

115TH CONGRESS  
2D SESSION

# H. R. 5813

To amend the Internal Revenue Code of 1986 to exclude from the definition of personal holding company income certain royalties and rents derived in the active conduct of a trade or business.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 15, 2018

Mr. BARR (for himself, Mr. WENSTRUP, Mr. REICHERT, and Mr. BISHOP of Michigan) 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 exclude from the definition of personal holding company income certain royalties and rents derived in the active conduct of a trade or business.

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 of  
6 2018” or as the “ROOT for Mainstreet Businesses Act  
7 of 2018”.

1 **SEC. 2. CERTAIN ROYALTIES AND RENTS DERIVED IN THE**  
2 **ACTIVE CONDUCT OF A TRADE OR BUSINESS**  
3 **NOT TREATED AS PERSONAL HOLDING COM-**  
4 **PANY INCOME.**

5 (a) ROYALTIES.—

6 (1) IN GENERAL.—Section 543(a)(1) of the In-  
7 ternal Revenue Code of 1986 is amended by striking  
8 “and” at the end of subparagraph (D), by striking  
9 the period at the end of subparagraph (E) and in-  
10 serting “, and”, and by adding at the end the fol-  
11 lowing new subparagraph:

12 “(F) royalties derived in the active conduct  
13 of a trade or business which are received from  
14 a person other than a related person (within the  
15 meaning of section 267).”.

16 (2) COPYRIGHT ROYALTIES.—Section 543(a)(4)  
17 of such Code is amended by inserting “or to any  
18 amount derived in the active conduct of a trade or  
19 business which are received from a person other  
20 than a related person (within the meaning of section  
21 267)” after “active business computer software roy-  
22 alties” in the last sentence thereof.

23 (b) RENTS.—

24 (1) IN GENERAL.—Section 543(b)(3) of such  
25 Code is amended by striking “or” at the end of sub-  
26 paragraph (D), by striking the period at the end of

1        subparagraph (E) and inserting “, or”, and by add-  
2        ing at the end the following new subparagraph:

3                “(F) amounts derived in the active conduct  
4                of a trade or business which are received from  
5                a person other than a related person (within the  
6                meaning of section 267).”.

7                (2)     PRODUCED     FILM     RENTS.—Section  
8        543(a)(5)(B) of such Code is amended by adding at  
9        the end the following: “Such term shall not include  
10       any amount derived in the active conduct of a trade  
11       or business which are received from a person other  
12       than a related person (within the meaning of section  
13       267).”

14        (c)     REGULATIONS.—Section 543 of such Code is  
15       amended by adding at the end the following new sub-  
16       section:

17                “(e) DETERMINATION OF WHETHER ROYALTIES AND  
18       RENTS ARE DERIVED IN THE ACTIVE CONDUCT OF A  
19       TRADE OR BUSINESS.—The Secretary shall prescribe reg-  
20       ulations or other guidance providing for the treatment of  
21       rents, royalties, and other amounts described in sub-  
22       sections (a)(1)(F), (a)(4), (a)(5)(B), and (b)(3)(F) as  
23       being derived in the active conduct of a trade or business  
24       consistent with the regulations and other guidance pro-

1 viding for such treatment for purposes of section  
2 954(c)(2)(A).”.

3 (d) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to taxable years ending on or after  
5 the date of the enactment of this Act.

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