

.....
(Original Signature of Member)

116TH CONGRESS
2D SESSION

H. R.

To amend the Internal Revenue Code of 1986 to encourage the transfer of intangible property from controlled foreign corporations to United States shareholders.

IN THE HOUSE OF REPRESENTATIVES

Mr. LAHOOD (for himself and Mr. FERGUSON) introduced the following bill; which was referred to the Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to encourage the transfer of intangible property from controlled foreign corporations to United States shareholders.

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. SPECIAL RULES FOR TRANSFERS OF INTAN-**
4 **GIBLE PROPERTY FROM CONTROLLED FOR-**
5 **EIGN CORPORATIONS TO UNITED STATES**
6 **SHAREHOLDERS.**

7 (a) IN GENERAL.—Subpart F of part III of sub-
8 chapter N of chapter 1 of the Internal Revenue Code of

1 1986 is amended by adding at the end the following new
2 section:

3 **“SEC. 966. TRANSFERS OF INTANGIBLE PROPERTY TO**
4 **UNITED STATES SHAREHOLDERS.**

5 “(a) IN GENERAL.—If a controlled foreign corpora-
6 tion holds intangible property on the date of the enact-
7 ment of this section and thereafter distributes such prop-
8 erty to a domestic corporation which is a United States
9 shareholder with respect to such controlled foreign cor-
10 poration—

11 “(1) for purposes of part I of subchapter C and
12 any other provision of this title specified by the Sec-
13 retary, the fair market value of such property on the
14 date of such distribution shall be treated as not ex-
15 ceeding the adjusted basis of such property imme-
16 diately before such distribution, and

17 “(2) if any portion of such distribution is not
18 a dividend—

19 “(A) no gain shall be recognized by such
20 United States shareholder with respect to such
21 distribution, and

22 “(B) the adjusted basis of such property in
23 the hands of such United States shareholder
24 immediately after such distribution shall be the
25 adjusted basis of such property in the hands of

1 such controlled foreign corporation immediately
2 before such distribution reduced by the amount
3 (if any) of gain not recognized by reason of
4 subparagraph (A) (determined after the appli-
5 cation of paragraph (1)).

6 “(b) INTANGIBLE PROPERTY.—For purposes of this
7 section, the term ‘intangible property’ means any—

8 “(1) patent, copyright, license, invention, for-
9 mula, process, design, pattern, know-how, or format,

10 “(2) method, program, system, procedure, cam-
11 paign, survey, study, forecast, estimate, or technical
12 data,

13 “(3) computer software (as defined in section
14 197(e)(3)(B)), or

15 “(4) any similar item, which has substantial
16 value independent of the services of any individual.”.

17 (b) CONFORMING AMENDMENTS.—

18 (1) Section 197(f)(2)(B)(i) of such Code is
19 amended by inserting “966(a),” after “731,”.

20 (2) The table of sections for subpart F of part
21 III of subchapter N of chapter 1 of such Code is
22 amended by adding at the end the following new
23 item:

 “Sec. 966. Transfers of intangible property to United States shareholders.”.

24 (c) EFFECTIVE DATE.—The amendments made by
25 this section shall apply to distributions made in taxable

1 years of foreign corporations beginning after December
2 31, 2020, and to taxable years of United States share-
3 holders in which or with which such taxable years of for-
4 eign corporations end.