

[DISCUSSION DRAFT]

SEPTEMBER 15, 2014

113TH CONGRESS
2D SESSION

H. R. _____

To amend the Internal Revenue Code of 1986 to reduce the corporate tax rate and to provide disincentives for the foreign corporations to acquire domestic corporations and eliminate American jobs.

IN THE HOUSE OF REPRESENTATIVES

Mr. CALVERT introduced the following bill; which was referred to the Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to reduce the corporate tax rate and to provide disincentives for the foreign corporations to acquire domestic corporations and eliminate American jobs.

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 “US Jobs Protection
5 Act of 2014”.

1 **SEC. 2. REDUCTION IN CORPORATE TAX RATE.**

2 Section 11(b) of the Internal Revenue Code of 1986
3 is amended by adding at the end the following new para-
4 graph:

5 “(3) RATE REDUCTION.—The rate of tax im-
6 posed under paragraph (1)(D) for any taxable year
7 beginning in any calendar year is hereby reduced by
8 such number of percentage points (if any) as the
9 Secretary determines (with respect to taxable years
10 beginning in such calendar year) will result in a re-
11 duction in revenue to the Treasury for each fiscal
12 year which equals the increase in revenue to the
13 Treasury for such fiscal year by reason of the
14 amendments made by section 3 of the US Jobs Pro-
15 tection Act of 2014.”.

16 **SEC. 3. SPECIAL RULES RELATED TO FOREIGN CORPORA-**
17 **TIONS ACQUIRING DOMESTIC CORPORA-**
18 **TIONS AND ELIMINATING AMERICAN JOBS.**

19 (a) INTEREST EXPENSE LIMITATION.—Section
20 163(j)(2) of the Internal Revenue Code of 1986 is amend-
21 ed by adding at the end the following new subparagraph:

22 “(D) POST-ACQUISITION PAYROLL REDUC-
23 TIONS.—

24 “(i) IN GENERAL.—If a designated
25 foreign corporation acquires (directly or in-
26 directly) substantially all of the properties

1 held (directly or indirectly) by a domestic
2 corporation, and, at any time during the
3 24-month period beginning on the date
4 that the acquisition occurs, the payroll or
5 the number of full-time employees of the
6 domestic corporation and its domestic af-
7 filiates (in the aggregate) is reduced by 30
8 percent or more, then subparagraph (B)
9 shall be applied, for the 5 taxable years
10 following the taxable year in which such
11 reduction first occurs, by substituting ‘20
12 percent’ for ‘50 percent’ each place it ap-
13 pears.

14 “(ii) DESIGNATED FOREIGN CORPORA-
15 TION.—For purposes of this subparagraph,
16 the term ‘designated foreign corporation’
17 means any foreign corporation which would
18 be treated as a domestic corporation under
19 section 7874(b), with respect to any tax-
20 able year ending after the date of the en-
21 actment of such section, if such section
22 were applied by substituting ‘40 percent’
23 for ‘80 percent’.

24 “(iii) PAYROLL.—For purposes of this
25 subparagraph, the term ‘payroll’ means the

1 United States dollar value of current com-
2 pensation paid to employees.

3 “(iv) EMPLOYEES.—For purposes of
4 this subparagraph, the term ‘employees’
5 has the meaning given such term by sec-
6 tion 3121(d).

7 “(v) DATE OF ACQUISITION.—For
8 purposes of this subparagraph, an acquisi-
9 tion shall be treated as occurring on the
10 first date that substantially all of the prop-
11 erties held (directly or indirectly) by the
12 domestic corporation referred to in clause
13 (i) have been acquired by the foreign cor-
14 poration referred to in clause (i).

15 “(vi) REGULATIONS.—The Secretary
16 shall issue such regulations or other guid-
17 ance as is necessary or appropriate to
18 carry out the purposes of this subpara-
19 graph, including regulations or other guid-
20 ance which—

21 “(I) defines full-time employee
22 and domestic affiliate for purposes of
23 this subparagraph, and

24 “(II) provides the baseline and
25 method for determining whether a re-

1 duction described in clause (i) has oc-
2 curred.

3 “(vii) TERMINATION.—This subpara-
4 graph shall not apply to any acquisition
5 which occurs after the date which is 2
6 years after the date of the enactment of
7 this subparagraph.”.

8 (b) TREATMENT OF CERTAIN INTANGIBLE INCOME
9 AS EFFECTIVELY CONNECTED WITH UNITED STATES
10 TRADE OR BUSINESS.—Section 864(c) of such Code is
11 amended by adding at the end the following new para-
12 graph:

13 “(8) TREATMENT OF CERTAIN INTANGIBLE IN-
14 COME AS EFFECTIVELY CONNECTED WITH UNITED
15 STATES TRADE OR BUSINESS.—

16 “(A) IN GENERAL.—For purposes of this
17 title, if—

18 “(i) a designated foreign corporation
19 acquires (directly or indirectly) substan-
20 tially all of the properties held (directly or
21 indirectly) by a domestic corporation, and

22 “(ii) at any time during the 24-month
23 period beginning on the date that the ac-
24 quisition occurs, the domestic corpora-
25 tion—

1 “(I) transfers a direct or indirect
2 interest in intangible property (within
3 the meaning of section 936(h)(3)(B))
4 to a related person which is not a
5 United States person (as defined in
6 section 7701), and

7 “(II) the payroll or the number
8 of full-time employees of the domestic
9 corporation and its domestic affiliates
10 (in the aggregate) is reduced by 30
11 percent or more,

12 then the income attributable to such intangible
13 property shall be taken into account under sec-
14 tion 882(a)(1) as if the designated foreign cor-
15 poration is engaged in a trade or business with-
16 in the United States and as if such income is
17 effectively connected with such trade or busi-
18 ness.

19 “(B) DEFINITIONS AND SPECIAL RULES.—
20 For purposes of this paragraph—

21 “(i) DESIGNATED FOREIGN CORPORA-
22 TION.—The term ‘designated foreign cor-
23 poration’ means any foreign corporation
24 which would be treated as a domestic cor-
25 poration under section 7874(b), with re-

1 spect to any taxable year ending after the
2 date of the enactment of such section, if
3 such section were applied by substituting
4 ‘40 percent’ for ‘80 percent’.

5 “(ii) TRANSFER.—The transfer of an
6 interest in intangible property includes by
7 sale, contribution, license, or through any
8 shared risk or development agreement (in-
9 cluding any cost sharing arrangement).

10 “(iii) RELATED PERSON.—The term
11 ‘related person’ means any person who is
12 related (within the meaning of section
13 267(b) or 707(b), as the case may be) to
14 the taxpayer.

15 “(iv) PAYROLL.—The term ‘payroll’
16 means the United States dollar value of
17 current compensation paid to employees.

18 “(v) EMPLOYEES.—The term ‘employ-
19 ees’ has the meaning given such term by
20 section 3121(d).

21 “(vi) DATE OF ACQUISITION.—An ac-
22 quisition shall be treated as occurring on
23 the first date that substantially all of the
24 properties held (directly or indirectly) by
25 the domestic corporation referred to in

1 subparagraph (A) have been acquired by
2 the designated foreign corporation referred
3 to in subparagraph (A).

4 “(C) REGULATIONS.—The Secretary shall
5 issue such regulations or other guidance as is
6 necessary or appropriate to carry out the pur-
7 poses of this paragraph, including regulations
8 or other guidance which—

9 “(i) defines full-time employee and do-
10 mestic affiliate for purposes of this para-
11 graph, and

12 “(ii) provides the baseline and method
13 for determining whether a reduction de-
14 scribed in subparagraph (A)(ii)(II) has oc-
15 curred.

16 “(D) TERMINATION.—This paragraph
17 shall not apply to any acquisition which occurs
18 after the date which is 2 years after the date
19 of the enactment of this paragraph.”.

20 (c) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to acquisitions which occur (within
22 the meaning of section 163(j)(2)(D)(iv) or section
23 864(c)(8)(B)(v) of the Internal Revenue Code of 1986 (as
24 added by this section), as the case may be) after Sep-
25 tember 15, 2014.