

109TH CONGRESS
1ST SESSION

H. R. 2239

To amend the Internal Revenue Code of 1986 to reduce the recognition period for built-in gains for subchapter S corporations.

IN THE HOUSE OF REPRESENTATIVES

MAY 10, 2005

Mr. RAMSTAD (for himself, Mr. HERGER, Mr. SAM JOHNSON of Texas, Mr. ENGLISH of Pennsylvania, Mr. FOLEY, and Mr. CANTOR) 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 reduce the recognition period for built-in gains for subchapter 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.**

5 (a) IN GENERAL.—Paragraph (7) of section 1374(d)
6 of the Internal Revenue Code of 1986 (relating to defini-
7 tions and special rules) is amended to read as follows:

8 “(7) RECOGNITION PERIOD.—The term ‘rec-
9 ognition period’ means the 7-year period beginning

1 with the 1st day of the 1st taxable year for which
2 the corporation was an S corporation. For purposes
3 of applying this section to any amount includible in
4 income by reason of distributions to shareholders
5 pursuant to section 593(e), the preceding sentence
6 shall be applied without regard to the duration of
7 the recognition period in effect on the date of such
8 distribution.”.

9 (b) EFFECTIVE DATE.—

10 (1) GENERAL RULE.—The amendment made by
11 this section shall apply to any recognition period in
12 effect on or after the date of the enactment of this
13 Act.

14 (2) SPECIAL APPLICATION TO EXISTING PERI-
15 ODS EXCEEDING 7 YEARS.—Any recognition period
16 in effect on the date of the enactment of this Act,
17 the length of which is greater than 7 years, shall end
18 on such date.

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