

112TH CONGRESS
1ST SESSION

S. 57

To amend the Internal Revenue Code of 1986 to modify the application of the tonnage tax on certain vessels.

IN THE SENATE OF THE UNITED STATES

JANUARY 25 (legislative day, JANUARY 5), 2011

Mr. INOUE introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to modify the application of the tonnage tax on certain vessels.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. MODIFICATION OF THE APPLICATION OF THE**
4 **TONNAGE TAX ON VESSELS OPERATING IN**
5 **THE DUAL UNITED STATES DOMESTIC AND**
6 **FOREIGN TRADES.**

7 (a) IN GENERAL.—Subsection (f) of section 1355 of
8 the Internal Revenue Code of 1986 (relating to definitions
9 and special rules) is amended to read as follows:

1 “(f) EFFECT OF OPERATING A QUALIFYING VESSEL
2 IN THE DUAL UNITED STATES DOMESTIC AND FOREIGN
3 TRADES.—For purposes of this subchapter—

4 “(1) an electing corporation shall be treated as
5 continuing to use a qualifying vessel in the United
6 States foreign trade during any period of use in the
7 United States domestic trade, and

8 “(2) gross income from such United States do-
9 mestic trade shall not be excluded under section
10 1357(a), but shall not be taken into account for pur-
11 poses of section 1353(b)(1)(B) or for purposes of
12 section 1356 in connection with the application of
13 section 1357 or 1358.”.

14 (b) REGULATORY AUTHORITY FOR ALLOCATION OF
15 CREDITS, INCOME, AND DEDUCTIONS.—Section 1358 of
16 the Internal Revenue Code of 1986 (relating to allocation
17 of credits, income, and deductions) is amended—

18 (1) by striking “in accordance with this sub-
19 section” in subsection (c) and inserting “to the ex-
20 tent provided in such regulations as may be pre-
21 scribed by the Secretary”, and

22 (2) by adding at the end the following new sub-
23 section:

24 “(d) REGULATIONS.—The Secretary shall prescribe
25 regulations consistent with the provisions of this sub-

1 chapter for the purpose of allocating gross income, deduc-
2 tions, and credits between or among qualifying shipping
3 activities and other activities of a taxpayer.”.

4 (c) CONFORMING AMENDMENTS.—

5 (1) Section 1355(a)(4) of the Internal Revenue
6 Code of 1986 is amended by striking “exclusively”.

7 (2) Section 1355(b)(1)(B) of such Code is
8 amended by striking “as a qualifying vessel” and in-
9 serting “in the transportation of goods or pas-
10 sengers”.

11 (3) Section 1355 of such Code is amended—

12 (A) by striking subsection (g), and

13 (B) by redesignating subsection (h) as sub-
14 section (g).

15 (d) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to taxable years beginning after
17 the date of the enactment of this Act.

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