

117TH CONGRESS
1ST SESSION

H. R. 2847

To amend the Internal Revenue Code of 1986 to restore the limitation on downward attribution of stock ownership in applying the constructive ownership rules to controlled foreign corporations, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 26, 2021

Ms. MOORE of Wisconsin (for herself, Mr. FERGUSON, Mr. SCHNEIDER, and Mr. ESTES) 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 restore the limitation on downward attribution of stock ownership in applying the constructive ownership rules to controlled foreign corporations, 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. RESTORATION OF LIMITATION ON DOWNWARD**
4 **ATTRIBUTION OF STOCK OWNERSHIP IN AP-**
5 **PLYING CONSTRUCTIVE OWNERSHIP RULES.**

6 (a) IN GENERAL.—Section 958(b) of the Internal
7 Revenue Code of 1986 is amended—

1 (1) by inserting after paragraph (3) the fol-
2 lowing:

3 “(4) Subparagraphs (A), (B), and (C) of sec-
4 tion 318(a)(3) shall not be applied so as to consider
5 a United States person as owning stock which is
6 owned by a person who is not a United States per-
7 son.”, and

8 (2) by striking “Paragraph (1)” in the last sen-
9 tence and inserting “Paragraphs (1) and (4)”.

10 (b) FOREIGN CONTROLLED UNITED STATES SHARE-
11 HOLDERS.—Subpart F of part III of subchapter N of
12 chapter 1 of such Code is amended by inserting after sec-
13 tion 951A the following new section:

14 **“SEC. 951B. AMOUNTS INCLUDED IN GROSS INCOME OF**
15 **FOREIGN CONTROLLED UNITED STATES**
16 **SHAREHOLDERS.**

17 “(a) IN GENERAL.—In the case of any foreign con-
18 trolled United States shareholder of a foreign controlled
19 foreign corporation—

20 “(1) this subpart (other than sections 951A,
21 951(b), 957, and 965) shall be applied with respect
22 to such shareholder (separately from, and in addi-
23 tion to, the application of this subpart without re-
24 gard to this section)—

1 “(A) by substituting ‘foreign controlled
2 United States shareholder’ for ‘United States
3 shareholder’ each place it appears therein, and

4 “(B) by substituting ‘foreign controlled
5 foreign corporation’ for ‘controlled foreign cor-
6 poration’ each place it appears therein, and

7 “(2) sections 951A and 965 shall be applied
8 with respect to such shareholder—

9 “(A) by treating each reference to ‘United
10 States shareholder’ in such sections as includ-
11 ing a reference to such shareholder, and

12 “(B) by treating each reference to ‘con-
13 trolled foreign corporation’ in such sections as
14 including a reference to such foreign controlled
15 foreign corporation.

16 “(b) FOREIGN CONTROLLED UNITED STATES
17 SHAREHOLDER.—For purposes of this section, the term
18 ‘foreign controlled United States shareholder’ means, with
19 respect to any foreign corporation, any United States per-
20 son which would be a United States shareholder with re-
21 spect to such foreign corporation if—

22 “(1) section 951(b) were applied by substituting
23 ‘more than 50 percent’ for ‘10 percent or more’, and

24 “(2) section 958(b) were applied without regard
25 to paragraph (4) thereof.

1 “(c) FOREIGN CONTROLLED FOREIGN CORPORA-
2 TION.—For purposes of this section, the term ‘foreign con-
3 trolled foreign corporation’ means a foreign corporation,
4 other than a controlled foreign corporation, which would
5 be a controlled foreign corporation if section 957(a) were
6 applied—

7 “(1) by substituting ‘foreign controlled United
8 States shareholders’ for ‘United States share-
9 holders’, and

10 “(2) by substituting ‘section 958(b) (other than
11 paragraph (4) thereof)’ for ‘section 958(b)’.

12 “(d) REGULATIONS.—The Secretary shall prescribe
13 such regulations or other guidance as may be necessary
14 or appropriate to carry out the purposes of this section,
15 including regulations or other guidance—

16 “(1) to treat a foreign controlled United States
17 shareholder or a foreign controlled foreign corpora-
18 tion as a United States shareholder or as a con-
19 trolled foreign corporation, respectively, for purposes
20 of provisions of this title other than this subpart,
21 and

22 “(2) to prevent the avoidance of the purposes of
23 this section.”.

24 (c) CLERICAL AMENDMENT.—The table of sections
25 for subpart F of part III of subchapter N of chapter 1

1 of such Code is amended by inserting after the item relat-
2 ing to section 951A the following new item:

“Sec. 951B. Amounts included in gross income of foreign controlled United
States shareholders.”.

3 (d) **EFFECTIVE DATE.**—The amendments made by
4 this section shall apply to—

5 (1) the last taxable year of foreign corporations
6 beginning before January 1, 2018, and each subse-
7 quent taxable year of such foreign corporations, and

8 (2) taxable years of United States persons in
9 which or with which such taxable years of foreign
10 corporations end.

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