AMENDMENT TO RULES COMMITTEE PRINT 114-57

OFFERED BY MR. SABLAN OF NORTHERN MARIANA ISLANDS, MRS. RADEWAGEN OF AMERICAN SAMOA, MS. BORDALLO OF GUAM, AND MR. PIERLUISI OF PUERTO RICO

At the end, add the following:

TITLE VIII—REIMBURSEMENT
OF POSSESSIONS FOR COST
OF EARNED INCOME TAX
CREDIT

SEC. 801. REIMBURSEMENT OF POSSESSIONS FOR COST OF EARNED INCOME TAX CREDIT.

(a) In General.—Section 32 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

“(n) Treatment of Possessions.—

“(1) Payments to Possessions.—

“(A) Mirror code possession.—The Secretary of the Treasury shall periodically (but not less frequently than annually) pay to each possession of the United States with a mirror code tax system amounts equal to the loss to
that possession by reason of the application of this section (determined without regard to para-
graph (2)) with respect to taxable years begin-
ning after December 31, 2016. Such amounts shall be determined by the Secretary of the Treasury based on information provided by the government of the respective possession.

“(B) OTHER POSSESSIONS.—The Sec-

retary of the Treasury shall periodically (but no less frequently than annually) pay to each pos-
session of the United States which does not have a mirror code tax system amounts esti-
ated by the Secretary of the Treasury as being equal to the aggregate benefits that would have been provided to residents of such posses-

sion by reason of the application of this section for taxable years beginning after December 31,

2016, if a mirror code tax system had been in effect in such possession. The preceding sen-
tence shall not apply with respect to any posses-

sion of the United States unless such possession has a plan, which has been approved by the Secretary of the Treasury, under which such possession will promptly distribute such pay-

ments to the residents of such possession.
“(2) COORDINATION WITH CREDIT ALLOWED AGAINST UNITED STATES INCOME TAXES.—No credit shall be allowed under this section for any taxable year to any person—

“(A) to whom a credit is allowed against taxes imposed by the possession by reason of this section (determined without regard to this paragraph) for such taxable year, or

“(B) who is eligible for a payment under a plan described in paragraph (1)(B) with respect to such taxable year.

“(3) DEFINITIONS AND SPECIAL RULES.—

“(A) POSSESSION OF THE UNITED STATES.—For purposes of this subsection, the term ‘possession of the United States’ includes the Commonwealth of Puerto Rico and the Commonwealth of the Northern Mariana Islands.

“(B) MIRROR CODE TAX SYSTEM.—For purposes of this subsection, the term ‘mirror code tax system’ means, with respect to any possession of the United States, the income tax system of such possession if the income tax liability of the residents of such possession under such system is determined by reference to the
income tax laws of the United States as if such possession were the United States, and such system includes a tax credit substantially identical to the credit allowed under this section.

“(C) TREATMENT OF PAYMENTS.—For purposes of section 1324(b)(2) of title 31, United States Code, or any similar rule of law, any payment made under this subsection shall be treated in the same manner as a refund due from the credit allowed under this section.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2016.