

108TH CONGRESS
2D SESSION

H. R. 5396

To amend the Internal Revenue Code of 1986 to allow a deduction for a portion of any dividend received by a domestic corporation from a qualified foreign corporation.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 19, 2004

Mr. ACEVEDO-VILÁ 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 allow a deduction for a portion of any dividend received by a domestic corporation from a qualified foreign 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. SHORT TITLE.**

4 This Act may be cited as the “Financial Transactions
5 Equity Act of 2004”.

1 **SEC. 2. DIVIDEND RECEIVED DEDUCTION FOR DIVIDENDS**
2 **RECEIVED FROM QUALIFIED FOREIGN COR-**
3 **PORATIONS.**

4 (a) IN GENERAL.—Section 245 of the Internal Rev-
5 enue Code of 1986 (relating to dividends received from
6 certain foreign corporations) is amended by adding at the
7 end the following new subsection:

8 “(d) DIVIDENDS RECEIVED FROM CORPORATIONS
9 ORGANIZED UNDER THE LAWS OF THE COMMONWEALTH
10 OF PUERTO RICO.—

11 “(1) IN GENERAL.—In the case of dividends re-
12 ceived by a domestic corporation from a corporation
13 organized under the laws of the Commonwealth of
14 Puerto Rico, there shall be allowed as a deduction
15 an amount equal to the percent (specified in section
16 243 for the taxable year) of such dividends.

17 “(2) EXCLUSION OF CERTAIN DIVIDENDS.—
18 Paragraph (1) shall not apply to any dividend re-
19 ceived from a corporation organized under the laws
20 of the Commonwealth of Puerto Rico to the extent
21 that the dividend consists of earnings and profits ac-
22 cumulated during a taxable year that such corpora-
23 tion was a controlled foreign corporation (as defined
24 in section 957).

25 “(3) COORDINATION WITH SECTION 1248.—For
26 purposes of this subsection, the term ‘dividend’ does

1 not include any amount treated as a dividend under
2 section 1248.”.

3 (b) **EFFECTIVE DATE.**—The amendment made by
4 this section shall apply to taxable years beginning after
5 the date of the enactment of this Act.

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