

115TH CONGRESS
1ST SESSION

H. R. 4383

To reform the Internal Revenue Code of 1986.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 14, 2017

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

A BILL

To reform the Internal Revenue Code of 1986.

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. CLARIFICATION.**

4 (a) AMENDMENT OF 1986 CODE.—Except as other-
5 wise expressly provided, whenever in this Act an amend-
6 ment or repeal is expressed in terms of an amendment
7 to, or repeal of, a section or other provision, the reference
8 shall be considered to be made to a section or other provi-
9 sion of the Internal Revenue Code of 1986.

10 (b) TABLE OF CONTENTS.—The table of contents for
11 this title is as follows:

Section 1. Clarification.

TITLE I—IMMEDIATE COST RECOVERY

- Sec. 101. Repeal of certain limitations on the expensing of section 179 property.
- Sec. 102. Election of shorter recovery period for purpose of determining depreciation deduction.

TITLE II—REDUCED RATE ON BUSINESS INCOME

- Sec. 201. Reduced corporate rate.
- Sec. 202. Reduced rate on other business income.

TITLE III—EXEMPTION SYSTEM FOR TAXATION OF FOREIGN INCOME

- Sec. 301. Deduction for dividends received by domestic corporations from certain foreign corporations.
- Sec. 302. Treatment of deferred foreign income upon transition to participation exemption system of taxation.
- Sec. 303. Look-thru rule for related controlled foreign corporations made permanent.
- Sec. 304. Repeal of section 902 indirect foreign tax credits; determination of section 960 credit on current year basis.

TITLE IV—REDUCED RATES FOR INDIVIDUALS

- Sec. 401. Reduced rates for individuals.

TITLE V—TAX-EXEMPT REORGANIZATIONS

- Sec. 501. No taxable event for change of corporate form.

TITLE VI—REPEAL OF NET INVESTMENT INCOME TAX

- Sec. 601. Repeal of net investment income tax.

TITLE VII—REPEAL OF ESTATE TAX

- Sec. 701. Repeal of estate tax and retention of basis step-up.

1 **TITLE I—IMMEDIATE COST**
 2 **RECOVERY**

3 **SEC. 101. REPEAL OF CERTAIN LIMITATIONS ON THE EX-**
 4 **PENSING OF SECTION 179 PROPERTY.**

5 (a) IN GENERAL.—Section 179 is amended by strik-
 6 ing subsections (b) and (e) and by redesignating sub-
 7 sections (c), (d), and (f) as subsections (b), (c), and (d),
 8 respectively.

9 (b) CONFORMING AMENDMENTS.—

1 (1) Subsection (c) of section 179, as redesignig-
2 nated by subsection (a), is amended by striking
3 paragraphs (6) and (8), and by redesignating para-
4 graphs (7), (9), and (10) as paragraphs (6), (7),
5 and (8), respectively.

6 (2) Paragraph (6) of section 179(c), as redesignig-
7 nated by paragraph (1) and subsection (a), is
8 amended by striking “paragraphs (2) and (6)” and
9 inserting “paragraph (2)”.

10 (3) Section 42(d)(2)(B)(i) is amended by strik-
11 ing “section 179(d)(2)” and inserting “section
12 179(c)(2)”.

13 (4) Subclause (I) of section 42(d)(2)(D)(iii) is
14 amended—

15 (A) by striking “section 179(d)” and in-
16 serting “section 179(c)”; and

17 (B) by striking “section 179(d)(7)” and
18 inserting “section 179(c)(6)”.

19 (c) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to property placed in service during
21 taxable years beginning after December 31, 2016.

1 **SEC. 102. ELECTION OF SHORTER RECOVERY PERIOD FOR**
2 **PURPOSE OF DETERMINING DEPRECIATION**
3 **DEDUCTION.**

4 (a) IN GENERAL.—Section 168 is amended by adding
5 at the end the following new subsection:

6 “(o) ELECTION OF SHORTER RECOVERY PERIOD.—

7 “(1) IN GENERAL.—Notwithstanding sub-
8 sections (c), (e), (g), and (j), for purposes of sub-
9 section (a), the applicable recovery period for any
10 property placed in service during a taxable year end-
11 ing on or after the date of the enactment of this
12 subsection shall not exceed such period as the tax-
13 payer may elect with respect to such property.

14 “(2) ELECTION.—An election made under this
15 subsection shall be made at such time and in such
16 form and manner as the Secretary may require. An
17 election under this subsection, once made, shall
18 apply to the taxable year for which made and all
19 subsequent taxable years unless revoked with the
20 consent of the Secretary.

21 “(3) TRANSITION RULE.—In the case of any
22 property placed in service during a taxable year end-
23 ing before January 1, 2017, paragraph (1) shall
24 apply with respect to the adjusted basis of such
25 property in the same manner as if such property
26 (with such adjusted basis) were placed in service on

1 the first day of the taxable year which includes Jan-
2 uary 1, 2017. The application of this paragraph
3 shall not be treated as a change in method of ac-
4 counting for purposes of section 481.”.

5 (b) EFFECTIVE DATE.—The amendment made by
6 this section shall apply to property placed in service be-
7 fore, on, or after January 1, 2017.

8 **TITLE II—REDUCED RATE ON** 9 **BUSINESS INCOME**

10 **SEC. 201. REDUCED CORPORATE RATE.**

11 (a) IN GENERAL.—Section 11(b) is amended to read
12 as follows:

13 “(b) AMOUNT OF TAX.—The amount of the tax im-
14 posed by subsection (a) shall be 15 percent of taxable in-
15 come.”.

16 (b) CONFORMING AMENDMENTS.—Paragraphs (1),
17 (2), and (6) of section 1445(e) are each amended by strik-
18 ing “35 percent” and inserting “15 percent”.

19 (c) EFFECTIVE DATE.—

20 (1) IN GENERAL.—Except as otherwise pro-
21 vided in this subsection, the amendments made by
22 this section shall apply to taxable years beginning
23 after December 31, 2016.

24 (2) CERTAIN CONFORMING AMENDMENTS.—The
25 amendments made by subsection (b) shall apply to

1 transfers, dispositions, and distributions, after such
2 date.

3 **SEC. 202. REDUCED RATE ON OTHER BUSINESS INCOME.**

4 (a) IN GENERAL.—Section 1 is amended by adding
5 at the end the following new subsection:

6 “(j) MAXIMUM RATE ON BUSINESS INCOME.—

7 “(1) IN GENERAL.—The rate of tax imposed
8 under this section on business income shall not ex-
9 ceed 15 percent.

10 “(2) BUSINESS INCOME.—The term ‘business
11 income’ means the excess (if any) of—

12 “(A) any distributional or pro rata share
13 of items of income or gain from a partnership
14 or S corporation and any income or gain prop-
15 erly allocable to a sole proprietorship, over

16 “(B) any distributional or pro rata share
17 of items of deduction or loss from a partnership
18 or S corporation and any deduction or loss
19 properly allocable to a sole proprietorship.”.

20 (b) EFFECTIVE DATE.—The amendment made by
21 this section shall apply to taxable years beginning after
22 December 31, 2016.

1 **TITLE III—EXEMPTION SYSTEM**
2 **FOR TAXATION OF FOREIGN**
3 **INCOME**

4 **SEC. 301. DEDUCTION FOR DIVIDENDS RECEIVED BY DO-**
5 **MESTIC CORPORATIONS FROM CERTAIN FOR-**
6 **EIGN CORPORATIONS.**

7 (a) IN GENERAL.—Part VIII of subchapter B of
8 chapter 1 is amended by inserting after section 245 the
9 following new section:

10 **“SEC. 245A. DIVIDENDS RECEIVED BY DOMESTIC CORPORA-**
11 **TIONS FROM CERTAIN FOREIGN CORPORA-**
12 **TIONS.**

13 “(a) IN GENERAL.—In the case of any dividend re-
14 ceived from a specified 10-percent owned foreign corpora-
15 tion by a domestic corporation which is a United States
16 shareholder with respect to such foreign corporation, there
17 shall be allowed as a deduction an amount equal to 95
18 percent of the foreign-source portion of such dividend.

19 “(b) SPECIFIED 10-PERCENT OWNED FOREIGN COR-
20 PORATION.—For purposes of this section, the term ‘speci-
21 fied 10-percent owned foreign corporation’ means any for-
22 eign corporation if any domestic corporation owns directly,
23 or indirectly through a chain of ownership described under
24 section 958(a), 10 percent or more of the voting stock of
25 such foreign corporation.

1 “(c) FOREIGN-SOURCE PORTION.—For purposes of
2 this section—

3 “(1) IN GENERAL.—The foreign-source portion
4 of any dividend is an amount which bears the same
5 ratio to such dividends as—

6 “(A) the post-1986 undistributed foreign
7 earnings, bears to

8 “(B) the total post-1986 undistributed
9 earnings.

10 “(2) POST-1986 UNDISTRIBUTED EARNINGS.—

11 The term ‘post-1986 undistributed earnings’ means
12 the amount of the earnings and profits of the speci-
13 fied 10-percent owned foreign corporation (computed
14 in accordance with sections 964(a) and 986) accu-
15 mulated in taxable years beginning after December
16 31, 1986—

17 “(A) as of the close of the taxable year of
18 the specified 10-percent owned foreign corpora-
19 tion in which the dividend is distributed, and

20 “(B) without diminution by reason of divi-
21 dends distributed during such taxable year.

22 “(3) POST-1986 UNDISTRIBUTED FOREIGN
23 EARNINGS.—The term ‘post-1986 undistributed for-
24 eign earnings’ means the portion of the post-1986

1 undistributed earnings which is attributable to nei-
2 ther—

3 “(A) income described in subparagraph (A)
4 of section 245(a)(5), nor

5 “(B) dividends described in subparagraph
6 (B) of such section (determined without regard
7 to section 245(a)(12)).

8 “(4) TREATMENT OF DISTRIBUTIONS FROM
9 EARNINGS BEFORE 1987.—

10 “(A) IN GENERAL.—In the case of any div-
11 idend paid out of earnings and profits of the
12 specified 10-percent owned foreign corporation
13 (computed in accordance with sections 964(a)
14 and 986) accumulated in taxable years begin-
15 ning before January 1, 1987—

16 “(i) paragraphs (1), (2), and (3) shall
17 be applied without regard to the phrase
18 ‘post-1986’ each place it appears, and

19 “(ii) paragraph (2) shall be applied
20 without regard to the phrase ‘in taxable
21 years beginning after December 31, 1986’.

22 “(B) DIVIDENDS PAID FIRST OUT OF
23 POST-1986 EARNINGS.—Dividends shall be treat-
24 ed as paid out of post-1986 undistributed earn-
25 ings to the extent thereof.

1 “(d) DISALLOWANCE OF FOREIGN TAX CREDIT,
2 ETC.—

3 “(1) IN GENERAL.—No credit shall be allowed
4 under section 901 for any taxes paid or accrued (or
5 treated as paid or accrued) with respect to any divi-
6 dend for which a deduction is allowed under this sec-
7 tion.

8 “(2) DENIAL OF DEDUCTION.—No deduction
9 shall be allowed under this chapter for any tax for
10 which credit is not allowable under section 901 by
11 reason of paragraph (1) (determined by treating the
12 taxpayer as having elected the benefits of subpart A
13 of part III of subchapter N).

14 “(e) REGULATIONS.—The Secretary may prescribe
15 such regulations or other guidance as may be necessary
16 or appropriate to carry out the provisions of this section.”.

17 (b) APPLICATION OF HOLDING PERIOD REQUIRE-
18 MENT.—Subsection (c) of section 246 is amended—

19 (1) by striking “or 245” in paragraph (1) and
20 inserting “245, or 245A”; and

21 (2) by adding at the end the following new
22 paragraph:

23 “(5) SPECIAL RULES FOR FOREIGN SOURCE
24 PORTION OF DIVIDENDS RECEIVED FROM SPECIFIED
25 10-PERCENT OWNED FOREIGN CORPORATIONS.—

1 “(A) 6-MONTH HOLDING PERIOD REQUIRE-
2 MENT.—For purposes of section 245A—

3 “(i) paragraph (1)(A) shall be ap-
4 plied—

5 “(I) by substituting ‘180 days’
6 for ‘45 days’ each place it appears,
7 and

8 “(II) by substituting ‘361-day pe-
9 riod’ for ‘91-day period’, and

10 “(ii) paragraph (2) shall not apply.

11 “(B) STATUS MUST BE MAINTAINED DUR-
12 ING HOLDING PERIOD.—For purposes of section
13 245A, the holding period requirement of this
14 subsection shall be treated as met only if—

15 “(i) the specified 10-percent owned
16 corporation referred to in section 245A(a)
17 is a specified 10-percent owned corporation
18 at all times during such period, and

19 “(ii) the taxpayer is a United States
20 shareholder with respect to such specified
21 10-percent owned corporation at all times
22 during such period.”.

23 (c) APPLICATION OF RULES GENERALLY APPLICA-
24 BLE TO DEDUCTIONS FOR DIVIDENDS RECEIVED.—

1 (1) TREATMENT OF DIVIDENDS FROM CERTAIN
2 CORPORATIONS.—Paragraph (1) of section 246(a) is
3 amended by striking “and 245” and inserting “245,
4 and 245A”.

5 (2) ASSETS GENERATING TAX-EXEMPT PORTION
6 OF DIVIDEND NOT TAKEN INTO ACCOUNT IN ALLO-
7 CATING AND APPORTIONING DEDUCTIBLE EX-
8 PENSES.—Paragraph (3) of section 864(e) is amend-
9 ed by striking “or 245(a)” and inserting “, 245(a),
10 or 245A”.

11 (3) COORDINATION WITH SECTION 1059.—Sub-
12 paragraph (B) of section 1059(b)(2) is amended by
13 striking “or 245” and inserting “245, or 245A”.

14 (d) COORDINATION WITH FOREIGN TAX CREDIT
15 LIMITATION.—Subsection (b) of section 904, as amended
16 by the preceding provisions of this Act, is amended by re-
17 designating paragraph (2) as paragraph (1) and by adding
18 at the end the following new paragraph:

19 “(2) TREATMENT OF DIVIDENDS FOR WHICH
20 DEDUCTION IS ALLOWED UNDER SECTION 245A.—
21 For purposes of subsection (a), in the case of a do-
22 mestic corporation which is a United States share-
23 holder with respect to a specified 10-percent owned
24 foreign corporation, such domestic corporation’s tax-

1 able income from sources without the United States
2 shall be determined without regard to—

3 “(A) the foreign-source portion of any divi-
4 dend received from such foreign corporation,
5 and

6 “(B) any deductions properly allocable to
7 such portion.

8 Any term which is used in section 245A and in this
9 paragraph shall have the same meaning for purposes
10 of this paragraph as when used in such section.”.

11 (e) CONFORMING AMENDMENTS.—

12 (1) Paragraph (4) of section 245(a) is amended
13 by striking “section 902(c)(1)” and inserting “sec-
14 tion 245A(c)(2)”.

15 (2) Subsection (b) of section 951 is amended by
16 striking “subpart” and inserting “title”.

17 (3) Subsection (a) of section 957 is amended by
18 striking “subpart” in the matter preceding para-
19 graph (1) and inserting “title”.

20 (4) The table of sections for part VIII of sub-
21 chapter B of chapter 1 is amended by inserting after
22 the item relating to section 245 the following new
23 item:

 “Sec. 245A. Dividends received by domestic corporations from certain foreign
 corporations.”.

1 (f) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years of foreign corpora-
3 tions beginning after December 31, 2016, and to taxable
4 years of United States shareholders in which or with which
5 such taxable years of foreign corporations end.

6 **SEC. 302. TREATMENT OF DEFERRED FOREIGN INCOME**
7 **UPON TRANSITION TO PARTICIPATION EX-**
8 **EMPTION SYSTEM OF TAXATION.**

9 (a) IN GENERAL.—Section 965 is amended to read
10 as follows:

11 **“SEC. 965. TREATMENT OF DEFERRED FOREIGN INCOME**
12 **UPON TRANSITION TO PARTICIPATION EX-**
13 **EMPTION SYSTEM OF TAXATION.**

14 “(a) TREATMENT OF DEFERRED FOREIGN INCOME
15 AS SUBPART F INCOME.—In the case of the last taxable
16 year of a deferred foreign income corporation which begins
17 before December 31, 2016, the subpart F income of such
18 foreign corporation (as otherwise determined for such tax-
19 able year under section 952) shall be increased by the ac-
20 cumulated post-1986 deferred foreign income of such cor-
21 poration determined as of the close of such taxable year.

22 “(b) REDUCTION IN AMOUNTS INCLUDED IN GROSS
23 INCOME OF UNITED STATES SHAREHOLDERS OF SPECI-
24 FIED FOREIGN CORPORATIONS WITH DEFICITS IN EARN-
25 INGS AND PROFITS.—

1 “(1) IN GENERAL.—In the case of a taxpayer
2 which is a United States shareholder with respect to
3 at least one deferred foreign income corporation and
4 at least one E&P deficit foreign corporation, the
5 amount which would (but for this subsection) be
6 taken into account under section 951(a)(1) by rea-
7 son of subsection (a) as such United States share-
8 holder’s pro rata share of the subpart F income of
9 each deferred foreign income corporation shall be re-
10 duced (but not below zero) by the amount of such
11 United States shareholder’s aggregate foreign E&P
12 deficit which is allocated under paragraph (2) to
13 such deferred foreign income corporation.

14 “(2) ALLOCATION OF AGGREGATE FOREIGN E&P
15 DEFICIT.—The aggregate foreign E&P deficit of any
16 United States shareholder shall be allocated among
17 the deferred foreign income corporations of such
18 United States shareholder in an amount which bears
19 the same proportion to such aggregate as—

20 “(A) such United States shareholder’s pro
21 rata share of the accumulated post-1986 de-
22 ferred foreign income of each such deferred for-
23 eign income corporation, bears to

24 “(B) the aggregate of such United States
25 shareholder’s pro rata share of the accumulated

1 post-1986 deferred foreign income of all de-
2 ferred foreign income corporations of such
3 United States shareholder.

4 “(3) DEFINITIONS RELATED TO E&P DEFICI-
5 TIES.—For purposes of this subsection—

6 “(A) AGGREGATE FOREIGN E&P DEF-
7 ICIT.—The term ‘aggregate foreign E&P deficit’
8 means, with respect to any United States share-
9 holder, the aggregate of such shareholder’s pro
10 rata shares of the specified E&P deficits of the
11 E&P deficit foreign corporations of such share-
12 holder.

13 “(B) E&P DEFICIT FOREIGN CORPORA-
14 TION.—The term ‘E&P deficit foreign corpora-
15 tion’ means, with respect to any taxpayer, any
16 specified foreign corporation with respect to
17 which such taxpayer is a United States share-
18 holder, if—

19 “(i) such specified foreign corporation
20 has a deficit in post-1986 earnings and
21 profits, and

22 “(ii) as of December 31, 2016—

23 “(I) such corporation was a spec-
24 ified foreign corporation, and

1 “(II) such taxpayer was a United
2 States shareholder of such corpora-
3 tion.

4 “(C) SPECIFIED E&P DEFICIT.—The term
5 ‘specified E&P deficit’ means, with respect to
6 any E&P deficit foreign corporation, the
7 amount of the deficit referred to in subpara-
8 graph (B).

9 “(c) REDUCED RATE ON INCLUDED INCOME.—In the
10 case of a United States shareholder of a deferred foreign
11 income corporation, there shall be allowed as a deduction
12 for the taxable year in which an amount is included in
13 the gross income of such United States shareholder under
14 section 951(a)(1) by reason of this section an amount
15 equal to 88.6 percent of the amount so included as gross
16 income.

17 “(d) DEFERRED FOREIGN INCOME CORPORATION;
18 ACCUMULATED POST-1986 DEFERRED FOREIGN IN-
19 COME.—For purposes of this section—

20 “(1) DEFERRED FOREIGN INCOME CORPORA-
21 TION.—The term ‘deferred foreign income corpora-
22 tion’ means, with respect to any United States
23 shareholder, any specified foreign corporation of
24 such United States shareholder which has accumu-
25 lated post-1986 deferred foreign income (as of the

1 close of the taxable year referred to in subsection
2 (a)) greater than zero.

3 “(2) ACCUMULATED POST-1986 DEFERRED FOR-
4 EIGN INCOME.—The term ‘accumulated post-1986
5 deferred foreign income’ means the post-1986 earn-
6 ings and profits except to the extent such earnings—

7 “(A) are attributable to income of the
8 specified foreign corporation which is effectively
9 connected with the conduct of a trade or busi-
10 ness within the United States and subject to
11 tax under this chapter,

12 “(B) if distributed, would—

13 “(i) in the case of a controlled foreign
14 corporation, be excluded from the gross in-
15 come of a United States shareholder under
16 section 959, or

17 “(ii) in the case of any passive foreign
18 investment company (as defined in section
19 1297) other than a controlled foreign cor-
20 poration, be treated as a distribution which
21 is not a dividend, or

22 “(C) in the case of any passive foreign in-
23 vestment company (as so defined), is properly
24 attributable to an unreversed inclusion of a
25 United States person under section 1296.

1 To the extent provided in regulations or other guid-
2 ance prescribed by the Secretary, in the case of any
3 controlled foreign corporation which has share-
4 holders which are not United States shareholders,
5 accumulated post-1986 deferred foreign income shall
6 be appropriately reduced by amounts which would be
7 described in subparagraph (B)(i) if such share-
8 holders were United States shareholders. Such regu-
9 lations or other guidance may provide a similar rule
10 for purposes of subparagraph (B)(ii) and (C).

11 “(3) POST-1986 EARNINGS AND PROFITS.—The
12 term ‘post-1986 earnings and profits’ means the
13 earnings and profits of the foreign corporation (com-
14 puted in accordance with sections 964(a) and 986)
15 accumulated in taxable years beginning after Decem-
16 ber 31, 1986, and determined—

17 “(A) as of the close of the taxable year re-
18 ferred to in subsection (a), and

19 “(B) without diminution by reason of divi-
20 dends distributed during such taxable year.

21 “(e) SPECIFIED FOREIGN CORPORATION.—

22 “(1) IN GENERAL.—For purposes of this sec-
23 tion, the term ‘specified foreign corporation’
24 means—

1 “(A) any controlled foreign corporation,
2 and

3 “(B) any section 902 corporation (as de-
4 fined in section 909(d)(5)).

5 “(2) APPLICATION TO SECTION 902 CORPORA-
6 TIONS.—For purposes of section 951, a section 902
7 corporation (as so defined) shall be treated as a con-
8 trolled foreign corporation solely for purposes of tak-
9 ing into account the subpart F income of such cor-
10 poration under subsection (a) (and for purposes of
11 applying subsection (f)).

12 “(f) DETERMINATIONS OF PRO RATA SHARE.—For
13 purposes of this section, the determination of any United
14 States shareholder’s pro rata share of any amount with
15 respect to any specified foreign corporation shall be deter-
16 mined under rules similar to the rules of section 951(a)(2)
17 by treating such amount in the same manner as subpart
18 F income (and by treating such specified foreign corpora-
19 tion as a controlled foreign corporation).

20 “(g) DISALLOWANCE OF FOREIGN TAX CREDIT,
21 ETC.—

22 “(1) IN GENERAL.—No credit shall be allowed
23 under section 901 for 88.6 percent of any taxes paid
24 or accrued (or treated as paid or accrued) with re-

1 spect to any amount for which a deduction is al-
2 lowed under this section.

3 “(2) DENIAL OF DEDUCTION.—No deduction
4 shall be allowed under this chapter for any tax for
5 which credit is not allowable under section 901 by
6 reason of paragraph (1) (determined by treating the
7 taxpayer as having elected the benefits of subpart A
8 of part III of subchapter N).

9 “(3) COORDINATION WITH SECTION 78.—Sec-
10 tion 78 shall not apply to any tax for which credit
11 is not allowable under section 901 by reason of para-
12 graph (1).

13 “(h) ELECTION TO PAY LIABILITY IN INSTALL-
14 MENTS.—

15 “(1) IN GENERAL.—In the case of a United
16 States shareholder of a deferred foreign income cor-
17 poration, such United States shareholder may elect
18 to pay the net tax liability under this section in 8
19 installments of the following amounts:

20 “(A) 8 percent of the net tax liability in
21 the case of each of the first 5 of such install-
22 ments,

23 “(B) 15 percent of the net tax liability in
24 the case of the 6th such installment,

1 “(C) 20 percent of the net tax liability in
2 the case of the 7th such installment, and

3 “(D) 25 percent of the net tax liability in
4 the case of the 8th such installment.

5 “(2) DATE FOR PAYMENT OF INSTALLMENTS.—

6 If an election is made under paragraph (1), the first
7 installment shall be paid on the due date (deter-
8 mined without regard to any extension of time for
9 filing the return) for the return of tax for the tax-
10 able year described in subsection (b) and each suc-
11 ceeding installment shall be paid on the due date (as
12 so determined) for the return of tax for the taxable
13 year following the taxable year with respect to which
14 the preceding installment was made.

15 “(3) ACCELERATION OF PAYMENT.—If there is
16 an addition to tax for failure to pay timely assessed
17 with respect to any installment required under this
18 subsection, a liquidation or sale of substantially all
19 the assets of the taxpayer (including in a title 11 or
20 similar case), a cessation of business by the tax-
21 payer, or any similar circumstance, then the unpaid
22 portion of all remaining installments shall be due on
23 the date of such event (or in the case of a title 11
24 or similar case, the day before the petition is filed).

25 The preceding sentence shall not apply to the sale

1 of substantially all the assets of a taxpayer to a
2 buyer if such buyer enters into an agreement with
3 the Secretary under which such buyer is liable for
4 the remaining installments due under this subsection
5 in the same manner as if such buyer were the tax-
6 payer.

7 “(4) PRORATION OF DEFICIENCY TO INSTALL-
8 MENTS.—If an election is made under paragraph (1)
9 to pay the net tax liability under this section in in-
10 stallments and a deficiency has been assessed with
11 respect to such net tax liability, the deficiency shall
12 be prorated to the installments payable under para-
13 graph (1). The part of the deficiency so prorated to
14 any installment the date for payment of which has
15 not arrived shall be collected at the same time as,
16 and as a part of, such installment. The part of the
17 deficiency so prorated to any installment the date
18 for payment of which has arrived shall be paid upon
19 notice and demand from the Secretary. This sub-
20 section shall not apply if the deficiency is due to
21 negligence, to intentional disregard of rules and reg-
22 ulations, or to fraud with intent to evade tax.

23 “(5) ELECTION.—Any election under paragraph
24 (1) shall be made not later than the due date for the
25 return of tax for the taxable year described in sub-

1 section (a) and shall be made in such manner as the
2 Secretary may provide.

3 “(6) NET TAX LIABILITY UNDER THIS SEC-
4 TION.—For purposes of this subsection—

5 “(A) IN GENERAL.—The net tax liability
6 under this section with respect to any United
7 States shareholder is the excess (if any) of—

8 “(i) such taxpayer’s net income tax
9 for the taxable year described in subsection
10 (a), over

11 “(ii) such taxpayer’s net income tax
12 for such taxable year determined without
13 regard to this section.

14 “(B) NET INCOME TAX.—The term ‘net
15 income tax’ means the regular tax liability re-
16 duced by the credits allowed under subparts A,
17 B, and D of part IV of subchapter A.

18 “(i) SPECIAL RULES FOR S CORPORATION SHARE-
19 HOLDERS.—

20 “(1) IN GENERAL.—In the case of any S cor-
21 poration which is a United States shareholder of a
22 deferred foreign income corporation, each share-
23 holder of such S corporation may elect to defer pay-
24 ment of such shareholder’s net tax liability under
25 this section with respect to such S corporation until

1 the shareholder's taxable year which includes the
2 triggering event with respect to such liability.

3 “(2) TRIGGERING EVENT.—

4 “(A) IN GENERAL.—In the case of any
5 shareholder's net tax liability under this section
6 with respect to any S corporation, the trig-
7 gering event with respect to such liability is
8 whichever of the following occurs first:

9 “(i) Such corporation ceases to be an
10 S corporation (determined as of the first
11 day of the first taxable year that such cor-
12 poration is not an S corporation).

13 “(ii) A liquidation or sale of substan-
14 tially all the assets of such S corporation
15 (including in a title 11 or similar case), a
16 cessation of business by such S corpora-
17 tion, such S corporation ceases to exist, or
18 any similar circumstance.

19 “(iii) A transfer of any share of stock
20 in such S corporation by the taxpayer (in-
21 cluding by reason of death, or otherwise).

22 “(B) PARTIAL TRANSFERS OF STOCK.—In
23 the case of a transfer of less than all of the tax-
24 payer's shares of stock in the S corporation,
25 such transfer shall only be a triggering event

1 with respect to so much of the taxpayer's net
2 tax liability under this section with respect to
3 such S corporation as is properly allocable to
4 such stock.

5 “(C) TRANSFER OF LIABILITY.—A trans-
6 fer described in clause (iii) shall not be treated
7 as a triggering event if the transferee enters
8 into an agreement with the Secretary under
9 which such transferee is liable for net tax liabil-
10 ity with respect to such stock in the same man-
11 ner as if such transferee were the taxpayer.

12 “(3) NET TAX LIABILITY.—A shareholder's net
13 tax liability under this section with respect to any S
14 corporation is the net tax liability under this section
15 which would be determined under subsection (h)(6)
16 if the only subpart F income taken into account by
17 such shareholder by reason of this section were allo-
18 cations from such S corporation.

19 “(4) ELECTION TO PAY DEFERRED LIABILITY
20 IN INSTALLMENTS.—In the case of a taxpayer which
21 elects to defer payment under paragraph (1), sub-
22 section (h) shall be applied—

23 “(A) separately with respect to the liability
24 to which such election applies,

1 “(B) an election under subsection (h) with
2 respect to such liability shall be treated as time-
3 ly made if made not later than the due date for
4 the return of tax for the taxable year in which
5 the triggering event with respect to such liabil-
6 ity occurs,

7 “(C) the first installment under subsection
8 (h) with respect to such liability shall be paid
9 not later than such due date (but determined
10 without regard to any extension of time for fil-
11 ing the return), and

12 “(D) if the triggering event with respect to
13 any net tax liability is described in paragraph
14 (2)(A)(ii), an election under subsection (h) with
15 respect to such liability may be made only with
16 the consent of the Secretary.

17 “(5) JOINT AND SEVERAL LIABILITY OF S COR-
18 PORATION.—If any shareholder of an S corporation
19 elects to defer payment under paragraph (1), such
20 S corporation shall be jointly and severally liable for
21 such payment and any penalty, addition to tax, or
22 additional amount attributable thereto.

23 “(6) EXTENSION OF LIMITATION ON COLLEC-
24 TION.—Notwithstanding any other provision of law,
25 any limitation on the time period for the collection

1 of a liability deferred under this subsection shall not
2 be treated as beginning before the date of the trig-
3 gering event with respect to such liability.

4 “(7) ELECTION.—Any election under paragraph
5 (1) shall be made not later than the due date for the
6 return of tax for the taxable year described in sub-
7 section (a) and shall be made in such manner as the
8 Secretary may provide.

9 “(j) INCLUSION OF DEFERRED FOREIGN INCOME
10 UNDER THIS SECTION NOT TO TRIGGER RECAPTURE OF
11 OVERALL FOREIGN LOSS.—For purposes of section
12 904(f)(1), in the case of a United States shareholder of
13 a deferred foreign income corporation, such United States
14 shareholder’s taxable income from sources without the
15 United States shall be determined without regard to this
16 section.

17 “(k) REGULATIONS.—The Secretary may prescribe
18 such regulations or other guidance as may be necessary
19 or appropriate to carry out the provisions of this section.”.

20 (b) CLERICAL AMENDMENT.—The table of section
21 for subpart F of part III of subchapter N of chapter 1
22 is amended by striking the item relating to section 965
23 and inserting the following:

“Sec. 965. Treatment of deferred foreign income upon transition to participa-
tion exemption system of taxation.”.

1 **SEC. 303. LOOK-THRU RULE FOR RELATED CONTROLLED**
2 **FOREIGN CORPORATIONS MADE PERMA-**
3 **NENT.**

4 (a) IN GENERAL.—Paragraph (6) of section 954(c)
5 is amended by striking subparagraph (C).

6 (b) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to taxable years of foreign corpora-
8 tions beginning after December 31, 2016, and to taxable
9 years of United States shareholders in which or with which
10 such taxable years of foreign corporations end.

11 **SEC. 304. REPEAL OF SECTION 902 INDIRECT FOREIGN TAX**
12 **CREDITS; DETERMINATION OF SECTION 960**
13 **CREDIT ON CURRENT YEAR BASIS.**

14 (a) REPEAL OF SECTION 902 INDIRECT FOREIGN
15 TAX CREDITS.—Subpart A of part III of subchapter N
16 of chapter 1 is amended by striking section 902.

17 (b) DETERMINATION OF SECTION 960 CREDIT ON
18 CURRENT YEAR BASIS.—Section 960 is amended—

19 (1) by striking subsection (c), by redesignating
20 subsection (b) as subsection (c), by striking all that
21 precedes subsection (c) (as so redesignated) and in-
22 serting the following:

23 **“SEC. 960. DEEMED PAID CREDIT FOR SUBPART F INCLU-**
24 **SIONS.**

25 “(a) IN GENERAL.—For purposes of this subpart, if
26 there is included in the gross income of a domestic cor-

1 poration any item of income under section 951(a)(1) with
2 respect to any controlled foreign corporation with respect
3 to which such domestic corporation is a United States
4 shareholder, such domestic corporation shall be deemed to
5 have paid so much of such foreign corporation's foreign
6 income taxes as are properly attributable to the item of
7 income so included.

8 “(b) SPECIAL RULES FOR DISTRIBUTIONS FROM
9 PREVIOUSLY TAXED EARNINGS AND PROFITS.—For pur-
10 poses of this subpart—

11 “(1) IN GENERAL.—If any portion of a dis-
12 tribution from a controlled foreign corporation to a
13 domestic corporation which is a United States share-
14 holder with respect to such controlled foreign cor-
15 poration is excluded from gross income under section
16 959(a), such domestic corporation shall be deemed
17 to have paid so much of such foreign corporation's
18 foreign income taxes as—

19 “(A) are properly attributable to such por-
20 tion, and

21 “(B) have not been deemed to have to been
22 paid by such domestic corporation under this
23 section for any prior taxable year.

24 “(2) TIERED CONTROLLED FOREIGN CORPORA-
25 TIONS.—If section 959(b) applies to any portion of

1 a distribution from a controlled foreign corporation
2 to another controlled foreign corporation, such con-
3 trolled foreign corporation shall be deemed to have
4 paid so much of such other controlled foreign cor-
5 poration's foreign income taxes as—

6 “(A) are properly attributable to such por-
7 tion, and

8 “(B) have not been deemed to have been
9 paid by a domestic corporation under this sec-
10 tion for any prior taxable year.”;

11 (2) and by adding after subsection (c) (as so re-
12 designated) the following new subsections:

13 “(d) FOREIGN INCOME TAXES.—The term ‘foreign
14 income taxes’ means any income, war profits, or excess
15 profits taxes paid or accrued to any foreign country or
16 possession of the United States.

17 “(e) REGULATIONS.—The Secretary shall provide
18 such regulations as may be necessary or appropriate to
19 carry out the provisions of this section.”.

20 (c) CONFORMING AMENDMENTS.—

21 (1) Section 78 is amended to read as follows:

22 **“SEC. 78. GROSS UP FOR DEEMED PAID FOREIGN TAX**
23 **CREDIT.**

24 “If a domestic corporation chooses to have the bene-
25 fits of subpart A of part III of subchapter N (relating

1 to foreign tax credit) for any taxable year, an amount
2 equal to the taxes deemed to be paid by such corporation
3 under section 960 (relating to deemed paid credit for sub-
4 part F inclusions) for such taxable year shall be treated
5 for purposes of this title (other than section 960) as an
6 item of income required to be included in the gross income
7 of such domestic corporation under section 951(a).”.

8 (2) Section 245(a)(10) is amended by striking
9 “902,”.

10 (3) Sections 535(b)(1) and 545(b)(1) are each
11 amended by striking “section 902(a) or 960(a)(1)”
12 and inserting “section 960”.

13 (4) Paragraph (1) of section 814(f) is amend-
14 ed—

15 (A) by striking subparagraph (B); and

16 (B) by striking all that precedes “No in-
17 come” and inserting the following:

18 “(1) TREATMENT OF FOREIGN TAXES.—”.

19 (5) Subparagraph (B) of section 864(h)(1) is
20 amended by striking “902,”.

21 (6) Subsection (a) of section 901 is amended by
22 striking “sections 902 and 960” and inserting “sec-
23 tion 960”.

24 (7) Paragraph (2) of section 901(e) is amended
25 by striking “but is not limited to—” and all that fol-

1 lows through “that portion” and inserting “but is
2 not limited to that portion”.

3 (8) Subsection (f) of section 901 is amended by
4 striking “sections 902 and 960” and inserting “sec-
5 tion 960”.

6 (9) Subparagraph (A) of section 901(j)(1) is
7 amended by striking “902 or”.

8 (10) Subparagraph (B) of section 901(j)(1) is
9 amended by striking “sections 902 and 960” and in-
10 inserting “section 960”.

11 (11) Paragraph (2) of section 901(k) is amend-
12 ed by striking “902,”.

13 (12) Paragraph (6) of section 901(k) is amend-
14 ed by striking “902 or”.

15 (13) Subparagraph (A) of section 904(h)(10) is
16 amended by striking “sections 902, 907, and 960”
17 and inserting “sections 907 and 960”.

18 (14) Section 904 is amended by striking sub-
19 section (k).

20 (15) Paragraph (1) of section 905(c) is amend-
21 ed by striking the last sentence.

22 (16) Subclause (I) of section 905(c)(2)(B)(i) is
23 amended by striking “section 902 or”.

1 (17) Subsection (a) of section 906 is amended
2 by striking “(or deemed, under section 902, paid or
3 accrued during the taxable year)”.

4 (18) Subsection (b) of section 906 is amended
5 by striking paragraphs (4) and (5).

6 (19) Subparagraph (B) of section 907(b)(2) is
7 amended by striking “902 or”.

8 (20) Paragraph (3) of section 907(c) is amend-
9 ed—

10 (A) by striking subparagraph (A) and re-
11 designating subparagraphs (B) and (C) as sub-
12 paragraphs (A) and (B), respectively; and

13 (B) by striking “section 960(a)” in sub-
14 paragraph (A) (as so redesignated) and insert-
15 ing “section 960”.

16 (21) Paragraph (5) of section 907(c) is amend-
17 ed by striking “902 or”.

18 (22) Clause (i) of section 907(f)(2)(B) is
19 amended by striking “902 or”.

20 (23) Subsection (a) of section 908 is amended
21 by striking “902 or”.

22 (24) Subsection (b) of section 909 is amend-
23 ed—

24 (A) by striking “section 902 corporation”
25 in the matter preceding paragraph (1) and in-

1 serting “specified 10-percent owned foreign cor-
2 poration”;

3 (B) by striking “902 or” in paragraph (1);

4 (C) by striking “by such section 902 cor-
5 poration” and all that follows in the matter fol-
6 lowing paragraph (2) and inserting “by such
7 specified 10-percent owned foreign corporation
8 or a domestic corporation which is a United
9 States shareholder with respect to such speci-
10 fied 10-percent owned foreign corporation.”;
11 and

12 (D) by striking “SECTION 902 CORPORA-
13 TIONS” in the heading thereof and inserting
14 “SPECIFIED 10-PERCENT OWNED FOREIGN
15 CORPORATIONS”.

16 (25) Subsection (d) of section 909 is amended
17 by striking paragraph (5).

18 (26) Paragraph (1) of section 958(a) is amend-
19 ed by striking “960(a)(1)” and inserting “960”.

20 (27) Subsection (d) of section 959 is amended
21 by striking “Except as provided in section 960(a)(3),
22 any” and inserting “Any”.

23 (28) Subsection (e) of section 959 is amended
24 by striking “and section 960(b)”.

1 (29) Subparagraph (A) of section 1291(g)(2) is
2 amended by striking “any distribution—” and all
3 that follows through “but only if” and inserting
4 “any distribution, any withholding tax imposed with
5 respect to such distribution, but only if”.

6 (30) Section 1293 is amended by striking sub-
7 section (f).

8 (31) Subparagraph (B) of section 6038(c)(1) is
9 amended by striking “sections 902 (relating to for-
10 eign tax credit for corporate stockholder in foreign
11 corporation) and 960 (relating to special rules for
12 foreign tax credit)” and inserting “section 960”.

13 (32) Paragraph (4) of section 6038(c) is
14 amended by striking subparagraph (C).

15 (33) The table of sections for subpart A of part
16 III of subchapter N of chapter 1 is amended by
17 striking the item relating to section 902.

18 (34) The table of sections for subpart F of part
19 III of subchapter N of chapter 1 is amended by
20 striking the item relating to section 960 and insert-
21 ing the following:

“Sec. 960. Deemed paid credit for subpart F inclusions.”.

22 (d) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to taxable years of foreign corpora-
24 tions beginning after December 31, 2016, and to taxable

1 years of United States shareholders in which or with which
2 such taxable years of foreign corporations end.

3 **TITLE IV—REDUCED RATES FOR**
4 **INDIVIDUALS**

5 **SEC. 401. REDUCED RATES FOR INDIVIDUALS.**

6 (a) JOINT RETURNS AND SURVIVING SPOUSES.—
7 Section 1(a) is amended by striking “in accordance with
8 the following table” and all that follows and inserting “as
9 follows: 12 percent of so much of taxable income as does
10 not exceed \$75,300, plus 25 percent of so much of taxable
11 income as exceeds \$75,300 but does not exceed \$466,950,
12 plus 29 percent of so much of taxable income as exceeds
13 \$466,950.”.

14 (b) HEADS OF HOUSEHOLDS.—Section 1(b) is
15 amended by striking “in accordance with the following
16 table” and all that follows and inserting “as follows: 12
17 percent of so much of taxable income as does not exceed
18 \$50,400, plus 25 percent of so much of taxable income
19 as exceeds \$50,400 but does not exceed \$441,000, plus
20 29 percent of so much of taxable income as exceeds
21 \$441,000.”.

22 (c) SINGLE.—Section 1(c) is amended by striking “in
23 accordance with the following table” and all that follows
24 and inserting “as follows: 12 percent of so much of taxable
25 income as does not exceed \$37,650, plus 25 percent of

1 so much of taxable income as exceeds \$37,650 but does
2 not exceed \$415,050, plus 29 percent of so much of tax-
3 able income as exceeds \$415,050.”.

4 (d) MARRIED FILING SEPARATELY.—Section 1(d) is
5 amended by striking “in accordance with the following
6 table” and all that follows and inserting “as follows: 12
7 percent of so much of taxable income as does not exceed
8 \$37,650, plus 25 percent of so much of taxable income
9 as exceeds \$37,650 but does not exceed \$233,475, plus
10 29 percent of so much of taxable income as exceeds
11 \$233,475.”.

12 (e) ESTATES AND TRUSTS.—Section 1(e) is amended
13 by striking “in accordance with the following table” and
14 all that follows and inserting “as follows: 12 percent of
15 so much of taxable income as does not exceeds \$5,000,
16 plus 25 percent of so much of taxable income as exceeds
17 \$5,000 but does not exceed \$10,000, plus 29 percent of
18 so much of taxable income as exceeds \$15,000.”

19 (f) INFLATION ADJUSTMENT.—Section 1(f) is
20 amended by striking by striking paragraphs (7) and (8)
21 and inserting the following new paragraph:

22 “(7) APPLICATION TO TAXABLE YEARS AFTER
23 2017.—In prescribing tables under paragraph (1)
24 which apply to any taxable year beginning in a cal-
25 endar year after 2017, paragraph (3) shall be ap-

1 plied by substituting ‘2016’ for ‘1992’ in subpara-
2 graph (B) thereof.”.

3 (g) REPEAL OF MODIFICATIONS TO SUPERCEDED
4 RATES.—Section 1 is amended by striking subsection (i)
5 and by redesignating subsection (j) (as added by section
6 202) as subsection (i).

7 (h) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to taxable years beginning after
9 December 31, 2016.

10 **TITLE V—TAX-EXEMPT**
11 **REORGANIZATIONS**

12 **SEC. 501. NO TAXABLE EVENT FOR CHANGE OF COR-**
13 **PORATE FORM.**

14 Notwithstanding any provision of the Internal Rev-
15 enue Code of 1986, a change in the organizational struc-
16 ture of a corporation, however organized, into another or-
17 ganizational structure is not a taxable event for the pur-
18 poses of such Code if there is no change among the own-
19 ers, their ownership interests, or the assets of the organi-
20 zation (other than a de minimus change in such assets).
21 The preceding sentence shall apply to changes in organiza-
22 tional structure occurring after December 31, 2016.

1 **TITLE VI—REPEAL OF NET**
2 **INVESTMENT INCOME TAX**

3 **SEC. 601. REPEAL OF NET INVESTMENT INCOME TAX.**

4 (a) IN GENERAL.—Subtitle A of the Internal Rev-
5 enue Code of 1986 is amended by striking chapter 2A.

6 (b) EFFECTIVE DATE.—The amendment made by
7 this section shall apply to taxable years beginning after
8 December 31, 2016.

9 **TITLE VII—REPEAL OF ESTATE**
10 **TAX**

11 **SEC. 701. REPEAL OF ESTATE TAX AND RETENTION OF**
12 **BASIS STEP-UP.**

13 Effective for estates of decedents dying after Decem-
14 ber 31, 2016, chapter 11 of the Internal Revenue Code
15 of 1986 is repealed.

○