

119TH CONGRESS
1ST SESSION

S. 1605

To amend the Internal Revenue Code of 1986 to modify certain provisions relating to the taxation of international entities.

IN THE SENATE OF THE UNITED STATES

MAY 6, 2025

Mr. TILLIS introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to modify certain provisions relating to the taxation of international entities.

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, ETC.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “International Competition for American Jobs Act”.

6 (b) **AMENDMENT OF 1986 CODE.**—Except as other-
7 wise expressly provided, whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment
9 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-
2 sion of the Internal Revenue Code of 1986.

3 **SEC. 2. PERMANENT EXTENSION OF LOOK-THRU RULE FOR**
4 **CONTROLLED FOREIGN CORPORATIONS.**

5 (a) IN GENERAL.—Section 954(c)(6)(C) is amended
6 by striking “and before January 1, 2026,”.

7 (b) EFFECTIVE DATE.—The amendment made by
8 this section shall apply to taxable years of foreign corpora-
9 tions beginning after December 31, 2025, and to taxable
10 years of United States shareholders with or within which
11 such taxable years of foreign corporations end.

12 **SEC. 3. MODIFICATION OF DEDUCTION FOR FOREIGN-DE-**
13 **RIVED INTANGIBLE INCOME AND GLOBAL IN-**
14 **TANGIBLE LOW-TAXED INCOME.**

15 (a) IN GENERAL.—Section 250(a) is amended to
16 read as follows:

17 “(a) ALLOWANCE OF DEDUCTION.—In the case of a
18 domestic corporation for any taxable year, there shall be
19 allowed as a deduction an amount equal to the sum of—

20 “(1) 37.5 percent of the foreign-derived intan-
21 gible income of such domestic corporation for such
22 taxable year, plus

23 “(2) 50 percent of—

24 “(A) the global intangible low-taxed income
25 amount (if any) which is included in the gross

1 income of such domestic corporation under sec-
2 tion 951A for such taxable year, and

3 “(B) the amount treated as a dividend re-
4 ceived by such corporation under section 78
5 which is attributable to the amount described in
6 subparagraph (A).”.

7 (b) DEDUCTION NOT TO APPLY AGAINST DIVIDENDS
8 RECEIVED DEDUCTION LIMITATION.—Section 246(b)(1)
9 is amended by striking “subsection (a) and (b) of section
10 245, and section 250” the first place it appears and insert-
11 ing “and subsection (a) and (b) of section 245”.

12 (c) DEDUCTION TAKEN INTO ACCOUNT IN DETER-
13 MINING NET OPERATING LOSS DEDUCTION.—Section
14 172(d) is amended by striking paragraph (9).

15 (d) EXPENSE APPORTIONMENT LIMITED TO DI-
16 RECTLY RELATED EXPENSES.—Section 250(b)(3)(A)(ii)
17 is amended to read as follows:

18 “(ii) expenses and deductions (includ-
19 ing taxes) directly related to such gross in-
20 come.”.

21 (e) DEDUCTION FOR FOREIGN-DERIVED DEDUCTION
22 ELIGIBLE INCOME.—

23 (1) IN GENERAL.—Section 250(a)(1), as
24 amended by subsection (a), is amended by striking

1 “foreign-derived intangible income” and inserting
2 “foreign-derived deduction eligible income”.

3 (2) CONFORMING AMENDMENTS.—

4 (A) Section 250(b), as amended by sub-
5 section (c), is amended—

6 (i) by striking paragraphs (1) and (2),

7 (ii) by redesignating paragraphs (4)
8 and (5) as paragraphs (1) and (2), respec-
9 tively, and by moving such paragraphs be-
10 fore paragraph (3),

11 (iii) in paragraph (2)(B)(ii), as so re-
12 designated, by striking “paragraph (4)(B)”
13 and inserting “paragraph (1)(B)”, and

14 (iv) by striking “INTANGIBLE” in the
15 heading thereof and inserting “DEDUC-
16 TION ELIGIBLE”.

17 (B)(i) The heading for section 250 is
18 amended by striking “**INTANGIBLE**” in the
19 heading thereof and inserting “**DEDUCTION**
20 **ELIGIBLE**”.

21 (ii) The item relating to section 250 in the
22 table of sections for part VIII of subchapter B
23 of chapter 1 is amended by striking “intan-
24 gible” and inserting “deduction eligible”.

1 (f) LOOK-THRU FOR INTEREST PAYMENTS.—Section
2 250(b)(2), as redesignated under subsection (e), is amend-
3 ed by adding at the end the following:

4 “For purposes of this subsection, foreign-derived de-
5 duction eligible income shall include interest paid by
6 a controlled foreign corporation to corporation that
7 is a United States shareholder with respect to such
8 foreign corporation if such controlled foreign cor-
9 poration is related (within the meaning of section
10 954(d)) to such United States shareholder and such
11 interest is an amount which is described in section
12 951A(c)(2)(A)(ii) with respect to such controlled for-
13 eign corporation. To the extent provided by the Sec-
14 retary in regulations, the preceding sentence shall
15 not apply to interest paid by a controlled foreign
16 corporation to a related United States shareholder if
17 such interest is directly related to interest expense of
18 such shareholder (or another related person).”.

19 (g) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to taxable years beginning after
21 December 31, 2025.

22 **SEC. 4. MODIFICATIONS TO BASE EROSION MINIMUM TAX.**

23 (a) BASE EROSION MINIMUM TAX AMOUNT DETER-
24 MINED WITHOUT REGARD TO CREDITS.—

1 (1) IN GENERAL.—Section 59A(b)(1)(B) is
2 amended to read as follows:

3 “(B) an amount equal to the regular tax li-
4 ability (as defined in section 26(b)) of the tax-
5 payer for the taxable year.”.

6 (2) CONFORMING AMENDMENT.—Section
7 59A(b) is amended by striking paragraph (4).

8 (b) APPLICATION OF GENERAL BUSINESS CREDIT
9 AGAINST BEAT.—The second sentence of section 38(c)(1)
10 is amended by striking “and the tax imposed by section
11 55” and inserting “, the tax imposed by section 55, and
12 the tax imposed by section 59A”.

13 (c) ELIMINATION OF MODIFICATIONS FOR TAXABLE
14 YEARS AFTER 2025.—

15 (1) IN GENERAL.—Section 59A(b) is amended
16 by striking paragraph (2) and redesignating para-
17 graph (3) as paragraph (2).

18 (2) CONFORMING AMENDMENTS.—

19 (A) Section 59A(b)(1) is amended by strik-
20 ing “paragraphs (2) and (3)” and inserting
21 “paragraph (2)”.

22 (B) Paragraph (2) of section 59A(b), as
23 redesignated by paragraph (1), is amended by
24 striking “under paragraphs (1)(A) and (2)(A)

1 shall each be increased” and inserting “under
2 paragraph (1)(A) shall be increased”.

3 (C) Section 59A(e)(1)(C) is amended by
4 striking “subsection (b)(3)(B)” and inserting
5 “subsection (b)(2)(B)”.

6 (d) EXPANSION AND CONSOLIDATION OF RULES TO
7 EXEMPT CERTAIN PAYMENTS FROM TREATMENT AS
8 BASE EROSION PAYMENTS.—

9 (1) IN GENERAL.—Section 59A is amended by
10 redesignating subsection (i) as subsection (j) and by
11 inserting after subsection (h) the following new sub-
12 section:

13 “(i) CERTAIN PAYMENTS NOT TREATED AS BASE
14 EROSION PAYMENTS.—

15 “(1) EXCEPTION FOR PAYMENTS ON WHICH
16 TAX IS IMPOSED.—

17 “(A) IN GENERAL.—An amount shall not
18 be treated as a base erosion payment if tax is
19 (or was at the time of payment or accrual) im-
20 posed by this chapter with respect to such
21 amount (other than by this section).

22 “(B) TREATMENT OF CERTAIN DEDUC-
23 TIONS.—For purposes of subparagraph (A), tax
24 shall be treated as imposed by this chapter

1 without regard to any deduction allowed under
2 part VIII of subchapter B.

3 “(C) APPLICATION OF CERTAIN RULES.—

4 The amount not treated as a base erosion pay-
5 ment by reason of this paragraph shall be de-
6 termined under rules similar to the rules of sec-
7 tion 163(j)(5) (as in effect before the date of
8 the enactment of Public Law 115–97).

9 “(2) EXCEPTION FOR CERTAIN PAYMENTS SUB-
10 JECT TO SUFFICIENT FOREIGN TAX.—

11 “(A) IN GENERAL.—An amount shall not
12 be treated as a base erosion payment if the tax-
13 payer establishes to the satisfaction of the Sec-
14 retary that such amount was made to a foreign
15 person which is a related party of the taxpayer
16 that is subject to an effective rate of foreign in-
17 come tax (as defined in section 904(d)(2)(F))
18 which is not less than 18.9 percent.

19 “(B) CERTAIN PAYMENTS TO RELATED
20 PARTIES.—To the extent provided by the Sec-
21 retary in regulations, an amount paid to a for-
22 eign person which is a related party of the tax-
23 payer shall be treated as paid to another for-
24 eign person which is a related party of the tax-
25 payer if such second foreign person is subject to

1 an effective rate of foreign income tax (as de-
2 fined in section 904(d)(2)(F)) which is less
3 than 18.9 percent, to the extent the amount so
4 paid directly or indirectly funds a payment to
5 such second foreign person.

6 “(C) DETERMINATION ON BASIS OF APPLI-
7 CABLE FINANCIAL STATEMENTS.—Except as
8 otherwise provided by the Secretary under sub-
9 paragraph (D), the effective rate of foreign in-
10 come tax with respect to any amount may be
11 established on the basis of applicable financial
12 statements (as defined in section 451(b)(3)).

13 “(D) REGULATIONS.—The Secretary shall
14 issue such regulations or other guidance as may
15 be necessary or appropriate to carry out the
16 purposes of this paragraph, including regula-
17 tions or other guidance providing procedures for
18 determining the effective rate of foreign income
19 tax to which any amount is subject. Such proce-
20 dures may require that any transaction or se-
21 ries of transactions among multiple parties be
22 recharacterized as one or more transactions di-
23 rectly among any 2 or more of such parties
24 where the Secretary determines that such re-
25 characterization is appropriate to carry out, or

1 prevent avoidance of, the purposes of this sec-
2 tion.

3 “(3) EXCEPTION FOR CERTAIN AMOUNTS WITH
4 RESPECT TO SERVICES.—Subsections (d)(1) and
5 (d)(2) shall not apply to so much of any amount
6 paid or accrued by a taxpayer for services as does
7 not exceed the total services cost of such services.
8 The preceding sentence shall not apply unless such
9 services meet the requirements for eligibility for use
10 of the services cost method under section 482 (deter-
11 mined without regard to the requirement that the
12 services not contribute significantly to fundamental
13 risks of business success or failure).”.

14 (2) CONFORMING AMENDMENT.—Section
15 59A(d) is amended by striking paragraph (5).

16 (e) OTHER MODIFICATIONS.—

17 (1) Section 59A(b)(3)(B)(ii) is amended by
18 striking “registered securities dealer” and inserting
19 “securities dealer registered”.

20 (2) Section 59A(h)(2)(B) is amended by strik-
21 ing “section 6038B(b)(2)” and inserting “section
22 6038A(b)(2)”.

23 (3) Section 59A(j)(2), as redesignated by sub-
24 section (c), is amended by striking “subsection
25 (g)(3)” and inserting “subsection (h)(3)”.

1 (f) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2025.

4 **SEC. 5. MODIFICATION OF FOREIGN TAX CREDIT LIMITA-**
5 **TION BASKETS.**

6 (a) MODIFICATION OF FOREIGN TAX CREDIT LIM-
7 TATION BASKETS.—

8 (1) IN GENERAL.—Section 904(d)(1) is amend-
9 ed by striking subparagraphs (A) and (B) and by re-
10 designating subparagraphs (C) and (D) as subpara-
11 graphs (A) and (B), respectively.

12 (2) CONFORMING AMENDMENTS.—

13 (A) Section 904(d)(2)(A)(ii) is amended by
14 striking “income described in paragraph (1)(A),
15 foreign branch income, and”.

16 (B) Section 904(c) is amended by striking
17 the last sentence.

18 (C)(i) Section 904(d)(2) is amended by
19 striking subparagraph (J) and by redesignating
20 subparagraph (K) as subparagraph (J).

21 (ii) Section 250(b)(3)(A)(i)(VI) is amended
22 to read as follows:

23 “(VI) the business profits of such
24 corporation which are attributable
25 (under rules established by the Sec-

1 retary) to 1 or more qualified business
2 units (as defined in section 989(a)) in
3 1 or more foreign countries, over”.

4 (D) Section 904(d)(2)(J), as redesignated
5 by subparagraph (C)(i), is amended by striking
6 “2007” each place it appears in the text and in
7 the heading and inserting “2026”.

8 (3) TRANSITION RULE.—The Secretary of the
9 Treasury (or the Secretary’s delegate) shall establish
10 rules for the application of section 960(c)(2) with re-
11 spect to categories of income described in subpara-
12 graphs (A) and (B) of section 904(d)(2) (as in effect
13 for taxable years beginning before January 1, 2026).

14 (b) RULES FOR ALLOCATION OF CERTAIN DEDUC-
15 TIONS TO FOREIGN SOURCE GLOBAL INTANGIBLE LOW-
16 TAXED INCOME FOR PURPOSES OF FOREIGN TAX CREDIT
17 LIMITATION.—Section 904(b) is amended by adding at
18 the end the following new paragraph:

19 “(5) DEDUCTIONS TREATED AS ALLOCABLE TO
20 FOREIGN SOURCE GLOBAL INTANGIBLE LOW-TAXED
21 INCOME.—In the case of a domestic corporation and
22 solely for purposes of the application of subsection
23 (a) with respect to amounts includible in gross in-
24 come by reason of section 951A (other than passive
25 category income), the taxpayer’s taxable income

1 from sources without the United States shall be de-
2 termined—

3 “(A) by allocating and apportioning any
4 deduction allowed under section 250(a)(2) (and
5 any deduction allowed under section 164(a)(3)
6 for taxes imposed on amounts described in sec-
7 tion 250(a)(2)) to such income, and

8 “(B) by allocating and apportioning any
9 other deduction to such income only if the Sec-
10 retary determines that such deduction is di-
11 rectly allocable to such income.

12 Any deduction which would (but for subparagraph
13 (B)) have been allocated or apportioned to such in-
14 come shall only be allocated or apportioned to in-
15 come which is from sources within the United
16 States.”.

17 (c) EFFECTIVE DATE.—

18 (1) IN GENERAL.—Except as provided in para-
19 graph (2), the amendments made by this section
20 shall apply to taxable years beginning after Decem-
21 ber 31, 2025.

22 (2) MODIFICATION OF FOREIGN TAX CREDIT
23 CARRYBACK AND CARRYFORWARD.—The amendment
24 made by subsection (a)(2)(B) shall apply to taxes

1 paid or accrued in taxable years beginning after De-
2 cember 31, 2025.

3 **SEC. 6. RESTORATION OF LIMITATION ON DOWNWARD AT-**
4 **TRIBUTION OF STOCK OWNERSHIP IN APPLY-**
5 **ING CONSTRUCTIVE OWNERSHIP RULES.**

6 (a) IN GENERAL.—Section 958(b) is amended—

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

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

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

16 (b) FOREIGN CONTROLLED UNITED STATES SHARE-
17 HOLDERS.—Subpart F of part III of subchapter N of
18 chapter 1 is amended by inserting after section 951A the
19 following new section:

20 **“SEC. 951B. AMOUNTS INCLUDED IN GROSS INCOME OF**
21 **FOREIGN CONTROLLED UNITED STATES**
22 **SHAREHOLDERS.**

23 “(a) IN GENERAL.—In the case of any foreign con-
24 trolled United States shareholder of a foreign controlled
25 foreign corporation—

1 “(1) this subpart (other than sections 951A,
2 951(b), and 957) shall be applied with respect to
3 such shareholder (separately from, and in addition
4 to, the application of this subpart without regard to
5 this section)—

6 “(A) by substituting ‘foreign controlled
7 United States shareholder’ for ‘United States
8 shareholder’ each place it appears therein, and

9 “(B) by substituting ‘foreign controlled
10 foreign corporation’ for ‘controlled foreign cor-
11 poration’ each place it appears therein, and

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

14 “(A) by treating each reference to ‘United
15 States shareholder’ in such section as including
16 a reference to such shareholder, and

17 “(B) by treating each reference to ‘con-
18 trolled foreign corporation’ in such section as
19 including a reference to such foreign controlled
20 foreign corporation.

21 “(b) FOREIGN CONTROLLED UNITED STATES
22 SHAREHOLDER.—For purposes of this section, the term
23 ‘foreign controlled United States shareholder’ means, with
24 respect to any foreign corporation, any United States per-

1 son which would be a United States shareholder with re-
2 spect to such foreign corporation if—

3 “(1) section 951(b) were applied by substituting
4 ‘more than 50 percent’ for ‘10 percent or more’, and
5 “(2) section 958(b) were applied without regard
6 to paragraph (4) thereof.

7 “(c) FOREIGN CONTROLLED FOREIGN CORPORA-
8 TION.—For purposes of this section, the term ‘foreign con-
9 trolled foreign corporation’ means a foreign corporation,
10 other than a controlled foreign corporation, which would
11 be a controlled foreign corporation if section 957(a) were
12 applied—

13 “(1) by substituting ‘foreign controlled United
14 States shareholders’ for ‘United States share-
15 holders’, and

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

18 “(d) REGULATIONS.—The Secretary shall prescribe
19 such regulations or other guidance as may be necessary
20 or appropriate to carry out the purposes of this section,
21 including regulations or other guidance—

22 “(1) to treat a foreign controlled United States
23 shareholder or a foreign controlled foreign corpora-
24 tion as a United States shareholder or as a con-
25 trolled foreign corporation, respectively, for purposes

1 of provisions of this title other than this subpart,
2 and

3 “(2) to prevent the avoidance of the purposes of
4 this section.”.

5 (c) CLERICAL AMENDMENT.—The table of sections
6 for subpart F of part III of subchapter N of chapter 1
7 is amended by inserting after the item relating to section
8 951A the following new item:

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

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

11 (1) the last taxable year of foreign corporations
12 beginning before January 1, 2026, and each subse-
13 quent taxable year of such foreign corporations, and

14 (2) taxable years of United States persons in
15 which or with which such taxable years of foreign
16 corporations end.

17 (e) NO INFERENCE.—The amendments made by this
18 section shall not be construed to create any inference with
19 respect to the proper application of any provision of the
20 Internal Revenue Code of 1986 with respect to taxable
21 years beginning before the taxable years to which such
22 amendments apply.

1 **SEC. 7. CARRYOVER OF NET CFC TESTED LOSS.**

2 (a) IN GENERAL.—Section 951A(c) is amended by
3 adding at the end the following new paragraph:

4 “(3) CARRYOVER OF NET CFC TESTED LOSS.—

5 “(A) IN GENERAL.—If the amount de-
6 scribed in paragraph (1)(B) with respect to any
7 United States shareholder for any taxable year
8 of such United States shareholder (determined
9 after the application of this paragraph with re-
10 spect to amounts arising in preceding taxable
11 years) exceeds the amount described in para-
12 graph (1)(A) with respect to such shareholder
13 of such taxable year, the amount otherwise de-
14 scribed in paragraph (1)(B) with respect to
15 such shareholder for the succeeding taxable
16 year shall be increased by the amount of such
17 excess.

18 “(B) PROPER ADJUSTMENT IN ALLOCA-
19 TIONS OF GLOBAL INTANGIBLE LOW-TAXED IN-
20 COME TO CONTROLLED FOREIGN CORPORA-
21 TIONS.—Proper adjustments shall be made in
22 the application of subsection (f)(2)(B) to take
23 into account any decrease in global intangible
24 low-taxed income by reason of the application of
25 subparagraph (A).”.

1 (b) APPLICATION OF RULES WITH RESPECT TO
 2 OWNERSHIP CHANGES.—Section 382(d) is amended by
 3 adding at the end the following new paragraph:

4 “(4) APPLICATION TO CARRYOVER OF NET CFC
 5 TESTED LOSS.—The term ‘pre-change loss’ shall in-
 6 clude any excess carried over under section
 7 951A(c)(3) under rules similar to the rules of para-
 8 graph (1).”.

9 (c) EFFECTIVE DATE.—The amendments made by
 10 this section shall apply to taxable years of foreign corpora-
 11 tions beginning after December 31, 2025, and to taxable
 12 years of United States shareholders in which or with which
 13 such taxable years of foreign corporations end.

14 **SEC. 8. REDETERMINATION OF FOREIGN TAXES AND RE-**
 15 **LATED CLAIMS.**

16 (a) IN GENERAL.—Section 905(c) is amended—

17 (1) in paragraph (1), by striking “or” at the
 18 end of subparagraph (B) and by inserting after sub-
 19 paragraph (C) the following new subparagraphs:

20 “(D) the taxpayer makes a timely change
 21 in its choice to claim a credit or deduction for
 22 taxes paid or accrued, or

23 “(E) there is any other change in the
 24 amount, or treatment, of taxes, which affects
 25 the taxpayer’s tax liability under this chapter,”.

1 (2) in paragraph (2)(B)(i), by inserting “, ex-
2 cept as otherwise provided by the Secretary,” after
3 “shall”, and

4 (3) by striking “ACCRUED” in the heading
5 thereof.

6 (b) MODIFICATION TO TIME FOR CLAIMING CREDIT
7 OR DEDUCTION.—Section 901(a) is amended by striking
8 the second sentence and inserting the following: “Such
9 choice for any taxable year may be made or changed at
10 any time before the expiration of the applicable period pre-
11 scribed by section 6511 for making a claim for credit or
12 refund of an overpayment of the tax imposed by this chap-
13 ter for such taxable year that is attributable to such
14 amounts.”.

15 (c) MODIFICATION TO SPECIAL PERIOD OF LIMITA-
16 TION.—Section 6511(d)(3) is amended—

17 (1) in subparagraph (A)—

18 (A) by inserting “a change in the liability
19 for” before “any taxes paid or accrued”,

20 (B) by striking “actually paid” and insert-
21 ing “paid (or deemed paid under section 960)”,
22 and

23 (C) by inserting “CHANGE IN THE LIABIL-
24 ITY FOR” before “FOREIGN TAXES” in the head-
25 ing thereof, and

1 (2) in subparagraph (B), by striking “the allow-
2 ance of a credit for the taxes” and inserting “the al-
3 lowance of an additional credit by reason of the
4 change in liability for the taxes”.

5 (d) EFFECTIVE DATE.—

6 (1) IN GENERAL.—Except as otherwise pro-
7 vided in this subsection, the amendments made by
8 this section shall apply to taxes paid or accrued in
9 taxable years beginning after December 31, 2025.

10 (2) CERTAIN CHANGES.—The amendments
11 made by paragraphs (1) and (3) of subsection (a)
12 shall apply to changes that occur on or after the
13 date which is 60 days after the date of the enact-
14 ment of this Act.

15 (3) MODIFICATION TO SPECIAL PERIOD OF LIM-
16 ITATION.—The amendments made by subsection (c)
17 shall apply to taxes paid, accrued, or deemed paid
18 in taxable years beginning after December 31, 2025.

19 **SEC. 9. REPEAL OF FOREIGN TAX CREDIT HAIRCUT FOR**
20 **GLOBAL INTANGIBLE LOW-TAXED INCOME.**

21 (a) IN GENERAL.—Section 960(d)(1) is amended by
22 striking “80 percent of”.

23 (b) CONFORMING AMENDMENT.—Section 78 is
24 amended by striking “(determined without regard to the
25 phrase ‘80 percent of’ in subsection (d)(1) thereof”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years of foreign corpora-
3 tions beginning after December 31, 2025, and to taxable
4 years of United States shareholders in which or with which
5 such taxable years of foreign corporations end.

6 **SEC. 10. APPLICATION OF FOREIGN-SOURCE DIVIDEND DE-**
7 **DUCTION TO AMOUNTS RECEIVED BY CON-**
8 **TROLLED FOREIGN CORPORATIONS.**

9 (a) IN GENERAL.—Section 245A is amended by re-
10 designating subsection (g) as subsection (h) and by insert-
11 ing after subsection (f) the following new subsection:

12 “(g) APPLICATION TO CERTAIN DIVIDENDS RE-
13 CEIVED BY CONTROLLED FOREIGN CORPORATIONS FROM
14 SPECIFIED 10-PERCENT OWNED FOREIGN CORPORA-
15 TIONS.—Except as otherwise provided by the Secretary in
16 regulations or other guidance, if a controlled foreign cor-
17 poration with respect to which a domestic corporation is
18 a United States shareholder receives a dividend (other
19 than a hybrid dividend) from a specified 10-percent owned
20 foreign corporation with respect to which such domestic
21 corporation is also a United States shareholder, the
22 amount includible in the gross income of such United
23 States shareholder under section 951(a)(1)(A) by reason
24 of the foreign-source portion of such dividend shall be
25 treated for purposes of this section in the same manner

1 as if such amount were the foreign-source portion of a div-
 2 idend received by such United States shareholder from
 3 such specified 10-percent owned foreign corporation.”.

4 (b) EFFECTIVE DATE.—The amendments made by
 5 this section shall apply to distributions made in taxable
 6 years of foreign corporations beginning after December
 7 31, 2025, and to taxable years of United States share-
 8 holders in which or with which such taxable years of for-
 9 eign corporations end.

10 (c) NO INFERENCE.—Nothing in the amendments
 11 made by subsection (a) shall be construed to create any
 12 inference with respect to the treatment of dividends de-
 13 scribed in section 245A(g) of the Internal Revenue Code
 14 of 1986 (as added by subsection (a)) in taxable years be-
 15 ginning before the taxable year described in subsection
 16 (b).

17 **SEC. 11. ELIMINATION OF INCLUSION OF FOREIGN BASE**
 18 **COMPANY SALES INCOME AND FOREIGN**
 19 **BASE COMPANY SERVICES INCOME.**

20 (a) REPEAL.—Subsection (a) of section 954 is
 21 amended—

22 (1) by striking “the sum of” and all that fol-
 23 lows through “the foreign personal holding company
 24 income” in paragraph (1) and inserting “the foreign
 25 personal holding company income”,

1 (2) by striking the comma after “subsection (c)
2 and reduced as provided in subsection (b)(5))” and
3 inserting a period, and

4 (3) by striking paragraphs (2) and (3).

5 (b) CONFORMING AMENDMENTS.—

6 (1)(A) Section 954(d) is amended to read as
7 follows:

8 “(d) RELATED PERSON DEFINED.—For purposes of
9 this section, a person is a related person with respect to
10 a controlled foreign corporation, if—

11 “(1) such person is an individual, corporation,
12 partnership, trust, or estate which controls, or is
13 controlled by, the controlled foreign corporation, or

14 “(2) such person is a corporation, partnership,
15 trust, or estate which is controlled by the same per-
16 son or persons which control the controlled foreign
17 corporation.

18 For purposes of the preceding sentence, control means,
19 with respect to a corporation, the ownership, directly or
20 indirectly, of stock possessing more than 50 percent of the
21 total voting power of all classes of stock entitled to vote
22 or of the total value of stock of such corporation. In the
23 case of a partnership, trust, or estate, control means the
24 ownership, directly or indirectly, of more than 50 percent
25 (by value) of the beneficial interests in such partnership,

1 trust, or estate. For purposes of this subsection, rules
2 similar to the rules of section 958 shall apply.”.

3 (B) The following sections are amended by
4 striking “954(d)(3)” each place it appears and in-
5 serting “954(d)”:

6 (i) Section 162(r)(6)(B)(ii).

7 (ii) Section 250(b)(2)(D) (as redesignated
8 by section 3).

9 (iii) Section 267A(b)(2).

10 (iv) Section 904(d)(2)(I).

11 (v) Section 951A(c)(2)(A)(i)(IV).

12 (vi) Section 953.

13 (vii) Section 956(c)(2)(L)(ii)(II).

14 (viii) Section 958(b).

15 (ix) Section 971(f).

16 (x) Section 988(a)(3)(C).

17 (xi) Section 1297(b)(2).

18 (xii) Subsections (d)(3)(A) and (e)(2)(B)(i)
19 of section 1298.

20 (xiii) Section 1471(e)(2).

21 (xiv) Section 3121(z)(2).

22 (C) Section 954(h)(5)(E) is amended by strik-
23 ing “subsection (d)(3)” and inserting “subsection
24 (d)”.

1 (D) Subparagraphs (A) and (B) of section
2 954(i)(2) are each amended by striking “subsection
3 (d)(3)” and inserting “subsection (d)”.

4 (2) Section 954 is amended by striking sub-
5 sections (e) and (g).

6 (c) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to taxable years of foreign corpora-
8 tions beginning after December 31, 2025, and to taxable
9 years of United States shareholders with or within which
10 such taxable years of foreign corporations end.

11 **SEC. 12. CORPORATIONS EXEMPT FROM SUBPART F INCLU-**
12 **SION FOR INVESTMENT IN UNITED STATES**
13 **PROPERTY.**

14 (a) IN GENERAL.—Section 956(a) is amended by in-
15 serting “(other than a corporation)” after “United States
16 shareholder” in the matter preceding paragraph (1).

17 (b) EFFECTIVE DATE.—The amendment made by
18 this section shall apply to taxable years of controlled for-
19 eign corporations ending after December 31, 2025, and
20 to taxable years of United States shareholders with or
21 within which such taxable years of controlled foreign cor-
22 porations end.

1 **SEC. 13. OTHER MODIFICATIONS RELATING TO FOREIGN**
2 **TAX CREDIT.**

3 (a) CREDITABLE TAXES.—Section 901 is amended
4 by redesignating subsection (n) as subsection (o) and by
5 inserting after subsection (m) the following new sub-
6 section:

7 “(n) DETERMINATION OF INCOME TAXES.—For pur-
8 poses of this section, a foreign tax shall be treated as an
9 income tax if the predominant character of the tax is an
10 income tax. The determinations made under the preceding
11 sentence and under section 903 shall be made without re-
12 gard to whether the income or other base of the tax bears
13 a nexus to the jurisdiction imposing the tax.”.

14 (b) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to taxable years beginning after
16 December 31, 2025.

17 **SEC. 14. SPECIAL RULES FOR TRANSFERS OF INTANGIBLE**
18 **PROPERTY FROM CONTROLLED FOREIGN**
19 **CORPORATIONS TO UNITED STATES SHARE-**
20 **HOLDERS.**

21 (a) IN GENERAL.—Subpart F of part III of sub-
22 chapter N of chapter 1 is amended by adding at the end
23 the following new section:

1 **“SEC. 966. TRANSFERS OF INTANGIBLE PROPERTY TO**
2 **UNITED STATES SHAREHOLDERS.**

3 “(a) IN GENERAL.—In the case of any distribution
4 of intangible property which is held by a controlled foreign
5 corporation on the date of enactment of this section and
6 which is described in subsection (b)—

7 “(1) for purposes of part I of subchapter C and
8 any other provision of this title specified by the Sec-
9 retary, the fair market value of such property on the
10 date of such distribution shall be treated as not ex-
11 ceeding the adjusted basis of such property imme-
12 diately before such distribution, and

13 “(2) if the distribution is not a dividend—

14 “(A) the United States shareholder’s ad-
15 justed basis in the stock of the controlled for-
16 eign corporation with respect to which such dis-
17 tribution is made shall be increased by the
18 amount (if any) of such distribution which
19 would (but for this subsection) be includible in
20 gross income, and

21 “(B) the adjusted basis of such property in
22 the hands of such United States shareholder
23 immediately after such distribution shall be
24 such adjusted basis immediately before such
25 distribution reduced by the amount of the in-
26 crease described in subparagraph (A).

1 “(b) DISTRIBUTION.—A distribution is described in
2 this section if the distribution is—

3 “(1) received by a domestic corporation from a
4 controlled foreign corporation with respect to which
5 such corporation is a United States shareholder, and

6 “(2) made by the controlled foreign corporation
7 before the last day of the third taxable year of the
8 controlled foreign corporation beginning after De-
9 cember 31, 2025.

10 “(c) INTANGIBLE PROPERTY.—For purposes of this
11 subsection, the term ‘intangible property’ has the meaning
12 given such term by section 367(d)(4) or which is computer
13 software described in section 197(e)(3)(B).”.

14 (b) CONFORMING AMENDMENTS.—

15 (1) Section 197(f)(2)(B)(i) is amended by in-
16 sserting “966(a),” after “731,”.

17 (2) The table of sections for subpart F of part
18 III of subchapter N of chapter 1 is amended by add-
19 ing at the end the following new item:

“Sec. 966. Transfers of intangible property to United States shareholders.”.

20 (c) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to distributions made in taxable
22 years of foreign corporations beginning after December
23 31, 2025, and to taxable years of United States share-
24 holders in which or with which such taxable years of for-
25 eign corporations end.

1 **SEC. 15. GLOBAL INTANGIBLE LOW-TAXED INCOME DETER-**
 2 **MINED WITHOUT REGARD TO CERTAIN IN-**
 3 **COME DERIVED FROM SERVICES PER-**
 4 **FORMED IN THE VIRGIN ISLANDS.**

5 (a) **IN GENERAL.**—Section 951A(c)(2)(A)(i) is
 6 amended by striking “and” at the end of subclause (IV),
 7 by striking the period at the end of subclause (V) and in-
 8 serting “, and”, and by adding at the end the following
 9 new subclause:

10 “(VI) in the case of any specified
 11 United States shareholder, any quali-
 12 fied Virgin Islands services income.”.

13 (b) **DEFINITIONS AND SPECIAL RULES.**—Section
 14 951A(c)(2) is amended by adding at the end the following
 15 new subparagraph:

16 “(C) **PROVISIONS RELATED TO QUALIFIED**
 17 **VIRGIN ISLANDS SERVICES INCOME.**—For pur-
 18 poses of subparagraph (A)(i)(VI)—

19 “(i) **QUALIFIED VIRGIN ISLANDS**
 20 **SERVICES INCOME.**—The term ‘qualified
 21 Virgin Islands services income’ means any
 22 gross income which satisfies all of the fol-
 23 lowing requirements:

24 “(I) Such gross income is com-
 25 pensation for labor or personal serv-
 26 ices (within the meaning of section

1 862(a)(3)) performed in the Virgin Is-
2 lands by a corporation formed under
3 the laws of the Virgin Islands.

4 “(II) Such gross income is attrib-
5 utable to services performed from
6 within the Virgin Islands by individ-
7 uals for the benefit of such corpora-
8 tion.

9 “(III) Such gross income is effec-
10 tively connected with the conduct of a
11 trade or business within the Virgin Is-
12 lands.

13 “(ii) SPECIFIED UNITED STATES
14 SHAREHOLDER.—The term ‘specified
15 United States shareholder’ means any
16 United States shareholder which is—

17 “(I) an individual, trust, or es-
18 tate, or

19 “(II) a closely held C corporation
20 (as defined in section 469(j)(1)) if
21 such corporation acquired its direct or
22 indirect equity interest in the foreign
23 corporation which derived the quali-
24 fied Virgin Islands services income be-
25 fore December 31, 2023.

1 “(iii) REGULATIONS.—The Secretary
2 shall prescribe such regulations or other
3 guidance as may be necessary or appro-
4 priate to carry out this subparagraph and
5 subparagraph (A)(i)(VI), including regula-
6 tions or other guidance to prevent the
7 abuse of such subparagraphs.”.

8 (c) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to taxable years of foreign corpora-
10 tions beginning after the date of the enactment of this
11 Act, and to taxable years of United States shareholders
12 with or within which such taxable years of foreign corpora-
13 tions end.

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