

# Union Calendar No. 317

113<sup>TH</sup> CONGRESS  
2<sup>D</sup> 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.

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## 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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