§ 27. Taxes of foreign countries and possessions of the United States; possession tax credit

(a) Foreign tax credit

The amount of taxes imposed by foreign countries and possessions of the United States shall be allowed as a credit against the tax imposed by this chapter to the extent provided in section 901.

(b) Section 936 credit

In the case of a domestic corporation, the amount provided by section 936 (relating to Puerto Rico and possession tax credit) shall be allowed as a credit against the tax imposed by this chapter.

(Aug. 16, 1954, ch. 736, 68A Stat. 13, §33; Pub. L. 94–455, title X, §1051(a), Oct. 4, 1976, 90 Stat. 1643; renumbered §27, Pub. L. 98–369, div. A, title IV, §471(c), July 18, 1984, 98 Stat. 826.)

AMENDMENTS

1984—Pub. L. 98–369, §471(c), renumbered section 33 of this title as this section.

1976—Pub. L. 94–455 designated existing provisions as subsec. (a) and added subsec. (b).

EFFECTIVE DATE OF 1976 AMENDMENT

Pub. L. 94–455, title X, §1051(i), Oct. 4, 1976, 90 Stat. 1647, as amended by Pub. L. 99–514, §2, Oct. 22, 1986, 100 Stat. 2095, provided that:

''(1) Except as provided by paragraph (2), the amendments made by this section [enacting section 936 of this title and amending sections 33 [now 27], 48, 116, 243, 246, 861, 901, 904, 931, 1504, and 6091 of this title] shall apply to taxable years beginning after December 31, 1975, except that 'qualified possession source investment income' as defined in section 936(d)(2) of the Internal Revenue Code of 1986 [formerly I.R.C. 1954] shall include income from any source outside the United States if the taxpayer establishes to the satisfaction of the Secretary of the Treasury or his delegate that the income from such sources was earned before October 1, 1976.

''(2) The amendment made by subsection (d)(2) [amending section 901 of this title] shall not apply to any tax imposed by a possession of the United States with respect to the complete liquidation occurring before January 1, 1979, of a corporation to the extent that such tax is attributable to earnings and profits accumulated by such corporation during periods ending before January 1, 1976.''

[§ 28. Renumbered § 45C]

[§ 29. Renumbered § 45K]

[§ 30. Repealed. Pub. L. 113–295, div. A, title II, § 221(a)(2)(A), Dec. 19, 2014, 128 Stat. 4037]

Section, added Pub. L. 102–486, title XIX, §1913(b)(1), Oct. 24, 1992, 106 Stat. 3019; amended Pub. L. 104–188, title I, §§1205(d)(4), 1704(j)(4)(A), Aug. 20, 1996, 110 Stat. 1776, 1881; Pub. L. 107–147, title VI, §602(a), Mar. 9, 2002, 116 Stat. 59; Pub. L. 108–311, title III, §318(a), Oct. 4, 2004, 118 Stat. 1182; Pub. L. 109–58, title XIII, §1322(a)(3)(A), Aug. 8, 2005, 119 Stat. 1011; Pub. L. 111–5, div. B, title I, §1142(a), Feb. 17, 2009, 123 Stat. 328; Pub. L. 111–148, title X, §10909(b)(2)(F), (c), Mar. 23, 2010, 124 Stat. 1023; Pub. L. 111–312, title I, §101(b)(1), Dec. 17, 2010, 124 Stat. 3298; Pub. L. 112–240, title I, §104(c)(2)(G), Jan. 2, 2013, 126 Stat. 2322; Pub. L. 113–295, div. A, title II, §209(f)(2), Dec. 19, 2014, 128 Stat. 4028, related to certain plug-in electric vehicles.

A prior section 30 was renumbered section 41 of this title.

EFFECTIVE DATE OF REPEAL

Repeal effective Dec. 19, 2014, subject to a savings provision, see section 221(b) of Pub. L. 113–295, set out as an Effective Date of 2014 Amendment note under section 1 of this title.

§ 30A. Puerto Rico economic activity credit

(a) Allowance of credit

(1) In general

Except as otherwise provided in this section, if the conditions of both paragraph (1) and paragraph (2) of subsection (b) are satisfied with respect to a qualified domestic corporation, there shall be allowed as a credit against the tax imposed by this chapter an amount equal to the portion of the tax which is attributable to the taxable income, from sources without the United States, from—

(A) the active conduct of a trade or business within Puerto Rico, or

(B) the sale or exchange of substantially all of the assets used by the taxpayer in the active conduct of such trade or business.

In the case of any taxable year beginning after December 31, 2001, the aggregate amount of taxable income taken into account under the preceding sentence (and in applying subsection (d)) shall not exceed the adjusted base period income of such corporation, as determined in the same manner as under section 936(j).

(2) Qualified domestic corporation

For purposes of paragraph (1), the term ''qualified domestic corporation'' means a domestic corporation—

(A) which is an existing credit claimant with respect to Puerto Rico, and

(B) with respect to which section 936(a)(4)(B) does not apply for the taxable year.

(3) Separate application

For purposes of determining—

(A) whether a taxpayer is an existing credit claimant with respect to Puerto Rico, and

(B) the amount of the credit allowed under this section,

this section (and so much of section 936 as relates to this section) shall be applied separately with respect to Puerto Rico.

(b) Conditions which must be satisfied

The conditions referred to in subsection (a) are—

(1) 3-year period

If 80 percent or more of the gross income of the qualified domestic corporation for the 3-year period immediately preceding the close of the taxable year (or for such part of such period immediately preceding the close of such taxable year as may be applicable) was derived from sources within a possession (determined without regard to section 904(f)).

(2) Trade or business

If 75 percent or more of the gross income of the qualified domestic corporation for such period or such part thereof was derived from the active conduct of a trade or business within a possession.

(c) Credit not allowed against certain taxes

The credit provided by subsection (a) shall not be allowed against the tax imposed by—