

Union Calendar No. 317

113TH CONGRESS
2^D SESSION

H. R. 4453

[Report No. 113-429]

To amend the Internal Revenue Code of 1986 to make permanent the reduced recognition period for built-in gains of S corporations.

IN THE HOUSE OF REPRESENTATIVES

APRIL 10, 2014

Mr. REICHERT (for himself and Mr. KIND) introduced the following bill; which was referred to the Committee on Ways and Means

MAY 2, 2014

Additional sponsor: Mr. REED

MAY 2, 2014

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in *italie*]

A BILL

To amend the Internal Revenue Code of 1986 to make permanent the reduced recognition period for built-in gains of S corporations.

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. REDUCED RECOGNITION PERIOD FOR BUILT-IN**
4 **GAINS OF S CORPORATIONS MADE PERMA-**
5 **NENT.**

6 (a) **IN GENERAL.**—Paragraph (7) of section 1374(d)
7 of the Internal Revenue Code of 1986 is amended to read
8 as follows:

9 “(7) **RECOGNITION PERIOD.**—

10 “(A) **IN GENERAL.**—The term ‘recognition
11 period’ means the 5-year period beginning with
12 the 1st day of the 1st taxable year for which
13 the corporation was an S corporation. For pur-
14 poses of applying this section to any amount in-
15 cludible in income by reason of distributions to
16 shareholders pursuant to section 593(e), the
17 preceding sentence shall be applied without re-
18 gard to the phrase ‘5-year’.

19 “(B) **INSTALLMENT SALES.**—If an S cor-
20 poration sells an asset and reports the income
21 from the sale using the installment method
22 under section 453, the treatment of all pay-
23 ments received shall be governed by the provi-
24 sions of this paragraph applicable to the taxable
25 year in which such sale was made.”

1 (b) **EFFECTIVE DATE.**—The amendment made by
 2 this section shall apply to taxable years beginning after
 3 ~~December 31, 2013.~~

4 **SECTION 1. SHORT TITLE.**

5 *This Act may be cited as the “Permanent S Corpora-*
 6 *tion Built-in Gains Recognition Period Act of 2014”.*

7 **SEC. 2. REDUCED RECOGNITION PERIOD FOR BUILT-IN**
 8 **GAINS OF S CORPORATIONS MADE PERMA-**
 9 **NENT.**

10 (a) **IN GENERAL.**—*Paragraph (7) of section 1374(d)*
 11 *of the Internal Revenue Code of 1986 is amended to read*
 12 *as follows:*

13 “(7) **RECOGNITION PERIOD.**—

14 “(A) **IN GENERAL.**—*The term ‘recognition*
 15 *period’ means the 5-year period beginning with*
 16 *the 1st day of the 1st taxable year for which the*
 17 *corporation was an S corporation. For purposes*
 18 *of applying this section to any amount includ-*
 19 *ible in income by reason of distributions to*
 20 *shareholders pursuant to section 593(e), the pre-*
 21 *ceding sentence shall be applied without regard*
 22 *to the phrase ‘5-year’.*

23 “(B) **INSTALLMENT SALES.**—*If an S cor-*
 24 *poration sells an asset and reports the income*
 25 *from the sale using the installment method under*

1 *section 453, the treatment of all payments re-*
2 *ceived shall be governed by the provisions of this*
3 *paragraph applicable to the taxable year in*
4 *which such sale was made.”.*

5 ***(b) EFFECTIVE DATE.***—*The amendment made by this*
6 *section shall apply to taxable years beginning after Decem-*
7 *ber 31, 2013.*

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