

**AMENDMENT TO RULES COMMITTEE PRINT OF
H.R. 7
OFFERED BY MR. TIBERI OF OHIO**

Page 912, after line 23, insert the following:

1 **SEC. 15006. REPEAL OF QUALIFIED SHIPPING INVESTMENT**

2 **WITHDRAWAL RULES.**

3 (a) IN GENERAL.—Section 955 of the Internal Rev-
4 enue Code of 1986 (relating to withdrawal of previously
5 excluded subpart F income from qualified investment) is
6 hereby repealed.

7 (b) CONFORMING AMENDMENTS.—

8 (1) Section 951(a)(1)(A) of the Internal Rev-
9 enue Code of 1986 is amended by adding “and” at
10 the end of clause (i) and by striking clause (iii).

11 (2) Section 951(a)(1)(A)(ii) of such Code is
12 amended by striking “, and” at the end and insert-
13 ing “, except that in applying this clause amounts
14 invested in less developed country corporations de-
15 scribed in section 955(c)(2) (as so in effect) shall
16 not be treated as investments in less developed coun-
17 tries.”.

18 (3) Section 951(a)(3) of such Code (relating to
19 the limitation on pro rata share of previously ex-

1 cluded subpart F income withdrawn from invest-
2 ment) is hereby repealed.

3 (4) Section 964(b) of such Code is amended by
4 striking “, 955,”.

5 (5) The table of sections for subpart F of part
6 III of subchapter N of chapter 1 of such Code is
7 amended by striking the item relating to section
8 955.

9 (c) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to taxable years of controlled for-
11 eign corporations ending on or after the date of the enact-
12 ment of this Act, and to taxable years of United States
13 shareholders in which or with which such taxable years
14 of controlled foreign corporations end.

15 **SEC. 15007. ONE-TIME TEMPORARY DIVIDENDS RECEIVED**
16 **DEDUCTION FOR PREVIOUSLY UNTAXED**
17 **FOREIGN BASE COMPANY SHIPPING INCOME.**

18 (a) IN GENERAL.—In the case of a corporation which
19 is a United States shareholder and for which an election
20 under this section is made for the taxable year, for pur-
21 poses of the Internal Revenue Code of 1986, there shall
22 be allowed as a deduction in computing taxable income
23 under section 63 of such Code an amount equal to 85 per-
24 cent of the cash distributions which are received during
25 such taxable year by such shareholder from controlled for-

1 eign corporations to the extent that the distributions are
2 attributable to income—

3 (1) which was derived by the controlled foreign
4 corporation in taxable years beginning before Janu-
5 ary 1, 2005, and

6 (2) which would, without regard to the year
7 earned, be described in section 954(f) of such Code
8 (as in effect before the enactment of the American
9 Jobs Creation Act of 2004).

10 (b) **INDIRECT DIVIDENDS.**—A rule similar to the rule
11 of section 965(a)(2) of the Internal Revenue Code of 1986
12 shall apply, determined by treating cash distributions
13 which are so attributable as cash dividends.

14 (c) **LIMITATION.**—The amount of dividends taken
15 into account under this section shall not exceed the
16 amount permitted to be taken into account under para-
17 graphs (1), (3) (determined by substituting “December
18 31, 2008” for “October 3, 2004”), and (4) of section
19 965(b) of the Internal Revenue Code of 1986, determined
20 as if such paragraphs applied to this section.

21 (d) **TAXPAYER ELECTION AND DESIGNATION.**—For
22 purposes of subsection (a), a taxpayer may, on its return
23 for the taxable year to which this section applies—

1 (1) elect to apply paragraph (3) of section
2 959(c) of the Internal Revenue Code of 1986 before
3 paragraphs (1) and (2) thereof, and

4 (2) designate the extent, if any, to which a cash
5 distribution reduces a controlled foreign corpora-
6 tion's earnings and profits attributable to—

7 (A) foreign base company shipping income
8 (determined under section 954(f) of the Inter-
9 nal Revenue Code of 1986 as in effect before
10 the enactment of the American Jobs Creation
11 Act of 2004), or

12 (B) other earnings and profits.

13 (e) ELECTION.—

14 (1) IN GENERAL.—The taxpayer may elect to
15 apply this section to—

16 (A) the taxpayer's last taxable year which
17 begins before the date of the enactment of this
18 Act, or

19 (B) the taxpayer's first taxable year which
20 begins during the 1-year period beginning on
21 such date.

22 (2) TIMING OF ELECTION AND ONE-TIME ELEC-
23 TION.—Such election may be made for a taxable
24 year—

1 (A) only if made on or before the due date
2 (including extensions) for filing the return of
3 tax for such taxable year, and

4 (B) only if no election has been made
5 under this section or section 965 of the Internal
6 Revenue Code of 1986 with respect to the same
7 distribution for any other taxable year of the
8 taxpayer.

9 (f) REDUCTION IN BENEFITS FOR FAILURE TO
10 MAINTAIN EMPLOYMENT LEVELS.—

11 (1) IN GENERAL.—If, during the period con-
12 sisting of the calendar month in which the taxpayer
13 first receives a distribution described in subsection
14 (a) and the succeeding 23 calendar months, the tax-
15 payer does not maintain an average employment
16 level at least equal to the taxpayer's prior average
17 employment, an additional amount equal to \$25,000
18 multiplied by the number of employees by which the
19 taxpayer's average employment level during such pe-
20 riod falls below the prior average employment (but
21 not exceeding the aggregate amount allowed as a de-
22 duction pursuant to subsection (a)) shall be taken
23 into account as income by the taxpayer during the
24 taxable year that includes the final day of such pe-
25 riod.

1 (2) PRIOR AVERAGE EMPLOYMENT.—For pur-
2 poses of this paragraph, the taxpayer’s “prior aver-
3 age employment” shall be the average number of full
4 time equivalent employees of the taxpayer during the
5 period consisting of the 24 calendar months imme-
6 diately preceding the calendar month in which the
7 taxpayer first receives a distribution described in
8 subsection (a).

9 (3) AGGREGATION RULES.—In determining the
10 taxpayer’s average employment level and prior aver-
11 age employment, all domestic members of a con-
12 trolled group (as defined in section 264(e)(5)(B) of
13 the Internal Revenue Code of 1986) shall be treated
14 as a single taxpayer.

15 (g) SPECIAL RULES.—Rules similar to the rules of
16 subsections (d) and (e) and paragraphs (3), (4), and (5)
17 of subsection (c) of section 965 of the Internal Revenue
18 Code of 1986 shall apply for purposes of this section.

19 (h) EFFECTIVE DATE.—This section shall apply to
20 taxable years ending on or after the date of the enactment
21 of this Act.

