

111TH CONGRESS
1ST SESSION

S. 1656

To amend the Internal Revenue Code of 1986 to provide for the treatment of S corporations for purposes of election of the alternative tax on qualifying shipping activities, and for other purposes.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 9, 2009

Ms. STABENOW (for herself, Mr. VOINOVICH, Mr. LEVIN, and Ms. KLOBUCHAR) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide for the treatment of S corporations for purposes of election of the alternative tax on qualifying shipping activities, 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. TREATMENT OF S CORPORATIONS FOR PUR-**
4 **POSES OF ELECTION OF THE ALTERNATIVE**
5 **TAX ON QUALIFYING SHIPPING ACTIVITIES.**

6 (a) IN GENERAL.—Section 1352 of the Internal Rev-
7 enue Code of 1986 is amended to read as follows:

1 **“SEC. 1352. ALTERNATIVE TAX ON QUALIFYING SHIPPING**
 2 **ACTIVITIES.**

3 “(a) IN GENERAL.—In the case of an electing cor-
 4 poration other than an S corporation, the tax imposed by
 5 section 11 shall be the amount equal to the sum of—

6 “(1) the tax imposed by section 11 determined
 7 after the application of this subchapter, and

8 “(2) a tax equal to—

9 “(A) the highest rate of tax specified in
 10 section 11, multiplied by

11 “(B) the notional shipping income for the
 12 taxable year.

13 “(b) S CORPORATIONS.—In the case of an electing
 14 corporation which is an S corporation, the notional ship-
 15 ping income of such S corporation shall be taken into ac-
 16 count under section 1366 by a shareholder of such S cor-
 17 poration in lieu of the income excluded under section
 18 1357.”.

19 (b) SURTAX IMPOSED ON TONNAGE TAX DIFFEREN-
 20 TIAL AMOUNT.—Subsection (f) of section 1366 of the In-
 21 ternal Revenue Code of 1986 is amended by adding at the
 22 end the following new paragraph:

23 “(4) SURTAX ON TONNAGE TAX DIFFERENTIAL
 24 AMOUNT.—In the case of a shareholder of an S cor-
 25 poration which is an electing corporation for pur-
 26 poses of subchapter R of this chapter, the tax deter-

1 mined under this chapter (other than this para-
2 graph) with respect to such shareholder for any tax-
3 able year in which the shareholder takes into ac-
4 count notional shipping income shall be increased by
5 an amount equal to 15 percent of the excess, if any,
6 of—

7 “(A) the shareholder’s pro rata share of
8 the amount which would be included in gross
9 income of the corporation but for the applica-
10 tion of section 1357, over

11 “(B) the shareholder’s pro rata share of
12 the notional shipping income (as defined in sec-
13 tion 1353) of the corporation.”.

14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to taxable years beginning after
16 the date of the enactment of this Act.

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