TITLE ____—MODIFICATIONS OF RULES RELATING TO THE TAXATION OF GLOBAL INCOME

SEC. ___01. MODIFICATIONS RELATING TO NET CFC TESTED INCOME.

(a) CURRENT YEAR INCLUSION OF NET CFC TESTED INCOME.—

(1) IN GENERAL.—Section 951A(a) of the Internal Revenue Code of 1986 is amended by striking ''global intangible low-taxed income'' and inserting ''net CFC tested income''.

(2) REPEAL OF TAX-FREE DEEMED RETURN ON FOREIGN INVESTMENTS.—Section 951A of such Code is amended by striking subsections (b) and (d) and by redesignating subsections (c), (e), and (f) as subsections (b), (c), and (d), respectively.

(3) CONFORMING AMENDMENTS.—

(A)(i) Section 250 of such Code, as amended by section ____04, is amended by striking ''global intangible low-taxed income'' in subsection (b)(3)(A)(i)(II) and inserting ''net CFC tested income''.

(ii) The heading for section 250 of such Code is amended by striking ''**GLOBAL INTANGIBLE LOW-TAXED INCOME**'' and inserting ''**NET CFC TESTED INCOME**''.

(iii) The item relating to section 250 in the table of sections for part VIII of subchapter B of chapter 1 of such Code is amended by striking ''global intangible low-taxed income'' and inserting ''net CFC tested income''.

(B) Section 951A(c)(1) of such Code, as redesignated by paragraph (2), is amended by striking ''subsections (b), (c)(1)(A), and (c)(1)(B)'' and inserting ''subsections (b)(1)(A) and (b)(1)(B)''.

(C) Section 951A(d) of such Code, as redesignated by paragraph (2), is amended—

(i) by striking ''global intangible low-taxed income'' each place it appears and inserting ''net CFC tested income'', and

(ii) by striking ''subsection (c)(1)(A)'' in paragraph (2)(B)(ii) thereof and inserting ''subsection (b)(1)(A)''.

(D)(i) The heading for section 951A of such Code is amended by striking ''**GLOBAL INTANGIBLE LOW-TAXED INCOME IN-**

CLUDED'' and inserting ''**COUNTRY-BY-COUNTRY GLOBAL INCLUSION OF LOW-TAX INCOME**''.

(ii) The item relating to section 951A in the table of sections for subpart F of part III of subchapter N of chapter 1 of such Code is amended by striking ''global intangible low-taxed income included'' and inserting ''country-by-country global inclusion of low-tax income''.

(b) NET CFC TESTED INCOME DETERMINED WITHOUT REGARD TO HIGH-TAX TESTED INCOME.—

(1) EXCLUSION.—Section 951A(b)(2)(A)(i) of the Internal Revenue Code of 1986, as redesignated by section __01(a)(2), is amended by striking ''and'' at the end of subclause (IV), by striking ''over'' at the end of subclause (V) and inserting ''and'', and by inserting after subclause (V) the following new subclause:

''(VI) any high-tax tested income (as defined in subsection (e)), over''.

(2) HIGH-TAX TESTED INCOME DEFINED.—Section 951A of such Code, as amended by subsection (a), is amended by inserting after subsection (d) the following new subsection:

"(e) HIGH-TAX TESTED INCOME.—For purposes of this section—

"(1) IN GENERAL.—The term 'high-tax tested income' means, with respect to any controlled foreign corporation for any taxable year of such corporation, any income which—

"(A) is tested income of such corporation (determined without regard to subsection (b)(2)(A)(i)(VI)), and

"(B) is subject to an effective rate of income tax imposed by a foreign country greater than the applicable percentage of the maximum rate specified in section 11 for taxable years beginning in the calendar year in which the taxable year of such corporation begins.

"(2) APPLICABLE PERCENTAGE.—The applicable percentage with respect to any taxable year is the excess (if any) of—

"(A) 100 percent, over

"(B) the percentage in effect for such taxable year for purposes of determining the deduction under section 250(a)(1) with respect to net CFC tested income amounts.

"(3) DETERMINATION OF EFFECTIVE RATE OF INCOME TAX.—For purposes of this subsection—

''(A) RULES FOR COMPUTING EFFECTIVE RATE.—The effective rate of income tax shall be computed—

''(i) separately for each tested unit of the controlled foreign corporation, and

''(ii) by only taking into account [80-100] percent of the foreign income taxes (within the meaning of section 904(d)(2)(F)) which are properly attributable to amounts taken into account in determining tested income or loss under subsection (b)(2).

''(B) TESTED UNIT.—The term 'tested unit' means, with respect to any controlled foreign corporation—

''(i) the controlled foreign corporation,

''(ii) an interest held directly or indirectly by the controlled foreign corporation in a pass-through entity if—

''(I) such entity is a tax resident of a foreign country, or

''(II) such entity is not described in subclause (I) but is treated as a corporation (or other entity which is not fiscally transparent) under the tax

law of the foreign country in which the controlled foreign corporation is a tax resident, and

"(iii) any branch (or portion thereof)—

"(I) the activities of which are carried on directly or indirectly by the controlled foreign corporation, and

"(II) which gives rise to a taxable presence under the tax law of the foreign country in which the branch is located.

"(C) AGGREGATION OF TESTED UNITS IN A SINGLE FOREIGN COUNTRY.—

"(i) IN GENERAL.—All tested units of a controlled foreign corporation (including such corporation) which are tax residents of (or, as provided by the Secretary, located in) the same foreign country shall be treated as a single tested unit.

"(ii) AGGREGATION OF MEMBERS OF SAME EXPANDED AFFILIATED GROUP.—If 2 or more controlled foreign corporations are members of the same expanded affiliated group (as defined in section

1471(e)(2)), all tested units of such corporations (including such corporations) which are tax residents of (or, as provided by the Secretary, located in) the same foreign country shall be treated as a single tested unit. The preceding sentence shall not apply for purposes of applying this section to a United States shareholder that is not a member of such expanded affiliated group.

''(D) ITEMS ALLOCATED TO ONLY ONE TESTED UNIT.—Except as otherwise provided by the Secretary, for purposes of determining the effective rate of income tax under this paragraph—

''(i) no item shall be attributable or otherwise allocable to more than one tested unit of the taxpayer, and

''(ii) to the extent an item may, without regard to clause (i), be properly attributable or otherwise allocable to more than one tested unit, such item shall be treated as properly attributable or otherwise allocable to the lowest-tier tested unit of the

taxpayer to which such item may be properly attributable or otherwise allocable.

''(E) DEFINITIONS.—For purposes of this paragraph, the terms 'branch', 'fiscally transparent', 'tax law', and 'tax resident' have the same meaning as when used for purposes of section 267A.

''(F) REGULATIONS.—The Secretary shall issue such regulations as are necessary to carry out the purposes of this paragraph, including regulations providing for the proper treatment of—

''(i) tiered entities, hybrid entities, reverse hybrid entities, and disregarded entities,

''(ii) disregarded amounts (including payments, transfers, or distributions), and

''(iii) branches which do not give rise to a taxable presence under the tax law of the foreign country in which any such branch is located.

''(4) TREATMENT OF TESTED UNITS WITH LOSSES.—

''(A) IN GENERAL.—If there is a tested loss (as determined under subparagraph (B))

for any tested unit for any taxable year, the income of such tested unit taken into account in determining such tested loss under subparagraph (B) shall be treated as income which is high-tax tested income.

''(B) TESTED LOSS.—For purposes of this paragraph, the term 'tested loss' means, with respect to any tested unit for any taxable year of the controlled foreign corporation, the excess (if any) of the amounts described in subsection (b)(2)(A)(ii) with respect to such tested unit over the amounts described in subsection (b)(2)(A)(i) (determined without regard to subclause (VI) thereof) with respect to such tested unit.

''(5) DISALLOWANCE OF FOREIGN TAX CREDIT, ETC.—

''(A) IN GENERAL.—No credit shall be allowed under section 901 for any taxes paid or accrued (or treated as paid or accrued) with respect to any high-tax tested income of a tested unit.

''(B) DENIAL OF DEDUCTION.—No deduction shall be allowed under this chapter for any tax for which credit is not allowable under sec-

tion 901 by reason of subparagraph (A) (determined by treating the taxpayer as having elected the benefits of subpart A of part III of subchapter N).''.

(3) TIMING ISSUES IN GILTI.—[TO BE DETERMINED]

(c) MODIFICATIONS OF DEEMED PAID CREDIT FOR TAXES ATTRIBUTABLE TO TESTED INCOME.—

(1) IN GENERAL.—Section 960(d) of such Code is amended to read as follows:

''(d) DEEMED PAID CREDIT FOR TAXES ATTRIBUTABLE TO TESTED INCOME AND LOSS.—

''(1) IN GENERAL.—For purposes of subpart A of this part, if any amount is includible in the gross income of a domestic corporation under section 951A, such domestic corporation shall be deemed to have paid foreign income taxes equal to [80-100] percent of the aggregate tested foreign income taxes paid or accrued by controlled foreign corporations.

''(2) TESTED FOREIGN INCOME TAXES.—For purposes of paragraph (1), the term 'tested foreign income taxes' means, with respect to any domestic corporation which is a United States shareholder of a controlled foreign corporation, such shareholder's

pro rata share (as determined under section 951A(e)(1)) of—

"(A) the foreign income taxes (within the meaning of section 904(d)(2)(F)) which are properly attributable to amounts taken into account in determining tested income or tested loss under section 951A(b)(2), and

"(B) solely to the extent provided in regulations prescribed by the Secretary, the foreign income taxes (as so defined) paid or accrued by a foreign corporation (other than such controlled foreign corporation) which owns, directly or indirectly, 80 percent or more (by vote or value) of the stock in such domestic corporation but only if—

"(i) such foreign income taxes are properly attributable to amounts of such controlled foreign corporation taken into account in determining tested income or tested loss under section 951A(b)(2), and

"(ii) no credit is allowed, in whole or in part, for such foreign taxes in any foreign jurisdiction".

(2) GROSS UP FOR DEEMED PAID TAXES.—Section 78 of such Code is amended—

(A) by striking ''(determined without regard to the phrase '80 percent of' in subsection (d)(1))'', and

(B) by adding at the end the following new sentence: ''For purposes of this section, the amount of taxes deemed paid under subsections (a), (b), and (d) of section 960 shall be determined without regard to the percentage limitations under such subsections and the amount of taxes deemed paid under section 960(d) shall be determined without regard to foreign taxes described in paragraph (2)(B) thereof.''

(d) REPORTING REQUIREMENTS.—Section 6038(a)(1) of the Internal Revenue Code of 1986 is amended by striking ''and'' at the end of subparagraph (D), by striking the period at the end of subparagraph (E) and inserting '', and'', and by inserting after subparagraph (E) the following:

''(F) in the case of each tested unit (as defined in section 951A(e)(3)(B) and determined after application of section 951A(e)(3)(C)) of a controlled foreign corporation—

''(i) the amount of gross income and deductions (including taxes) which are

properly attributable to the tested unit under section 951A(c)(2), and

''(ii) the effective rate of income tax computed for purposes of section 951A(e).''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of foreign corporations beginning after the date of the enactment of this Act, and to taxable years of United States shareholders in which or with which such taxable years of foreign corporations end.

SEC. ___02. MODIFICATIONS TO SUBPART F INCOME.

(a) APPLICATION OF FOREIGN TAX CREDITS.—

(1) IN GENERAL.—Section 960(a) of the Internal Revenue Code of 1986 is amended by striking ''such domestic corporation shall be deemed to have paid so much of such foreign corporation's foreign income taxes as are properly attributable to such item of income'' and inserting ''such domestic corporation shall be deemed to have paid [80-100] percent of so much of such foreign corporation's foreign income taxes as are properly attributable to amounts taken into account in determining whether such item of income is included in gross income under such section''.

(2) PREVIOUSLY TAXED EARNINGS AND PROFITS.—Section 960(b) of such Code is amended—

(A) in paragraph (1), by inserting ''[80-100] percent of'' after ''deemed to have paid'',

(B) in paragraph (2), by inserting ''[80-100] percent of'' after ''deemed to have paid'', and

(C) by adding at the end the following new paragraph:

''(3) PERCENTAGE LIMITATIONS DISREGARDED.—For purposes of applying paragraphs (1)(B) and (2)(B), the amount of taxes deemed paid with respect to any amount for the taxable year or any prior taxable year shall be the amount determined before the application of any percentage limitation under this subsection or subsection (a).''.

(3) FOREIGN TAX CREDIT IN YEAR OF RECEIPT OF PREVIOUSLY TAXED EARNINGS AND PROFITS.—Section 960(c)(1) of such Code is amended—

(A) by striking ''the amount of such taxes paid'' and inserting ''[80-100] percent of the amount of such taxes paid'', and

(B) by adding at the end the following new sentence: ''For purposes of the preceding sentence, the amount of taxes deemed paid shall be

the amount determined before the application of any percentage limitation under subsection (a) or (b).''

(b) TREATMENT OF HIGH-TAXED INCOME.—

(1) IN GENERAL.—Section 954(b)(4) of the Internal Revenue Code of 1986 is amended—

(A) by striking ''For purposes of'' and inserting the following:

''(A) IN GENERAL.—For purposes of'',

(B) by striking ''if the taxpayer establishes to the satisfaction of the Secretary that such income was subject to an effective rate of income tax imposed by a foreign country greater than 90 percent of the maximum rate of tax specified in section 11'' and inserting ''which is subject to an effective rate of income tax imposed by a foreign country (determined under the rules of subparagraph (B)) greater than the maximum rate specified in section 11 for taxable years beginning in the calendar year in which the taxable year of such corporation begins'', and

(C) by adding at the end the following new subparagraphs:

''(B) RULES FOR COMPUTING EFFECTIVE RATE.—For purposes of this paragraph—

"(i) IN GENERAL.—Except as provided in clause (ii), the effective rate of income tax shall be determined under rules similar to the rules of section 951A(e)(3).

"(ii) SEPARATE COMPUTATION FOR GENERAL AND PASSIVE INCOME.—The effective rate of income tax shall be computed separately for general category income (as defined in section 904(d)(2)(A)) and passive category income (as so defined) of a tested unit.

"(C) TREATMENT OF TESTED UNITS WITH LOSSES.—

"(i) IN GENERAL.—If any tested unit (as defined in section 951(A)(e)(3)) is a loss unit for any taxable year, the income of such tested unit taken into account under clause (ii) in determining whether such tested unit is a loss unit shall be treated as income excluded from insurance income or foreign base company income under this paragraph.

"(ii) LOSS UNIT.—For purposes of this subparagraph, the term 'loss unit' means, with respect to any insurance in-

come or foreign base company income of a tested unit (as so defined), the excess (if any) of—

"(I) the deductions allocable to such income under this subpart, over

"(II) the amount of such income (determined before taking into account any deduction allocable to such income under this subpart).

"(D) DISALLOWANCE OF FOREIGN TAX CREDIT, ETC.—

"(i) IN GENERAL.—No credit shall be allowed under section 901 for any taxes paid or accrued (or treated as paid or accrued) with respect to any income of a tested unit excluded from insurance income or foreign base company income under this paragraph.

"(ii) DENIAL OF DEDUCTION.—No deduction shall be allowed under this chapter for any tax for which credit is not allowable under section 901 by reason of clause (i) (determined by treating the taxpayer as having elected the benefits of subpart A of part III of subchapter N).".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of foreign corporations beginning after the date of the enactment of this Act, and to taxable years of United States shareholders in which or with which such taxable years of foreign corporations end.

SEC. ___03. EXCLUSION OF HIGH TAXED INCOME OF FOREIGN BRANCHES.

(a) IN GENERAL.—

(1) EXCLUSION.—Part III of subchapter B of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after section 139I the following new section:

"SEC. 139J. HIGH-TAX FOREIGN BRANCH INCOME.

''(a) IN GENERAL.—Gross income shall not include any high-tax foreign branch income.

''(b) HIGH-TAX FOREIGN BRANCH INCOME.—For purposes of this section—

''(1) IN GENERAL.—The term 'high-tax foreign branch income' means, with respect to any foreign branch, the branch's gross income which is subject to an effective rate of income tax imposed by a foreign country or possession of the United States (determined under the rules of paragraph (2)) greater than the maximum rate specified in section 11 (sec-

tion 1 in the case of a taxpayer other than a corporation) for the taxable year.

''(2) RULES FOR COMPUTING EFFECTIVE RATE.—For purposes of this subsection, the effective rate of income tax shall be computed—

''(A) separately for each foreign branch of the taxpayer,

''(B) on the amount of net income of the foreign branch equal to the excess of—

''(i) the aggregate amount of gross income of the branch, over

''(ii) deductions (other than taxes) properly allocable to such income (under regulations prescribed by the Secretary), and

''(C) by only taking into account [80-100] percent of the foreign income taxes (within the meaning of section 904(d)(2)(F)) properly attributable to net income described in subparagraph (C).

''(3) AGGREGATION OF BRANCHES IN A SINGLE FOREIGN COUNTRY.—For purposes of this subsection—

''(A) IN GENERAL.—All branches of a taxpayer which are tax residents of (or, as pro-

vided by the Secretary, located in) the same foreign country shall be treated as a single foreign branch.

''(B) AGGREGATION OF MEMBERS OF SAME EXPANDED AFFILIATED GROUP.—If 2 or more corporations are members of the same expanded affiliated group (as defined in section 1471(e)(2)), all branches of such corporations (including such corporations) which are tax residents of (or, as provided by the Secretary, located in) the same foreign country shall be treated as a single branch.

''(4) DISALLOWANCE OF FOREIGN TAX CREDIT, ETC.—

''(A) IN GENERAL.—No credit shall be allowed under section 901 for any taxes paid or accrued (or treated as paid or accrued) with respect to any high-tax foreign branch income of a foreign branch.

''(B) DENIAL OF DEDUCTION.—No deduction shall be allowed under this chapter for any tax for which credit is not allowable under section 901 by reason of subparagraph (A) (determined by treating the taxpayer as having elect-

ed the benefits of subpart A of part III of subchapter N).

''(5) DEFINITIONS.—For purposes of this subsection—

''(A) FOREIGN BRANCH.—The term 'foreign branch' means any branch (or portion thereof)—

''(i) the activities of which are carried on directly or indirectly by the taxpayer,

''(ii) which is not a tested unit (as defined in section 951A(e)(3)) of a controlled foreign corporation of the taxpayer, and

''(iii) which gives rise to a taxable presence under the tax law of the foreign country in which the branch is located.

''(B) OTHER TERMS.—The terms 'branch', 'tax law', and 'tax resident' have the same meaning as when used for purposes of section 267A.

''(c) REGULATIONS.—The Secretary shall issue such regulations as are necessary to carry out the purposes of this section, including regulations providing for the proper treatment of—

''(1) disregarded amounts (including payments, transfers, or distributions), and

''(2) branches which do not give rise to a taxable presence under the tax law of the foreign country in which any such branch is located.''.

(2) CONFORMING AMENDMENTS.—

(A) Section 904(d)(2)(J) is amended—

(i) by striking ''qualified business units (as defined in section 989(a)) in 1 or more foreign countries'' and inserting ''foreign branches described in section 139J'', and

(ii) by striking ''qualified business unit'' and inserting ''foreign branch''.

(B) The table of section of part III of subchapter B of chapter 1 is amended by inserting after the item relating to section 139I the following new item:

''Sec. 139J. High-tax foreign branch income.''.

(b) APPLICATION OF FOREIGN TAX CREDIT TO FOREIGN BRANCHES.—Section 901 of the Internal Revenue Code of 1986 is amended by redesignating subsection (n) as subsection (o) and by inserting after subsection (m) the following new subsection:

''(n) SPECIAL RULES FOR FOREIGN BRANCHES.—Notwithstanding any other provision of this part—

''(1) IN GENERAL.—In the case of any foreign income taxes (within the meaning of section

904(d)(2)(F)) paid or accrued during the taxable year with respect to foreign branch income (as defined in section 904(d))—

"(A) in the case of a loss branch, no credit shall be allowed with respect to such taxes under subsection (a), and

"(B) in the case of any other branch, the amount of such taxes which would (but for this subsection) be allowed under subsection (a) shall be reduced by **[**0-20**]** percent of such amount (determined without regard to this subsection).

"(2) LOSS BRANCH.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'loss branch' means any foreign branch for which deductions (other than taxes) properly allocable (under regulations prescribed by the Secretary) to the gross income of such branch exceed the amount of such gross income.

"(B) AGGREGATION RULES.—Rules similar to the rules of section 139J(b)(3) shall apply.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. ___04. ALLOCATION OF RESEARCH AND EXPERIMENTAL AND STEWARDSHIP EXPENSES.

(a) IN GENERAL.—Section 904(b) of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:

''(5) RESEARCH AND DEVELOPMENT AND STEWARDSHIP EXPENSES.—

''(A) IN GENERAL.—For purposes of this section, in determining taxable income—

''(i) expenditures for qualified research and experimental expenditures which are conducted within the United States shall be allocated only to income from sources within the United States, and

''(ii) expenditures for stewardship functions (within the meaning of section 861) which are conducted within the United States shall be allocated only to income from sources within the United States.

''(B) QUALIFIED RESEARCH AND EXPERIMENTAL EXPENDITURES.—

''(i) IN GENERAL.—The term 'qualified research and experimental expenditures' means research and experimental expenditures which are taken into account in

determining a taxpayer's specified research or experimental expenditures for purposes of section 174.

"(ii) SPECIAL RULES.—For purposes of this paragraph—

"(I) rules similar to the rules of subsection (c)(1) of section 174 shall apply, and

"(II) any qualified research and experimental expenditures shall be taken into account under this paragraph for the taxable year for which such expenditures are allowed as a deduction under section 174.".

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendment made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

(2) TRANSITION RULE.—For purposes of applying section 904(b)(5) of the Internal Revenue Code of 1986 (as added by this section) to amounts paid or incurred in taxable years beginning after the date of the enactment of this Act and before January 1, 2022, the term "qualified research and experimental

expenditures'' shall have the meaning given to such term by section 864(g)(2) of such Code.

SEC. ___05. MODIFICATIONS TO DEDUCTIONS FOR FOREIGN-DERIVED INNOVATION INCOME AND NET CFC TESTED INCOME.

(a) IN GENERAL.—Subsection (a) of section 250 of the Internal Revenue Code of 1986 is amended to read as follows:

''(a) ALLOWANCE OF DEDUCTION.—

''(1) IN GENERAL.—In the case of a domestic corporation for any taxable year, there shall be allowed as a deduction an amount equal to [X percent] of the sum of—

''(A) the foreign-derived innovation income of such domestic corporation for such taxable year,

''(B) the net CFC tested income amount (if any) which is included in the gross income of such domestic corporation under section 951A for such taxable year, plus

''(C) the amount treated as a dividend received by such corporation under section 78 which is attributable to the amount described in subparagraph (B).

''(2) LIMITATION BASED ON TAXABLE INCOME.—If, for any taxable year—

''(A) the sum of the amounts otherwise taken into account by the domestic corporation under paragraph (1), exceeds

''(B) the taxable income of the domestic corporation (determined without regard to this section),

then each of the amounts in subparagraphs (A), (B), and (C) of paragraph (1) shall be reduced by the amount which bears the same ratio to such excess as the amount described in such subparagraph bears to the sum described in subparagraph (A).''.

(b) DEDUCTION FOR FOREIGN-DERIVED INNOVATION INCOME.—

(1) IN GENERAL.—Section 250(b)(1) of the Internal Revenue Code of 1986 is amended by striking ''foreign-derived intangible income'' and inserting ''foreign-derived innovation income''.

(2) DETERMINATION OF FOREIGN-DERIVED INNOVATION INCOME.—

(A) IN GENERAL.—Section 250(b)(1) of such Code is amended by striking ''deemed intangible income'' and inserting ''domestic innovation income''.

(B) DOMESTIC INNOVATION INCOME.—Paragraph (2) of section 250(b) of such Code is amended to read as follows:

''(2) DOMESTIC INNOVATION INCOME.—For purposes of this subsection, the term 'domestic innovation income' means, with respect to any domestic corporation, the lesser of—

''(A) the deduction eligible income of the domestic corporation, or

''(B) the sum of—

''(i) [X percent of] the qualified research and experimental expenditures (as defined in section 904(b)(5)) of the domestic corporation which are attributable to activities conducted in the United States, plus

''(ii) [X percent of] the qualified training expenditures of the domestic corporation which are attributable to activities conducted in the United States.''.

(C) QUALIFIED TRAINING EXPENDITURES.—Section 250(b) is amended by adding at the end the following new paragraph:

''(6) QUALIFIED TRAINING EXPENDITURES.—

"(A) IN GENERAL.—The term 'qualified training expenditures' means any expenditures for the qualified training of any non-highly compensated employee. Such term shall not include any amounts paid for meals, lodging, transportation, or other services incidental to such qualified training.

"(B) QUALIFIED TRAINING.—For purposes of subparagraph (A), the term 'qualified training' means training which results in the attainment of a recognized postsecondary credential and which is provided through—

"(i) an apprenticeship program registered under the Act of August 16, 1937 (commonly known as the 'National Apprenticeship Act'; 50 Stat. 664, chapter 663; 29 U.S.C. 50 et seq.);

"(ii)(I) a program of training services which is listed under section 122(d) of the Workforce Innovation and Opportunity Act (29 U.S.C. 3152(d)), or

"(II) an apprenticeship program which is registered or approved by a recognized State apprenticeship agency (which uses a State apprenticeship council) in ac-

cordance with section 1 of the Act referred to in clause (i),

"(iii) a program which is conducted by an area career and technical education school, a community college, or a labor organization, or

"(iv) a program which is sponsored and administered by an employer, industry trade association, industry or sector partnership, or labor organization.

"(C) TERMS RELATED TO QUALIFIED TRAINING.—For purposes of subparagraph (B)—

"(i) AREA CAREER AND TECHNICAL EDUCATION SCHOOL.—The term 'area career and technical education school' means such a school, as defined in section 3 of the Carl D. Perkins Career and Technical Education Act of 2006 (20 U.S.C. 2302), which participates in a program under that Act (20 U.S.C. 2301 et seq.).

"(ii) COMMUNITY COLLEGE.—The term 'community college' means an institution which—

"(I) is a junior or community college as defined in section 312(f) of the Higher Education Act of 1965 (20 U.S.C. 1058(f)), except that the institution need not meet the requirements of paragraph (1) of that section, and

"(II) participates in a program under title IV of that Act (20 U.S.C. 1070 et seq.).

"(iii) INDUSTRY OR SECTOR PARTNERSHIP.—The term 'industry or sector partnership' has the meaning given such term under section 3 of the Workforce Innovation and Opportunity Act (29 U.S.C. 3102).

"(iv) INDUSTRY TRADE ASSOCIATION.—The term 'industry trade association' means an organization which—

"(I) is described in paragraph (3) or (6) of section 501(c) of the Internal Revenue Code of 1986 and exempt from taxation under section 501(a) of such Code, and

"(II) is representing an industry.

"(v) LABOR ORGANIZATION.—The term 'labor organization' means a labor organization, within the meaning of the term in section 501(c)(5) of the Internal Revenue Code of 1986.

"(vi) RECOGNIZED POSTSECONDARY CREDENTIAL.—The term 'recognized postsecondary credential' means a credential consisting of an industry-recognized certificate or certification, a certificate of completion of an apprenticeship, a license recognized by the State involved or Federal Government, or an associate or baccalaureate degree.

"(D) NON-HIGHLY COMPENSATED EMPLOYEE.—

"(i) IN GENERAL.—For purposes of subparagraph (A), the term 'non-highly compensated employee' means an employee of the taxpayer whose remuneration for the taxable year for services provided to the taxpayer does not exceed $82,000.

"(ii) AGGREGATION RULE.—For purposes of clause (i), all persons treated as a single employer under subsection (b), (c),

(m), or (o) of section 414 shall be treated as one employer.

''(iii) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2022, the $82,000 amount in clause (i) shall be increased by an amount equal to—

''(I) such dollar amount, multiplied by

''(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2021' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

If any amount after adjustment under the preceding sentence is not a multiple of $1,000, such amount shall be rounded to the next lowest multiple of $1,000.''.

(3) CONFORMING AMENDMENTS.—

(A) The heading of section 250(b) of such Code is amended by striking ''INTANGIBLE INCOME'' and inserting ''INNOVATION INCOME''.

(B) The heading of section 250 of such Code, as amended by section __01, is amended by striking ''**INTANGIBLE INCOME**'' and inserting ''**INNOVATION INCOME**''.

(C) The item relating to section 250 in the table of sections for part VIII of subchapter B of chapter 1 of such Code, as amended by section __01, is amended by striking ''intangible income'' and inserting ''innovation income''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after [date].

SEC. ___06. MODIFICATIONS TO TAX ON BASE EROSION PAYMENTS.

(a) IN GENERAL.—Section 59A(b) of the Internal Revenue Code of 1986 is amended to read as follows:

''(b) BASE EROSION MINIMUM TAX AMOUNT.—For purposes of this section—

''(1) IN GENERAL.—The term 'base erosion minimum tax amount' means, with respect to any applicable taxpayer for any taxable year, the excess (if any) of—

''(A) an amount equal to the base erosion tax liability of the taxpayer for the taxable year, over

"(B) an amount equal to the regular tax liability (as defined in section 26(b)) of the taxpayer for the taxable year, reduced (but not below zero) by the excess (if any) of—

"(i) the credits allowed under this chapter against such regular tax liability, over

"(ii) the credit allowed under section 38 for the taxable year.

"(2) BASE EROSION TAX LIABILITY.—

"(A) IN GENERAL.—The term 'base erosion tax liability' means the sum of—

"(i) 10 percent of the taxable income of the taxpayer computed under this chapter for the taxable year, plus

"(ii) [X] percent of the base erosion income for the taxable year.

"(B) BASE EROSION INCOME.—The term 'base erosion income' means, with respect to any taxable year, the excess (if any) of—

"(i) the modified taxable income of the taxpayer for the taxable year, over

"(ii) the taxable income of the taxpayer computed under this chapter for the taxable year.

"(C) MODIFICATIONS FOR TAXABLE YEARS BEGINNING AFTER 2025.—In the case of any taxable year beginning after December 31, 2025—

"(i) subparagraph (A)(i) shall be applied by substituting '12.5 percent' for '10 percent', and

"(ii) subparagraph (A)(ii) shall be applied by substituting '**[**X**]** percent' for '**[**X**]** percent'.

"(D) INCREASED RATE FOR CERTAIN BANKS AND SECURITIES DEALERS.—

"(i) IN GENERAL.—In the case of a taxpayer described in clause (ii) who is an applicable taxpayer for any taxable year, the percentages otherwise in effect under clauses (i) and (ii) of subparagraph (A) shall each be increased by one percentage point.

"(ii) TAXPAYER DESCRIBED.—A taxpayer is described in this subparagraph if such taxpayer is a member of an affiliated group (as defined in section 1504(a)(1)) which includes—

"(I) a financial institution described in section 582(c)(2), or

"(II) a securities dealer registered under section 15(a) of the Securities Exchange Act of 1934.".

(b) CONFORMING AMENDMENT.—Section 59A(e)(1)(C) of such Code is amended by striking "subsection (b)(3)(B)" and inserting "subsection (b)(2)(D)(ii)".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to base erosion payments (as defined in section 59A(d) of the Internal Revenue Code of 1986) paid or accrued in taxable years beginning after the date of the enactment of this Act.

(d) INCORPORATING SHIELD CONCEPTS INTO BEAT.—[TO BE DETERMINED]