

105TH CONGRESS
2D SESSION

H. R. 4714

To amend the Internal Revenue Code of 1986 to exempt certain transactions at fair market value between partnerships and private foundations from the tax on self-dealing and to require the Secretary of the Treasury to establish an exemption procedure from such taxes.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 7, 1998

Mr. CAMPBELL 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 exempt certain transactions at fair market value between partnerships and private foundations from the tax on self-dealing and to require the Secretary of the Treasury to establish an exemption procedure from such taxes.

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. TAX ON SELF-DEALING NOT TO APPLY TO CER-**
4 **TAIN TRANSACTIONS.**

5 (a) CERTAIN PARTNERSHIP TRANSACTIONS.—Para-
6 graph (2) of section 4941(d) of the Internal Revenue Code
7 of 1986 (relating to special rule in respect of self-dealing)

1 is amended by striking “and” at the end of subparagraph
2 (G), by striking the period at the end of subparagraph
3 (H) and inserting “; and”, and by inserting after subpara-
4 graph (H) the following new subparagraph:

5 “(I) any transaction between a private
6 foundation and a partnership which is a dis-
7 qualified person (as defined in section 4946(a))
8 pursuant to any liquidation, merger, redemp-
9 tion, recapitalization, or other partnership ad-
10 justment, formation, or reorganization shall not
11 be an act of self-dealing if all of the partnership
12 interests of the same class as that held by the
13 foundation are subject to the same terms and
14 such terms provide for the receipt by the foun-
15 dation of no less than fair market value for its
16 partnership interests.”.

17 (b) EXEMPTION PROCEDURE FROM TAXES ON SELF-
18 DEALING.—Subsection (d) of section 4941 of such Code
19 (relating to taxes on self-dealing) is amended by adding
20 at the end the following new paragraph:

21 “(3) SPECIAL EXEMPTION.—The Secretary
22 shall establish an exemption procedure for purposes
23 of this subsection. Pursuant to such procedure, the
24 Secretary may grant a conditional or unconditional
25 exemption of any disqualified person or transaction

1 or class of disqualified persons or transactions, from
2 all or part of the restrictions imposed by paragraph
3 (1). The Secretary may not grant an exemption
4 under this paragraph unless he finds that such ex-
5 emption is—

6 “(A) administratively feasible,

7 “(B) in the interests of the private founda-
8 tion and the disqualified person, and

9 “(C) protective of the rights of the private
10 foundation and the disqualified person.

11 Before granting an exemption under this paragraph,
12 the Secretary shall require adequate notice to be
13 given to interested persons and shall publish notice
14 in the Federal Register of the pendency of such ex-
15 emption and shall afford interested persons an op-
16 portunity to present views.”.

17 (c) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to transactions occurring after the
19 date of the enactment of this Act.

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