

113TH CONGRESS
1ST SESSION

S. 1449

To amend the Internal Revenue Code of 1986 to provide that income attributable to certain passenger cruise voyages beginning or ending in the United States shall be treated as effectively connected with the conduct of a trade or business within the United States.

IN THE SENATE OF THE UNITED STATES

AUGUST 1, 2013

Mr. ROCKEFELLER 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 provide that income attributable to certain passenger cruise voyages beginning or ending in the United States shall be treated as effectively connected with the conduct of a trade or business within the United States.

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. TAXATION OF UNITED STATES CRUISE INDUS-**
4 **TRY INCOME OF NONRESIDENT ALIENS AND**
5 **FOREIGN CORPORATIONS.**

6 (a) UNITED STATES CRUISE INDUSTRY INCOME
7 TREATED AS EFFECTIVELY CONNECTED TO THE CON-

1 DUCT OF A TRADE OR BUSINESS WITHIN THE UNITED
2 STATES.—

3 (1) INCOME FROM SOURCES WITHOUT THE
4 UNITED STATES.—

5 (A) IN GENERAL.—Paragraph (4) of sec-
6 tion 864(c) of the Internal Revenue Code of
7 1986 is amended by redesignating subpara-
8 graph (D) as subparagraph (E) and by insert-
9 ing after subparagraph (C) the following new
10 subparagraph:

11 “(D) UNITED STATES CRUISE INDUSTRY
12 INCOME.—

13 “(i) IN GENERAL.—United States
14 cruise industry income shall be treated as
15 effectively connected with the conduct of a
16 trade or business within the United States.

17 “(ii) UNITED STATES CRUISE INDUS-
18 TRY INCOME.—For purposes of this sub-
19 paragraph, the term ‘United States cruise
20 industry income’ means income attrib-
21 utable to any covered passenger cruise (as
22 defined in paragraph (8)), including in-
23 come directly or indirectly attributable to
24 the carriage of passengers and any on-

1 board or off-board activities incidental to
2 such covered passenger cruise.”.

3 (B) COVERED PASSENGER CRUISE.—Sub-
4 section (e) of section 864 of such Code is
5 amended by adding at the end the following
6 new paragraph:

7 “(8) COVERED PASSENGER CRUISE.—For pur-
8 poses of paragraph (4)(C)—

9 “(A) DEFINITION.—

10 “(i) IN GENERAL.—The term ‘covered
11 passenger cruise’ means a voyage of a
12 commercial passenger cruise vessel—

13 “(I) that extends over 1 or more
14 nights, and

15 “(II) during which passengers
16 embark or disembark the vessel in the
17 United States.

18 “(ii) EXCEPTIONS FOR CERTAIN VOY-
19 AGES.—Such term shall not include any
20 voyage—

21 “(I) on any vessel owned or oper-
22 ated by the United States, a State, or
23 any subdivision thereof,

1 “(II) which occurs exclusively on
2 the inland waterways of the United
3 States, or

4 “(III) in which a vessel in the
5 usual course of employment proceeds,
6 without an intervening foreign port of
7 call from one port or place in the
8 United States to the same port or
9 place or to another port or place in
10 the United States.

11 “(B) PASSENGER CRUISE VESSEL.—For
12 purposes of subparagraph (A)—

13 “(i) IN GENERAL.—The term ‘pas-
14 senger cruise vessel’ means any passenger
15 vessel having berth or stateroom accom-
16 modations for at least 250 passengers.

17 “(ii) EXCEPTIONS.—Such term shall
18 not include any ferry, recreational vessel,
19 sailing school vessel, small passenger ves-
20 sel, offshore supply vessel, or any other
21 vessel determined under regulations by the
22 Secretary to be excluded from the applica-
23 tion of this part.

24 “(iii) DEFINITIONS.—Any term used
25 in this section which is used in chapter 21

1 of title 46, United States Code, shall have
2 the meaning given such term under section
3 2101 of such title.”.

4 (C) CONFORMING AMENDMENT.—Subpara-
5 graph (A) of section 864(c)(4) of such Code is
6 amended by striking “subparagraphs (B) and
7 (C)” and inserting “subparagraphs (B), (C),
8 and (D)”.

9 (2) INCOME FROM SOURCES WITHIN THE
10 UNITED STATES.—Paragraph (4) of section 887(b)
11 of such Code is amended by adding at the end the
12 following flush sentence:

13 “The preceding sentence shall not apply to with respect
14 to any United States source gross transportation income
15 which is United States cruise industry income (as defined
16 in section 864(c)(4)(C)(ii)).”.

17 (b) REPEAL OF EXEMPTION FROM GROSS INCOME
18 FOR CERTAIN TAXPAYERS.—

19 (1) NONRESIDENT ALIENS.—Paragraph (1) of
20 section 872(b) of the Internal Revenue Code of 1986
21 is amended by inserting “(other than United States
22 cruise industry income (as defined in section
23 864(c)(4)(C)))” after “or ships”.

24 (2) FOREIGN CORPORATIONS.—Paragraph (1)
25 of section 883(a) of such Code is amended by insert-

1 ing “(other than United States cruise industry in-
2 come (as defined in section 864(c)(4)(C)))” after
3 “or ships”.

4 (c) INCOME TAX TREATIES.—Section 894 of the In-
5 ternal Revenue Code of 1986 is amended by adding at the
6 end the following new subsection:

7 “(d) SPECIAL RULE FOR UNITED STATES CRUISE
8 INDUSTRY INCOME.—Notwithstanding subsection (a), no
9 tax exemption or reduced tax rate shall be permitted under
10 any treaty of the United States with respect to United
11 States cruise industry income (as defined in section
12 864(c)(4)(C)).”.

13 (d) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to income attributable to voyages
15 made after the date of the enactment of this Act.

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