

117TH CONGRESS  
1ST SESSION

# H. R. 3142

To amend the Internal Revenue Code of 1986 to provide for International  
Regulated Investment Companies.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 12, 2021

Mr. DANNY K. DAVIS of Illinois (for himself, Mr. ESTES, Mr. PASCRELL, and  
Mr. SUOZZI) introduced the following bill; which was referred to the Com-  
mittee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide  
for International Regulated Investment 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. SHORT TITLE.**

4 This Act may be cited as the “Tax Parity for U.S.  
5 Mutual Funds Act of 2021”.

6 **SEC. 2. INTERNATIONAL REGULATED INVESTMENT COMPA-**  
7 **NIES.**

8 (a) IN GENERAL.—Subchapter N of chapter 1 of the  
9 Internal Revenue Code of 1986 is amended by redesign-

1 nating part V as part VI and inserting after part IV the  
 2 following new part:

3 **“PART V—INTERNATIONAL REGULATED**  
 4 **INVESTMENT COMPANIES**

“Sec. 998. Definition of international regulated investment company.

“Sec. 998A. Taxation of IRICs.

“Sec. 998B. Other rules.

5 **“SEC. 998. DEFINITION OF INTERNATIONAL REGULATED IN-**  
 6 **VESTMENT COMPANY.**

7 “(a) GENERAL RULE.—For purposes of this title, the  
 8 terms ‘international regulated investment company’ and  
 9 ‘IRIC’ mean, with respect to any taxable year, a domestic  
 10 corporation which, at all times during the taxable year,  
 11 meets the following requirements:

12 “(1) The corporation is registered under the In-  
 13 vestment Company Act of 1940.

14 “(2) Except as provided in subsection (c), the  
 15 corporation holds no assets other than the stock of  
 16 a single regulated investment company—

17 “(A) to which part I of subchapter M ap-  
 18 plies, and

19 “(B) which is not a qualified investment  
 20 entity (as defined in section 897(h)(4)(A)(ii)).

21 “(3) All outstanding stock of the corporation is  
 22 held by nonresident alien individuals (and their for-  
 23 eign estates) and qualified foreign pension funds  
 24 (within the meaning of section 897(l)(2)).

1           “(4) The corporation has in effect an election  
2           to be treated as an IRIC.

3           “(b) ELECTION.—An election to be treated as an  
4           IRIC shall apply to the taxable year for which made and  
5           all subsequent taxable years until terminated. Such elec-  
6           tion shall be made for any taxable year not later than the  
7           due date (with extensions) for the return of tax imposed  
8           by this subtitle for the taxable year.

9           “(c) PERMITTED ASSETS.—For purposes of sub-  
10          section (a)(2), an IRIC may hold—

11           “(1) an amount of cash and cash equivalents  
12           reasonably necessary or appropriate for the corpora-  
13           tion to conduct its normal affairs, and

14           “(2) such other assets as are incidental to the  
15           corporation’s conduct of its normal affairs or other-  
16           wise allowed by the Secretary.

17          “(d) TERMINATION.—

18           “(1) IN GENERAL.—Except as provided in para-  
19           graph (2), if a corporation fails to meet the require-  
20           ments of subsection (a) at any time during the tax-  
21           able year, the corporation shall not be treated as an  
22           IRIC for such taxable year.

23           “(2) INADVERTENT FAILURE.—

24           “(A) IN GENERAL.—A corporation which  
25           fails to meet the requirements of subsection (a)

1 for any taxable year shall nevertheless be con-  
2 sidered to have satisfied the requirements of  
3 such subsection for such taxable year if—

4 “(i) the failure was due to reasonable  
5 cause and not due to willful neglect,

6 “(ii) no later than 30 days after the  
7 discovery of the event causing such failure,  
8 the corporation meets the requirements of  
9 subsection (a),

10 “(iii) in the case of a failure to meet  
11 the requirements of subsection (a)(3) for  
12 any period, the failure was caused by per-  
13 sons not described therein holding, in the  
14 aggregate, less than 1 percent of the stock  
15 (by value) of the corporation, and

16 “(iv) the corporation pays the addi-  
17 tional tax imposed by reason of subpara-  
18 graph (B).

19 “(B) IMPOSITION OF ADDITIONAL TAX ON  
20 CERTAIN FAILURES.—In the case of a failure  
21 described in subparagraph (A)(iii) for any tax-  
22 able year, the tax imposed by section 998A(a)  
23 on the IRIC shall be equal to the sum of—

24 “(i) the tax determined under such  
25 section (without regard to this subpara-

1 graph) on amounts received by the IRIC  
 2 for the taxable year other than amounts so  
 3 received which are attributable to stock  
 4 held by persons not described in subsection  
 5 (a)(3) for the period so held, plus

6 “(ii) 100 percent of the amounts re-  
 7 ceived which are so attributable.

8 The Secretary shall prescribe rules for the prop-  
 9 er allocation of deductions to amounts described  
 10 in this subparagraph.

11 **“SEC. 998A. TAXATION OF IRICs.**

12 “(a) IN GENERAL.—In the case of an IRIC, there  
 13 shall be imposed, in lieu of the tax imposed by section 11,  
 14 a tax equal to 30 percent of the excess of—

15 “(1) the amounts received by the IRIC which  
 16 (before the application of any treaty) would be sub-  
 17 ject to tax under section 871(a) if received by a non-  
 18 resident alien individual, over

19 “(2) the deductions properly allocable to such  
 20 amounts (other than deductions allowed under sec-  
 21 tions 163, 172, 243, and such other provisions as  
 22 the Secretary may prescribe in regulations to pre-  
 23 vent abuse).

24 “(b) TREATIES.—

1           “(1) IN GENERAL.—In the case of a treaty  
2       IRIC, subsection (a) shall be applied by substituting  
3       ‘15 percent’ for ‘30 percent’.

4           “(2) TREATY IRIC.—For purposes of paragraph  
5       (1), the term ‘treaty IRIC’ means an IRIC—

6           “(A) all the outstanding stock of which is  
7       held by persons resident in a country that has  
8       in effect with the United States an income tax  
9       treaty pursuant to which such persons would,  
10      by reason of section 894(a), be subject to tax  
11      under section 871(a) on dividends at a rate not  
12      greater than 15 percent, and

13          “(B) which elects to be a treaty IRIC.

14      Rules similar to the rules of section 998(b) shall  
15      apply to an election under subparagraph (B).

16   **“SEC. 998B. OTHER RULES.**

17          “(a) COORDINATION WITH SUBCHAPTER M.—Except  
18      as provided in subsection (e), an IRIC shall not be treated  
19      as a regulated investment company for purposes of this  
20      title.

21          “(b) NO CARRYOVERS.—

22              “(1) CARRYOVERS TO IRIC YEARS.—No  
23      carryforward, and no carryback, arising for a tax-  
24      able year for which the corporation is not an IRIC

1        may be carried to a taxable year for which such cor-  
2        poration is an IRIC.

3            “(2) CARRYOVERS FROM IRIC YEARS.—No  
4        carryforward, and no carryback, shall arise for a  
5        taxable year for which a corporation is an IRIC.

6            “(c) CERTAIN TAXES NOT TO APPLY.—Sections 55,  
7        531, and 541 shall not apply to an IRIC.

8            “(d) CREDITS NOT ALLOWED.—No credits under  
9        this chapter shall be allowed to an IRIC.

10          “(e) REDEMPTIONS.—In applying section 302(b)(5),  
11        an IRIC shall be treated as a publicly offered regulated  
12        investment company.

13          “(f) RELIANCE ON CERTIFICATION.—

14            “(1) RELIANCE.—With respect to the require-  
15        ment in sections 998(a)(3) and 998A(b)(2)(A), a  
16        corporation may rely on the certification of its share-  
17        holders, unless or until such time that the corpora-  
18        tion has reason to know that the certification is false  
19        or is no longer true.

20            “(2) REDEMPTION UPON FALSE CERTIFI-  
21        CATION.—If a corporation has reason to know that  
22        the certification made by one of its shareholders is  
23        false or is no longer true, the corporation must re-  
24        deem the stock held by such shareholder as soon as  
25        reasonably practicable (and in no case more than 30

1 days after the corporation obtains such reason to  
2 know). Failure to redeem such stock in a timely  
3 manner shall result in the corporation failing the re-  
4 quirement of section 998(a)(3) or 998A(b)(2)(A),  
5 whichever is applicable.

6 “(3) CERTIFICATION BY CERTAIN INSTITU-  
7 TIONS.—For purposes of this subsection, a certifi-  
8 cation with regard to a person which is made by an  
9 institution described in section 871(h)(5)(B) in a  
10 form satisfactory to the Secretary under section  
11 871(h) shall be deemed to be a certification by such  
12 person.”.

13 (b) CLERICAL AMENDMENT.—The table of parts for  
14 subchapter N of chapter 1 of the Internal Revenue Code  
15 of 1986 is amended by redesignating the item relating to  
16 part V as relating to part VI and inserting after the item  
17 relating to part IV the following new item:

“Part V—International regulated investment companies”.

18 (c) EFFECTIVE DATE.—The amendments made by  
19 this section shall apply to taxable years beginning after  
20 the date of the enactment of this Act.

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