

119TH CONGRESS  
1ST SESSION

# H. R. 2186

To amend the Internal Revenue Code of 1986 to restore the limitation on downward attribution of stock ownership in applying constructive ownership rules.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 18, 2025

Mr. ESTES (for himself and Ms. MOORE of Wisconsin) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to restore the limitation on downward attribution of stock ownership in applying constructive ownership rules.

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. RESTORATION OF LIMITATION ON DOWNWARD**  
4 **ATTRIBUTION OF STOCK OWNERSHIP IN AP-**  
5 **PLYING CONSTRUCTIVE OWNERSHIP RULES.**

6 (a) IN GENERAL.—Section 958(b) of the Internal  
7 Revenue Code of 1986 is amended—

8 (1) by inserting after paragraph (3) the fol-  
9 lowing:

1           “(4) Subparagraphs (A), (B), and (C) of sec-  
2           tion 318(a)(3) shall not be applied so as to consider  
3           a United States person as owning stock which is  
4           owned by a person who is not a United States per-  
5           son.”, and

6           (2) by striking “Paragraph (1)” in the last sen-  
7           tence and inserting “Paragraphs (1) and (4)”.

8           (b) FOREIGN CONTROLLED UNITED STATES SHARE-  
9           HOLDERS.—Subpart F of part III of subchapter N of  
10          chapter 1 of such Code is amended by inserting after sec-  
11          tion 951A the following new section:

12         **“SEC. 951B. AMOUNTS INCLUDED IN GROSS INCOME OF**  
13                         **FOREIGN CONTROLLED UNITED STATES**  
14                         **SHAREHOLDERS.**

15         “(a) IN GENERAL.—In the case of any foreign con-  
16         trolled United States shareholder of a foreign controlled  
17         foreign corporation—

18                 “(1) this subpart (other than sections 951A,  
19                 951(b), and 957) shall be applied with respect to  
20                 such shareholder (separately from, and in addition  
21                 to, the application of this subpart without regard to  
22                 this section)—

23                         “(A) by substituting ‘foreign controlled  
24                         United States shareholder’ for ‘United States  
25                         shareholder’ each place it appears therein, and

1           “(B) by substituting ‘foreign controlled  
2           foreign corporation’ for ‘controlled foreign cor-  
3           poration’ each place it appears therein, and

4           “(2) section 951A shall be applied with respect  
5           to such shareholder—

6           “(A) by treating each reference to ‘United  
7           States shareholder’ in such section as including  
8           a reference to such shareholder, and

9           “(B) by treating each reference to ‘con-  
10           trolled foreign corporation’ in such section as  
11           including a reference to such foreign controlled  
12           foreign corporation.

13           “(b) FOREIGN CONTROLLED UNITED STATES  
14           SHAREHOLDER.—For purposes of this section, the term  
15           ‘foreign controlled United States shareholder’ means, with  
16           respect to any foreign corporation, any United States per-  
17           son which would be a United States shareholder with re-  
18           spect to such foreign corporation if—

19           “(1) section 951(b) were applied by substituting  
20           ‘more than 50 percent’ for ‘10 percent or more’, and

21           “(2) section 958(b) were applied without regard  
22           to paragraph (4) thereof.

23           “(c) FOREIGN CONTROLLED FOREIGN CORPORA-  
24           TION.—For purposes of this section, the term ‘foreign con-  
25           trolled foreign corporation’ means a foreign corporation,

1 other than a controlled foreign corporation, which would  
2 be a controlled foreign corporation if section 957(a) were  
3 applied—

4 “(1) by substituting ‘foreign controlled United  
5 States shareholders’ for ‘United States share-  
6 holders’, and

7 “(2) by substituting ‘section 958(b) (other than  
8 paragraph (4) thereof)’ for ‘section 958(b)’.

9 “(d) REGULATIONS.—The Secretary shall prescribe  
10 such regulations or other guidance as may be necessary  
11 or appropriate to carry out the purposes of this section,  
12 including regulations or other guidance—

13 “(1) to treat a foreign controlled United States  
14 shareholder or a foreign controlled foreign corpora-  
15 tion as a United States shareholder or as a con-  
16 trolled foreign corporation, respectively, for purposes  
17 of provisions of this title other than this subpart,  
18 and

19 “(2) to prevent the avoidance of the purposes of  
20 this section.”.

21 (c) CLERICAL AMENDMENT.—The table of sections  
22 for subpart F of part III of subchapter N of chapter 1  
23 is amended by inserting after the item relating to section  
24 951A the following new item:

“Sec. 951B. Amounts included in gross income of foreign controlled United States shareholders.”.

1 (d) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to—

3 (1) the last taxable year of foreign corporations  
4 beginning before January 1, 2025, and each subse-  
5 quent taxable year of such foreign corporations, and

6 (2) taxable years of United States persons in  
7 which or with which such taxable years of foreign  
8 corporations end.

9 (e) NO INFERENCE.—The amendments made by this  
10 section shall not be construed to create any inference with  
11 respect to the proper application of any provision of the  
12 Internal Revenue Code of 1986 with respect to taxable  
13 years beginning before the taxable years to which such  
14 amendments apply.

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