

**MOTION TO RECOMMIT H.R. 5771, WITH  
INSTRUCTIONS  
OFFERED BY M . \_\_\_\_\_**

M \_\_\_\_\_ moves to recommit the bill H.R. 5771 to the Committee on Ways and Means with instructions to report the same back to the House forthwith with the following amendment:

Add at the end of title I the following (and conform the table of contents accordingly):

1 **Subtitle E—No Government Sub-**  
2 **sidies for Corporations That**  
3 **Move Their Headquarters Over-**  
4 **seas to Avoid Paying Taxes**

5 **SEC. 191. TAX BENEFITS DISALLOWED IN CASE OF IN-**  
6 **VERTED CORPORATIONS.**

7 (a) IN GENERAL.—In the case of a taxpayer which  
8 is, or is a member of an expanded affiliated group which  
9 includes, an applicable inverted corporation, the Internal  
10 Revenue Code of 1986 shall be applied and administered  
11 as if the provisions of, and amendments made by, this title  
12 (other than this subtitle) had never been enacted.

13 (b) APPLICABLE INVERTED CORPORATIONS.—

1           (1) IN GENERAL.—For purposes of this section,  
2           the term “applicable inverted corporation” means  
3           any foreign corporation which—

4                   (A) would be a surrogate foreign corpora-  
5                   tion under subsection (a)(2) of section 7874 of  
6                   the Internal Revenue Code of 1986 if such sub-  
7                   section were applied by substituting “80 per-  
8                   cent” for “60 percent”, or

9                   (B) is an inverted domestic corporation.

10           (2) INVERTED DOMESTIC CORPORATION.—For  
11           purposes of this subsection, a foreign corporation  
12           shall be treated as an inverted domestic corporation  
13           if, pursuant to a plan (or a series of related trans-  
14           actions)—

15                   (A) the entity completes after May 8,  
16                   2014, the direct or indirect acquisition of—

17                           (i) substantially all of the properties  
18                           held directly or indirectly by a domestic  
19                           corporation, or

20                           (ii) substantially all of the assets of,  
21                           or substantially all of the properties consti-  
22                           tuting a trade or business of, a domestic  
23                           partnership, and

24                   (B) after the acquisition, either—

1 (i) more than 50 percent of the stock  
2 (by vote or value) of the entity is held—

3 (I) in the case of an acquisition  
4 with respect to a domestic corpora-  
5 tion, by former shareholders of the  
6 domestic corporation by reason of  
7 holding stock in the domestic corpora-  
8 tion, or

9 (II) in the case of an acquisition  
10 with respect to a domestic partner-  
11 ship, by former partners of the do-  
12 mestic partnership by reason of hold-  
13 ing a capital or profits interest in the  
14 domestic partnership, or

15 (ii) the management and control of  
16 the expanded affiliated group which in-  
17 cludes the entity occurs, directly or indi-  
18 rectly, primarily within the United States,  
19 and such expanded affiliated group has  
20 significant domestic business activities.

21 (3) EXCEPTION FOR CORPORATIONS WITH SUB-  
22 STANTIAL BUSINESS ACTIVITIES IN FOREIGN COUN-  
23 TRY OF ORGANIZATION.—A foreign corporation de-  
24 scribed in paragraph (2) shall not be treated as an  
25 inverted domestic corporation if after the acquisition

1 the expanded affiliated group which includes the en-  
2 tity has substantial business activities in the foreign  
3 country in which or under the law of which the enti-  
4 ty is created or organized when compared to the  
5 total business activities of such expanded affiliated  
6 group. For purposes of applying section  
7 7874(a)(2)(B)(iii) of the Internal Revenue Code of  
8 1986 and the preceding sentence, the term “sub-  
9 stantial business activities” shall have the meaning  
10 given such term under Treasury regulations in effect  
11 on May 8, 2014, except that the Secretary of the  
12 Treasury may issue regulations increasing the  
13 threshold percent in any of the tests under such reg-  
14 ulations for determining if business activities con-  
15 stitute substantial business activities for purposes of  
16 this paragraph.

17 (4) MANAGEMENT AND CONTROL.—For pur-  
18 poses of paragraph (2)(B)(ii)—

19 (A) IN GENERAL.—The Secretary of the  
20 Treasury shall prescribe regulations for pur-  
21 poses of determining cases in which the man-  
22 agement and control of an expanded affiliated  
23 group is to be treated as occurring, directly or  
24 indirectly, primarily within the United States.  
25 The regulations prescribed under the preceding

1 sentence shall apply to periods after May 8,  
2 2014.

3 (B) EXECUTIVE OFFICERS AND SENIOR  
4 MANAGEMENT.—Such regulations shall provide  
5 that the management and control of an ex-  
6 panded affiliated group shall be treated as oc-  
7 ccurring, directly or indirectly, primarily within  
8 the United States if substantially all of the ex-  
9 ecutive officers and senior management of the  
10 expanded affiliated group who exercise day-to-  
11 day responsibility for making decisions involving  
12 strategic, financial, and operational policies of  
13 the expanded affiliated group are based or pri-  
14 marily located within the United States. Indi-  
15 viduals who in fact exercise such day-to-day re-  
16 sponsibilities shall be treated as executive offi-  
17 cers and senior management regardless of their  
18 title.

19 (5) SIGNIFICANT DOMESTIC BUSINESS ACTIVI-  
20 TIES.—For purposes of paragraph (2)(B)(ii), an ex-  
21 panded affiliated group has significant domestic  
22 business activities if at least 25 percent of—

23 (A) the employees of the group are based  
24 in the United States,

1 (B) the employee compensation incurred by  
2 the group is incurred with respect to employees  
3 based in the United States,

4 (C) the assets of the group are located in  
5 the United States, or

6 (D) the income of the group is derived in  
7 the United States,

8 determined in the same manner as such determina-  
9 tions are made for purposes of determining substan-  
10 tial business activities under regulations referred to  
11 in paragraph (3) as in effect on May 8, 2014, but  
12 applied by treating all references in such regulations  
13 to “foreign country” and “relevant foreign country”  
14 as references to “the United States”. The Secretary  
15 of the Treasury may issue regulations decreasing the  
16 threshold percent in any of the tests under such reg-  
17 ulations for determining if business activities con-  
18 stitute significant domestic business activities for  
19 purposes of this paragraph.

20 (e) DEFINITIONS.—For purposes of this section, the  
21 terms “domestic corporation”, “foreign corporation”, and  
22 “expanded affiliated group” shall each have the same  
23 meaning as when used in section 7874 of the Internal Rev-  
24 enue Code of 1986.

