

103<sup>D</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 4626

To amend the Internal Revenue Code of 1986 to clarify the treatment of foreign source income of United States-owned multinational insurance agents and brokers.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 22, 1994

Mr. CARDIN (for himself and Mr. ARCHER) introduced the following bill;  
which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to clarify the treatment of foreign source income of United States-owned multinational insurance agents and brokers.

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 (a) SHORT TITLE.—This Act may be cited as the  
5 “Insurance Broker Foreign Source Income Clarification  
6 Act of 1994”.

7 (b) AMENDMENT OF 1986 CODE.—Except as other-  
8 wise expressly provided, whenever in this Act an amend-  
9 ment or repeal is expressed in terms of an amendment

1 to, or repeal of, a section or other provision, the reference  
2 shall be considered to be made to a section or other provi-  
3 sion of the Internal Revenue Code of 1986.

4 **SEC. 2. CLARIFICATION OF RULES APPLICABLE TO**  
5 **UNITED STATES-OWNED MULTINATIONAL IN-**  
6 **SURANCE AGENTS AND BROKERS.**

7 Subsection (b) of section 1296 is amended by adding  
8 at the end thereof the following new subsection:

9 “(4) TREATMENT OF CERTAIN INSURANCE  
10 AGENTS OR BROKERS.—In the case of any foreign  
11 corporation which is a controlled foreign corporation  
12 (as defined in section 957(a)), the term ‘passive in-  
13 come’ does not include any income derived from in-  
14 surance brokerage or agency services. Income earned  
15 on fiduciary funds held by an insurance agent or  
16 broker shall not be passive income and such funds  
17 shall be treated as having a tax basis equal to their  
18 original purchase price.”.

19 **SEC. 3. EFFECTIVE DATE.**

20 The amendment made by this Act shall apply to tax  
21 years ending after the date of enactment.

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