

111TH CONGRESS
1ST SESSION

H. R. 2284

To amend the Internal Revenue Code of 1986 to allow individuals to defer tax on income reinvested in a partnership or S corporation.

IN THE HOUSE OF REPRESENTATIVES

MAY 6, 2009

Mr. PAULSEN introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow individuals to defer tax on income reinvested in a partnership or S corporation.

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. DEFERRAL OF TAX ON INCOME REINVESTED IN**
4 **A PARTNERSHIP OR S CORPORATION.**

5 (a) IN GENERAL.—Part III of subchapter B of chap-
6 ter 1 of the Internal Revenue Code of 1986 is amended
7 by inserting after section 139C the following new section:

1 **“SEC. 139D. INCOME REINVESTED IN A PARTNERSHIP OR S**
2 **CORPORATION.**

3 “(a) EXCLUSION FROM GROSS INCOME OF PASS-
4 THRU INCOME.—

5 “(1) IN GENERAL.—In the case of an indi-
6 vidual, gross income shall not include—

7 “(A) any specified item of partnership
8 pass-thru income, and

9 “(B) any specified item of S corporation
10 pass-thru income.

11 “(2) LIMITATION.—The aggregate amount of
12 items which may be designated by the taxpayer as
13 specified items under paragraphs (3)(B) and (4)(B)
14 with respect to any taxable year shall not exceed
15 \$250,000 (\$500,000 in the case of a joint return).

16 “(3) SPECIFIED ITEM OF PARTNERSHIP PASS-
17 THRU INCOME.—For purposes of this section, the
18 term ‘specified item of partnership pass-thru income’
19 means, with respect to any taxable year, any item of
20 income or gain which—

21 “(A) would, but for this section, be taken
22 into account by the taxpayer under section 702
23 for such taxable year, and

24 “(B) is designated by the taxpayer as a
25 specified item for purposes of this section.

1 “(4) SPECIFIED ITEM OF S CORPORATION PASS-
2 THRU INCOME.—For purposes of this section, the
3 term ‘specified item of S corporation pass-thru in-
4 come’ means, with respect to any taxable year, any
5 item of income or gain which—

6 “(A) would, but for this section, be taken
7 into account by the taxpayer under section
8 1366 for such taxable year, and

9 “(B) is designated by the taxpayer as a
10 specified item for purposes of this section.

11 “(b) NO INCREASE IN ADJUSTED BASIS WITH RE-
12 SPECT TO ITEMS EXCLUDED FROM GROSS INCOME.—Any
13 specified item which is not includible in the gross income
14 of an individual under subsection (a) shall not be taken
15 into account in determining the adjusted basis of such in-
16 dividual’s interest in the partnership or S corporation with
17 respect to which such item relates.

18 “(c) REGULATIONS.—The Secretary shall prescribe
19 such regulations or other guidance as may be necessary
20 or appropriate to carry out the purposes of this section.”.

21 (b) CLERICAL AMENDMENT.—The table of sections
22 for part III of subchapter B of chapter 1 of the Internal
23 Revenue Code of 1986 is amended by inserting after the
24 item relating to section 139C the following new item:

“Sec. 139D. Income held in a partnership or S corporation.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 the date of the enactment of this Act.

○