

115TH CONGRESS  
1ST SESSION

# H. R. 3217

To amend the Internal Revenue Code of 1986 to provide for the identification of corporate tax haven countries and increased penalties for tax evasion practices in haven countries that ship United States jobs overseas, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JULY 13, 2017

Mr. MCNERNEY introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Oversight and Government Reform, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To amend the Internal Revenue Code of 1986 to provide for the identification of corporate tax haven countries and increased penalties for tax evasion practices in haven countries that ship United States jobs overseas, 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 “Stop Outsourcing and  
5 Create American Jobs Act of 2017”.

1 **SEC. 2. IDENTIFYING CORPORATE TAX HAVEN COUNTRIES**  
2 **AND INCREASING PENALTIES FOR TAX EVA-**  
3 **SION PRACTICES IN HAVEN COUNTRIES THAT**  
4 **SHIP UNITED STATES JOBS OVERSEAS.**

5 Not later than one year after the date of the enact-  
6 ment of this Act, the Secretary of the Treasury shall de-  
7 velop and publish a list of countries the Secretary deter-  
8 mines to be corporate tax haven countries. In developing  
9 such list, the Secretary may consider the following criteria:

- 10 (1) Tax rate in the country.
- 11 (2) Lack of effective exchange of information  
12 between governments.
- 13 (3) Lack of transparency in financial services  
14 sector.
- 15 (4) Lack of requirements of substantial eco-  
16 nomic activity.
- 17 (5) Incentives which may encourage a United  
18 States corporation to invest abroad rather than do-  
19 mestically.
- 20 (6) Other factors deemed relevant by the Sec-  
21 retary.

22 The Secretary shall review and update such list every 3  
23 years.

1 **SEC. 3. INCREASE IN PENALTIES FOR CORPORATE TAX**  
2 **EVASION PRACTICES CONCERNING RETURNS,**  
3 **DOCUMENTS, AND ACTIVITIES RELATING TO**  
4 **TAX HAVEN COUNTRIES.**

5 (a) ACCURACY-RELATED PENALTY ON UNDERPAY-  
6 MENTS.—Section 6662 of the Internal Revenue Code of  
7 1986 is amended by adding at the end the following:

8 “(1) INCREASE IN PENALTY IN CASE OF TAX HAVEN  
9 COUNTRIES.—

10 “(1) IN GENERAL.—In the case of any portion  
11 of an underpayment by a corporation for a taxable  
12 year which involves an undisclosed foreign financial  
13 asset located in a tax haven country at any time  
14 during such taxable year, subsection (a) shall be ap-  
15 plied with respect to such portion by substituting ‘60  
16 percent’ for ‘20 percent’.

17 “(2) TAX HAVEN COUNTRY.—For purposes of  
18 this subsection, the term ‘tax haven country’ means  
19 a country on the list published under section 2(a) of  
20 the Stop Outsourcing and Create American Jobs Act  
21 of 2017.”.

22 (b) UNDERSTATEMENTS WITH RESPECT TO RE-  
23 PORTABLE TRANSACTIONS.—Section 6662A of such Code  
24 is amended by adding at the end the following:

25 “(f) INCREASE IN PENALTY IN CASE OF TAX HAVEN  
26 COUNTRIES.—In the case of any portion of a reportable

1 transaction understatement by a corporation for a taxable  
2 year which involves a transaction that originates, termi-  
3 nates, or otherwise occurs in a tax haven country (as de-  
4 fined in section 6662(l)(2)), subsection (a) shall be applied  
5 with respect to such portion by substituting ‘40 percent’  
6 for ‘20 percent’.”.

7 (c) FRAUD PENALTY.—Section 6663 of such Code is  
8 amended by adding at the end the following:

9 “(d) INCREASE IN PENALTY IN CASE OF TAX HAVEN  
10 COUNTRIES.—In the case of any fraud by a corporation  
11 involving an activity occurring in a tax haven country (as  
12 defined in section 6662(l)(2)), subsection (a) shall be ap-  
13 plied by substituting ‘100 percent’ for ‘75 percent’.”.

14 (d) ERRONEOUS CLAIM FOR CREDIT OR REFUND.—  
15 Section 6676 of such Code is amended by redesignating  
16 subsection (d) as subsection (e) and by inserting after sub-  
17 section (c) the following new subsection:

18 “(d) INCREASE IN PENALTY IN CASE OF TAX HAVEN  
19 COUNTRIES.—In the case of claim or credit by a corpora-  
20 tion for any excessive amount due for credits or refunds  
21 involving funds held or invested in a tax haven country  
22 (as defined in section 6662(l)(2)), subsection (a) shall be  
23 applied by substituting ‘40 percent’ for ‘20 percent’.”.

24 (e) WILLFUL ATTEMPT TO EVADE OR DEFEAT  
25 TAX.—Section 7201 of such Code is amended by adding

1 at the end the following new sentence: “In the case of an  
2 attempt by a corporation which involves a tax haven coun-  
3 try (as defined in section 6662(l)(2)), the preceding sen-  
4 tence shall be applied by substituting ‘\$1,000,000’ for  
5 ‘\$500,000’.”.

6 (f) FRAUD AND FALSE STATEMENTS.—Section 7206  
7 of such Code is amended by adding at the end the fol-  
8 lowing new sentence: “In the case of an offense by a cor-  
9 poration described in the preceding sentence which in-  
10 volves a tax haven country (as defined in section  
11 6662(l)(2)), the preceding sentence shall be applied by  
12 substituting ‘\$1,000,000’ for ‘\$500,000’.”.

13 (g) FRAUDULENT RETURNS, STATEMENTS, OR  
14 OTHER DOCUMENTS.—Section 7207 of such Code is  
15 amended by adding at the end the following new sentence:  
16 “In the case of an offense by a corporation described in  
17 either of the two preceding sentences which involves a tax  
18 haven country (as defined in section 6662(l)(2)), the ap-  
19 propriate sentence shall be applied by substituting  
20 ‘\$150,000’ for ‘\$50,000’.”.

21 (h) EFFECTIVE DATE.—

22 (1) The amendments made by subsections (a)  
23 and (b) shall apply to underpayments attributable to  
24 transactions entered into after the date on which the  
25 list developed under section 2 is first published.

1           (2) The amendment made by subsection (c)  
2 shall apply to returns the due date for which (deter-  
3 mined without regard to extensions) is after the date  
4 on which the list developed under section 2 is first  
5 published.

6           (3) The amendment made by subsection (d)  
7 shall apply to refunds and credits attributable to  
8 transactions entered into after the date on which the  
9 list developed under section 2 is first published.

10           (4) The amendment made by subsections (e),  
11 (f), and (g) shall apply to offenses committed after  
12 the date on which the list developed under section 2  
13 is first published.

14 **SEC. 4. PREFERENCES IN GOVERNMENT CONTRACTS.**

15           (a) PREFERENCE.—A Federal department or agency  
16 may give a preference in the award of a contract for the  
17 procurement of goods or services in a fiscal year to any  
18 potential contractor that has not engaged in outsourcing  
19 during the fiscal year preceding the fiscal year in which  
20 the contract is awarded.

21           (b) REQUIREMENT TO REQUEST OUTSOURCING IN-  
22 FORMATION FROM POTENTIAL CONTRACTORS.—

23           (1) IN GENERAL.—In any solicitation for offers  
24 for a contract issued by a Federal department or  
25 agency in a fiscal year, the department or agency

1 shall request each offeror for the contract to provide  
2 information regarding whether the offeror engaged  
3 in outsourcing during the fiscal year preceding the  
4 fiscal year in which the contract is to be awarded.

5 (2) PENALTY AND DEBARMENT.—Any offeror  
6 found to be in violation of paragraph (1), including  
7 making a false statement regarding the offeror’s en-  
8 gagement in outsourcing—

9 (A) shall, notwithstanding section 1001 of  
10 title 18, United States Code, be liable to the  
11 United States for a civil penalty in an amount  
12 not more than the value of the contract the of-  
13 feror is seeking; and

14 (B) shall be debarred, by the head of the  
15 department or agency soliciting the offer, from  
16 contracting with the Federal Government for a  
17 period of two years starting on the date on  
18 which the offeror is found to be in violation of  
19 paragraph (1).

20 (3) EFFECTIVE DATE.—This subsection shall  
21 apply to solicitations for contracts issued on and  
22 after the date occurring one year after the date of  
23 the enactment of this Act.

24 (c) OUTSOURCING DEFINED.—In this section, the  
25 term “outsourcing” means the laying off of a United

1 States worker from a job, and the hiring or contracting  
2 for the same job to be performed in a foreign country.

3 **SEC. 5. DEFICIT REDUCTION.**

4       Amounts which the Secretary of the Treasury esti-  
5 mates are received in the Treasury by reason of this Act  
6 are hereby set aside for the reduction of the public debt.

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