

AMENDMENT TO H.R. 1**OFFERED BY MR. CAPUANO OF MASSACHUSETTS**

In subtitle H of title I of division B, add at the end
the following:

1 **PART 5—LIMITATION OF DEDUCTION FOR IN-**
2 **COME ATTRIBUTABLE TO DOMESTIC PRO-**
3 **DUCTION OF OIL, GAS, OR PRIMARY PROD-**
4 **UCTS THEREOF**

5 **SEC. 1741. LIMITATION OF DEDUCTION FOR INCOME AT-**
6 **TRIBUTABLE TO DOMESTIC PRODUCTION OF**
7 **OIL, GAS, OR PRIMARY PRODUCTS THEREOF.**

8 (a) DENIAL OF DEDUCTION FOR SPECIFIED OIL
9 COMPANIES FOR INCOME ATTRIBUTABLE TO DOMESTIC
10 PRODUCTION OF OIL, GAS, OR PRIMARY PRODUCTS
11 THEREOF.—Subparagraph (B) of section 199(c)(4) (re-
12 lating to exceptions) is amended by striking “or” at the
13 end of clause (ii), by striking the period at the end of
14 clause (iii) and inserting “, or”, and by inserting after
15 clause (iii) the following new clause:

16 “(iv) in the case of any specified oil
17 company (as defined in subsection (d)(9)),
18 the production, refining, processing, trans-

1 portation, or distribution of oil, gas, or any
2 primary product thereof.”.

3 (b) LIMITATION ON OIL RELATED QUALIFIED PRO-
4 Duction ACTIVITIES INCOME FOR TAXPAYERS OTHER
5 THAN SPECIFIED OIL COMPANIES.—

6 (1) IN GENERAL.—Section 199(d) is amended
7 by redesignating paragraph (9) as paragraph (10)
8 and by inserting after paragraph (8) the following
9 new paragraph:

10 “(9) SPECIAL RULE FOR TAXPAYERS WITH OIL
11 RELATED QUALIFIED PRODUCTION ACTIVITIES IN-
12 COME.—

13 “(A) IN GENERAL.—If a taxpayer (other
14 than a specified oil company) has oil related
15 qualified production activities income for any
16 taxable year beginning after 2009, the amount
17 otherwise allowable as a deduction under sub-
18 section (a) shall be reduced by 3 percent of the
19 least of

20 “(i) the oil related qualified produc-
21 tion activities income of the taxpayer for
22 the taxable year,

23 “(ii) the qualified production activities
24 income of the taxpayer for the taxable
25 year, or

1 “(iii) taxable income (determined
2 without regard to this section).

3 “(B) OIL RELATED QUALIFIED PRODUC-
4 TION ACTIVITIES INCOME.—For purposes of
5 this section, the term ‘oil related qualified pro-
6 duction activities income’ means for any taxable
7 year the qualified production activities income
8 which is attributable to the production, refining,
9 processing, transportation, or distribution of oil,
10 gas, or any primary product thereof during
11 such taxable year.

12 “(C) SPECIFIED OIL COMPANY.—For pur-
13 poses of this section, the term ‘specified oil
14 company’ means

15 “(i) any major integrated oil company
16 (as defined in section 167(h)(5)(B)), and

17 “(ii) any entity in which a foreign
18 government holds (directly or indirectly)—

19 “(I) any interest which (by value
20 or voting interest) is 50 percent or
21 more of the total of such interests in
22 such entity, or

23 “(II) any other interest which
24 provides the foreign government with
25 effective control of such entity.

1 “(D) PRIMARY PRODUCT.—For purposes
2 of this section, the term ‘primary product’ has
3 the same meaning as when used in section
4 927(a)(2)(C), as in effect before its repeal.”.

5 (2) CONFORMING AMENDMENT.—Section
6 199(d)(2) (relating to application to individuals) is
7 amended by striking “subsection (a)(1)(B)” and in-
8 serting “subsections (a)(1)(B) and (d)(9)(A)(iii)”.

9 (c) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to taxable years beginning after
11 December 31, 2008.

