

109TH CONGRESS
1ST SESSION

H. R. 3461

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.

IN THE HOUSE OF REPRESENTATIVES

JULY 27, 2005

Mr. ANDREWS 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 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. SHORT TITLE.**

4 This Act may be cited as the “Seniors’ Family Busi-
5 ness Enhancement Act”.

1 **SEC. 2. EXCLUSION FROM INCOME TAX OF GAIN FROM**
2 **SALE OF CLOSELY HELD BUSINESS BY INDIVIDUALS WHO HAVE ATTAINED AGE 62.**

3
4 (a) IN GENERAL.—Part III of subchapter B of chapter 1 of the Internal Revenue Code of 1986 (relating to items specifically excluded from gross income) is amended by inserting after section 139A the following new section:

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8 **“SEC. 139B. SALE OF CLOSELY HELD BUSINESS BY INDIVIDUALS WHO HAVE ATTAINED AGE 62.**

9
10 “(a) IN GENERAL.—In the case of an individual,
11 gross income does not include the gain (whether received
12 in single sum or otherwise) from the sale or exchange of
13 a qualified interest in a closely held business if—

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

16 “(2) the adjusted gross income of the individual
17 for the tax year in which such sale or exchange occurs
18 does not exceed \$1,000,000 (determined without regard to such sale or exchange), and
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20 “(3) the individual so elects.

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

25 “(c) QUALIFIED INTEREST IN A CLOSELY HELD
26 BUSINESS.—

1 “(1) IN GENERAL.—For purposes of subsection
2 (a), the term ‘qualified interest in a closely held
3 business’ means an interest in a closely held busi-
4 ness (as defined by section 6166(b)(1)) if the fair
5 market value of the assets of such business is
6 \$500,000 or less, determined at the time of such
7 sale or exchange.

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

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

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

23 (b) CLERICAL AMENDMENT.—The table of sections
24 for part III of subchapter B of chapter 1 of such Code

1 is amended by inserting after the item relating to section
2 139A the following new item:

“Sec. 139B. Sale of closely held business by individuals who have attained age
62.”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to sales and exchanges made after
5 December 31, 2004.

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