

111TH CONGRESS  
1ST SESSION

# H. R. 4211

To amend the Internal Revenue Code of 1986 to treat nonrecourse small business investment company loans from the Small Business Administration as amounts at risk for purposes of determining the deduction for losses.

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## IN THE HOUSE OF REPRESENTATIVES

DECEMBER 3, 2009

Mr. THOMPSON of California (for himself and Ms. WOOLSEY) 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 treat nonrecourse small business investment company loans from the Small Business Administration as amounts at risk for purposes of determining the deduction for losses.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

1 **SECTION 1. NONRECOURSE SMALL BUSINESS INVESTMENT**  
 2 **COMPANY LOANS FROM THE SMALL BUSI-**  
 3 **NESS ADMINISTRATION TREATED AS**  
 4 **AMOUNTS AT RISK.**

5 (a) IN GENERAL.—Subparagraph (B) of section  
 6 465(b)(6) of the Internal Revenue Code of 1986 is amend-  
 7 ed to read as follows:

8 “(B) QUALIFIED NONRECOURSE FINANC-  
 9 ING.—For purposes of this paragraph—

10 “(i) IN GENERAL.—The term ‘quali-  
 11 fied nonrecourse financing’ means any fi-  
 12 nancing—

13 “(I) which is qualified real prop-  
 14 erty financing or qualified SBIC fi-  
 15 nancing,

16 “(II) except to the extent pro-  
 17 vided in regulations, with respect to  
 18 which no person is personally liable  
 19 for repayment, and

20 “(III) which is not convertible  
 21 debt.

22 “(ii) QUALIFIED REAL PROPERTY FI-  
 23 NANCING.—The term ‘qualified real prop-  
 24 erty financing’ means any financing  
 25 which—

1 “(I) is borrowed by the taxpayer  
2 with respect to the activity of holding  
3 real property,

4 “(II) is secured by real property  
5 used in such activity, and

6 “(III) is borrowed by the tax-  
7 payer from a qualified person or rep-  
8 resents a loan from any Federal,  
9 State, or local government or instru-  
10 mentality thereof, or is guaranteed by  
11 any Federal, State, or local govern-  
12 ment.

13 “(iii) QUALIFIED SBIC FINANCING.—  
14 The term ‘qualified SBIC financing’ means  
15 any financing which—

16 “(I) is borrowed by a small busi-  
17 ness investment company (within the  
18 meaning of section 301 of the Small  
19 Business Investment Act of 1958),

20 “(II) is secured by property used  
21 or held, directly or indirectly, by such  
22 small business investment company,  
23 and

24 “(III) is borrowed from, or guar-  
25 anteed by, the Small Business Admin-

1                   istration under the authority of sec-  
2                   tion 303(b) of such Act.”.

3           (b) CONFORMING AMENDMENTS.—Subparagraph (A)  
4 of section 465(b)(6) of such Code is amended—

5                   (1) by striking “in the case of an activity of  
6           holding real property,” and

7                   (2) by striking “which is secured by real prop-  
8           erty used in such activity”.

9           (c) EFFECTIVE DATE.—The amendments made by  
10 this section shall apply to taxable years beginning after  
11 the date of the enactment of this Act.

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