

110TH CONGRESS  
1ST SESSION

# H. R. 2937

To amend the Internal Revenue Code of 1986 to provide that management and administrative activities will not be taken into account in determining if an entity has sufficient business activities in a foreign country to avoid treatment as an expatriated entity.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 28, 2007

Mr. NEAL of Massachusetts introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide that management and administrative activities will not be taken into account in determining if an entity has sufficient business activities in a foreign country to avoid treatment as an expatriated entity.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

1 **SECTION 1. MANAGEMENT AND ADMINISTRATIVE ACTIVI-**  
2 **TIES NOT TREATED AS BUSINESS ACTIVITIES**  
3 **FOR PURPOSES OF EXPATRIATED ENTITY**  
4 **RULES.**

5 (a) **IN GENERAL.**—Subsection (a) of section 7874 of  
6 the Internal Revenue Code of 1986 (relating to rules relat-  
7 ing to expatriated entities and their foreign parents) is  
8 amended by adding at the end the following new para-  
9 graph:

10 “(4) **TREATMENT OF MANAGEMENT AND AD-**  
11 **MINISTRATIVE ACTIVITIES.**—For purposes of para-  
12 graph (2)(B)(iii), any management or administrative  
13 activities (including the location of any corporate  
14 headquarters) in the foreign country in which, or  
15 under the law of which, the entity is created or orga-  
16 nized shall not be taken into account as business ac-  
17 tivities.”.

18 (b) **EFFECTIVE DATE.**—The amendment made by  
19 this section shall apply to acquisitions completed after the  
20 date of the enactment of this Act.

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