

117TH CONGRESS  
1ST SESSION

# H. R. 1426

To amend the Internal Revenue Code of 1986 to exclude certain amounts from the tested income of controlled foreign corporations, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 26, 2021

Ms. PLASKETT (for herself and Ms. VELÁZQUEZ) 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 exclude certain amounts from the tested income of controlled foreign corporations, and for other purposes.

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.**

4 This Act may be cited as the “Territorial Economic  
5 Recovery Act”.

1 **SEC. 2. INCOME OF CERTAIN QUALIFIED POSSESSION COR-**  
2 **PORATIONS EXCLUDED FROM TESTED IN-**  
3 **COME.**

4 (a) IN GENERAL.—Section 951A of the Internal Rev-  
5 enue Code of 1986 is amended—

6 (1) in subsection (c)(2)(A)(i), by striking “and”  
7 at the end of subclause (IV), by striking “over” at  
8 the end of subclause (V) and inserting “and”, and  
9 by adding at the end the following new subclause:

10 “(VI) any income of a qualified  
11 possession corporation that is effec-  
12 tively connected with the active con-  
13 duct of a trade or business within a  
14 possession of the United States,  
15 over”; and

16 (2) by adding at the end the following new sub-  
17 sections:

18 “(g) POSSESSION OF THE UNITED STATES.—For  
19 purposes of this section, the term ‘possession of the United  
20 States’ means Puerto Rico, the Virgin Islands, and any  
21 specified possession described in section 931(c).

22 “(h) QUALIFIED POSSESSION CORPORATION.—For  
23 purposes of this section, the term ‘qualified possession cor-  
24 poration’ means any controlled foreign corporation for any  
25 taxable year, if, for the 3-year period (or the period during  
26 which the controlled foreign corporation has been in exist-

1 ence, if shorter) ending in the taxable year preceding the  
2 taxable year in which the determination is made—

3 “(1) 80 percent or more of the gross income of  
4 such corporation was derived from sources within a  
5 possession of the United States, and

6 “(2) 75 percent or more of the gross income of  
7 such corporation was effectively connected with the  
8 active conduct of a trade or business within a pos-  
9 session of the United States.”.

10 (b) EFFECTIVE DATE.—The amendments made by  
11 this section shall apply to taxable years of foreign corpora-  
12 tions beginning after December 31, 2020, and to taxable  
13 years of United States shareholders in which or with which  
14 such taxable years of foreign corporations end.

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