

116TH CONGRESS  
2D SESSION

# H. R. 7749

To amend the Internal Revenue Code of 1986 to encourage the transfer of intangible property from controlled foreign corporations to United States shareholders.

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## IN THE HOUSE OF REPRESENTATIVES

JULY 23, 2020

Mr. LAHOOD (for himself and Mr. FERGUSON) 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 encourage the transfer of intangible property from controlled foreign corporations to United States shareholders.

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. SPECIAL RULES FOR TRANSFERS OF INTAN-**  
4 **GIBLE PROPERTY FROM CONTROLLED FOR-**  
5 **EIGN CORPORATIONS TO UNITED STATES**  
6 **SHAREHOLDERS.**

7 (a) IN GENERAL.—Subpart F of part III of sub-  
8 chapter N of chapter 1 of the Internal Revenue Code of

1 1986 is amended by adding at the end the following new  
2 section:

3 **“SEC. 966. TRANSFERS OF INTANGIBLE PROPERTY TO**  
4 **UNITED STATES SHAREHOLDERS.**

5 “(a) IN GENERAL.—If a controlled foreign corpora-  
6 tion holds intangible property on the date of the enact-  
7 ment of this section and thereafter distributes such prop-  
8 erty to a domestic corporation which is a United States  
9 shareholder with respect to such controlled foreign cor-  
10 poration—

11 “(1) for purposes of part I of subchapter C and  
12 any other provision of this title specified by the Sec-  
13 retary, the fair market value of such property on the  
14 date of such distribution shall be treated as not ex-  
15 ceeding the adjusted basis of such property imme-  
16 diately before such distribution, and

17 “(2) if any portion of such distribution is not  
18 a dividend—

19 “(A) no gain shall be recognized by such  
20 United States shareholder with respect to such  
21 distribution, and

22 “(B) the adjusted basis of such property in  
23 the hands of such United States shareholder  
24 immediately after such distribution shall be the  
25 adjusted basis of such property in the hands of

1           such controlled foreign corporation immediately  
2           before such distribution reduced by the amount  
3           (if any) of gain not recognized by reason of  
4           subparagraph (A) (determined after the appli-  
5           cation of paragraph (1)).

6           “(b) INTANGIBLE PROPERTY.—For purposes of this  
7 section, the term ‘intangible property’ means any—

8           “(1) patent, copyright, license, invention, for-  
9           mula, process, design, pattern, know-how, or format,

10           “(2) method, program, system, procedure, cam-  
11           paign, survey, study, forecast, estimate, or technical  
12           data,

13           “(3) computer software (as defined in section  
14           197(e)(3)(B)), or

15           “(4) any similar item, which has substantial  
16           value independent of the services of any individual.”.

17           (b) CONFORMING AMENDMENTS.—

18           (1) Section 197(f)(2)(B)(i) of such Code is  
19           amended by inserting “966(a),” after “731,”.

20           (2) The table of sections for subpart F of part  
21           III of subchapter N of chapter 1 of such Code is  
22           amended by adding at the end the following new  
23           item:

“Sec. 966. Transfers of intangible property to United States shareholders.”.

24           (c) EFFECTIVE DATE.—The amendments made by  
25 this section shall apply to distributions made in taxable

1 years of foreign corporations beginning after December  
2 31, 2020, and to taxable years of United States share-  
3 holders in which or with which such taxable years of for-  
4 eign corporations end.

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