

**AMENDMENT TO H.R. 160, AS REPORTED  
OFFERED BY MR. POLIS OF COLORADO**

Page 5, after line 19, add the following:

1 **SEC. 3. LIMITATION ON SECTION 199 DEDUCTION ATTRIB-**  
2 **UTABLE TO OIL, NATURAL GAS, OR PRIMARY**  
3 **PRODUCTS THEREOF.**

4 (a) DENIAL OF DEDUCTION.—Section 199(c)(4) of  
5 the Internal Revenue Code of 1986 is amended by adding  
6 at the end the following new subparagraph:

7 “(E) SPECIAL RULE FOR CERTAIN OIL  
8 AND GAS INCOME.—In the case of any taxpayer  
9 who is a major integrated oil company (as de-  
10 fined in section 167(h)(5)(B)) for the taxable  
11 year, the term ‘domestic production gross re-  
12 cepts’ shall not include gross receipts from the  
13 production, transportation, or distribution of  
14 oil, natural gas, or any primary product (within  
15 the meaning of subsection (d)(9)) thereof.”.

16 (b) EFFECTIVE DATE.—The amendment made by  
17 this section shall apply to taxable years beginning after  
18 December 31, 2014.

1 **SEC. 4. PROHIBITION ON USING LAST-IN, FIRST-OUT AC-**  
2 **COUNTING FOR MAJOR INTEGRATED OIL**  
3 **COMPANIES.**

4 (a) IN GENERAL.—Section 472 of the Internal Rev-  
5 enue Code of 1986 is amended by adding at the end the  
6 following new subsection:

7 “(h) MAJOR INTEGRATED OIL COMPANIES.—Not-  
8 withstanding any other provision of this section, a major  
9 integrated oil company (as defined in section  
10 167(h)(5)(B)) may not use the method provided in sub-  
11 section (b) in inventorying of any goods.”.

12 (b) EFFECTIVE DATE AND SPECIAL RULE.—

13 (1) IN GENERAL.—The amendment made by  
14 subsection (a) shall apply to taxable years beginning  
15 after December 31, 2014.

16 (2) CHANGE IN METHOD OF ACCOUNTING.—In  
17 the case of any taxpayer required by the amendment  
18 made by this section to change its method of ac-  
19 counting for its first taxable year beginning after  
20 December 31, 2014—

21 (A) such change shall be treated as initi-  
22 ated by the taxpayer,

23 (B) such change shall be treated as made  
24 with the consent of the Secretary of the Treas-  
25 ury, and

1           (C) the net amount of the adjustments re-  
2           quired to be taken into account by the taxpayer  
3           under section 481 of the Internal Revenue Code  
4           of 1986 shall be taken into account ratably over  
5           a period (not greater than 8 taxable years) be-  
6           ginning with such first taxable year.

7 **SEC. 5. MODIFICATIONS OF FOREIGN TAX CREDIT RULES**  
8           **APPLICABLE TO MAJOR INTEGRATED OIL**  
9           **COMPANIES WHICH ARE DUAL CAPACITY**  
10          **TAXPAYERS.**

11          (a) IN GENERAL.—Section 901 of the Internal Rev-  
12          enue Code of 1986 is amended by redesignating subsection  
13          (n) as subsection (o) and by inserting after subsection (m)  
14          the following new subsection:

15          “(n) SPECIAL RULES RELATING TO MAJOR INTE-  
16          GRATED OIL COMPANIES WHICH ARE DUAL CAPACITY  
17          TAXPAYERS.—

18                 “(1) GENERAL RULE.—Notwithstanding any  
19                 other provision of this chapter, any amount paid or  
20                 accrued by a dual capacity taxpayer which is a  
21                 major integrated oil company (as defined in section  
22                 167(h)(5)(B)) to a foreign country or possession of  
23                 the United States for any period shall not be consid-  
24                 ered a tax—

1           “(A) if, for such period, the foreign coun-  
2           try or possession does not impose a generally  
3           applicable income tax, or

4           “(B) to the extent such amount exceeds  
5           the amount (determined in accordance with reg-  
6           ulations) which—

7                   “(i) is paid by such dual capacity tax-  
8                   payer pursuant to the generally applicable  
9                   income tax imposed by the country or pos-  
10                  session, or

11                   “(ii) would be paid if the generally ap-  
12                   plicable income tax imposed by the country  
13                   or possession were applicable to such dual  
14                   capacity taxpayer.

15           Nothing in this paragraph shall be construed to  
16           imply the proper treatment of any such amount  
17           not in excess of the amount determined under  
18           subparagraph (B).

19           “(2) DUAL CAPACITY TAXPAYER.—For pur-  
20           poses of this subsection, the term ‘dual capacity tax-  
21           payer’ means, with respect to any foreign country or  
22           possession of the United States, a person who—

23                   “(A) is subject to a levy of such country or  
24                  possession, and

1           “(B) receives (or will receive) directly or  
2 indirectly a specific economic benefit (as deter-  
3 mined in accordance with regulations) from  
4 such country or possession.

5           “(3) GENERALLY APPLICABLE INCOME TAX.—  
6 For purposes of this subsection—

7           “(A) IN GENERAL.—The term ‘generally  
8 applicable income tax’ means an income tax (or  
9 a series of income taxes) which is generally im-  
10 posed under the laws of a foreign country or  
11 possession on income derived from the conduct  
12 of a trade or business within such country or  
13 possession.

14           “(B) EXCEPTIONS.—Such term shall not  
15 include a tax unless it has substantial applica-  
16 tion, by its terms and in practice, to—

17           “(i) persons who are not dual capacity  
18 taxpayers, and

19           “(ii) persons who are citizens or resi-  
20 dents of the foreign country or posses-  
21 sion.”.

22 (b) EFFECTIVE DATE.—

23           “(1) IN GENERAL.—The amendments made by  
24 this section shall apply to taxes paid or accrued in  
25 taxable years beginning after December 31, 2014.

1           (2)    CONTRARY    TREATY    OBLIGATIONS  
2           UPHELD.—The amendments made by this section  
3           shall not apply to the extent contrary to any treaty  
4           obligation of the United States.

