

103<sup>D</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 641

To amend the Internal Revenue Code of 1986 to provide that no deduction shall be allowed for personal income taxes paid to a State (or political subdivision thereof) which taxes nonresidents on income derived from certain Federal areas.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 26, 1993

Mr. SUNDQUIST 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 provide that no deduction shall be allowed for personal income taxes paid to a State (or political subdivision thereof) which taxes nonresidents on income derived from certain Federal areas.

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

1 **SECTION 1. DENIAL OF DEDUCTION FOR INCOME TAXES**  
2 **PAID TO STATES WHICH TAX NONRESIDENTS**  
3 **ON INCOME EARNED IN CERTAIN FEDERAL**  
4 **AREAS.**

5 (a) IN GENERAL.—Section 164 of the Internal Reve-  
6 nue Code of 1986 (relating to deduction for taxes) is  
7 amended by redesignating subsection (g) as subsection (h)  
8 and by inserting after subsection (f) the following new  
9 subsection:

10 “(g) DENIAL OF DEDUCTION FOR TAXES PAID TO  
11 STATES WHICH TAX NONRESIDENTS ON INCOME  
12 EARNED IN CERTAIN FEDERAL AREAS.—

13 “(1) IN GENERAL.—No deduction shall be al-  
14 lowed under this section for personal income taxes  
15 imposed by any State (or political subdivision there-  
16 of) which imposes a tax on income—

17 “(A) from transactions occurring or serv-  
18 ices performed in a specified Federal area lo-  
19 cated within such State, and

20 “(B) of any individual—

21 “(i) who is not a resident or domi-  
22 ciliary of such State, and

23 “(ii) who is a resident or domiciliary  
24 of an adjacent State.

25 “(2) PERSONAL INCOME TAXES.—For purposes  
26 of this subsection, the term ‘personal income taxes’

1 means income taxes which are not paid or incurred  
2 in carrying on a trade or business or an activity de-  
3 scribed in section 212.

4 “(3) SPECIFIED FEDERAL AREA.—For purposes  
5 of this subsection, the term ‘specified Federal area’  
6 means any Federal area which is used in whole or  
7 in part for Federal military defense purposes and  
8 which includes portions of Kentucky and Ten-  
9 nessee.”

10 (b) EFFECTIVE DATE.—The amendments made by  
11 this section shall apply to taxable years beginning after  
12 December 31, 1989.

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