

104TH CONGRESS
2D SESSION

H. R. 3252

To amend the Internal Revenue Code of 1986 to discourage American businesses from moving jobs overseas and to encourage the creation of new jobs in the United States, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 16, 1996

Ms. MCKINNEY 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 discourage American businesses from moving jobs overseas and to encourage the creation of new jobs in the United States, 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; AMENDMENT OF 1986 CODE.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “American Jobs Act of 1996”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment

1 to, or repeal of, a section or other provision, the reference
2 shall be considered to be made to a section or other provi-
3 sion of the Internal Revenue Code of 1986.

4 **SEC. 2. TAXATION OF INCOME OF CONTROLLED FOREIGN**
5 **CORPORATIONS ATTRIBUTABLE TO IM-**
6 **PORTED PROPERTY.**

7 (a) GENERAL RULE.—Subsection (a) of section 954
8 (defining foreign base company income) is amended by
9 striking “and” at the end of paragraph (4), by striking
10 the period at the end of paragraph (5) and inserting
11 “, and”, and by adding at the end the following new para-
12 graph:

13 “(6) imported property income for the taxable
14 year (determined under subsection (h) and reduced
15 as provided in subsection (b)(5)).”

16 (b) DEFINITION OF IMPORTED PROPERTY IN-
17 COME.—Section 954 is amended by adding at the end the
18 following new subsection:

19 “(h) IMPORTED PROPERTY INCOME.—

20 “(1) IN GENERAL.—For purposes of subsection
21 (a)(6), the term ‘imported property income’ means
22 income (whether in the form of profits, commissions,
23 fees, or otherwise) derived in connection with—

24 “(A) manufacturing, producing, growing,
25 or extracting imported property,

1 “(B) the sale, exchange, or other disposi-
2 tion of imported property, or

3 “(C) the lease, rental, or licensing of im-
4 ported property.

5 Such term shall not include any foreign oil and gas
6 extraction income (within the meaning of section
7 907(c)) or any foreign oil related income (within the
8 meaning of section 907(c)).

9 “(2) IMPORTED PROPERTY.—For purposes of
10 this subsection—

11 “(A) IN GENERAL.—Except as otherwise
12 provided in this paragraph, the term ‘imported
13 property’ means property which is imported
14 into the United States by the controlled foreign
15 corporation or a related person.

16 “(B) IMPORTED PROPERTY INCLUDES CER-
17 TAIN PROPERTY IMPORTED BY UNRELATED
18 PERSONS.—The term ‘imported property’ in-
19 cludes any property imported into the United
20 States by an unrelated person if, when such
21 property was sold to the unrelated person by
22 the controlled foreign corporation (or a related
23 person), it was reasonable to expect that—

24 “(i) such property would be imported
25 into the United States, or

1 “(ii) such property would be used as
2 a component in other property which would
3 be imported into the United States.

4 “(C) EXCEPTION FOR PROPERTY SUBSE-
5 QUENTLY EXPORTED.—The term ‘imported
6 property’ does not include any property which is
7 imported into the United States and which—

8 “(i) before substantial use in the
9 United States, is sold, leased, or rented by
10 the controlled foreign corporation or a re-
11 lated person for direct use, consumption,
12 or disposition outside the United States, or

13 “(ii) is used by the controlled foreign
14 corporation or a related person as a com-
15 ponent in other property which is so sold,
16 leased, or rented.

17 “(3) DEFINITIONS AND SPECIAL RULES.—

18 “(A) IMPORT.—For purposes of this sub-
19 section, the term ‘import’ means entering, or
20 withdrawal from warehouse, for consumption or
21 use. Such term includes any grant of the right
22 to use an intangible (as defined in section
23 936(b)(3)(B)) in the United States.

24 “(B) UNRELATED PERSON.—For purposes
25 of this subsection, the term ‘unrelated person’

1 means any person who is not a related person
2 with respect to the controlled foreign corpora-
3 tion.

4 “(C) COORDINATION WITH FOREIGN BASE
5 COMPANY SALES INCOME.—For purposes of this
6 section, the term ‘foreign base company sales
7 income’ shall not include any imported property
8 income.”

9 (c) SEPARATE APPLICATION OF LIMITATIONS ON
10 FOREIGN TAX CREDIT FOR IMPORTED PROPERTY IN-
11 COME.—

12 (1) IN GENERAL.—Paragraph (1) of section
13 904(d) (relating to separate application of section
14 with respect to certain categories of income) is
15 amended by striking “and” at the end of subpara-
16 graph (H), by redesignating subparagraph (I) as
17 subparagraph (J), and by inserting after subpara-
18 graph (H) the following new subparagraph:

19 “(I) imported property income, and”.

20 (2) IMPORTED PROPERTY INCOME DEFINED.—
21 Paragraph (2) of section 904(d) is amended by re-
22 designating subparagraphs (H) and (I) as subpara-
23 graphs (I) and (J), respectively, and by inserting
24 after subparagraph (G) the following new subpara-
25 graph:

1 “(H) IMPORTED PROPERTY INCOME.—The
2 term ‘imported property income’ means any in-
3 come received or accrued by any person which
4 is of a kind which would be imported property
5 income (as defined in section 954(h)).”

6 (3) LOOK-THRU RULES TO APPLY.—Subpara-
7 graph (F) of section 904(d)(3) is amended by strik-
8 ing “or (E)” and inserting “(E), or (H)”.

9 (d) TECHNICAL AMENDMENTS.—

10 (1) Clause (iii) of section 952(c)(1)(B) (relating
11 to certain prior year deficits may be taken into ac-
12 count) is amended by inserting the following
13 subclause after subclause (II) (and by redesignating
14 the following subclauses accordingly):

15 “(III) imported property income,”.

16 (2) Paragraph (5) of section 954(b) (relating to
17 deductions to be taken into account) is amended by
18 striking “and the foreign base company oil related
19 income” and inserting “the foreign base company oil
20 related income, and the imported property income”.

21 (e) EFFECTIVE DATE.—

22 (1) IN GENERAL.—Except as provided in para-
23 graph (2), the amendments made by this section
24 shall apply to taxable years of foreign corporations
25 beginning after December 31, 1995, and to taxable

1 years of United States shareholders within which or
2 with which such taxable years of such foreign cor-
3 porations end.

4 (2) SUBSECTION (c).—The amendments made
5 by subsection (c) shall apply to taxable years begin-
6 ning after December 31, 1995.

7 **SEC. 3. REFUNDABLE CREDIT FOR NEW EMPLOYEES.**

8 (a) IN GENERAL.—Subpart C of part IV of sub-
9 chapter A of chapter 1 (relating to refundable credits) is
10 amended by redesignating section 35 as section 36 and
11 by inserting after section 34 the following new section:

12 **“SEC. 35. CREDIT FOR NEW EMPLOYEES.**

13 “(a) ALLOWANCE OF CREDIT.—There shall be al-
14 lowed as a credit against the tax imposed by this subtitle
15 for any taxable year an amount equal to 20 percent of
16 the qualified social security taxes paid or incurred by the
17 taxpayer during the taxable year.

18 “(b) QUALIFIED SOCIAL SECURITY TAXES.—For
19 purposes of this section—

20 “(1) IN GENERAL.—The term ‘qualified social
21 security taxes’ means the amount of taxes imposed
22 by section 3111(a) with respect to wages of an em-
23 ployee for employment during the 2-year period be-
24 ginning with the day the employee begins work for
25 the employer.

1 “(2) APPLICATION TO RAILROAD RETIRE-
2 MENT.—Such term shall also include taxes imposed
3 by section 3221(a) with respect to compensation
4 during such 2-year period but only to the extent at-
5 tributable to the rate of tax in effect under section
6 3111(a).

7 “(3) EXCEPTION FOR EMPLOYMENT OUTSIDE
8 THE UNITED STATES.—Such term shall not include
9 taxes paid with respect to employment described in
10 section 3121(b)(B) (relating to employment outside
11 the United States by citizens and residents).

12 “(c) CERTAIN EMPLOYEES INELIGIBLE.—

13 “(1) OVERALL EMPLOYMENT MUST IN-
14 CREASE.—

15 “(A) IN GENERAL.—An employer may take
16 into account for purposes of this section only
17 that number of employees hired by the employer
18 during a taxable year which does not exceed the
19 number of employees determined under sub-
20 paragraph (B). The employer shall designate
21 which employees shall be taken into account.
22 Such designation shall apply for such taxable
23 year and any succeeding taxable year.

24 “(B) MAXIMUM NUMBER OF EMPLOY-
25 EES.—For purposes of subparagraph (A), the

1 number of employees determined under this
2 subparagraph for a taxable year is an amount
3 equal to the excess (if any) of—

4 “(i) the average daily number of full-
5 time equivalent employees of the taxpayer
6 for such taxable year, over

7 “(ii) the average daily number of full-
8 time equivalent employees of the taxpayer
9 (or any predecessor) for the 3-taxable year
10 period immediately preceding such taxable
11 year.

12 “(2) OTHER INELIGIBLE EMPLOYEES.—Quali-
13 fied social security taxes paid with respect to any
14 employee shall not be taken into account under sub-
15 section (a) if such employee—

16 “(A) is a member of a targeted group with
17 respect to whom the employer has taken into
18 account wages in determining the amount of
19 the targeted jobs credit under section 51,

20 “(B) is described in paragraph (1) of sec-
21 tion 51(i) (relating to related individuals), or

22 “(C) is employed by the employer for less
23 than 120 days or has not completed at least
24 120 hours of service.

1 “(d) OTHER SPECIAL RULES.—For purposes of this
2 section—

3 “(1) CONTROLLED GROUPS.—All employers
4 treated as a single employer under subsection (a) or
5 (b) of section 52 shall be treated as a single em-
6 ployer.

7 “(2) OTHER RULES.—Rules similar to the rules
8 of section 51(k) and subsections (c), (d), and (e) of
9 section 52 shall apply.”

10 (b) CONFORMING AMENDMENTS.—The table of sec-
11 tions for subpart C of part IV of subchapter A of chapter
12 1 is amended by striking the item relating to section 35
13 and inserting the following new items:

“Sec. 35. Credit for new employees.
“Sec. 36. Overpayments of tax.”

14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to taxable years beginning after
16 December 31, 1995.

17 **SEC. 4. REPORT ON ELIMINATION OF BUSINESS TAX PREF-**
18 **ERENCES.**

19 The Secretary of the Treasury shall, as soon as prac-
20 ticable after the date of the enactment of this Act, report
21 to the Committee on Ways and Means of the House of
22 Representatives and the Committee on Finance of the
23 Senate recommendations as to the elimination of, or
24 changes in, business tax preferences. Such recommenda-

1 tions shall provide an increase in Federal revenues suffi-
2 cient to offset any overall decrease in Federal revenues
3 under the other provisions of this Act.

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