

114TH CONGRESS  
2D SESSION

# H. R. 5184

To amend the Internal Revenue Code of 1986 to expand rules related to investment by nonresident aliens in domestic mutual funds and business development companies.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 10, 2016

Mr. PAULSEN 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 expand rules related to investment by nonresident aliens in domestic mutual funds and business development companies.

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. EXEMPTION FOR CERTAIN DIVIDENDS PAID BY**  
4 **REGULATED INVESTMENT COMPANIES TO**  
5 **NONRESIDENT ALIENS EXPANDED AND MADE**  
6 **PERMANENT.**

7 (a) EXPANSION OF EXEMPTION FOR INTEREST-RE-  
8 LATED DIVIDENDS.—

1           (1) IN GENERAL.—Subparagraph (E) of section  
2           871(k)(1) of the Internal Revenue Code of 1986 is  
3           amended by striking clauses (iii) and (iv) and insert-  
4           ing the following new clauses:

5                   “(iii) Any amount referred to in sub-  
6                   section (i)(2)(A) (without regard to the  
7                   trade or business of the regulated invest-  
8                   ment company) or in subsection (i)(2)(B).

9                   “(iv) Any interest which is exempt  
10                  from tax under section 103 or any other  
11                  provision of law without regard to the  
12                  identity of the holder.

13                  “(v) Any other amount includible in  
14                  gross income that is determined by ref-  
15                  erence to an interest rate and that would  
16                  not be subject to withholding under section  
17                  1441 if received by a nonresident alien in-  
18                  dividual.

19                  “(vi) Any amount includible in gross  
20                  income from sources without the United  
21                  States.

22                  “(vii) Any qualified income-related  
23                  dividend includible in gross income with re-  
24                  spect to stock of another regulated invest-  
25                  ment company.”.

1           (2) MODIFICATION OF EXCEPTIONS.—Clause (i)  
2 of section 871(k)(1)(B) of such Code is amended by  
3 striking “interest (other than interest described in  
4 subparagraph (E)(i) or (iii))” and inserting “interest  
5 described in subparagraph (E)(ii) (and not described  
6 in subparagraph (E) (i), (iii), or (iv))”.

7           (3) CONFORMING AMENDMENTS.—

8           (A) Paragraph (1) of section 871(k) of  
9 such Code is amended—

10           (i) by striking “interest-related divi-  
11 dend” each place it appears in the text and  
12 inserting “qualified income-related divi-  
13 dend”,

14           (ii) by striking “qualified net interest  
15 income” each place it appears in the text  
16 and inserting “qualified net income”,

17           (iii) by striking “qualified interest in-  
18 come” each place it appears in the text  
19 and inserting “qualified income”,

20           (iv) by striking “INTEREST-RELATED  
21 DIVIDENDS” in the heading thereof and in-  
22 sserting “QUALIFIED INCOME-RELATED  
23 DIVIDENDS”,

24           (v) by striking “INTEREST RELATED  
25 DIVIDEND” in the heading of subparagraph

1 (C) and inserting “QUALIFIED INCOME-RE-  
2 LATED DIVIDEND”,

3 (vi) by striking “QUALIFIED NET IN-  
4 TEREST INCOME” in the heading of sub-  
5 paragraph (D) and inserting “QUALIFIED  
6 NET INCOME”, and

7 (vii) by striking “QUALIFIED INTER-  
8 EST INCOME” in the heading of subpara-  
9 graph (E) and inserting “QUALIFIED IN-  
10 COME”.

11 (B) Paragraph (1) of section 881(e) of  
12 such Code is amended—

13 (i) by striking “interest-related divi-  
14 dend” each place it appears in subpara-  
15 graphs (A) and (B) and inserting “quali-  
16 fied income-related dividend”,

17 (ii) by striking “interest received” in  
18 subparagraph (B)(ii) and inserting “inter-  
19 est described in clause (ii) of section  
20 871(k)(1)(E) (and not described in clause  
21 (i), (iii), or (iv) of such section) received”,

22 (iii) by striking “interest-related divi-  
23 dend received” in subparagraph (C) and  
24 inserting “qualified income-related divi-

1                   dend received from a regulated investment  
2                   company”,

3                   (iv) by striking “clause (i) or (iii)” in  
4                   subparagraph (C) and inserting “clause  
5                   (i), (iii), or (iv)”, and

6                   (v) by striking “INTEREST-RELATED  
7                   DIVIDENDS” in the heading thereof and in-  
8                   serting “QUALIFIED INCOME-RELATED  
9                   DIVIDENDS”.

10           (b) EFFECTIVE DATE.—The amendments made by  
11 this section shall apply to dividends with respect to taxable  
12 years of regulated investment companies beginning after  
13 December 31, 2015.

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