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(Original Signature of Member)

112TH CONGRESS  
1ST SESSION

**H. R.**

To amend the Internal Revenue Code of 1986 to allow certain Puerto Rico corporations to elect to be treated as domestic corporations.

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IN THE HOUSE OF REPRESENTATIVES

Mr. PIERLUISI (for himself and [see ATTACHED LIST of cosponsors]) introduced the following bill; which was referred to the Committee on

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**A BILL**

To amend the Internal Revenue Code of 1986 to allow certain Puerto Rico corporations to elect to be treated as domestic 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 “Puerto Rico Invest-  
5 ment Promotion Act of 2011”.

1 **SEC. 2. CERTAIN PUERTO RICO CORPORATIONS MAY**  
2 **ELECT TO BE TREATED AS DOMESTIC COR-**  
3 **PORATIONS.**

4 (a) IN GENERAL.—Subpart D of part III of sub-  
5 chapter N of chapter 1 of the Internal Revenue Code of  
6 1986 (relating to possessions of the United States) is  
7 amended by inserting after section 933 the following new  
8 section:

9 **“SEC. 933A. ELECTION BY PUERTO RICO CORPORATIONS**  
10 **TO BE TREATED AS DOMESTIC CORPORA-**  
11 **TIONS.**

12 “(a) IN GENERAL.—A qualified Puerto Rico corpora-  
13 tion for which an election under this section is in effect  
14 for any taxable year shall be treated for such year as a  
15 domestic corporation for purposes of this title.

16 “(b) QUALIFIED PUERTO RICO CORPORATION.—For  
17 purposes of this section, the term ‘qualified Puerto Rico  
18 corporation’ means any corporation if—

19 “(1) the corporation is incorporated under the  
20 laws of Puerto Rico, and

21 “(2) at least 50 percent of its gross income (de-  
22 termined without regard to subsection (c)) for the  
23 taxable year is derived from sources within Puerto  
24 Rico.

25 “(c) EXCLUSION OF PUERTO RICO SOURCE IN-  
26 COME.—

1           “(1) IN GENERAL.—In the case of a qualified  
2 Puerto Rico corporation for which an election under  
3 this section is in effect for any taxable year, gross  
4 income for such year shall not include income de-  
5 rived from sources within Puerto Rico.

6           “(2) DENIAL OF CERTAIN FOREIGN TAX CRED-  
7 ITS.—No credit shall be allowed for the amount of  
8 taxes paid or accrued to a foreign country or posses-  
9 sion of the United States to the extent such taxes  
10 are properly allocable to amounts excluded from  
11 gross income under paragraph (1).

12       “(d) RULES RELATING TO ELECTION.—

13           “(1) PERIOD ELECTION IN EFFECT.—

14           “(A) IN GENERAL.—Except as otherwise  
15 provided in this paragraph, an election under  
16 this section shall apply to the taxable year for  
17 which made and all subsequent taxable years.

18           “(B) REVOCATION.—

19           “(i) REVOCATION BY CORPORATION.—

20           A corporation may revoke an election  
21 under this section for any taxable year  
22 only if the election has been in effect for  
23 at least the 3 most recent preceding tax-  
24 able years.

1           “(ii) CEASING TO BE QUALIFIED.—An  
2           election under this section shall be revoked  
3           by the Secretary for any taxable year for  
4           which the corporation fails to meet the re-  
5           quirements of subsection (b).

6           “(iii) EFFECT OF REVOCATION.—Ex-  
7           cept as provided in subparagraph (C), a  
8           revocation under this subparagraph shall  
9           apply to the taxable year for which revoked  
10          and all subsequent taxable years.

11          “(C) ELECTION AFTER REVOCATION.—An  
12          election under this section may be made after  
13          a revocation under subparagraph (B), but the  
14          election may not apply to any taxable year be-  
15          fore the 4th taxable year following the most re-  
16          cent preceding taxable year for which the elec-  
17          tion was in effect.

18          “(2) EFFECT OF MAKING AND TERMINATING  
19          ELECTION.—

20                 “(A) MAKING ELECTION.—For purposes of  
21                 section 367, any qualified Puerto Rico corpora-  
22                 tion making an election under this section shall  
23                 be treated as transferring (as of the 1st day of  
24                 the 1st taxable year to which such election ap-  
25                 plies) all of its assets to a domestic corporation

1 in connection with an exchange to which section  
2 354 applies.

3 “(B) EFFECT OF TERMINATION.—For pur-  
4 poses of section 367, if an election is made by  
5 a corporation under this section for any taxable  
6 year and such election ceases to apply for any  
7 subsequent taxable year, such corporation shall  
8 be treated as a domestic corporation transfer-  
9 ring (as of the 1st day of such subsequent tax-  
10 able year) all of its property to a foreign cor-  
11 poration in connection with an exchange to  
12 which section 354 applies.

13 “(C) INTANGIBLES.—For purposes of sec-  
14 tion 367(d) and the second sentence of section  
15 482, any election made under this section shall  
16 be disregarded.

17 “(e) DENIAL OF INCLUSION IN CONSOLIDATED RE-  
18 TURN.—A qualified Puerto Rico corporation for which an  
19 election under this section is in effect for any taxable year  
20 may not be included in any consolidated return under  
21 chapter 6.”.

22 (b) CLERICAL AMENDMENT.—The table of sections  
23 for such subpart D is amended by inserting after the item  
24 relating to section 933 the following new item:

“Sec. 933A. Election by Puerto Rico corporations to be treated as domestic corporations.”.

1           (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 September 30, 2011.