

S 2119

Reversing the Expatriation of Profits Offshore Act

Congress: 107 (2001–2003, Ended)

Chamber: Senate

Policy Area: Taxation

Introduced: Apr 11, 2002

Current Status: Placed on Senate Legislative Calendar under General Orders. Calendar No. 465.

Latest Action: Placed on Senate Legislative Calendar under General Orders. Calendar No. 465. (Jun 28, 2002)

Official Text: <https://www.congress.gov/bill/107th-congress/senate-bill/2119>

Sponsor

Name: Sen. Grassley, Chuck [R-IA]

Party: Republican • State: IA • Chamber: Senate

Cosponsors (11 total)

Cosponsor	Party / State	Role	Date Joined
Sen. Baucus, Max [D-MT]	D · MT		Apr 11, 2002
Sen. Dodd, Christopher J. [D-CT]	D · CT		May 14, 2002
Sen. Lieberman, Joseph I. [D-CT]	D · CT		May 15, 2002
Sen. Wellstone, Paul D. [D-MN]	D · MN		Jun 11, 2002
Sen. Carper, Thomas R. [D-DE]	D · DE		Jun 13, 2002
Sen. McCain, John [R-AZ]	R · AZ		Jun 18, 2002
Sen. Carnahan, Jean [D-MO]	D · MO		Jul 11, 2002
Sen. Miller, Zell [D-GA]	D · GA		Jul 16, 2002
Sen. Johnson, Tim [D-SD]	D · SD		Jul 18, 2002
Sen. Collins, Susan M. [R-ME]	R · ME		Sep 3, 2002
Sen. Harkin, Tom [D-IA]	D · IA		Sep 23, 2002

Committee Activity

Committee	Chamber	Activity	Date
Finance Committee	Senate	Reported By	Jun 28, 2002

Subjects & Policy Tags

Policy Area:

Taxation

Related Bills

No related bills are listed.

Reversing the Expatriation of Profits Offshore Act - Sets forth the following conditions which make a "foreign incorporated entity" (an entity which is or would be treated as foreign under this Act were it not reclassified by this Act) an "inverted domestic corporation" (that is to be treated as a domestic corporation) for purposes of taxation: (1) if such an entity acquires substantially all properties held by a domestic corporation or substantially all of the properties constituting a trade or business of a domestic partnership; (2) after the acquisition, at least 80 percent of the stock (by vote or value) of the foreign incorporated entity is held by former shareholders of the domestic corporation (or by former partners by reason of holding a capital or profits interest in a partnership, with certain exceptions); and (3) if the "expanded affiliated group" (the foreign incorporated entity together with all companies connected to it by a chain of greater than 50 percent ownership) lacks substantial business activities in its country of origin compared to its total activities.

Defines an "acquired entity" as a domestic corporation or partnership substantially all of the properties of which are acquired by a foreign incorporated entity, after which more than 50 percent but less than 80 percent of the stock (by vote or value) of the foreign incorporated entity is held by former shareholders (or partners) of the domestic corporation or partnership. Defines "inversion gains" as certain specified income or gain by reason of transfer of stock or other properties by an acquired entity as part of its acquisition by a foreign incorporated entity or by a "foreign related person" (defined as a foreign person who bears any of certain specified relationships with respect to an acquired entity or who is under the same common control as such entity).

Sets forth the following rules for inversion gains of acquired entities and party transactions of such entities: (1) to provide as a general rule that taxable income of an acquired entity (or any expanded affiliated group including such entity) cannot be less than the inversion gain; (2) that tax credits shall not be permitted to be used against tax on inversion gain (subject to specified conditions); (3) special rules for partnerships; (4) that the Secretary of the Treasury may provide that income or gain from transactions in the ordinary course of a trade or business not count as inversion gain to the extent such treatment is not inconsistent with the purposes of the purposes of this Act; (5) rules to coordinate this Act with section 172 and the minimum tax; and (6) that a three-year statutory period shall exist for the assessment of any deficiency attributable to the inversion gain of any taxpayer; (7) that such entities make a mandatory submission to the Secretary consisting of an annual prefiling, advance pricing, or other agreement specified by the Secretary, with specified penalties for failure to file; and (8) modifications of the limitation on interest deduction.

Excludes stock held by members of an expanded affiliated group which includes a foreign incorporated entity or stock of a foreign incorporated entity which is sold in a public offering related to a domestic acquisition by the entity from counting in determining ownership for purposes of the entity's classification as an inverted domestic corporation or an acquired entity. Invalidates certain transfers of properties or liabilities deemed to be aimed at avoiding this Act. Specifies that in cases covered under this Act involving domestic partnerships being bought, except as provided by regulations, all partnerships under common control shall be treated as one partnership. Directs the Secretary to prescribe regulations necessary to treat certain specified interests (including warrants and contracts to acquire stock) as stock and to treat stock as not stock.

Waives provisions of this Act dealing with acquisitions of domestic corporations or partnerships from applying to certain acquired entities substantially all of the properties of which are subsequently acquired by domestic corporations which have stock traded on an established securities market.

Directs the Secretary to issue regulations, including to prevent: (1) avoidance of portions of this Act through use of related persons, pass-through or other noncorporate entities, or other intermediaries; and (2) transactions designed to have

individuals cease to be or not become members of expanded affiliated groups or related persons.

Provides for confidentiality of certain annual approval agreements on return positions for related party transactions by acquired entities (as well as for relevant background information) and exempts such transactions from open public inspection.

Requires the Secretary to submit with any report on advance pricing agreements required by Federal law a report regarding approval agreements covered under this Act, which shall be treated for confidentiality purposes in the same manner as reports on advanced pricing.

Specifies that the Secretary shall require entities involved in transactions to which this Act applies to report to the Secretary and other relevant persons as the Secretary prescribes such information as is necessary for proper tax treatment of such transactions.

(Sec. 3) Increases scope under which the Secretary may act to modify reinsurance agreements to take account of the amount of taxable income of each party, to take effect after April 11, 2002.

Actions Timeline

- **Jun 28, 2002:** Committee on Finance. Reported by Senator Baucus with an amendment in the nature of a substitute. With written report No. 107-188.
- **Jun 28, 2002:** Committee on Finance. Reported by Senator Baucus with an amendment in the nature of a substitute. With written report No. 107-188.
- **Jun 28, 2002:** Placed on Senate Legislative Calendar under General Orders. Calendar No. 465.
- **Jun 18, 2002:** Committee on Finance. Ordered to be reported with an amendment favorably.
- **Apr 11, 2002:** Introduced in Senate
- **Apr 11, 2002:** Sponsor introductory remarks on measure. (CR S2592)
- **Apr 11, 2002:** Read twice and referred to the Committee on Finance. (text of measure as introduced: CR S2592-2594)