

Subtitle C—Business-related Provisions

PART I—CORPORATE PROVISIONS

SEC. 13001. 21-PERCENT CORPORATE TAX RATE.

(a) CONFORMING AMENDMENTS.—

(1) The following sections are each amended by striking “section 11(b)(1)” and inserting “section 11(b)”:

(A) Section 280C(c)(3)(B)(ii)(II).

(B) Paragraphs (2)(B) and (6)(A)(ii) of section 860E(e).

(C) Section 7874(e)(1)(B).

(2)(A) Part I of subchapter P of chapter 1 is amended by striking section 1201 (and by striking the item relating to such section in the table of sections for such part).

(B) Section 12 is amended by striking paragraphs (4) and (6), and by redesignating paragraph (5) as paragraph (4).

(C) Section 453A(c)(3) is amended by striking “or 1201 (whichever is appropriate)”.

(D) Section 527(b) is amended—

(i) by striking paragraph (2), and

(ii) by striking all that precedes “is hereby imposed”

and inserting:

“(b) TAXIMPOSED.—A tax”.

(E) Sections 594(a) is amended by striking “taxes imposed by section 11 or 1201(a)” and inserting “tax imposed by section 11”.

(F) Section 691(c)(4) is amended by striking “1201,”.

(G) Section 801(a) is amended—

(i) by striking paragraph (2), and

(ii) by striking all that precedes “is hereby imposed” and

inserting:

“(a) TAXIMPOSED.—A tax”.

(H) Section 831(e) is amended by striking paragraph (1) and by redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively.

(I) Sections 832(c)(5) and 834(b)(1)(D) are each amended by striking “sec. 1201 and following,”.

(J) Section 852(b)(3)(A) is amended by striking “section 1201(a)” and inserting “section 11(b)”.

(K) Section 857(b)(3) is amended—

(i) by striking subparagraph (A) and redesignating subparagraphs (B) through (F) as subparagraphs (A) through (E), respectively,

(ii) in subparagraph (C), as so redesignated—

(I) by striking “subparagraph (A)(ii)” in clause (i) thereof and inserting “paragraph (1)”,

- (II) by striking “the tax imposed by subparagraph (A)(ii)” in clauses (ii) and (iv) thereof and inserting “the tax imposed by paragraph (1) on undistributed capital gain”,
- (iii) in subparagraph (E), as so redesignated, by striking “subparagraph (B) or (D)” and inserting “subparagraph (A) or (C)”, and
- (iv) by adding at the end the following new subparagraph:
- “(F) **UNDISTRIBUTED CAPITAL GAIN.**—For purposes of this paragraph, the term ‘undistributed capital gain’ means the excess of the net capital gain over the deduction for dividends paid (as defined in section 561) determined with reference to capital gain dividends only.”.
- (L) Section 882(a)(1), as amended by section 12001, is further amended by striking “or 1201(a)”.
- (M) Section 904(b) is amended—
- (i) by striking “or 1201(a)” in paragraph (2)(C),
- (ii) by striking paragraph (3)(D) and inserting the following:
- “(D) **CAPITAL GAIN RATE DIFFERENTIAL.**—There is a capital gain rate differential for any year if subsection (h) of section 1 applies to such taxable year.”, and
- (iii) by striking paragraph (3)(E) and inserting the following:
- “(E) **RATE DIFFERENTIAL PORTION.**—The rate differential portion of foreign source net capital gain, net capital gain, or the excess of net capital gain from sources within the United States over net capital gain, as the case may be, is the same proportion of such amount as—
- “(i) the excess of—
- “(I) the highest rate of tax set forth in subsection (a), (b), (c), (d), or (e) of section 1 (whichever applies), over
- “(II) the alternative rate of tax determined under section 1(h), bears to
- “(ii) that rate referred to in subclause (I).”.
- (N) Section 1374(b) is amended by striking paragraph (4). (O) Section 1381(b) is amended by striking “taxes imposed by section 11 or 1201” and inserting “tax imposed by section 11”.
- (P) Sections 6425(c)(1)(A), as amended by section 12001, and 6655(g)(1)(A)(i) are each amended by striking “or 1201(a)”.
- (Q) Section 7518(g)(6)(A) is amended by striking “or 1201(a)”.
- (3)(A) Section 1445(e)(1) is amended—
- (i) by striking “35 percent” and inserting “the highest rate of tax in effect for the taxable year under section 11(b)”, and
- (ii) by striking “of the gain” and inserting “multiplied by the gain”.
- (B) Section 1445(e)(2) is amended by striking “35 percent of the amount” and inserting “the highest rate of tax in effect for the taxable year under section 11(b) multiplied by the amount”.
- (C) Section 1445(e)(6) is amended—

Ⓔ by striking “35 percent” and inserting “the highest rate of tax in effect for the taxable year under section 11(b)”, and

Ⓕ by striking “of the amount” and inserting “multi- plied by the amount”.

(D) Section 1446(b)(2)(B) is amended by striking “section 11(b)(1)” and inserting “section 11(b)”.

(4) Section 852(b)(1) is amended by striking the last sentence.

(5)(A) Part I of subchapter B of chapter 5 is amended by striking section 1551 (and by striking the item relating to such section in the table of sections for such part).

(B) Section 535(c)(5) is amended to read as follows:

“(5) CROSS REFERENCE.—For limitation on credit provided in paragraph (2) or (3) in the case of certain controlled corporations, see section 1561.”.

(6)(A) Section 1561, as amended by section 12001, is amended to read as follows: