IN THE SENATE OF THE UNITED STATES

Mr. SANDERS introduced the following bill; which was read twice and referred to the Committee on

A BILL

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

SECTION 1. SHORT TITLE.

This Act may be cited as the “Corporate Tax Dodg-
ing Prevention Act”.

SEC. 2. DEFERRAL OF ACTIVE INCOME OF CONTROLLED FOREIGN CORPORATIONS.

Section 952 of the Internal Revenue Code of 1986 is amended by adding at the end the following new sub-
section:

“(d) SPECIAL APPLICATION OF SUBPART.—
“(1) IN GENERAL.—For taxable years beginning after December 31, 2013, notwithstanding any other provision of this subpart, the term ‘subpart F income’ means, in the case of any controlled foreign corporation, the income of such corporation derived from any foreign country.

“(2) APPLICABLE RULES.—Rules similar to the rules under the last sentence of subsection (a) and subsection (d) shall apply to this subsection.”.

SEC. 3. MODIFICATIONS OF FOREIGN TAX CREDIT RULES APPLICABLE TO LARGE INTEGRATED OIL COMPANIES WHICH ARE DUAL CAPACITY TAXPAYERS.

(a) IN GENERAL.—Section 901 of the Internal Revenue Code of 1986 is amended by redesignating subsection (n) as subsection (o) and by inserting after subsection (m) the following new subsection:

“(n) SPECIAL RULES RELATING TO LARGE INTEGRATED OIL COMPANIES WHICH ARE DUAL CAPACITY TAXPAYERS.—

“(1) GENERAL RULE.—Notwithstanding any other provision of this chapter, any amount paid or accrued by a dual capacity taxpayer which is a large integrated oil company to a foreign country or pos-
session of the United States for any period shall not be considered a tax—

“(A) if, for such period, the foreign country or possession does not impose a generally applicable income tax, or

“(B) to the extent such amount exceeds the amount (determined in accordance with regulations) which—

“(i) is paid by such dual capacity taxpayer pursuant to the generally applicable income tax imposed by the country or possession, or

“(ii) would be paid if the generally applicable income tax imposed by the country or possession were applicable to such dual capacity taxpayer.

Nothing in this paragraph shall be construed to imply the proper treatment of any such amount not in excess of the amount determined under subparagraph (B).

“(2) DUAL CAPACITY TAXPAYER.—For purposes of this subsection, the term ‘dual capacity taxpayer’ means, with respect to any foreign country or possession of the United States, a person who—
“(A) is subject to a levy of such country or possession, and

“(B) receives (or will receive) directly or indirectly a specific economic benefit (as determined in accordance with regulations) from such country or possession.

“(3) generally applicable income tax.—

For purposes of this subsection—

“(A) in general.—The term ‘generally applicable income tax’ means an income tax (or a series of income taxes) which is generally imposed under the laws of a foreign country or possession on income derived from the conduct of a trade or business within such country or possession.

“(B) exceptions.—Such term shall not include a tax unless it has substantial application, by its terms and in practice, to—

“(i) persons who are not dual capacity taxpayers, and

“(ii) persons who are citizens or residents of the foreign country or possession.

“(4) large integrated oil company.—For purposes of this subsection, the term ‘large integrated oil company’ means, with respect to any tax-
able year, an integrated oil company (as defined in section 291(b)(4)) which—

“(A) had gross receipts in excess of $1,000,000,000 for such taxable year, and

“(B) has an average daily worldwide production of crude oil of at least 500,000 barrels for such taxable year.”.

(b) Effective Date.—

(1) In General.—The amendments made by this section shall apply to taxes paid or accrued in taxable years beginning after the date of the enactment of this Act.

(2) Contrary Treaty Obligations Upheld.—The amendments made by this section shall not apply to the extent contrary to any treaty obligation of the United States.

SEC. 4. REINSTITUTION OF PER COUNTRY FOREIGN TAX CREDIT.

(a) In General.—Subsection (a) of section 904 of the Internal Revenue Code of 1986 is amended to read as follows:

“(a) Limitation.—The amount of the credit in respect of the tax paid or accrued to any foreign country or possession of the United States shall not exceed the same proportion of the tax against which such credit is
taken which the taxpayer’s taxable income from sources 
within such country or possession (but not in excess of 
the taxpayer’s entire taxable income) bears to such tax-
payer’s entire taxable income for the same taxable year.”

(b) Effective Date.—The amendment made by 
this section shall apply to taxable years beginning after 
December 31, 2013.

SEC. 5. TREATMENT OF FOREIGN CORPORATIONS MAN-
AGED AND CONTROLLED IN THE UNITED 
STATES AS DOMESTIC CORPORATIONS.

(a) In General.—Section 7701 of the Internal Rev-
ene Code of 1986 is amended by redesignating subsection 
(p) as subsection (q) and by inserting after subsection (o) 
the following new subsection:

“(p) Certain Corporations Managed and Con-
trolled in the United States Treated as Domes-
tic for Income Tax.—

“(1) In General.—Notwithstanding subsection 
(a)(4), in the case of a corporation described in 
paragraph (2) if—

“(A) the corporation would not otherwise 
be treated as a domestic corporation for pur-
poses of this title, but
“(B) the management and control of the corporation occurs, directly or indirectly, primarily within the United States, then, solely for purposes of chapter 1 (and any other provision of this title relating to chapter 1), the corporation shall be treated as a domestic corporation.

“(2) CORPORATION DESCRIBED.—

“(A) IN GENERAL.—A corporation is described in this paragraph if—

“(i) the stock of such corporation is regularly traded on an established securities market, or

“(ii) the aggregate gross assets of such corporation (or any predecessor thereof), including assets under management for investors, whether held directly or indirectly, at any time during the taxable year or any preceding taxable year is $50,000,000 or more.

“(B) GENERAL EXCEPTION.—A corporation shall not be treated as described in this paragraph if—

“(i) such corporation was treated as a corporation described in this paragraph in a preceding taxable year,
“(ii) such corporation—

“(I) is not regularly traded on an established securities market, and

“(II) has, and is reasonably expected to continue to have, aggregate gross assets (including assets under management for investors, whether held directly or indirectly) of less than $50,000,000, and

“(iii) the Secretary grants a waiver to such corporation under this subparagraph.

“(C) EXCEPTION FROM GROSS ASSETS TEST.—Subparagraph (A)(ii) shall not apply to a corporation which is a controlled foreign corporation (as defined in section 957) and which is a member of an affiliated group (as defined section 1504, but determined without regard to section 1504(b)(3)) the common parent of which—

“(i) is a domestic corporation (determined without regard to this subsection), and

“(ii) has substantial assets (other than cash and cash equivalents and other than stock of foreign subsidiaries) held for
use in the active conduct of a trade or
business in the United States.

“(3) MANAGEMENT AND CONTROL.—

“(A) IN GENERAL.—The Secretary shall
prescribe regulations for purposes of deter-
mining cases in which the management and
control of a corporation is to be treated as oc-
curring primarily within the United States.

“(B) EXECUTIVE OFFICERS AND SENIOR
MANAGEMENT.—Such regulations shall provide
that—

“(i) the management and control of a
corporation shall be treated as occurring
primarily within the United States if sub-
stantially all of the executive officers and
senior management of the corporation who
exercise day-to-day responsibility for mak-
ning decisions involving strategic, financial,
and operational policies of the corporation
are located primarily within the United
States, and

“(ii) individuals who are not executive
officers and senior management of the cor-
poration (including individuals who are of-
ficers or employees of other corporations in
the same chain of corporations as the corporation) shall be treated as executive officers and senior management if such individuals exercise the day-to-day responsibilities of the corporation described in clause (i).

“(C) CORPORATIONS PRIMARILY HOLDING INVESTMENT ASSETS.—Such regulations shall also provide that the management and control of a corporation shall be treated as occurring primarily within the United States if—

“(i) the assets of such corporation (directly or indirectly) consist primarily of assets being managed on behalf of investors, and

“(ii) decisions about how to invest the assets are made in the United States.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning on or after the date which is 2 years after the date of the enactment of this Act.