

107TH CONGRESS  
2D SESSION

# H. R. 4831

To prohibit certain expatriated corporations from being eligible for the award of Federal contracts.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 23, 2002

Mr. TURNER (for himself, Mr. MALONEY of Connecticut, Mr. KANJORSKI, Mrs. MINK of Hawaii, Mr. PHELPS, Mr. MOORE, Mr. ROSS, Mr. SHOWS, Mr. MATHESON, Mr. CARSON of Oklahoma, Mr. BERRY, Mr. WAXMAN, Mr. DOGGETT, Mr. NEAL of Massachusetts, Mr. POMEROY, Mr. RODRIGUEZ, Mr. TAYLOR of Mississippi, Mrs. TAUSCHER, Mr. BOYD, Mr. STENHOLM, Mr. WU, Mr. BAIRD, Mr. EDWARDS, Mr. GREEN of Texas, Mr. HOLDEN, Mr. EVANS, Mr. ALLEN, and Mr. BOSWELL) introduced the following bill; which was referred to the Committee on Government Reform

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## A BILL

To prohibit certain expatriated corporations from being eligible for the award of Federal contracts.

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 “Patriotic Purchasing  
5 Act of 2002”.

1 **SEC. 2. INELIGIBILITY OF EXPATRIATED CORPORATIONS**  
2 **FOR FEDERAL CONTRACT AWARDS.**

3 (a) IN GENERAL.—No acquiring corporation that en-  
4 ters into a corporate expatriation transaction shall be eli-  
5 gible to be awarded a Federal contract.

6 (b) DEFINITIONS.—In this Act:

7 (1) CORPORATE EXPATRIATION TRANS-  
8 ACTION.—(A) The term “corporate expatriation  
9 transaction”—

10 (i) means any transaction if—

11 (I) a foreign corporation (referred to  
12 in this section as the “acquiring corpora-  
13 tion”) acquires, as a result of such trans-  
14 action, directly or indirectly substantially  
15 all of the properties held directly or indi-  
16 rectly by a domestic corporation; and

17 (II) immediately after the transaction,  
18 more than 80 percent of the stock (by vote  
19 or value) of the acquiring corporation is  
20 held by former shareholders of the domes-  
21 tic corporation by reason of holding stock  
22 in the domestic corporation; and

23 (ii) includes any transaction if—

24 (I) a foreign corporation acquires, as  
25 a result of such transaction, directly or in-

1 directly properties constituting a trade or  
2 business of a domestic partnership;

3 (II) immediately after the transaction,  
4 more than 80 percent of the stock (by vote  
5 or value) of the acquiring corporation is  
6 held by former partners of the domestic  
7 partnership (determined without regard to  
8 stock of the acquiring corporation which is  
9 sold in a public offering related to the  
10 transaction); and

11 (III) the acquiring corporation meets  
12 the requirements of clauses (i) and (ii) of  
13 subparagraph (B).

14 (B) Subclause (II) of subparagraph (A) shall be  
15 applied by substituting “50 percent” for “80 per-  
16 cent” with respect to any foreign corporation if—

17 (i) such corporation does not have substan-  
18 tial business activities (when compared to the  
19 total business activities of the expanded affili-  
20 ated group) in the foreign country in which or  
21 under the law of which the corporation is cre-  
22 ated or organized; and

23 (ii) the stock of the corporation is publicly  
24 traded and the principal market for the public  
25 trading of such stock is in the United States.

1 (C) For purposes of this paragraph—

2 (i) a series of related transactions shall be  
3 treated as 1 transaction; and

4 (ii) stock held by members of the expanded  
5 affiliated group which includes the acquiring  
6 corporation shall not be taken into account in  
7 determining ownership.

8 (2) DOMESTIC.—The term “domestic” means  
9 created or organized in the United States or under  
10 the law of the United States or of any State.

11 (3) EXPANDED AFFILIATED GROUP.—The term  
12 “expanded affiliated group” means an affiliated  
13 group as defined in section 1504(a) of the Internal  
14 Revenue Code of 1986, without regard to section  
15 1504(b) of such Code.

16 (c) APPLICABILITY.—This section shall apply with re-  
17 spect to a corporate expatriation transaction occurring on  
18 or after the date that is ten years before the date of the  
19 enactment of this Act.

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