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(Original Signature of Member)

115TH CONGRESS  
1ST SESSION

**H. R.** \_\_\_\_\_

To amend the Internal Revenue Code of 1986 to limit the interest deduction for excessive interest of members of financial reporting groups and to terminate the deferral of active income of controlled foreign corporations, and to amend the Securities Exchange Act of 1934 to require the disclosure of total corporate tax paid by a corporation in each annual report required to be filed under such Act, and for other purposes.

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**IN THE HOUSE OF REPRESENTATIVES**

Mr. POCAN introduced the following bill; which was referred to the Committee  
on \_\_\_\_\_

\_\_\_\_\_  
**A BILL**

To amend the Internal Revenue Code of 1986 to limit the interest deduction for excessive interest of members of financial reporting groups and to terminate the deferral of active income of controlled foreign corporations, and to amend the Securities Exchange Act of 1934 to require the disclosure of total corporate tax paid by a corporation in each annual report required to be filed under such Act, 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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Tax Fairness and  
3 Transparency Act”.

4 **SEC. 2. LIMITATION ON INTEREST DEDUCTION FOR EXCES-**  
5 **SIVE INTEREST OF MEMBERS OF FINANCIAL**  
6 **REPORTING GROUPS.**

7 (a) IN GENERAL.—Section 163 of the Internal Rev-  
8 enue Code of 1986 is amended by redesignating subsection  
9 (n) as subsection (o) and by inserting after subsection (m)  
10 the following:

11 “(n) LIMITATION ON EXCESSIVE INTEREST OF MEM-  
12 BERS OF FINANCIAL REPORTING GROUPS.—

13 “(1) LIMITATION.—

14 “(A) IN GENERAL.—If this subsection ap-  
15 plies to any corporation for any taxable year, no  
16 deduction shall be allowed under this chapter  
17 for the taxable year for interest expense to the  
18 extent that such expense exceeds the sum of—

19 “(i) the amount of interest on indebt-  
20 edness of the corporation includible in the  
21 corporation’s gross income for the taxable  
22 year, plus

23 “(ii) the corporation’s proportionate  
24 share of the financial reporting group’s net  
25 interest expense for the taxable year com-

1           puted under United States income tax  
2           principles.

3           “(B) PROPORTIONATE SHARE OF NET IN-  
4           TEREST EXPENSE.—For purposes of subpara-  
5           graph (A)(ii)—

6                   “(i) IN GENERAL.—A corporation’s  
7                   proportionate share of the financial report-  
8                   ing group’s net interest expense means the  
9                   amount equal to the percentage of the  
10                  group’s net interest expense which bears  
11                  the same percentage as the corporation’s  
12                  earnings bears to the group’s earnings.

13                  “(ii) EARNINGS.—For purposes of  
14                  clause (i), earnings shall be the sum of net  
15                  earnings plus net interest expense, taxes,  
16                  depreciation, and amortization.

17                  “(iii) DETERMINATIONS RELATING TO  
18                  EARNINGS.—For purposes of clause (ii),  
19                  earnings, net interest expense, taxes, de-  
20                  preciation, and amortization with respect  
21                  to a financial reporting group shall be as  
22                  reflected on the financial reporting group’s  
23                  financial statements for the taxable year  
24                  ending in the taxable year of the corpora-  
25                  tion.

1           “(C) ALTERNATIVE DETERMINATION.—In  
2           lieu of the limitation in subparagraph (A), if—

3                   “(i) a corporation fails to substantiate  
4                   the corporation’s proportionate share of  
5                   the financial reporting group’s net interest  
6                   expense for a taxable year, or

7                   “(ii) a corporation so elects,  
8           no deduction shall be allowed under this chap-  
9           ter for the taxable year for interest expense to  
10          the extent that such expense exceeds 10 percent  
11          of the corporation’s adjusted taxable income (as  
12          defined under subsection (j)(6)(A)).

13          “(2) CORPORATIONS TO WHICH SUBSECTION  
14          APPLIES.—

15               “(A) IN GENERAL.—This subsection shall  
16               apply to any corporation for any taxable year if  
17               the corporation is a member of a financial re-  
18               porting group.

19               “(B) CERTAIN CORPORATIONS NOT IN-  
20               CLUDED.—This subsection shall not apply to  
21               any corporation which—

22                   “(i) is a corporation predominantly  
23                   engaged in the active conduct of a bank-  
24                   ing, financing, or similar business, or

1                   “(ii) has less than \$5,000,000 of net  
2                   interest expense for the taxable year.

3                   “(C) FINANCIAL REPORTING GROUP.—For  
4                   purposes of subparagraph (A), the term ‘finan-  
5                   cial reporting group’ means a group that pre-  
6                   pares consolidated financial statements in ac-  
7                   cordance with United States generally accepted  
8                   accounting principles, international financial re-  
9                   porting standards, or other method authorized  
10                  by the Secretary of the Treasury under regula-  
11                  tions. Such term shall not include any corpora-  
12                  tion described in subparagraph (B)(i).

13                  “(D) SUBGROUPS.—For purposes of this  
14                  subsection, all members of an expanded affili-  
15                  ated group (as defined in section 7874(c)(1))  
16                  shall be treated as 1 corporation.

17                  “(3) NET INTEREST EXPENSE.—The term ‘net  
18                  interest expense’ has the meaning given such term  
19                  by subsection (j)(6)(B).

20                  “(4) CARRYFORWARD.—

21                  “(A) DISALLOWED INTEREST.—Any  
22                  amount disallowed under subparagraph (A) or  
23                  (C) for any taxable year shall be treated as an  
24                  interest expense in the next taxable year, and  
25                  such amount shall not be taken into account for

1 purposes of applying subsection (j)(2)(A)(ii) for  
2 such taxable year.

3 “(B) EXCESS LIMITATION.—The excess (if  
4 any) of the sum determined under paragraph  
5 (1)(A) (i) and (ii) for a taxable year over the  
6 amount of interest expense deducted under this  
7 subsection for the taxable year shall be added  
8 to the limitation determined under paragraph  
9 (1) for the next taxable year (determined with-  
10 out regard to this subparagraph). No excess  
11 limitation may be carried to more than 3 tax-  
12 able years.

13 “(5) ELECTION.—The election under paragraph  
14 (1)(C)(ii) shall be made at such time and in such  
15 manner as the Secretary may prescribe by regula-  
16 tions.

17 “(6) REGULATIONS.—The Secretary shall pre-  
18 scribe such regulations and other guidance as may  
19 be necessary to carry out the purposes of this sub-  
20 section, including regulations to—

21 “(A) coordinate the application of this sub-  
22 section with other interest deductibility rules,

23 “(B) define financial services entities,

24 “(C) permit financial reporting groups to  
25 compute the group’s non-United States net in-

1 interest expense without making certain adjust-  
2 ments required under United States income tax  
3 principles,

4 “(D) provide for the treatment of pass-  
5 through entities, and

6 “(E) allow the use of financial statements  
7 prepared under other countries’ generally ac-  
8 cepted accounting principles in appropriate cir-  
9 cumstances where a financial reporting group  
10 does not prepare financial statements under  
11 United States generally accepted accounting  
12 principles or international financial reporting  
13 standards.”.

14 (b) COORDINATION WITH 163(j).—Section  
15 163(j)(2)(A) of the Internal Revenue Code of 1986 is  
16 amended by adding at the end the following flush sen-  
17 tence: “This subsection shall not apply to any corporation  
18 which is a member of a financial reporting group to which  
19 subsection (n) applies.”.

20 (c) EFFECTIVE DATE.—The amendments made by  
21 this section shall apply to taxable years beginning after  
22 December 31, 2017.

1 **SEC. 3. TERMINATION OF DEFERRAL OF ACTIVE INCOME**  
2 **OF CONTROLLED FOREIGN CORPORATIONS.**

3 (a) IN GENERAL.—Section 952 of the Internal Rev-  
4 enue Code of 1986 is amended by adding at the end the  
5 following new subsection:

6 “(e) SPECIAL APPLICATION OF SUBPART.—

7 “(1) IN GENERAL.—For taxable years begin-  
8 ning after December 31, 2017, notwithstanding any  
9 other provision of this subpart, the term ‘subpart F  
10 income’ means, in the case of any controlled foreign  
11 corporation, the income of such corporation derived  
12 from any foreign country.

13 “(2) APPLICABLE RULES.—Rules similar to the  
14 rules under the last sentence of subsection (a) and  
15 subsection (d) shall apply to this subsection.”.

16 (b) EFFECTIVE DATE.—The amendment made by  
17 subsection (a) shall apply to taxable years beginning after  
18 December 31, 2017.

19 **SEC. 4. REQUIREMENT TO DISCLOSE TOTAL CORPORATE**  
20 **TAXES PAID.**

21 (a) IN GENERAL.—Section 13 of the Securities Ex-  
22 change Act of 1934 (15 U.S.C. 78m) is amended by add-  
23 ing at the end the following new subsection:

24 “(s) DISCLOSURE OF TOTAL CORPORATE TAXES  
25 PAID.—



1           “(1) ISSUER DISCLOSURE REQUIREMENT.—  
2           Each issuer required to file an annual or quarterly  
3           report under subsection (a) shall disclose in that re-  
4           port—

5                   “(A) the total pre-tax profit of the issuer  
6                   during the period covered by the report;

7                   “(B) the total amount paid by the issuer  
8                   in State taxes during the period covered by the  
9                   report;

10                   “(C) the total amount paid by the issuer in  
11                   Federal taxes during the period covered by the  
12                   report; and

13                   “(D) the total amount paid by the issuer  
14                   in foreign taxes during the period covered by  
15                   the report.

16           “(2) DISCLOSURE OF COUNTRY-BY-COUNTRY  
17           REPORTING INFORMATION.—Each issuer required to  
18           file an annual or quarterly report under subsection  
19           (a) shall disclose in that report, for each of its sub-  
20           sidiaries and aggregated on a country-by-country  
21           basis—

22                   “(A) revenues generated from transactions  
23                   with other constituent entities;

24                   “(B) revenues not generated from trans-  
25                   actions with other constituent entities;

1           “(C) profit or loss before income tax;

2           “(D) total income tax paid on a cash basis  
3 to all tax jurisdictions, and any taxes withheld  
4 on payments received by the constituent enti-  
5 ties;

6           “(E) total accrued tax expense recorded on  
7 taxable profits or losses, reflecting only oper-  
8 ations in the relevant annual period and exclud-  
9 ing deferred taxes or provisions for uncertain  
10 tax liabilities;

11           “(F) stated capital, except that the stated  
12 capital of a permanent establishment must be  
13 reported in the tax jurisdiction of residence of  
14 the legal entity of which it is a permanent es-  
15 tablishment unless there is a defined capital re-  
16 quirement in the permanent establishment tax  
17 jurisdiction for regulatory purposes;

18           “(G) total accumulated earnings, except  
19 that accumulated earnings of a permanent es-  
20 tablishment must be reported by the legal entity  
21 of which it is a permanent establishment;

22           “(H) total number of employees on a full-  
23 time equivalent basis; and

24           “(I) net book value of tangible assets,  
25 which, for purposes of this section, does not in-

1           clude cash or cash equivalents, intangibles, or  
2           financial assets.

3           “(3) AVAILABILITY OF INFORMATION.—The  
4           Commission shall make the information filed with  
5           the Commission pursuant to this subsection publicly  
6           available through the Commission website in a man-  
7           ner that is searchable, sortable, and downloadable.”.

8           (b) EFFECTIVE DATE.—The amendment made by  
9           this section shall apply to disclosures made after the date  
10          of the enactment of this Act.