

US Outbound Tax Newsalert

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Senator Enzi introduces a territorial tax bill

On February 9, 2012, Senator Michael Enzi (R-WY), a member of the Senate Finance Committee, introduced the *United States Job Creation and International Tax Reform Act of 2012*, which would move the United States to a territorial tax system similar in many respects to discussion draft released by Chairman Camp (R-MI) of the House Ways & Means Committee (although it does not include a provision to lower the top corporate tax rate). Some of the bill's highlights include:

- A 95 percent exemption for dividends (other than hybrid dividends) received from a controlled foreign corporation ("CFC") distributed out of active foreign business income.
- Retention of the present law treatment of income or loss of a foreign branch of a US corporation.
- A 95 percent dividends-received deduction on certain sales and exchanges of stock in which the amount of gain is recharacterized as a dividend under section 1248.
- During the transition year, a 70 percent dividends-received deduction for actual or deemed repatriation of any foreign earnings currently held offshore.
- A deduction equal to 50 percent of foreign intangible income derived by a US corporation from the active conduct of a trade or business within the United States with respect to the intangible property giving rise to the income.



- A new category of subpart F income for income that was not subject to an effective rate that exceeds one-half of the maximum US corporate rate.
- Permanent extensions of the CFC look-thru rule and the exception for active financing income.
- Repeals the foreign base company sales and services income rules, leaving only passive income and low-taxed intangible income subject to subpart F.
- Repeals section 902 with respect to post-2012 earnings.
- For purposes of the FTC limitation, overrides the foreign source income treatment under the special inventory sourcing rules of section 862(a)(6) and section 863(b) sales to treat such amounts as being from US sources.

To access the legislative text of the United States Job Creation and International Tax Reform Act of 2012, click [here](#).

To access a one-page summary of Enzi's territorial tax bill, click [here](#).

To access a detailed technical explanation of the proposed tax changes, click [here](#).

To access the text of the Enzi Senate floor speech, click [here](#).

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