

111TH CONGRESS  
1ST SESSION

# H. R. 3497

To amend the Internal Revenue Code of 1986 to provide that indebtedness incurred by a partnership in acquiring securities and commodities is not treated as acquisition indebtedness for purposes of determining the unrelated business taxable income of organizations which are partners with limited liability.

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## IN THE HOUSE OF REPRESENTATIVES

JULY 31, 2009

Mr. LEVIN (for himself, Mr. VAN HOLLEN, and Mr. McDERMOTT) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide that indebtedness incurred by a partnership in acquiring securities and commodities is not treated as acquisition indebtedness for purposes of determining the unrelated business taxable income of organizations which are partners with limited liability.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

1 **SECTION 1. INDEBTEDNESS INCURRED BY A PARTNERSHIP**  
2 **IN ACQUIRING SECURITIES AND COMMOD-**  
3 **ITIES NOT TREATED AS ACQUISITION IN-**  
4 **DEBTEDNESS FOR PURPOSES OF DETER-**  
5 **MINING UNRELATED BUSINESS TAXABLE IN-**  
6 **COME OF ORGANIZATIONS WHICH ARE PART-**  
7 **NERS WITH LIMITED LIABILITY.**

8 (a) IN GENERAL.—Subsection (c) of section 514 of  
9 the Internal Revenue Code of 1986 (relating to acquisition  
10 indebtedness) is amended by adding at the end the fol-  
11 lowing new paragraph:

12 “(10) SECURITIES AND COMMODITIES AC-  
13 QUIRED BY PARTNERSHIPS IN WHICH AN ORGANIZA-  
14 TION IS A PARTNER WITH LIMITED LIABILITY.—

15 “(A) IN GENERAL.—In the case of any or-  
16 ganization which is a partner with limited liabil-  
17 ity in a partnership, the term ‘acquisition in-  
18 debtedness’ does not, for purposes of this sec-  
19 tion, include indebtedness incurred or continued  
20 by such partnership in purchasing or carrying  
21 any qualified security or commodity.

22 “(B) QUALIFIED SECURITY OR COM-  
23 MODITY.—For purposes of this paragraph, the  
24 term ‘qualified security or commodity’ means  
25 any security (as defined in section 475(c)(2)  
26 without regard to the last sentence thereof),

1 any commodity (as defined in section  
2 475(e)(2)), or any option or derivative contract  
3 with respect to such a security or commodity.

4 “(C) APPLICATION TO TIERED PARTNER-  
5 SHIPS AND OTHER PASS-THRU ENTITIES.—  
6 Rules similar to the rules of subparagraph (A)  
7 shall apply in the case of tiered partnerships  
8 and other pass-thru entities.

9 “(D) REGULATIONS.—The Secretary may  
10 prescribe such regulations as may be necessary  
11 or appropriate to carry out the purposes of this  
12 paragraph, including regulations to prevent the  
13 abuse of this paragraph.”.

14 (b) EFFECTIVE DATE.—The amendment made by  
15 this section shall apply to taxable years beginning after  
16 the date of the enactment of this Act.

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