and inserting “or
16 (D)”.

17 (6) Section 864(d)(5)(A)(i) of such Code is
18 amended by striking “(C)(iii)(III)” and inserting
19 “(C)(iii)(II)”.

20 (e) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to taxable years beginning after
22 December 31, 2002.

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