

111TH CONGRESS
1ST SESSION

S. 1082

To amend the Internal Revenue Code of 1986 to allow individuals to defer recognition of reinvested capital gains distributions from regulated investment companies.

IN THE SENATE OF THE UNITED STATES

MAY 20, 2009

Mr. CRAPO (for himself and Mr. JOHNSON) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to allow individuals to defer recognition of reinvested capital gains distributions from regulated investment companies.

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. SHORT TITLE.**

4 This Act may be cited as the “Generate Retirement
5 Ownership Through Long-Term Holding Act of 2009”.

1 **SEC. 2. DEFERRAL OF REINVESTED CAPITAL GAIN DIVI-**
 2 **DENDS OF REGULATED INVESTMENT COMPA-**
 3 **NIES.**

4 (a) IN GENERAL.—Part III of subchapter O of chap-
 5 ter 1 of the Internal Revenue Code of 1986 (relating to
 6 common nontaxable exchanges) is amended by inserting
 7 after section 1045 the following new section:

8 **“SEC. 1046. REINVESTED CAPITAL GAIN DIVIDENDS OF**
 9 **REGULATED INVESTMENT COMPANIES.**

10 “(a) NONRECOGNITION OF GAIN.—In the case of an
 11 individual, no gain shall be recognized on the receipt of
 12 a capital gain dividend distributed by a regulated invest-
 13 ment company to which part I of subchapter M applies
 14 if such capital gain dividend is automatically reinvested
 15 in additional shares of the company pursuant to a dividend
 16 reinvestment plan.

17 “(b) DEFINITIONS AND SPECIAL RULES.—For pur-
 18 poses of this section—

19 “(1) CAPITAL GAIN DIVIDEND.—The term ‘cap-
 20 ital gain dividend’ has the meaning given to such
 21 term by section 852(b)(3)(C).

22 “(2) RECOGNITION OF DEFERRED CAPITAL
 23 GAIN DIVIDENDS.—

24 “(A) IN GENERAL.—Gain treated as unrec-
 25 ognized in accordance with subsection (a) shall

1 be recognized in accordance with subparagraph
2 (B)—

3 “(i) upon a subsequent sale or re-
4 demption by such individual of stock in the
5 distributing company, or

6 “(ii) upon the death of the individual.

7 “(B) GAIN RECOGNITION.—

8 “(i) IN GENERAL.—Upon a sale or re-
9 demption described in subparagraph (A),
10 the taxpayer shall recognize that portion of
11 total gain treated as unrecognized in ac-
12 cordance with subsection (a) (and not pre-
13 viously recognized pursuant to this sub-
14 paragraph) that is equivalent to the por-
15 tion of the taxpayer’s total shares in the
16 distributing company that are sold or re-
17 deemed.

18 “(ii) DEATH OF INDIVIDUAL.—Except
19 as provided by regulations, any portion of
20 such total gain not recognized under clause
21 (i) prior to the taxpayer’s death shall be
22 recognized upon the death of the taxpayer
23 and included in the taxpayer’s gross in-
24 come for the taxable year ending on the
25 date of the taxpayer’s death.

1 “(3) HOLDING PERIOD.—

2 “(A) GENERAL RULE.—The taxpayer’s
3 holding period in shares acquired through rein-
4 vestment of a capital gain dividend to which
5 subsection (a) applies shall be determined by
6 treating the shareholder as having held such
7 shares for one year and a day as of the date
8 such shares are acquired.

9 “(B) SPECIAL RULE FOR DISTRIBUTIONS
10 OF QUALIFIED 5-YEAR GAINS.—In the case of a
11 distribution of a capital gain dividend (or por-
12 tion thereof) in a taxable year beginning after
13 December 31, 2010, and properly treated as
14 qualified 5-year gain (within the meaning of
15 section 1(h), as in effect after such date), sub-
16 paragraph (A) shall apply by substituting ‘5
17 years and a day’ for ‘one year and a day’.

18 “(c) SECTION NOT TO APPLY TO CERTAIN TAX-
19 PAYERS.—This section shall not apply to—

20 “(1) an individual with respect to whom a de-
21 duction under section 151 is allowable to another
22 taxpayer for a taxable year beginning in the cal-
23 endar year in which such individual’s taxable year
24 begins, or

25 “(2) an estate or trust.

1 “(d) REGULATIONS.—The Secretary shall prescribe
2 such regulations as may be necessary to carry out the pur-
3 poses of this section.”.

4 (b) CONFORMING AMENDMENTS.—

5 (1) Section 852(b)(3)(B) of such Code is
6 amended by adding at the end the following new
7 sentence: “For rules regarding nonrecognition of
8 gain with respect to reinvested capital gain dividends
9 received by individuals, see section 1046.”.

10 (2) The table of sections for part III of sub-
11 chapter O of chapter 1 of such Code is amended by
12 inserting after the item relating to section 1045 the
13 following new item:

“Sec. 1046. Reinvested capital gain dividends of regulated investment compa-
nies.”.

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

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