

108TH CONGRESS  
1ST SESSION

# S. 914

To amend the Internal Revenue Code of 1986 to apply look-thru rules for purposes of the foreign tax credit limitation to dividends from foreign corporations not controlled by a domestic corporation.

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IN THE SENATE OF THE UNITED STATES

APRIL 11, 2003

Mr. SMITH (for himself, Mr. BREAUX, and Mr. HATCH) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to apply look-thru rules for purposes of the foreign tax credit limitation to dividends from foreign corporations not controlled by a domestic corporation.

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. LOOK-THRU RULES TO APPLY TO DIVIDENDS**

4           **FROM NONCONTROLLED SECTION 902 COR-**

5           **PORATIONS.**

6       (a) IN GENERAL.—Paragraph (4) of section 904(d)

7       of the Internal Revenue Code of 1986 (relating to separate

1 application of section with respect to certain categories of  
2 income) is amended to read as follows:

3                 “(4) LOOK-THRU APPLIES TO DIVIDENDS FROM  
4                 NONCONTROLLED SECTION 902 CORPORATIONS.—

5                 “(A) IN GENERAL.—For purposes of this  
6                 subsection, any dividend from a noncontrolled  
7                 section 902 corporation with respect to the tax-  
8                 payer shall be treated as income in a separate  
9                 category in proportion to the ratio of—

10                 “(i) the portion of earnings and prof-  
11                 its attributable to income in such category,  
12                 to

13                 “(ii) the total amount of earnings and  
14                 profits.

15                 “(B) SPECIAL RULES.—For purposes of  
16                 this paragraph—

17                 “(i) IN GENERAL.—Rules similar to  
18                 the rules of paragraph (3)(F) shall apply.

19                 “(ii) EARNINGS AND PROFITS.—

20                 “(I) IN GENERAL.—The rules of  
21                 section 316 shall apply.

22                 “(II) REGULATIONS.—The Sec-  
23                 retary may prescribe regulations re-  
24                 garding the treatment of distributions  
25                 out of earnings and profits for periods

1 before the taxpayer's acquisition of  
2 the stock to which the distributions  
3 relate.

20 (b) CONFORMING AMENDMENTS.—

11 (A) by inserting “or (4)” after “paragraph  
12 (3)” in clause (i), and

13 (B) by striking clauses (ii) and (iv) and by  
14 redesignating clause (iii) as clause (ii).

21 (c) EFFECTIVE DATE.—The amendments made by  
22 this section shall apply to taxable years beginning after  
23 December 31, 2002.

