

Joint Committee on Taxation
June 23, 1984
JCX-31-84

The attached items were provided for the information of the conferees only and do not necessarily reflect any decisions made in the conference.

Possible House Offer on FSC
June 23, 1984 04:25 AM

179. Foreign Sales
Corporations

(a) House recedes with amendments (i) to reduce the percentage of export income which will be exempt from tax, (ii) and to clarify that income of a controlled foreign corporation from loans to unrelated parties to finance the purchase of its related party's goods is Subpart F income subject to the separate foreign tax credit limitation for interest.

(b)(1) House recedes.

(b)(2) House recedes.

(b)(3) House recedes with amendment to retain the present law DISC requirement that a company have at least 50 percent of its income from exporting before income from managerial services provided to an unrelated party would be exempt.

(b)(4) House recedes.

(c) House recedes.

(d) House recedes with amendments:

(d)(1)(i) Exemption for combined taxable income method is 16 percent of combined taxable income.

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(ii) Exemption for gross receipts method is 1.27 percent of gross receipts.

(iii) Exemption cannot exceed 32 percent of FSC income if taxpayer uses sec. 482 method.

(d)(2) House recedes.

(d)(3) No exemption is provided on 7 percent of FSC income.

(e) House recedes.

(f) House recedes with amendments:

(f)(1)(ii) An amendment will require tax records (including invoices) to be kept in an office in a country which is either a party to an exchange of information agreement with the United States or an income tax treaty partner (if the Treasury certifies that its exchange of information program under the treaty is satisfactory). The foreign country could not be a country that has a statute (or other stated policy) which denies the IRS access to the home office of the FSC for audit purposes.

(f)(5) An amendment will require any DISC established after Senate committee action to conform its taxable year to that of its majority shareholder.

(g) House recedes.

(h) Senate recedes, which deletes the rule that shifts the burden of proof to the IRS upon a taxpayer affidavit.

(i) House recesses.

(j) House recesses.

(k) House recesses.

(l) House recesses.

(m) House recesses.

(n)(1) House recesses.

(n)(2) Senate recesses with an amendment to allow U.S. territories to impose tax on FSCs, and to correct technical language that could allow FSCs established in the U.S. Virgin Islands to escape all tax on non-exempt income.

Effective date.--

1. House recesses.

2. House recesses with amendment spreading distributions over 10 years.

3. House recesses.