

end thereof the following new sentence: "In the case of any transfer (or license) of intangible property (within the meaning of section 936(h)(3)(B)), the income with respect to such transfer or license shall be commensurate with the income attributable to the intangible."

(2) **TECHNICAL AMENDMENT.**—Subparagraph (A) of section 367(d)(2) (relating to transfers of intangibles treated as transfer pursuant to sale for contingent payments) is amended by adding at the end thereof the following new sentence:

"The amounts taken into account under clause (ii) shall be commensurate with the income attributable to the intangible."

(f) **TECHNICAL CORRECTION TO PROFIT-SPLIT RULES.**—The last sentence of section 936(h)(5)(C)(ii)(II) is amended by striking out "all products produced and types of service rendered" and inserting in lieu thereof "all products and types of services, within such product area, produced or rendered".

(g) **EFFECTIVE DATES.**—

(1) **IN GENERAL.**—Except as provided in paragraphs (2) and (3), the amendments made by this section shall apply to taxable years beginning after December 31, 1986.

(2) **SPECIAL RULE FOR TRANSFER OF INTANGIBLES.**—

(A) **IN GENERAL.**—The amendments made by subsection (e) shall apply to taxable years beginning after December 31, 1986, but only with respect to transfers after November 16, 1985, or licenses granted after such date (or before such date with respect to property not in existence or owned by the taxpayer on such date).

(B) **SPECIAL RULE FOR SECTION 936.**—For purposes of section 936(h)(5)(C) of the Internal Revenue Code of 1986 the amendments made by subsection (e) shall apply to taxable years beginning after December 31, 1986, without regard to when the transfer (or license) was made.

(3) **SUBSECTION (f).**—The amendment made by subsection (f) shall apply to taxable years beginning after December 31, 1982.

(4) **TRANSITIONAL RULE.**—In the case of a corporation—

(A) with respect to which an election under section 936 of the Internal Revenue Code of 1986 (relating to possessions tax credit) is in effect,

(B) which produced an end-product form in Puerto Rico on or before September 3, 1982,

(C) which began manufacturing a component of such product in Puerto Rico in its taxable year beginning in 1983, and

(D) with respect to which a Puerto Rican tax exemption was granted on June 27, 1983,

such corporation shall treat such component as a separate product for such taxable year for purposes of determining whether such corporation had a significant business presence in Puerto Rico with respect to such product and its income with respect to such product.

#### SEC. 1232. TREATMENT OF CERTAIN PERSONS IN PANAMA.

(a) **GENERAL RULE.**—Nothing in the Panama Canal Treaty (or in any agreement implementing such Treaty) shall be construed as exempting (in whole or in part) any citizen or resident of the United States from any tax under the Internal Revenue Code of 1954 or