U.S. Jobs Protection Act Discussion Draft
Section-by-Section Summary

SECTION 1. Short Title. This Act may be cited as the ''US Jobs Protection Act of 2014''.

SEC. 2. Reduction in the Corporate Tax Rate.

The bill is revenue neutral because this section will reduce the corporate tax rate by a percentage equal to any increase in revenue by reason of the USJPA.

SEC. 3. Special Rules Related to Foreign Corporations Acquiring Domestic Corporations and Eliminating American Jobs.

"Designated Foreign Corporations" who acquire a U.S. company and eliminate more than 30% of U.S. jobs within the first 24 months following the acquisition will face restrictions on interest expense deductions and IP migration tax-planning techniques.

The definition of a "Designated Foreign Corporation" is linked to §7874 of the Internal Revenue Code. When a merger of a U.S. and foreign company results in a tax inversion, IRC §7874 defines when a company will be respected as foreign or when it will be deemed domestic by reference to the percentage of the newly combined company that is held by former shareholders of the US company. Under IRC §7874(b), if 80% or more of the newly combined company is held by former shareholders of the US company, then the company will be treated as a domestic corporation. Section 3 of the USJPA would amend the shareholder percentage from 80% to 40%(for purposes of defining a Designated Foreign Corporation only). Accordingly, if 40% or more of the newly combined company had been held by former shareholders of the U.S. company, then the company would have been treated as a domestic company (for this purpose only) and consequently will be considered a "Designated Foreign Corporation".

(a) **Interest Expense Limitation**. Foreign acquirers frequently attempt to minimize their U.S. tax bills by loading up their U.S. subsidiaries with intercompany debt, which produces deductible interest expense. This section would tighten the current limitation on deductibility of interest on intercompany lending between a U.S. company and its foreign affiliates. Specifically, the job-loss trip wire would reduce the current 50% limitation to 20% and would remain in place for 5 years.

(b) **Treatment of Certain Intangible Income as Effectively Connected with United States Trade or Business**. If intellectual property is migrated from the U.S. company to an offshore related company within 24 months after the acquisition, the job-loss trip wire would require the income generated by that IP be immediately taxed in the US.

(c) **Effective Date**. This bill will be effective for a two year period beginning on the date of announcement.