

119TH CONGRESS  
1ST SESSION

**S.** \_\_\_\_\_

To amend the Internal Revenue Code of 1986 to exclude round-tripped income for purposes of calculating global intangible low-taxed income, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

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Mr. WYDEN (for himself, Mr. WARNER, Mr. WARNOCK, and Mr. WELCH) introduced the following bill; which was read twice and referred to the Committee on \_\_\_\_\_

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**A BILL**

To amend the Internal Revenue Code of 1986 to exclude round-tripped income for purposes of calculating global intangible low-taxed income, and for other purposes.

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 “Close the Round-Trip-  
5 ping Loophole Act”.

6 **SEC. 2. MODIFICATION TO DETERMINATION OF NET**  
7 **DEEMED INTANGIBLE INCOME RETURN.**

8 (a) IN GENERAL.—Section 951A(b)(2)(A) of the In-  
9 ternal Revenue Code of 1986 is amended—

1           (1) by striking “10 percent of the aggregate of”  
2           and inserting “10 percent of the excess (if any) of—  
3           “(i) the aggregate of”, and

4           (2) by adding at the end the following new  
5           clause:

6                       “(ii) an amount equal to the product  
7                       of the amount determined under clause (i)  
8                       and the round-tripping ratio, over”.

9           (b) ROUND-TRIPPING RATIO.—Section 951A(b) of  
10          the Internal Revenue Code of 1986 is amended by adding  
11          at the end the following new paragraph:

12                       “(3) ROUND-TRIPPING RATIO.—For purposes of  
13          this subsection—

14                       “(A) IN GENERAL.—The round-tripping  
15          ratio means, with respect to any United States  
16          shareholder for any taxable year, the percentage  
17          (not greater than 100 percent) which is equal  
18          to the ratio which—

19                       “(i) the shareholder’s round-tripped  
20          net CFC tested income for such taxable  
21          year determined under subparagraph (B),  
22          bears to

23                       “(ii) the shareholder’s net CFC tested  
24          income for such taxable year, determined  
25          without regard to this paragraph.

1                   “(B) SHAREHOLDER’S ROUND-TRIPPED  
2 NET CFC TESTED INCOME.—For purposes of  
3 subparagraph (A)(i), a United States share-  
4 holder’s round-tripped net CFC tested income  
5 for any taxable year is the net CFC tested in-  
6 come of such shareholder which would be deter-  
7 mined under subsection (c) for such taxable  
8 year if—

9                   “(i) the only income taken into ac-  
10 count under clause (i) of subsection  
11 (c)(2)(A) in determining the tested income  
12 or tested loss of each controlled foreign  
13 corporation taken into account by such  
14 shareholder under subsection (c)(1) for  
15 such taxable year were income described in  
16 such clause which is derived in connection  
17 with—

18                   “(I) property—

19                   “(aa) which is sold by the  
20 taxpayer to any person who is a  
21 United States person, or

22                   “(bb) which the taxpayer  
23 cannot establish to the satisfac-  
24 tion of the Secretary is for for-  
25 eign use, or

1 “(II) services provided by the  
2 taxpayer which the taxpayer cannot  
3 establish to the satisfaction of the  
4 Secretary are provided to any person,  
5 or with respect to property, not lo-  
6 cated within the United States, and

7 “(ii) the only deductions taken into  
8 account under clause (ii) of subsection  
9 (c)(2)(A) in determining such tested in-  
10 come or tested loss were deductions prop-  
11 erly allocable to income described in clause  
12 (i).

13 “(C) FOREIGN USE.—For purposes of this  
14 subsection, the determination of whether prop-  
15 erty is for a foreign use shall be made in the  
16 same manner as under section 250(b).

17 “(D) EXCEPTION FOR CERTAIN SMALL  
18 TAXPAYERS.—

19 “(i) IN GENERAL.—In the case of any  
20 United States shareholder described in  
21 clause (ii), the round-tripping ratio shall be  
22 0 percent.

23 “(ii) TAXPAYER DESCRIBED.—

24 “(I) IN GENERAL.—A United  
25 States shareholder is described in this

1 clause if the average annual gross re-  
2 ceipts of such United States share-  
3 holder for the 3-taxable year period  
4 ending with the taxable year which  
5 precedes such taxable year does not  
6 exceed \$100,000,000.

7 “(II) APPLICATION OF CERTAIN  
8 RULES.—Rules similar to the rules of  
9 paragraphs (2)(B) and (3) of section  
10 59A(e) shall apply for purposes of this  
11 clause.”.

12 (c) EFFECTIVE DATE.—The amendments made by  
13 this section shall apply taxable years of foreign corpora-  
14 tions beginning after the date of the enactment of this  
15 Act, and to taxable years of United States shareholders  
16 in which or with which such taxable years of foreign cor-  
17 porations end.

18 **SEC. 3. LIMITATION ON DEDUCTION FOR GLOBAL INTAN-**  
19 **GIBLE LOW-TAXED INCOME.**

20 (a) IN GENERAL.—Section 250(a)(1)(B) of the Inter-  
21 nal Revenue Code of 1986 is amended to read as follows:

22 “(B) 50 percent of the excess (if any) of—  
23 “(i) the sum of—  
24 “(I) the global intangible low-  
25 taxed income amount (if any) which is

1 included in the gross income of such  
2 domestic corporation under section  
3 951A for such taxable year, and

4 “(II) the amount treated as a  
5 dividend received by such corporation  
6 under section 78 which is attributable  
7 to the amount described in subclause  
8 (I), over

9 “(ii) an amount equal to the product  
10 of the amount determined under clause (i)  
11 and the round-tripping ratio (as deter-  
12 mined under section 951A(b)(3)) of such  
13 domestic corporation for such taxable  
14 year.”.

15 (b) EFFECTIVE DATE.—The amendment made by  
16 this section shall apply to taxable years beginning after  
17 the date of the enactment of this Act.