

114TH CONGRESS
1ST SESSION

H. R. 415

To amend the Internal Revenue Code of 1986 to modify the rules relating to inverted corporations.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 20, 2015

Mr. LEVIN (for himself, Mr. DOGGETT, Ms. SLAUGHTER, and Mr. VAN HOLLEN) 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 modify the rules relating to inverted corporations.

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 “Stop Corporate Inver-

5 sions Act of 2015”.

6 **SEC. 2. MODIFICATIONS TO RULES RELATING TO IN-**
7 **VERTED CORPORATIONS.**

8 (a) IN GENERAL.—Subsection (b) of section 7874 of
9 the Internal Revenue Code of 1986 is amended to read
10 as follows:

1 “(b) INVERTED CORPORATIONS TREATED AS DO-
2 MESTIC CORPORATIONS.—

3 “(1) IN GENERAL.—Notwithstanding section
4 7701(a)(4), a foreign corporation shall be treated for
5 purposes of this title as a domestic corporation if—

6 “(A) such corporation would be a surro-
7 gate foreign corporation if subsection (a)(2)
8 were applied by substituting ‘80 percent’ for
9 ‘60 percent’, or

10 “(B) such corporation is an inverted do-
11 mestic corporation.

12 “(2) INVERTED DOMESTIC CORPORATION.—For
13 purposes of this subsection, a foreign corporation
14 shall be treated as an inverted domestic corporation
15 if, pursuant to a plan (or a series of related trans-
16 actions)—

17 “(A) the entity completes after May 8,
18 2014, the direct or indirect acquisition of—

19 “(i) substantially all of the properties
20 held directly or indirectly by a domestic
21 corporation, or

22 “(ii) substantially all of the assets of,
23 or substantially all of the properties consti-
24 tuting a trade or business of, a domestic
25 partnership, and

1 “(B) after the acquisition, either—

2 “(i) more than 50 percent of the stock
3 (by vote or value) of the entity is held—

4 “(I) in the case of an acquisition
5 with respect to a domestic corpora-
6 tion, by former shareholders of the
7 domestic corporation by reason of
8 holding stock in the domestic corpora-
9 tion, or

10 “(II) in the case of an acquisition
11 with respect to a domestic partner-
12 ship, by former partners of the do-
13 mestic partnership by reason of hold-
14 ing a capital or profits interest in the
15 domestic partnership, or

16 “(ii) the management and control of
17 the expanded affiliated group which in-
18 cludes the entity occurs, directly or indi-
19 rectly, primarily within the United States,
20 and such expanded affiliated group has
21 significant domestic business activities.

22 “(3) EXCEPTION FOR CORPORATIONS WITH
23 SUBSTANTIAL BUSINESS ACTIVITIES IN FOREIGN
24 COUNTRY OF ORGANIZATION.—A foreign corporation
25 described in paragraph (2) shall not be treated as an

1 inverted domestic corporation if after the acquisition
2 the expanded affiliated group which includes the en-
3 tity has substantial business activities in the foreign
4 country in which or under the law of which the enti-
5 ty is created or organized when compared to the
6 total business activities of such expanded affiliated
7 group. For purposes of subsection (a)(2)(B)(iii) and
8 the preceding sentence, the term ‘substantial busi-
9 ness activities’ shall have the meaning given such
10 term under regulations in effect on May 8, 2014, ex-
11 cept that the Secretary may issue regulations in-
12 creasing the threshold percent in any of the tests
13 under such regulations for determining if business
14 activities constitute substantial business activities for
15 purposes of this paragraph.

16 “(4) MANAGEMENT AND CONTROL.—For pur-
17 poses of paragraph (2)(B)(ii)—

18 “(A) IN GENERAL.—The Secretary shall
19 prescribe regulations for purposes of deter-
20 mining cases in which the management and
21 control of an expanded affiliated group is to be
22 treated as occurring, directly or indirectly, pri-
23 marily within the United States. The regula-
24 tions prescribed under the preceding sentence
25 shall apply to periods after May 8, 2014.

1 “(B) EXECUTIVE OFFICERS AND SENIOR
2 MANAGEMENT.—Such regulations shall provide
3 that the management and control of an ex-
4 panded affiliated group shall be treated as oc-
5 curring, directly or indirectly, primarily within
6 the United States if substantially all of the ex-
7 ecutive officers and senior management of the
8 expanded affiliated group who exercise day-to-
9 day responsibility for making decisions involving
10 strategic, financial, and operational policies of
11 the expanded affiliated group are based or pri-
12 marily located within the United States. Indi-
13 viduals who in fact exercise such day-to-day re-
14 sponsibilities shall be treated as executive offi-
15 cers and senior management regardless of their
16 title.

17 “(5) SIGNIFICANT DOMESTIC BUSINESS ACTIVI-
18 TIES.—For purposes of paragraph (2)(B)(ii), an ex-
19 panded affiliated group has significant domestic
20 business activities if at least 25 percent of—

21 “(A) the employees of the group are based
22 in the United States,

23 “(B) the employee compensation incurred
24 by the group is incurred with respect to employ-
25 ees based in the United States,

1 “(C) the assets of the group are located in
2 the United States, or

3 “(D) the income of the group is derived in
4 the United States,

5 determined in the same manner as such determina-
6 tions are made for purposes of determining substan-
7 tial business activities under regulations referred to
8 in paragraph (3) as in effect on May 8, 2014, but
9 applied by treating all references in such regulations
10 to ‘foreign country’ and ‘relevant foreign country’ as
11 references to ‘the United States’. The Secretary may
12 issue regulations decreasing the threshold percent in
13 any of the tests under such regulations for deter-
14 mining if business activities constitute significant
15 domestic business activities for purposes of this
16 paragraph.”.

17 (b) CONFORMING AMENDMENTS.—

18 (1) Clause (i) of section 7874(a)(2)(B) of such
19 Code is amended by striking “after March 4, 2003,”
20 and inserting “after March 4, 2003, and before May
21 9, 2014,”.

22 (2) Subsection (c) of section 7874 of such Code
23 is amended—

24 (A) in paragraph (2)—

1 (i) by striking “subsection
2 (a)(2)(B)(ii)” and inserting “subsections
3 (a)(2)(B)(ii) and (b)(2)(B)(i)”, and
4 (ii) by inserting “or (b)(2)(A)” after
5 “(a)(2)(B)(i)” in subparagraph (B),
6 (B) in paragraph (3), by inserting “or
7 (b)(2)(B)(i), as the case may be,” after
8 “(a)(2)(B)(ii)”,
9 (C) in paragraph (5), by striking “sub-
10 section (a)(2)(B)(ii)” and inserting “sub-
11 sections (a)(2)(B)(ii) and (b)(2)(B)(i)”, and
12 (D) in paragraph (6), by inserting “or in-
13 verted domestic corporation, as the case may
14 be,” after “surrogate foreign corporation”.
15 (c) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to taxable years ending after May
17 8, 2014.

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