

109TH CONGRESS
2^D SESSION

H. R. 5699

To provide Federal contracting preferences for, and a reduction in the rate of income tax imposed on, Patriot corporations, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 28, 2006

Ms. SCHAKOWSKY (for herself, Mr. BROWN of Ohio, Mr. OBEY, Ms. WOOLSEY, Ms. LEE, Mr. DEFAZIO, Mr. LANTOS, Mr. OWENS, Mr. HINCHEY, Mr. CONYERS, and Ms. SOLIS) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Government Reform, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To provide Federal contracting preferences for, and a reduction in the rate of income tax imposed on, Patriot corporations, and for other purposes.

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. SHORT TITLE.**

4 This Act may be cited as the “Patriot Corporations
5 of America Act of 2006”.

1 **SEC. 2. FEDERAL CONTRACTING PREFERENCE FOR PA-**
2 **TRIBUT CORPORATIONS.**

3 In the evaluation of bids or proposals for a contract
4 for the procurement of goods or services, the Federal Gov-
5 ernment shall provide a preference to any entity that is
6 a Patriot corporation (as defined in section 11(e) of the
7 Internal Revenue Code of 1986, as added by section 3 of
8 this Act), unless the award of the contract to such entity
9 would jeopardize the national security interests of the
10 United States.

11 **SEC. 3. REDUCTION IN RATE OF INCOME TAX FOR PATRIOT**
12 **CORPORATIONS.**

13 (a) IN GENERAL.—Section 11 of the Internal Rev-
14 enue Code of 1986 is amended by adding at the end the
15 following new subsection:

16 “(e) PATRIOT CORPORATIONS.—

17 “(1) RATE REDUCTION FOR PATRIOT CORPORA-
18 TIONS.—In the case of a Patriot corporation, the
19 amount of the tax imposed under subsection (a) (de-
20 termined without regard to this paragraph) shall be
21 reduced by an amount equal to 5 percent of the tax-
22 able income of such corporation.

23 “(2) PATRIOT CORPORATION DEFINED.—For
24 purposes of this subsection—

25 “(A) IN GENERAL.—The term ‘Patriot cor-
26 poration’ means, with respect to any taxable

1 year, any corporation which is certified by the
2 Secretary as meeting the requirements of sub-
3 paragraph (B) for such taxable and the pre-
4 ceding taxable year.

5 “(B) REQUIREMENTS.—A corporation
6 meets the requirements of this subparagraph,
7 with respect to any taxable year, if such cor-
8 poration—

9 “(i) produces in the United States at
10 least 90 percent of the goods and services
11 sold by such corporation during such tax-
12 able year,

13 “(ii) does not provide compensation to
14 any management personnel of such cor-
15 poration at a level of compensation which
16 exceeds 10,000 percent of the level of com-
17 pensation of the full-time employee of such
18 corporation with the lowest level of com-
19 pensation during such taxable year,

20 “(iii) conducts at least 50 percent of
21 the research and development conducted by
22 such corporation during such taxable year
23 (determined on the basis of cost) in the
24 United States,

1 “(iv) has contributed at least 5 per-
2 cent of wages paid by the corporation dur-
3 ing the taxable year to a portable pension
4 fund for the benefit of employees of the
5 corporation,

6 “(v) has paid at least 70 percent of
7 the cost of a standardized health insurance
8 plan for the benefit of employees of the
9 corporation during such taxable year,

10 “(vi) has maintained at all times dur-
11 ing such taxable year neutrality in em-
12 ployee organizing drives and has in effect
13 a policy to that effect,

14 “(vii) has not been (at any time dur-
15 ing such taxable year) in violation of ap-
16 propriate Federal regulations including
17 those related to the environment, work-
18 place safety, labor relations, and consumer
19 protections, as determined by the Sec-
20 retary, and

21 “(viii) has not been in violation of any
22 other regulations specified by the Sec-
23 retary.

24 “(C) CERTIFICATION PROCESS.—Not later
25 than 90 days after the date of the enactment of

1 this subsection, the Secretary shall establish an
2 application and certification process to annually
3 certify corporations as Patriot corporations.
4 Such certifications shall be made at such time
5 and on the basis of such materials as the Sec-
6 retary determines appropriate.”.

7 (b) **EFFECTIVE DATE.**—The amendment made by
8 this section shall apply to taxable years beginning after
9 December 31, 2007.

10 (c) **CERTIFICATION ALLOWED FOR YEAR PRECEDING**
11 **EFFECTIVE DATE OF RATE REDUCTION.**—For purposes
12 of section 11(e) of the Internal Revenue Code of 1986,
13 as added by this section, the Secretary may certify a cor-
14 poration as a Patriot corporation for the last taxable year
15 of the corporation beginning on or before December 31,
16 2007, if the corporation meets the requirements of para-
17 graph (2)(B) of such section for such taxable year.

18 **SEC. 4. TAX AVOIDANCE FOREIGN CORPORATIONS SUB-**
19 **JECT TO UNITED STATES INCOME TAX.**

20 (a) **IN GENERAL.**—Paragraph (4) of section 7701(a)
21 of the Internal Revenue Code of 1986 (defining domestic)
22 is amended to read as follows:

23 “(4) **DOMESTIC.**—

24 “(A) **IN GENERAL.**—Except as provided in
25 subparagraph (B), the term ‘domestic’ when ap-

1 “(1) IN GENERAL.—If the adjusted gross in-
2 come of a taxpayer exceeds the threshold amount,
3 the tax imposed by this section (determined without
4 regard to this subsection) shall be increased by an
5 amount equal to the applicable percentage of so
6 much of the adjusted gross income as exceeds the
7 threshold amount.

8 “(2) THRESHOLD AMOUNTS.—For purposes of
9 this subsection, the term ‘threshold amount’
10 means—

11 “(A) \$1,000,000 in the case of a joint re-
12 turn, and

13 “(B) \$500,000 in the case of any other re-
14 turn.

15 “(3) APPLICABLE PERCENTAGE.—For purposes
16 of this subsection, the term ‘applicable percentage’
17 means, with respect to any taxable year, such per-
18 centage as is estimated by the Secretary to result in
19 an increase in the revenues to the Treasury for such
20 taxable year which is equal to the excess of—

21 “(A) the decrease (if any) in the revenues
22 to the Treasury that the Secretary estimates re-
23 sults from the application of section 11(e) for
24 such taxable year, over

1 “(B) the increase (if any) in the revenues
2 to the Treasury that the Secretary estimates re-
3 sults from the application of section
4 7701(a)(4)(B) for such taxable year.

5 “(4) TAX NOT TO APPLY TO ESTATES AND
6 TRUSTS.—This subsection shall not apply to an es-
7 tate or trust.

8 “(5) SPECIAL RULE.—For purposes of section
9 55, the amount of the regular tax shall be deter-
10 mined without regard to this subsection.”.

11 (b) EFFECTIVE DATE.—The amendment made by
12 this section shall apply to taxable years beginning after
13 December 31, 2006.

14 (c) APPLICATION OF EGTRRA SUNSET.—The
15 amendment made by this section shall be subject to title
16 IX of the Economic Growth and Tax Relief Reconciliation
17 Act of 2001 to the same extent and in the same manner
18 as section 101 of such Act.

19 (d) SECTION 15 NOT TO APPLY.—The amendment
20 made by subsection (a) shall not be treated as a change
21 in a rate of tax for purposes of section 15 of the Internal
22 Revenue Code of 1986.

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