

118TH CONGRESS
1ST SESSION

H. R. 1034

To amend the Internal Revenue Code of 1986 to modify the residence and source rules to provide for economic recovery in the possessions of the United States.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 14, 2023

Ms. PLASKETT introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to modify the residence and source rules to provide for economic recovery in the possessions of the United States.

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 “Territorial Tax Equity
5 and Economic Growth Act of 2023”.

6 **SEC. 2. MODIFICATION TO RESIDENCE AND SOURCE RULES**
7 **INVOLVING POSSESSIONS.**

8 (a) BONA FIDE RESIDENT.—Section 937(a) of the
9 Internal Revenue Code of 1986 is amended—

1 (1) by striking the last sentence, and

2 (2) by amending paragraph (1) to read as fol-
3 lows:

4 “(1) who has a substantial presence (deter-
5 mined under the principles of section 7701(b)(3)(A)
6 (applied by substituting ‘122 days’ for ‘31 days’ in
7 clause (i) thereof) without regard to sections
8 7701(b)(3)(B), (C), and (D)) during the taxable
9 year in Guam, American Samoa, the Northern Mar-
10 iana Islands, Puerto Rico, or the Virgin Islands, as
11 the case may be, and”.

12 (b) SOURCE RULES.—Section 937(b) of such Code
13 is amended—

14 (1) in paragraph (1), by striking “and” at the
15 end,

16 (2) in paragraph (2), by striking the period at
17 the end and inserting “, but only to the extent such
18 income is attributable to an office or fixed place of
19 business within the United States (determined under
20 the rules of section 864(c)(5)),”, and

21 (3) by adding at the end the following new
22 paragraphs:

23 “(3) for purposes of paragraph (1), the prin-
24 ciples of section 864(c)(2), rather than rules similar
25 to the rules in section 864(c)(4), shall apply for pur-

1 poses of determining whether income from sources
2 without a possession specified in subsection (a)(1) is
3 effectively connected with the conduct of a trade or
4 business within such possession, and

5 “(4) for purposes of paragraph (2), income
6 from activities within the United States which are of
7 a preparatory or auxiliary character shall not be
8 treated as income from sources within the United
9 States or as effectively connected with the conduct
10 of a trade or business within the United States.”.

11 (c) SOURCE RULES FOR PERSONAL PROPERTY
12 SALES.—Section 865(j)(3) of such Code is amended by
13 inserting “, 932,” after “931”.

14 (d) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to taxable years beginning after
16 December 31, 2022.

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