

AMENDMENT TO
RULES COMMITTEE PRINT 118-36
OFFERED BY MR. SHERMAN OF CALIFORNIA

At the end of subtitle C of title XVII, add the following:

1 **SEC. 17__.** **CERTAIN GAINS AND DIVIDENDS DERIVED**
2 **FROM COUNTRIES OF CONCERN TREATED AS**
3 **ORDINARY INCOME.**

4 (a) **IN GENERAL.**—Part IV of subchapter P of chap-
5 ter 1 of the Internal Revenue Code of 1986 is amended
6 by adding at the end the following new section:

7 **“SEC. 1261. GAINS DERIVED FROM COUNTRIES OF CON-**
8 **CERN TREATED AS ORDINARY INCOME.**

9 “(a) **IN GENERAL.**—Gain from the sale, exchange, or
10 other disposition of specified country of concern property
11 shall be treated as ordinary income. Such gain shall be
12 recognized notwithstanding any other provision of this
13 title.

14 “(b) **SPECIFIED COUNTRY OF CONCERN PROP-**
15 **ERTY.**—For purposes of this section:

16 “(1) **IN GENERAL.**—The term ‘specified country
17 of concern property’ means—

1 “(A) any registered or unregistered secu-
2 rity of a company or other entity, as determined
3 by criteria established by the Securities and Ex-
4 change Commission and the Secretary of the
5 Treasury—

6 “(i) which is incorporated or otherwise
7 organized in a country of concern,

8 “(ii) which has a majority of such
9 company or other entity’s assets or em-
10 ployees located in a country of concern,

11 “(iii) which is owned by, controlled by,
12 or subject to the jurisdiction or direction of
13 a government of a country of concern,

14 “(iv) where a majority of such com-
15 pany or other entity’s value depends on the
16 revenues, profits, market capitalization, as-
17 sets, or the value of a security (including
18 options to purchase or sell) of companies
19 or other entities described under clause (i),
20 (ii), or (iii), or

21 “(v) where such company or other en-
22 tity is controlled by any company or other
23 entity described under clause (i), (ii), or
24 (iii), and

1 “(B) any property (other than securities)
2 which is located or used in a country of con-
3 cern.

4 “(2) ADDITIONAL DEFINITIONS.—For purposes
5 of paragraph (1):

6 “(A) CONTROLLED BY.—The term ‘con-
7 trolled by’ has the meaning given that term
8 under section 230.405 of title 17, Code of Fed-
9 eral Regulations.

10 “(B) COUNTRY OF CONCERN.—The term
11 ‘country of concern’ means the People’s Repub-
12 lic of China (including Hong Kong and Macao
13 and excluding Taiwan), Russia, Belarus, Iran,
14 and North Korea.”.

15 (b) DIVIDENDS.—Section 1(h)(11)(C)(iii) of such
16 Code is amended by striking “and” at the end of subclause
17 (I), by striking the period at the end of subclause (II) and
18 inserting “, and”, and by adding at the end the following
19 new subclause:

20 “(III) any foreign corporation de-
21 scribed in section 1261(b)(1)(A) as of
22 the date on which the dividend is
23 paid.”.

24 (c) DENIAL OF STEP-UP IN BASIS AT DEATH.—Sec-
25 tion 1014(a) of such Code is amended by striking “or”

1 at the end of paragraph (3), by striking the period at the
2 end of paragraph (4) and inserting “, or”, and by adding
3 at the end the following new paragraph:

4 “(5) in the case of specified country of concern
5 property (as defined in section 1261(b)), the basis in
6 the hands of the decedent.”.

7 (d) NOTICE TO PURCHASERS.—Not later than 180
8 days after the date of the enactment of this Act, the Secu-
9 rities and Exchange Commission shall issue rules requir-
10 ing any person selling, exchanging, or otherwise disposing
11 of a security that is specified country of concern property
12 (as defined under section 1261(b) of the Internal Revenue
13 Code of 1986) to notify the other party to such sale, ex-
14 change, or disposition that any gains related to such secu-
15 rity are treated as ordinary income under the Internal
16 Revenue Code of 1986 and not treated as capital gains.

17 (e) PUBLICLY-AVAILABLE LIST OF SECURITIES.—

18 (1) IN GENERAL.—The Securities and Ex-
19 change Commission shall publish on the website of
20 the Commission a list of all securities described
21 under section 1261(b)(1)(A) of the Internal Revenue
22 Code of 1986.

23 (2) REPORTING REQUIREMENTS.—The Securi-
24 ties and Exchange Commission may require such re-
25 ports as the Commission determines necessary to de-

1 termine which securities are described under section
2 1261(b)(1)(A) of the Internal Revenue Code of
3 1986.

4 (f) RULEMAKING.—Not later than 180 days after the
5 date of the enactment of this Act, the Secretary of the
6 Treasury and the Securities and Exchange Commission
7 shall issue such rules as may be necessary to implement
8 this Act and the amendments made by this Act, including
9 establishing the criteria described under section
10 1261(b)(1)(A) of the Internal Revenue Code of 1986.

11 (g) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to dispositions of property, and
13 dividends paid, on or after January 1, 2025.

