

105TH CONGRESS  
1ST SESSION

# H. R. 507

To amend the Internal Revenue Code of 1986 to exempt from income tax the gain from the sale of a business closely held by an individual who has attained age 62, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 4, 1997

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

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## A BILL

To amend the Internal Revenue Code of 1986 to exempt from income tax the gain from the sale of a business closely held by an individual who has attained age 62, and for other purposes.

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. EXCLUSION FROM INCOME TAX OF GAIN FROM**  
4                       **SALE OF CLOSELY HELD BUSINESS BY INDIV-**  
5                       **IDUALS WHO HAVE ATTAINED AGE 62.**

6       (a) IN GENERAL.—Part III of subchapter B of chap-  
7       ter 1 of the Internal Revenue Code of 1986 (relating to  
8       items specifically excluded from gross income) is amended

1 by redesignating section 138 as section 139 and by insert-  
 2 ing after section 137 the following new section:

3 **“SEC. 138. SALE OF CLOSELY HELD BUSINESS BY INDIVID-**  
 4 **UALS WHO HAVE ATTAINED AGE 62.**

5 “(a) IN GENERAL.—In the case of an individual,  
 6 gross income does not include the gain (whether received  
 7 in single sum or otherwise) from the sale or exchange of  
 8 a qualified interest in a closely held business if—

9 “(1) the individual has attained age 62 before  
 10 the date of such sale or exchange,

11 “(2) the adjusted gross income of the individual  
 12 for the tax year in which such sale or exchange oc-  
 13 curs does not exceed \$1,000,000 (determined with-  
 14 out regard to such sale or exchange), and

15 “(3) the individual so elects.

16 “(b) ONE-TIME EXCLUSION.—Subsection (a) shall  
 17 not apply to any sale or exchange by the taxpayer if an  
 18 election under subsection (a) with respect to any other sale  
 19 or exchange is in effect.

20 “(c) QUALIFIED INTEREST IN A CLOSELY HELD  
 21 BUSINESS.—

22 “(1) IN GENERAL.—For purposes of subsection  
 23 (a), the term ‘qualified interest in a closely held  
 24 business’ means an interest in a closely held busi-  
 25 ness (as defined by section 6166(b)(1)) if the fair

1 market value of the assets of such business is  
 2 \$500,000 or less, determined at the time of such  
 3 sale or exchange.

4 “(2) RULE FOR APPLYING SECTION  
 5 6166(b)(1).—For purposes of paragraph (1), rules  
 6 similar to rules of paragraphs (2) and (9) of sub-  
 7 section (b) and subsection (c) of section 6166 shall  
 8 apply.

9 “(3) AGGREGATION RULES.—All persons treat-  
 10 ed as a single employer under subsection (a) or (b)  
 11 of section 52 or subsection (m) or (o) of section 414  
 12 shall be treated as one person for purposes of para-  
 13 graph (1).

14 “(d) ELECTION.—An election under subsection (a)  
 15 may be made or revoked at any time before the expiration  
 16 of the period for making a claim for credit or refund of  
 17 the tax imposed by this chapter for the taxable year in  
 18 which the sale or exchange occurred.”

19 (b) CLERICAL AMENDMENT.—The table of sections  
 20 for part III of subchapter B of chapter 1 of such Code  
 21 is amended by striking the item relating to section 138  
 22 and inserting the following:

“Sec. 138. Sale of closely held business by individuals who have  
 attained age 62.

“Sec. 139. Cross reference to other Acts.”

1       (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years ending after De-  
3 cember 31, 1996, with respect to a sale or exchange after  
4 December 31, 1996.

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