

Excerpt from the Tax Cuts and Jobs Act of 2017, Section 13001, taken from <https://www.congress.gov/bill/115th-congress/house-bill/1/text>.

SEC. 13001. 21-PERCENT CORPORATE TAX RATE.

(a) IN GENERAL.—Subsection (b) of [section 11](#) is amended to read as follows:

“(b) AMOUNT OF TAX.—The amount of the tax imposed by subsection (a) shall be 21 percent of taxable income.”.

(b) 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) TAX IMPOSED.—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—

FERC-501G, as proposed in NOPR in RM18-11
Supplementary Information

(i) by striking paragraph (2), and

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

“(a) TAX IMPOSED.—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—

(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 amount” and inserting “multiplied 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:

“SEC. 1561. LIMITATION ON ACCUMULATED EARNINGS CREDIT IN THE CASE OF CERTAIN CONTROLLED CORPORATIONS.

“(a) IN GENERAL.—The component members of a controlled group of corporations on a December 31 shall, for their taxable years which include such December 31, be limited for purposes of this subtitle to one \$250,000 (\$150,000 if any component member is a corporation described in section 535(c)(2)(B)) amount for purposes of computing the accumulated earnings credit under section 535(c)(2) and (3). Such amount shall be divided equally among the component members of such group on such December 31 unless the Secretary prescribes regulations permitting an unequal allocation of such amount.

“(b) CERTAIN SHORT TAXABLE YEARS.—If a corporation has a short taxable year which does not include a December 31 and is a component member of a controlled group of corporations with respect to such taxable year, then for purposes of this subtitle, the amount to be used in computing the accumulated earnings credit under section 535(c)(2) and (3) of such corporation for such taxable year shall be the amount specified in subsection (a) with respect to such group, divided by the number of corporations which are component members of such group on the last day of such taxable year. For purposes of the preceding sentence, section 1563(b) shall be applied as if such last day were substituted for December 31.”.

(B) The table of sections for part II of subchapter B of [chapter 5](#) is amended by striking the item relating to section 1561 and inserting the following new item:

“Sec. 1561. Limitation on accumulated earnings credit in the case of certain controlled corporations.”.

(7) [Section 7518\(g\)\(6\)\(A\)](#) is amended—

(A) by striking “With respect to the portion” and inserting “In the case of a taxpayer other than a corporation, with respect to the portion”, and

(B) by striking “(34 percent in the case of a corporation)”.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by subsections (a) and (b) shall apply to taxable years beginning after December 31, 2017.

(2) WITHHOLDING.—The amendments made by subsection (b)(3) shall apply to distributions made after December 31, 2017.

(3) CERTAIN TRANSFERS.—The amendments made by subsection (b)(6) shall apply to transfers made after December 31, 2017.

(d) NORMALIZATION REQUIREMENTS.—

(1) IN GENERAL.—A normalization method of accounting shall not be treated as being used with respect to any public utility property for purposes of section 167 or 168 of the Internal Revenue Code of 1986 if the taxpayer, in computing its cost of service for ratemaking purposes and reflecting operating results in its regulated books of account, reduces the excess tax reserve more rapidly or to a greater extent than such reserve would be reduced under the average rate assumption method.

(2) ALTERNATIVE METHOD FOR CERTAIN TAXPAYERS.—If, as of the first day of the taxable year that includes the date of enactment of this Act—

(A) the taxpayer was required by a regulatory agency to compute depreciation for public utility property on the basis of an average life or composite rate method, and

(B) the taxpayer's books and underlying records did not contain the vintage account data necessary to apply the average rate assumption method,

the taxpayer will be treated as using a normalization method of accounting if, with respect to such jurisdiction, the taxpayer uses the alternative method for public utility property that is subject to the regulatory authority of that jurisdiction.

(3) DEFINITIONS.—For purposes of this subsection—

(A) EXCESS TAX RESERVE.—The term “excess tax reserve” means the excess of—

(i) the reserve for deferred taxes (as described in [section 168\(i\)\(9\)\(A\)\(ii\)](#) of the Internal Revenue Code of 1986) as of the day before the corporate rate reductions provided in the amendments made by this section take effect, over

(ii) the amount which would be the balance in such reserve if the amount of such reserve were determined by assuming that the corporate rate reductions provided in this Act were in effect for all prior periods.

(B) AVERAGE RATE ASSUMPTION METHOD.—The average rate assumption method is the method under which the excess in the reserve for deferred taxes is reduced over the remaining lives of the property as used in its regulated books of account which gave rise to the reserve for deferred taxes. Under such method, during the time period in which the timing differences for the property reverse, the amount of the adjustment to the reserve for the deferred taxes is calculated by multiplying—

(i) the ratio of the aggregate deferred taxes for the property to the aggregate timing differences for the property as of the beginning of the period in question, by

(ii) the amount of the timing differences which reverse during such period.

(C) ALTERNATIVE METHOD.—The “alternative method” is the method in which the taxpayer—

(i) computes the excess tax reserve on all public utility property included in the plant account on the basis of the weighted average life or composite rate used to compute depreciation for regulatory purposes, and

(ii) reduces the excess tax reserve ratably over the remaining regulatory life of the property.

(4) TAX INCREASED FOR NORMALIZATION VIOLATION.—If, for any taxable year ending after the date of the enactment of this Act, the taxpayer does not use a normalization method of accounting for the corporate rate reductions provided in the amendments made by this section—

(A) the taxpayer's tax for the taxable year shall be increased by the amount by which it reduces its excess tax reserve more rapidly than permitted under a normalization method of accounting, and

(B) such taxpayer shall not be treated as using a normalization method of accounting for purposes of subsections (f)(2) and (i)(9)(C) of [section 168](#) of the Internal Revenue Code of 1986.