

114TH CONGRESS
1ST SESSION

H. R. 3287

To amend the Internal Revenue Code of 1986 to clarify the treatment of
banks organized as limited liability companies.

IN THE HOUSE OF REPRESENTATIVES

JULY 29, 2015

Mr. MARCHANT (for himself and Mrs. BLACK) 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 clarify
the treatment of banks organized as limited liability com-
panies.

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 “Community Bank
5 Flexibility Act”.

6 **SEC. 2. TREATMENT OF BANKS ORGANIZED AS LIMITED LI-**
7 **ABILITY COMPANIES.**

8 (a) IN GENERAL.—Section 581 of the Internal Rev-
9 enue Code of 1986 is amended—

1 (1) by striking “For purposes of” and inserting
2 the following:

3 “(a) IN GENERAL.—For purposes of”, and

4 (2) by adding at the end the following new sub-
5 section:

6 “(b) TREATMENT OF LIMITED LIABILITY COMPA-
7 NIES, ETC.—

8 “(1) IN GENERAL.—An entity shall not fail to
9 be treated as a bank under subsection (a) merely be-
10 cause such entity is a specified entity (or because
11 such entity elects to be treated either as a corpora-
12 tion or as a partnership for purposes of this title).

13 “(2) SPECIFIED ENTITY.—For purposes of this
14 subsection, the term ‘specified entity’ means any en-
15 tity which may elect to be treated either as a cor-
16 poration or as a partnership for purposes of this
17 title.

18 “(3) TRANSITIONAL RULES.—

19 “(A) REORGANIZATIONS.—In the case of
20 any acquisition or transfer during the 5-year
21 period beginning on the date of the enactment
22 of this subsection, any specified entity which
23 (after such acquisition or transfer) qualifies as
24 a bank under paragraph (1) shall be treated as

1 a corporation for purposes of applying section
2 368(a)(1).

3 “(B) TAX IMPOSED ON CERTAIN BUILT-IN
4 GAINS.—

5 “(i) IN GENERAL.—In the case of any
6 specified entity with respect to which any
7 transfer or acquisition is treated as a reor-
8 ganization under section 368(a)(1) by rea-
9 son of this paragraph, rules similar to the
10 rules of section 1374 shall apply with re-
11 spect to such specified entity by treating
12 such reorganization in the same manner as
13 an election under section 1362(a) (and by
14 treating the specified entity as an S cor-
15 poration and the other corporation with re-
16 spect to such reorganization as the small
17 business corporation making such election).

18 “(ii) SPECIAL RULE FOR REORGA-
19 NIZATIONS DURING RECOGNITION PERIOD
20 OF AN S CORPORATION BANK.—In the case
21 of a transfer or acquisition to which clause
22 (i) applies, if—

23 “(I) the other corporation re-
24 ferred to in clause (i) is an S corpora-
25 tion, and

1 “(II) such transfer or acquisition
2 occurs during the recognition period
3 (as defined in section 1374(d)(7)) of
4 such S corporation,
5 the recognition period of the specified enti-
6 ty determined by reason of the application
7 of clause (i) shall not include any taxable
8 year of the specified entity which begins
9 after the recognition period of such S cor-
10 poration.

11 “(C) ELECTION TO HAVE TRANSITION
12 RULES NOT APPLY.—Subparagraphs (A) and
13 (B) shall not apply if the specified entity re-
14 ferred to in such subparagraphs elects under
15 this subparagraph to have such subparagraphs
16 not apply. Any such election shall, except as
17 otherwise provided by the Secretary, be made
18 contemporaneously with the acquisition or
19 transfer referred to in subparagraph (A).”.

20 (b) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to taxable years beginning after
22 the date of the enactment of this Act.

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