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(Original Signature of Member)

118TH CONGRESS
1ST SESSION

H. R. _____

To amend the Internal Revenue Code of 1986 to treat certain gains and dividends derived from counties of concern as ordinary income.

IN THE HOUSE OF REPRESENTATIVES

Mr. SHERMAN introduced the following bill; which was referred to the Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to treat certain gains and dividends derived from counties of concern as ordinary income.

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 “No Capital Gains Al-
5 lowance for American Adversaries Act”.

1 **SEC. 2. CERTAIN GAINS AND DIVIDENDS DERIVED FROM**
2 **COUNTRIES OF CONCERN TREATED AS ORDI-**
3 **NARY INCOME.**

4 (a) IN GENERAL.—Part IV of subchapter P of chap-
5 ter 1 of the Internal Revenue Code of 1986 is amended
6 by adding at the end the following new section:

7 **“SEC. 1261. GAINS DERIVED FROM COUNTRIES OF CON-**
8 **CERN TREATED AS ORDINARY INCOME.**

9 “(a) IN GENERAL.—Gain from the sale, exchange, or
10 other disposition of specified country of concern property
11 shall be treated as ordinary income. Such gain shall be
12 recognized notwithstanding any other provision of this
13 title.

14 “(b) SPECIFIED COUNTRY OF CONCERN PROP-
15 erty.—For purposes of this section—

16 “(1) IN GENERAL.—The term ‘specified country
17 of concern property’ means—

18 “(A) any stock or other security of a cor-
19 poration or other entity which is incorporated
20 or otherwise organized in a country of concern,
21 and

22 “(B) any property (other than stock or se-
23 curities) which is located or used in a country
24 of concern.

25 “(2) COUNTRY OF CONCERN.—The term ‘coun-
26 try of concern’ means the People’s Republic of China

1 (including Hong Kong and Macao and excluding
2 Taiwan), Russia, Belarus, and Iran.”.

3 (b) DIVIDENDS.—Section 1(h)(11)(C)(iii) of such
4 Code is amended by striking “and” at the end of subclause
5 (I), by striking the period at the end of subclause (II) and
6 inserting “, and”, and by adding at the end the following
7 new subclause:

8 “(III) any foreign corporation de-
9 scribed in section 1261(b)(1)(A) as of
10 the date on which the dividend is
11 paid.”.

12 (c) DENIAL OF STEP-UP IN BASIS AT DEATH.—Sec-
13 tion 1014(a) of such Code is amended by striking “or”
14 at the end of paragraph (3), by striking the period at the
15 end of paragraph (4) and inserting “, or”, and by adding
16 at the end the following new paragraph:

17 “(5) in the case of specified country of concern
18 property (as defined in section 1261(b)), the basis in
19 the hands of the decedent.”.

20 (d) NOTICE TO PURCHASERS.—Not later than 180
21 days after the date of the enactment of this Act, the Secu-
22 rities and Exchange Commission shall issue rules requir-
23 ing any person selling, exchanging, or otherwise disposing
24 of a security that is specified country of concern property
25 (as defined under section 1261(b) of the Internal Revenue

1 Code of 1986) to notify the other party to such sale, ex-
2 change, or disposition that any gains related to such secu-
3 rity are treated as ordinary income under the Internal
4 Revenue Code of 1986 and not treated as capital gains.

5 (e) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to dispositions of property, and
7 dividends paid, after the date of the enactment of this Act.