

115TH CONGRESS  
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# H. R. 1931

To amend the Internal Revenue Code of 1986 to discourage corporate inversions and to impose tax on unrepatriated earnings and unrecognized gains in connection with corporate expatriations.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 5, 2017

Mr. DOGGETT (for himself, Mr. BLUMENAUER, Mr. CAPUANO, Mr. CARTWRIGHT, Ms. JUDY CHU of California, Mr. CICILLINE, Mr. COHEN, Mr. CONYERS, Mr. CUMMINGS, Mr. DEFAZIO, Ms. DELAURO, Mr. ELLISON, Mr. GARAMENDI, Mr. GENE GREEN of Texas, Mr. GRIJALVA, Ms. EDDIE BERNICE JOHNSON of Texas, Mr. JOHNSON of Georgia, Ms. KAPTUR, Mr. KILDEE, Mr. LARSON of Connecticut, Ms. LEE, Mr. LEWIS of Georgia, Mr. LOEBSACK, Mr. LYNCH, Ms. MOORE, Mrs. NAPOLITANO, Ms. NORTON, Mr. POCAN, Mr. RASKIN, Ms. ROYBAL-ALLARD, Ms. SCHAKOWSKY, Ms. SLAUGHTER, Mr. THOMPSON of California, Mr. TONKO, Ms. VELÁZQUEZ, Mrs. WATSON COLEMAN, Mr. WELCH, Mr. GUTIÉRREZ, Mr. YARMUTH, Mr. NADLER, Mr. SCOTT of Virginia, Mr. PAYNE, Ms. MCCOLLUM, Ms. PINGREE, Mr. PASCRELL, Mr. LIPINSKI, and Mr. SARBANES) 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 discourage corporate inversions and to impose tax on unrepatriated earnings and unrecognized gains in connection with corporate expatriations.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Corporate EXpatriates  
3 and Inverters Tax Fairness Act” or as the “Corporate  
4 EXIT Fairness Act”.

5 **SEC. 2. RULES TO DISCOURAGE CORPORATE INVERSIONS  
6 AND IMPOSE TAX ON UNREPATRIATED EARN-  
7 INGS AND UNRECOGNIZED GAINS IN CON-  
8 NECTION WITH CORPORATE EXPATRIATIONS.**

9 (a) RULES RELATING TO CORPORATE INVERSIONS  
10 AND CORPORATE EXPATRIATIONS COMPLETED AFTER  
11 JANUARY 4, 2017.—Subchapter C of chapter 80 of the  
12 Internal Revenue Code of 1986 is amended by adding at  
13 the end the following new section:

14 **“SEC. 7874A. RULES RELATING TO CORPORATE INVER-  
15 SIONS AND CORPORATE EXPATRIATIONS.**

16 “(a) UNREPATRIATED EARNINGS AND UNRECOG-  
17 NIZED GAINS IN CONNECTION WITH CORPORATE EXPA-  
18 TRIATION.—

19 “(1) IN GENERAL.—In the case of a corporate  
20 expatriation—

21 “(A) the subpart F income of any applica-  
22 ble controlled foreign corporation for its last  
23 taxable year ending before the acquisition date  
24 shall be increased by the accumulated deferred  
25 foreign income of such corporation, and

1           “(B) any gain position stock of any appli-  
2           cable controlled foreign corporation which is  
3           held by an expatriated entity on the acquisition  
4           date shall be treated as sold on such date for  
5           its fair market value.

6           “(2) RULES RELATED TO RECOGNITION OF  
7           GAIN.—

8           “(A) APPLICATION TO DISPOSITIONS DUR-  
9           ING 5 YEARS BEFORE ACQUISITION DATE.—In  
10          the case of any disposition of gain position  
11          stock of any applicable controlled foreign cor-  
12          poration by an expatriated entity at any time  
13          during the 5-year period ending on the acquisi-  
14          tion date with respect to a corporate expatria-  
15          tion, such disposition shall be treated as a sale  
16          of such stock for its fair market value and the  
17          period of limitation on assessment and collec-  
18          tion of any tax with respect to such disposition  
19          under section 6501 or 6502 shall commence not  
20          earlier than the acquisition date.

21          “(B) GAIN POSITION STOCK.—For pur-  
22          poses of this subsection, the term ‘gain position  
23          stock’ means any stock if gain would arise from  
24          the sale of such stock.

1           “(C) GAIN TAKEN INTO ACCOUNT; PROPER  
2           ADJUSTMENT.—Notwithstanding any other pro-  
3           vision of this title, in the case of any sale under  
4           paragraph (1)(B) or (2)(A), any gain arising  
5           from such sale shall be taken into account for  
6           the taxable year of the sale. In the case of any  
7           sale under paragraph (1)(B), proper adjustment  
8           shall be made in the amount of any gain or loss  
9           subsequently realized for gain taken into ac-  
10          count under the preceding sentence.

11          “(b) FOREIGN PARENT TREATED AS DOMESTIC COR-  
12          PORATION.—Notwithstanding section 7701(a)(4)—

13           “(1) APPLICATION TO CORPORATE INVER-  
14           SIONS.—In the case of a corporate inversion, the for-  
15           eign corporation making the acquisition described in  
16           subsection (c)(1) shall be treated for purposes of  
17           this title as a domestic corporation.

18           “(2) ELECTIVE APPLICATION TO CORPORATE  
19           EXPATRIATIONS.—If the common parent of the ex-  
20           panded affiliated group which includes the foreign  
21           corporation making the acquisition in a corporate  
22           expatriation elects the application of this paragraph  
23           and enters into an agreement with the Secretary  
24           providing the Secretary such assurances as the Sec-  
25           retary may require that the application of paragraph

1 (1) will be administrable and enforceable with re-  
2 spect to such corporation—

3 “(A) such foreign corporation shall be  
4 treated for purposes of this title as a domestic  
5 corporation, and

6 “(B) subsection (a) shall not apply with re-  
7 spect to such corporate expatriation.

8 “(c) CORPORATE INVERSION; CORPORATE EXPA-  
9 TRIATION.—For purposes of this section—

10 “(1) CORPORATE INVERSION.—The term ‘cor-  
11 porate inversion’ means the direct or indirect acqui-  
12 sition (pursuant to a plan or a series of related  
13 transactions) of substantially all of the assets of a  
14 domestic corporation or domestic partnership, sub-  
15 stantially all of the trade or business assets of a do-  
16 mestic corporation or domestic partnership, or sub-  
17 stantially all of the United States trade or business  
18 assets of a foreign partnership, by a foreign corpora-  
19 tion if—

20 “(A) such acquisition is completed after  
21 January 4, 2017,

22 “(B) after the acquisition the expanded af-  
23 filiated group which includes the foreign cor-  
24 poration does not have substantial business ac-  
25 tivities in the foreign country in which, or

1 under the law of which, the foreign corporation  
2 is created or organized, when compared to the  
3 total business activities of such expanded affili-  
4 ated group, and

5 “(C) after the acquisition, either—

6 “(i) more than 50 percent of the stock  
7 (by vote or value) of the foreign corpora-  
8 tion is held—

9 “(I) in the case of an acquisition  
10 with respect to a domestic corpora-  
11 tion, by former shareholders of the  
12 domestic corporation by reason of  
13 holding stock in the domestic corpora-  
14 tion, or

15 “(II) in the case of an acquisition  
16 with respect to a partnership, by  
17 former partners of the partnership by  
18 reason of holding a capital or profits  
19 interest in the partnership, or

20 “(ii) the management and control of  
21 the expanded affiliated group which in-  
22 cludes the foreign corporation occurs, di-  
23 rectly or indirectly, primarily within the  
24 United States, and such expanded affili-

1           ated group has significant domestic busi-  
2           ness activities.

3           “(2) CORPORATE EXPATRIATION.—The term  
4           ‘corporate expatriation’ means any acquisition which  
5           is not described in paragraph (1) but which would  
6           be so described if paragraph (1) were applied with-  
7           out regard to subparagraphs (B) and (C) thereof.

8           “(3) DETERMINATIONS WITH RESPECT TO MAN-  
9           AGEMENT AND CONTROL AND BUSINESS ACTIVI-  
10          TIES.—

11           “(A) MANAGEMENT AND CONTROL.—For  
12          purposes of paragraph (1)(C)(ii)—

13           “(i) IN GENERAL.—The Secretary  
14          shall prescribe regulations for purposes of  
15          determining cases in which the manage-  
16          ment and control of an expanded affiliated  
17          group is to be treated as occurring, directly  
18          or indirectly, primarily within the United  
19          States.

20           “(ii) EXECUTIVE OFFICERS AND SEN-  
21          IOR MANAGEMENT.—Such regulations shall  
22          provide that the management and control  
23          of an expanded affiliated group shall be  
24          treated as occurring, directly or indirectly,  
25          primarily within the United States if sub-

1           stantially all of the executive officers and  
2           senior management of the expanded affili-  
3           ated group who exercise day-to-day respon-  
4           sibility for making decisions involving stra-  
5           tegic, financial, and operational policies of  
6           the expanded affiliated group are based or  
7           primarily located within the United States.  
8           Individuals who in fact exercise such day-  
9           to-day responsibilities shall be treated as  
10          executive officers and senior management  
11          regardless of their title.

12           “(B) SUBSTANTIAL BUSINESS ACTIVI-  
13          TIES.—For purposes of paragraph (1)(B), the  
14          term ‘substantial business activities’ shall have  
15          the meaning given such term under regulations  
16          in effect on January 4, 2017, except that the  
17          Secretary may issue regulations increasing the  
18          threshold percent in any of the tests under such  
19          regulations for determining if business activities  
20          constitute substantial business activities for  
21          purposes of this subsection.

22           “(C) SIGNIFICANT DOMESTIC BUSINESS  
23          ACTIVITIES.—For purposes of paragraph  
24          (1)(C)(ii), an expanded affiliated group has sig-



1           nificant domestic business activities if at least  
2           25 percent of—

3                   “(i) the employees of the group are  
4                   based in the United States,

5                   “(ii) the employee compensation in-  
6                   curred by the group is incurred with re-  
7                   spect to employees based in the United  
8                   States,

9                   “(iii) the assets of the group are lo-  
10                  cated in the United States, or

11                  “(iv) the income of the group is de-  
12                  rived in the United States,

13           determined in the same manner as such deter-  
14           minations are made for purposes of determining  
15           substantial business activities under regulations  
16           referred to in subparagraph (B) as in effect on  
17           January 4, 2017, but applied by treating all  
18           references in such regulations to ‘foreign coun-  
19           try’ and ‘relevant foreign country’ as references  
20           to ‘the United States’. The Secretary may issue  
21           regulations decreasing the threshold percent in  
22           any of the tests under such regulations for de-  
23           termining if business activities constitute sig-  
24           nificant domestic business activities for pur-  
25           poses of this subsection.

1           “(4) CERTAIN STOCK DISREGARDED.—There  
2 shall not be taken into account in determining own-  
3 ership under paragraph (1)(C)(i)—

4           “(A) stock held by members of the ex-  
5 panded affiliated group which includes the for-  
6 eign corporation, or

7           “(B) stock of such foreign corporation  
8 which is sold in a public offering related to the  
9 acquisition described in the matter preceding  
10 subparagraph (A) of paragraph (1).

11           “(5) PLAN DEEMED IN CERTAIN CASES.—If a  
12 foreign corporation completes an acquisition which  
13 would be described in paragraph (1) or (2) if such  
14 acquisition were pursuant to a plan and such acqui-  
15 sition is completed—

16           “(A) in the case of an acquisition which  
17 would be so described in paragraph (1), during  
18 the 4-year period beginning on the date which  
19 is 2 years before the ownership requirements of  
20 paragraph (1)(C)(i) are met, or

21           “(B) in the case of an acquisition which  
22 would be so described in paragraph (2), during  
23 the 4-year period ending on the acquisition  
24 date,

1 such acquisition shall be treated as pursuant to a  
2 plan.

3 “(6) CERTAIN TRANSFERS DISREGARDED.—The  
4 transfer of properties or liabilities (including by con-  
5 tribution or distribution) shall be disregarded if such  
6 transfers are part of a plan a principal purpose of  
7 which is to avoid the purposes of this section.

8 “(7) SPECIAL RULE FOR RELATED PARTNER-  
9 SHIPS.—For purposes of applying paragraph  
10 (1)(C)(i) to the acquisition of a trade or business of  
11 a partnership, except as provided in regulations, all  
12 partnerships which are under common control (with-  
13 in the meaning of section 482) shall be treated as  
14 1 partnership.

15 “(8) REGULATIONS.—The Secretary shall pre-  
16 scribe such regulations as may be appropriate to de-  
17 termine whether any transaction or series of trans-  
18 actions is a corporate inversion or corporate expa-  
19 triation, including regulations—

20 “(A) to treat warrants, options, contracts  
21 to acquire stock, convertible debt interests, and  
22 other similar interests as stock, and

23 “(B) to treat stock as not stock.

24 “(d) OTHER DEFINITIONS.—For purposes of this  
25 section—

1           “(1) ACCUMULATED DEFERRED FOREIGN IN-  
2           COME.—

3           “(A) IN GENERAL.—The term ‘accumu-  
4           lated deferred foreign income’ means the excess  
5           of—

6                   “(i) the undistributed earnings of the  
7                   controlled foreign corporation, over

8                   “(ii) the undistributed U.S. earnings  
9                   of such controlled foreign corporation.

10           “(B) UNDISTRIBUTED EARNINGS.—The  
11           term ‘undistributed earnings’ means the earn-  
12           ings and profits of the controlled foreign cor-  
13           poration described in section 959(c)(3), deter-  
14           mined—

15                   “(i) as of the close of the taxable year  
16                   described in subparagraph (A),

17                   “(ii) without diminution by reason of  
18                   distributions made during such taxable  
19                   year, and

20                   “(iii) without regard to this para-  
21                   graph.

22           For purposes of this chapter, any determination  
23           with respect to the treatment of distributions  
24           described in clause (ii) shall be made after the  
25           application of this paragraph to the earnings

1 and profits described in the matter preceding  
2 clause (i).

3 “(C) **UNDISTRIBUTED U.S. EARNINGS.**—  
4 The term ‘undistributed U.S. earnings’ has the  
5 meaning given the term ‘post-1986 undistrib-  
6 uted U.S. earnings’ in paragraph (5) of section  
7 245(a), determined—

8 “(i) as of the close of the taxable year  
9 described in subparagraph (A) of this  
10 paragraph, and

11 “(ii) without regard to ‘post-1986’  
12 each place it appears in the matter before  
13 subparagraph (A) of such paragraph (5).

14 “(2) **APPLICABLE CONTROLLED FOREIGN COR-**  
15 **PORATION.**—The term ‘applicable controlled foreign  
16 corporation’ means, with respect to any expatriated  
17 entity, any controlled foreign corporation with re-  
18 spect to which such entity was a United States  
19 shareholder at any time during the 5-year period  
20 ending on the acquisition date.

21 “(3) **EXPATRIATED ENTITY.**—The term ‘expa-  
22 triated entity’ means—

23 “(A) the corporation or partnership re-  
24 ferred to in the matter preceding subparagraph  
25 (A) of subsection (c)(1) (including with respect

1 to the application of such subsection pursuant  
2 to subsection (c)(2)), and

3 “(B) any United States person who is re-  
4 lated (within the meaning of section 267(b) or  
5 707(b)(1)) to a corporation or partnership de-  
6 scribed in subparagraph (A).

7 “(4) ACQUISITION DATE.—The term ‘acquisi-  
8 tion date’ means the date on which the acquisition  
9 described in paragraph (1) or (2) of subsection (c),  
10 as the case may be, is completed.

11 “(5) EXPANDED AFFILIATED GROUP.—The  
12 term ‘expanded affiliated group’ means an affiliated  
13 group as defined in section 1504(a) but without re-  
14 gard to section 1504(b)(3), except that section  
15 1504(a) shall be applied by substituting ‘more than  
16 50 percent’ for ‘at least 80 percent’ each place it ap-  
17 pears.

18 “(e) SPECIAL RULES.—

19 “(1) CREDITS NOT ALLOWED AGAINST TAX ON  
20 UNREPATRIATED EARNINGS AND UNRECOGNIZED  
21 GAINS.—In the case of any expatriated entity and  
22 any United States shareholder of an applicable con-  
23 trolled foreign corporation, credits (other than the  
24 credit allowed by section 901) shall be allowed  
25 against the tax imposed by chapter 1 on such entity

1 or corporation for any taxable year with respect to  
2 which any amount is included in income under sub-  
3 section (a) only to the extent such tax exceeds the  
4 product of—

5 “(A) the amount so included in income,  
6 and

7 “(B) the highest rate of tax specified in  
8 section 11(b)(1).

9 For purposes of determining the credit allowed by  
10 section 901, such income shall be treated as from  
11 sources within the United States.

12 “(2) COORDINATION WITH SECTION 172 AND  
13 MINIMUM TAX.—Rules similar to the rules of para-  
14 graphs (3) and (4) of section 860E(a) shall apply  
15 for purposes of subsection (a).

16 “(f) SPECIAL RULE FOR TREATIES.—Nothing in sec-  
17 tion 894 or 7852(d) or in any other provision of law shall  
18 be construed as permitting an exemption, by reason of any  
19 treaty obligation of the United States heretofore or here-  
20 after entered into, from the provisions of this section.

21 “(g) REGULATIONS.—The Secretary shall provide  
22 such regulations as are necessary to carry out this section,  
23 including regulations providing for such adjustments to  
24 the application of this section as are necessary to prevent

1 the avoidance of the purposes of this section, including the  
2 avoidance of such purposes through—

3 “(1) the use of related persons, pass-through or  
4 other noncorporate entities, or other intermediaries,  
5 or

6 “(2) transactions designed to have persons  
7 cease to be (or not become) members of expanded  
8 affiliated groups or related persons.”.

9 (b) MODIFICATIONS TO RULES RELATING TO COR-  
10 PORATE INVERSIONS COMPLETED ON OR BEFORE JANU-  
11 ARY 4, 2017.—

12 (1) IN GENERAL.—Subsection (b) of section  
13 7874 of the Internal Revenue Code of 1986 is  
14 amended to read as follows:

15 “(b) INVERTED CORPORATIONS TREATED AS DO-  
16 MESTIC CORPORATIONS.—

17 “(1) IN GENERAL.—Notwithstanding section  
18 7701(a)(4), a foreign corporation shall be treated for  
19 purposes of this title as a domestic corporation if—

20 “(A) such corporation would be a surro-  
21 gate foreign corporation if subsection (a)(2)  
22 were applied by substituting ‘80 percent’ for  
23 ‘60 percent’, or

24 “(B) such corporation is an inverted do-  
25 mestic corporation.



1           “(2) INVERTED DOMESTIC CORPORATION.—For  
2 purposes of this subsection, a foreign corporation  
3 shall be treated as an inverted domestic corporation  
4 if, pursuant to a plan (or a series of related trans-  
5 actions)—

6           “(A) the entity completes after May 8,  
7 2014, and on or before January 4, 2017, the  
8 direct or indirect acquisition of—

9           “(i) substantially all of the assets of a  
10 domestic corporation or domestic partner-  
11 ship,

12           “(ii) substantially all of the trade or  
13 business assets of a domestic corporation  
14 or domestic partnership, or

15           “(iii) substantially all of the United  
16 States trade or business assets of a foreign  
17 partnership, and

18           “(B) after the acquisition, either—

19           “(i) more than 50 percent of the stock  
20 (by vote or value) of the entity is held—

21           “(I) in the case of an acquisition  
22 with respect to a domestic corpora-  
23 tion, by former shareholders of the  
24 domestic corporation by reason of

1 holding stock in the domestic corpora-  
2 tion, or

3 “(II) in the case of an acquisition  
4 with respect to a partnership, by  
5 former partners of the partnership by  
6 reason of holding a capital or profits  
7 interest in the partnership, or

8 “(ii) the management and control of  
9 the expanded affiliated group which in-  
10 cludes the entity occurs, directly or indi-  
11 rectly, primarily within the United States,  
12 and such expanded affiliated group has  
13 significant domestic business activities.

14 “(3) EXCEPTION FOR CORPORATIONS WITH  
15 SUBSTANTIAL BUSINESS ACTIVITIES IN FOREIGN  
16 COUNTRY OF ORGANIZATION.—A foreign corporation  
17 described in paragraph (2) shall not be treated as an  
18 inverted domestic corporation if after the acquisition  
19 the expanded affiliated group which includes the en-  
20 tity has substantial business activities in the foreign  
21 country in which or under the law of which the enti-  
22 ty is created or organized when compared to the  
23 total business activities of such expanded affiliated  
24 group. For purposes of subsection (a)(2)(B)(iii) and  
25 the preceding sentence, the term ‘substantial busi-

1       ness activities’ shall have the meaning given such  
2       term under regulations in effect on May 8, 2014, ex-  
3       cept that the Secretary may issue regulations in-  
4       creasing the threshold percent in any of the tests  
5       under such regulations for determining if business  
6       activities constitute substantial business activities for  
7       purposes of this paragraph.

8               “(4) MANAGEMENT AND CONTROL.—For pur-  
9       poses of paragraph (2)(B)(ii)—

10               “(A) IN GENERAL.—The Secretary shall  
11       prescribe regulations for purposes of deter-  
12       mining cases in which the management and  
13       control of an expanded affiliated group is to be  
14       treated as occurring, directly or indirectly, pri-  
15       marily within the United States. The regula-  
16       tions prescribed under the preceding sentence  
17       shall apply to periods after May 8, 2014.

18               “(B) EXECUTIVE OFFICERS AND SENIOR  
19       MANAGEMENT.—Such regulations shall provide  
20       that the management and control of an ex-  
21       panded affiliated group shall be treated as oc-  
22       curring, directly or indirectly, primarily within  
23       the United States if substantially all of the ex-  
24       ecutive officers and senior management of the  
25       expanded affiliated group who exercise day-to-

1 day responsibility for making decisions involving  
2 strategic, financial, and operational policies of  
3 the expanded affiliated group are based or pri-  
4 marily located within the United States. Indi-  
5 viduals who in fact exercise such day-to-day re-  
6 sponsibilities shall be treated as executive offi-  
7 cers and senior management regardless of their  
8 title.

9 “(5) SIGNIFICANT DOMESTIC BUSINESS ACTIVI-  
10 TIES.—For purposes of paragraph (2)(B)(ii), an ex-  
11 panded affiliated group has significant domestic  
12 business activities if at least 25 percent of—

13 “(A) the employees of the group are based  
14 in the United States,

15 “(B) the employee compensation incurred  
16 by the group is incurred with respect to employ-  
17 ees based in the United States,

18 “(C) the assets of the group are located in  
19 the United States, or

20 “(D) the income of the group is derived in  
21 the United States,

22 determined in the same manner as such determina-  
23 tions are made for purposes of determining substan-  
24 tial business activities under regulations referred to  
25 in paragraph (3) as in effect on May 8, 2014, but

1 applied by treating all references in such regulations  
2 to ‘foreign country’ and ‘relevant foreign country’ as  
3 references to ‘the United States’. The Secretary may  
4 issue regulations decreasing the threshold percent in  
5 any of the tests under such regulations for deter-  
6 mining if business activities constitute significant  
7 domestic business activities for purposes of this  
8 paragraph.”.

9 (2) CONFORMING AMENDMENTS.—

10 (A) Clause (i) of section 7874(a)(2)(B) of  
11 such Code is amended by striking “after March  
12 4, 2003,” and inserting “after March 4, 2003,  
13 and before May 9, 2014,”.

14 (B) Subsection (c) of section 7874 of such  
15 Code is amended—

16 (i) in paragraph (2)—

17 (I) by striking “subsection  
18 (a)(2)(B)(ii)” and inserting “sub-  
19 sections (a)(2)(B)(ii) and  
20 (b)(2)(B)(i)”, and

21 (II) by inserting “or (b)(2)(A)”  
22 after “(a)(2)(B)(i)” in subparagraph  
23 (B),

1 (ii) in paragraph (3), by inserting “or  
2 (b)(2)(B)(i), as the case may be,” after  
3 “(a)(2)(B)(ii)”,

4 (iii) in paragraph (5), by striking  
5 “subsection (a)(2)(B)(ii)” and inserting  
6 “subsections (a)(2)(B)(ii) and  
7 (b)(2)(B)(i)”, and

8 (iv) in paragraph (6), by inserting “or  
9 inverted domestic corporation, as the case  
10 may be,” after “surrogate foreign corpora-  
11 tion”.

12 (c) TECHNICAL AND CONFORMING AMENDMENTS  
13 RELATED TO STOCK COMPENSATION OF INSIDERS IN EX-  
14 PATRIATED CORPORATIONS.—

15 (1) Section 4985(a)(1) of such Code is amended  
16 by striking “section 1(h)(1)(C)” and inserting “sec-  
17 tion 1(h)(1)(D)”.

18 (2) Section 4985(e) of such Code is amended by  
19 inserting “or section 7874A(c)(1) (without regard to  
20 subparagraph (C) thereof)” after “section  
21 7874(a)(2)(B)(i)”.

22 (3) Section 4985(e)(2)(A) of such Code is  
23 amended by inserting “or section 7874A(d)(3)”  
24 after “section 7874(a)(2)”.

25 (d) CLERICAL AMENDMENTS.—

1           (1) The heading for section 7874 of such Code  
2 is amended by striking “**EXPATRIATED ENTITIES**  
3 **AND THEIR FOREIGN PARENTS**” and inserting  
4 “**CORPORATE INVERSIONS COMPLETED ON OR**  
5 **BEFORE JANUARY 4, 2017**”.

6           (2) The table of sections for subchapter C of  
7 chapter 80 of such Code is amended by striking the  
8 item relating to section 7874 and inserting the fol-  
9 lowing new items:

“Sec. 7874. Rules relating to corporate inversions completed on or before Janu-  
ary 4, 2017.

“Sec. 7874A. Rules relating to corporate inversions and corporate expatria-  
tions.”.

10           (e) **EFFECTIVE DATE.**—

11           (1) **IN GENERAL.**—Except as provided in para-  
12 graph (2), the amendments made by this section  
13 shall apply taxable years ending after January 4,  
14 2017.

15           (2) **MODIFICATIONS TO RULES RELATING TO**  
16 **CORPORATE INVERSIONS COMPLETED ON OR BE-**  
17 **FORE JANUARY 4, 2017.**—The amendments made by  
18 subsection (b) shall apply to taxable years ending  
19 after May 8, 2014.

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