

**AMENDMENT TO THE RULES COMMITTEE PRINT
FOR H.R. 4909
OFFERED BY MRS. DAVIS OF CALIFORNIA**

At the end of subtitle A of title VI, add the following
new section:

1 **SEC. 6** ____ . **BASIC ALLOWANCE FOR HOUSING AND CERTAIN**
2 **FEDERAL BENEFITS.**

3 (a) **EXCLUSION OF BAH.**—Section 403(k) of title 37,
4 United States Code, is amended by adding at the end the
5 following new paragraph:

6 “(4) In determining the eligibility to participate in
7 the supplemental nutrition assistance program and the
8 Family Subsistence Supplemental Allowance program the
9 value of a housing allowance under this section shall be
10 excluded from any calculation of income, assets, or re-
11 sources.”.

12 (b) **CONFORMING AMENDMENT.**—Section 5(d) of the
13 Food and Nutrition Act of 2008 (7 U.S.C. 2014(d)) is
14 amended—

15 (1) in paragraph (18), by striking “; and” and
16 inserting a semicolon;

17 (2) in paragraph (19)(B), by striking the period
18 and inserting “; and”; and

1 (3) by adding at the end the following new
2 paragraph:

3 “(20) allowance covered by section 403(k)(4) of
4 title 37, United States Code.”.

5 (e) OFFSETS.—

6 (1) REPEAL OF DEDUCTION FOR LOCAL LOB-
7 BYING EXPENSES.—

8 (A) IN GENERAL.—Section 162(e) of the
9 Internal Revenue Code of 1986 is amended by
10 striking paragraphs (2) and (7) and by redesignig-
11 nating paragraphs (3), (4), (5), (6), and (8) as
12 paragraphs (2), (3), (4), (5), and (6), respec-
13 tively.

14 (B) CONFORMING AMENDMENT.—Section
15 6033(e)(1)(B)(ii) of the Internal Revenue Code
16 of 1986 is amended by striking “section
17 162(e)(5)(B)(ii)” and inserting “section
18 162(e)(4)(B)(ii)”.

19 (C) EFFECTIVE DATE.—The amendments
20 made by this paragraph shall apply to amounts
21 paid or incurred after December 31, 2016.

22 (2) TAXATION OF PASSENGER CRUISE GROSS
23 INCOME OF FOREIGN CORPORATIONS AND NON-
24 RESIDENT ALIEN INDIVIDUALS.—

1 (A) IN GENERAL.—Section 882 of the In-
2 ternal Revenue Code of 1986 is amended by re-
3 designating subsection (f) as subsection (g) and
4 by inserting after subsection (e) the following
5 new subsection:

6 “(f) TREATMENT OF PASSENGER CRUISE GROSS IN-
7 COME.—

8 “(1) IN GENERAL.—For purposes of this title,
9 the effectively connected passenger cruise gross in-
10 come of a foreign corporation shall be treated as
11 gross income which is effectively connected with the
12 conduct of a trade or business in the United States.

13 “(2) EFFECTIVELY CONNECTED PASSENGER
14 CRUISE GROSS INCOME.—For purposes of this sub-
15 section, the term ‘effectively connected passenger
16 cruise gross income’ means, with respect to the oper-
17 ation of any ship in a covered voyage, the United
18 States territorial waters percentage of the gross in-
19 come (determined without regard to section
20 883(a)(1)) derived from such operation, including
21 any amount received with respect to the provision of
22 any on- or off-board activities, services, or sales,
23 with respect to passengers incidental to such oper-
24 ation (or with respect to any agreement with any

1 person with respect to the provision of any such ac-
2 tivities, services, or sales).

3 “(3) UNITED STATES TERRITORIAL WATERS
4 PERCENTAGE.—For purposes of this subsection—

5 “(A) IN GENERAL.—The term ‘United
6 States territorial waters percentage’ means,
7 with respect to the operation of any ship in any
8 covered voyage, the ratio (expressed as a per-
9 centage) of—

10 “(i) the number of days during such
11 voyage such ship was operated in the terri-
12 torial waters of the United States, divided
13 by

14 “(ii) the total number of days of such
15 voyage.

16 “(B) CALENDAR DAY RULE.—If a ship—

17 “(i) is operated in a covered voyage,
18 or

19 “(ii) is operated in the territorial
20 waters of the United States during a cov-
21 ered voyage,

22 for any portion of a calendar day, such ship
23 shall be treated as having operated in a covered
24 voyage, or as having operated in such territorial

1 waters, respectively, for the entirety of such
2 day.

3 “(C) TERRITORIAL WATERS.—The terri-
4 torial waters of the United States shall be
5 treated as consisting of those waters which
6 are—

7 “(i) within the international boundary
8 line between the United States and any
9 contiguous foreign country, or

10 “(ii) within 12 nautical miles from low
11 tide on the coastline of the United States.

12 “(4) COVERED VOYAGE.—For purposes of this
13 subsection—

14 “(A) IN GENERAL.—The term ‘covered
15 voyage’ has the meaning given such term by
16 section 4472(1).

17 “(B) ANTI-ABUSE RULE.—Except as oth-
18 erwise provided by the Secretary, if passengers
19 embark a ship in the United States and more
20 than 10 percent of such passengers disembark
21 in the United States, the operation of such ship
22 at all times between such events shall be treat-
23 ed as a covered voyage. Nothing in the pre-
24 ceding sentence shall preclude any operation of
25 a ship (including any operation of a ship before

1 or after such events) which would otherwise be
2 treated as part of a covered voyage from being
3 so treated.

4 “(5) TREATMENT OF OTHERWISE EFFECTIVELY
5 CONNECTED INCOME.—Gross income which would,
6 without regard to this subsection, be gross income
7 which is effectively connected with the conduct of a
8 trade or business in the United States—

9 “(A) shall be so treated, and

10 “(B) shall not be taken into account as
11 gross income under paragraph (2).”.

12 (B) APPLICATION TO NONRESIDENT ALIEN
13 INDIVIDUALS.—Section 871 of the Internal
14 Revenue Code of 1986 is amended by redesign-
15 ating subsection (n) as subsection (o) and by
16 inserting after subsection (m) the following new
17 subsection:

18 “(n) TREATMENT OF PASSENGER CRUISE GROSS IN-
19 COME.—

20 “(1) IN GENERAL.—For purposes of this title,
21 the effectively connected passenger cruise gross in-
22 come of a nonresident alien individual shall be treat-
23 ed as gross income which is effectively connected
24 with the conduct of a trade or business in the
25 United States.

1 “(2) DEFINITIONS AND SPECIAL RULES.—For
2 purposes of this subsection—

3 “(A) DEFINITIONS.—Terms used in this
4 subsection which are also used in section 882(f)
5 shall have the same meaning as when used in
6 such section, except that section 882(f)(2) shall
7 be applied by substituting ‘section 872(b)(1)’
8 for ‘section 883(a)(1)’.

9 “(B) TREATMENT OF OTHERWISE EFFEC-
10 TIVELY CONNECTED INCOME.—Rules similar to
11 the rules of section 882(f)(5) shall apply for
12 purposes of this subsection.”.

13 (C) COORDINATION WITH RECIPROCAL EX-
14 EMPTIONS FOR SHIPPING INCOME.—

15 (i) IN GENERAL.—Section 883(a)(1)
16 of the Internal Revenue Code of 1986 is
17 amended by striking “Gross income” and
18 inserting “Except as provided in section
19 882(f), gross income”.

20 (ii) NONRESIDENT ALIEN INDIVID-
21 UALS.—Section 872(b)(1) of the Internal
22 Revenue Code of 1986 is amended by
23 striking “Gross income” and inserting
24 “Except as provided in section 871(n),
25 gross income”.

1 (D) COORDINATION WITH TAX ON GROSS
2 TRANSPORTATION INCOME.—Section 887(b)(4)
3 of the Internal Revenue Code of 1986 is
4 amended by adding at the end the following
5 new flush text:

6 “The preceding sentence shall not apply to any
7 United States source gross transportation income
8 which is effectively connected passenger cruise gross
9 income (within the meaning of section 871(n) or
10 882(f)).”.

11 (E) EFFECTIVE DATE.—The amendments
12 made by this paragraph shall apply to taxable
13 years beginning after December 31, 2016.

