

108TH CONGRESS
2D SESSION

H. R. 4603

To amend the Internal Revenue Code of 1986 to provide for the nonrecognition of gain on real property held by individuals or small businesses which is involuntarily converted as the result of the exercise of eminent domain, without regard to whether such property is replaced.

IN THE HOUSE OF REPRESENTATIVES

JUNE 17, 2004

Mr. FILNER 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 provide for the nonrecognition of gain on real property held by individuals or small businesses which is involuntarily converted as the result of the exercise of eminent domain, without regard to whether such property is replaced.

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 “Eminent Domain Re-
5 lief for the Little Guy Act”.

1 **SEC. 2. NONRECOGNITION TREATMENT FOR REAL PROP-**
 2 **ERTY HELD BY INDIVIDUALS OR SMALL BUSI-**
 3 **NESSES WHICH IS INVOLUNTARILY CON-**
 4 **VERTED AS A RESULT OF EXERCISE OF EMI-**
 5 **NENT DOMAIN.**

6 (a) IN GENERAL.—Section 1033 of the Internal Rev-
 7 enue Code of 1986 (relating to involuntary conversions)
 8 is amended by adding at the end the following new sub-
 9 section:

10 “(k) CONDEMNATION OF REAL PROPERTY HELD BY
 11 INDIVIDUALS AND SMALL BUSINESSES.—

12 “(1) IN GENERAL.—If real property held by the
 13 taxpayer is (as the result of its seizure, requisition,
 14 or condemnation, or threat or imminence thereof)
 15 compulsorily or involuntary converted, at the election
 16 of the taxpayer (in such form and manner as the
 17 Secretary may prescribe)—

18 “(A) no gain shall be recognized, and

19 “(B) subsections (a) and (b) shall not
 20 apply with respect to such conversion.

21 “(2) NOT APPLICABLE TO CERTAIN LARGE
 22 BUSINESSES.—Paragraph (1) shall not apply in the
 23 case of a partnership or corporation unless such
 24 partnership or corporation meets the gross receipts
 25 test of section 448(c) for the taxable year in which
 26 the disposition of the converted property occurs.”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to dispositions of converted prop-
3 erty occurring after December 31, 2003.

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