

115TH CONGRESS
1ST SESSION

H. R. 4045

To amend the Internal Revenue Code of 1986 for shareholder ownership and passive income rules of the personal holding company tax provisions.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 12, 2017

Mr. BARR (for himself and Mr. TIBERI) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 for shareholder ownership and passive income rules of the personal holding company tax provisions.

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 “Removing Onerous Ob-
5 stacles in the Tax code for Mainstreet Businesses Act”
6 or as the “ROOT for Mainstreet Businesses Act”.

7 **SEC. 2. ROYALTIES AND RENTS DERIVED IN THE ACTIVE**
8 **CONDUCT OF A TRADE OR BUSINESS.**

9 (a) EXCEPTION FROM DEFINITION OF PERSONAL
10 HOLDING COMPANY.—Paragraph (c) of section 542 of the

1 Internal Revenue Code of 1986 is amended by striking
 2 “and” at the end of subparagraph (7), by striking the pe-
 3 riod at the end of subparagraph (8) and inserting “; and”,
 4 and by adding at the end the following new paragraph:

5 “(9) a corporation with greater than 50 percent
 6 stock ownership (as determined in section 542(a))
 7 held by nonresident alien individuals with no effec-
 8 tively connected income under section 871 or 877.”.

9 (b) MODIFICATIONS RELATED TO DEFINITION OF
 10 PERSONAL HOLDING COMPANY INCOME.—

11 (1) Paragraph (1) of section 543(a) of the Code
 12 is amended by striking “and” at the end of para-
 13 graph (D), by striking the period at the end of para-
 14 graph (E) and inserting “, and”, and by adding at
 15 the end the following new subparagraph:

16 “(F) Royalties and rents derived in the ac-
 17 tive conduct of a trade or business and which
 18 are received from a person other than a related
 19 person (within the meaning of section
 20 954(d)(3)).”.

21 (2) Paragraph (4) of section 543(a) of such
 22 Code is amended by inserting “, which do not qual-
 23 ify for the active conduct of a trade or business ex-
 24 ception in subsection (a)(1)(F)” after “Copyright
 25 royalties” in the matter preceding subparagraph (A).

1 (3) Paragraph (A) of section 543(a)(5) of such
2 Code is amended by inserting “, which do not qual-
3 ify for the active conduct of a trade or business ex-
4 ception in subsection (a)(1)(F)” after “Produced
5 film rent”.

6 (4) Paragraph (3) of section 543(b) of such
7 Code is amended by inserting “(but does not include
8 rents derived from the active conduct of a trade or
9 business as provided in subsection (a)(1)(F))” after
10 “means the gross income from rents” in the matter
11 preceding subparagraph (A).

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to taxable years ending on or after
14 the date of the enactment of this Act.

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