

104TH CONGRESS
2D SESSION

H. R. 4243

To amend the Internal Revenue Code of 1986 to permit certain tax free corporate liquidations into a 501(c)(3) organization and to revise the unrelated business income tax rules regarding receipt of debt-financed property in such a liquidation.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 27, 1996

Ms. DUNN of Washington (for herself, Ms. FURSE, Mr. BUNN of Oregon, and Mr. BLUMENAUER) 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 permit certain tax free corporate liquidations into a 501(c)(3) organization and to revise the unrelated business income tax rules regarding receipt of debt-financed property in such a liquidation.

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. ELIMINATION OF CORPORATE LEVEL TAX**
2 **UPON LIQUIDATION OF CLOSELY HELD COR-**
3 **PORATIONS UNDER CERTAIN CONDITIONS.**

4 (a) IN GENERAL.—Paragraph (2) of section 337(b)
5 of the Internal Revenue Code of 1986 (relating to treat-
6 ment of indebtedness of subsidiary, etc.) is amended—

7 (1) by striking “Except as provided in subpara-
8 graph (B)” in subparagraph (A) and inserting “Ex-
9 cept as provided in subparagraph (B) or (C)”, and

10 (2) by adding at the end the following new sub-
11 paragraph:

12 “(C) EXCEPTION IN THE CASE OF STOCK
13 ACQUIRED WITHOUT CONSIDERATION.—If the
14 80-percent distributee is an organization de-
15 scribed in section 501(c)(3) and acquired stock
16 in a liquidated domestic corporation from either
17 a decedent (within the meaning of section
18 1014(b)) or the decedent’s spouse, subpara-
19 graph (A) shall not apply to any distribution of
20 property to the 80-percent distributee. This
21 subparagraph shall apply only if all of the fol-
22 lowing conditions are met:

23 “(i) Eighty percent or more of the
24 stock in the liquidated corporation was ac-
25 quired by the distributee, solely by a dis-
26 tribution from an estate or trust created

1 by one or more qualified persons. For pur-
2 poses of this clause, the term ‘qualified
3 person’ means a citizen or individual resi-
4 dent of the United States, an estate (other
5 than a foreign estate within the meaning
6 of section 7701(a)(31)(A)), or any trust
7 described in clause (i), (ii), or (iii) of sec-
8 tion 1361(c)(2)(A).

9 “(ii) The liquidated corporation
10 adopted its plan of liquidation on or after
11 January 1, 1997.

12 “(iii) The 80-percent distributee is an
13 organization created or organized under
14 the laws of the United States or of any
15 State.

16 Nothing in subsection (d) shall be construed to
17 limit the application of this subsection in cir-
18 cumstances in which this subparagraph ap-
19 plies.”.

20 (b) REVISION OF UNRELATED BUSINESS INCOME
21 TAX RULES TO EXEMPT CERTAIN ASSETS.—Subpara-
22 graph (B) of section 514(c)(2) of the Internal Revenue
23 Code of 1986 (relating to property acquired subject to
24 mortgage, etc.) is amended by inserting “or pursuant to

1 a liquidation described in section 337(b)(2)(C),” after
2 “bequest or devise,”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall take effect on the date of the enactment
5 of this Act.

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