

105TH CONGRESS  
2D SESSION

# H. R. 4639

To amend the Internal Revenue Code of 1986 to treat income from certain leases as income from rental real estate activities in which the taxpayer actively participates.

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 25, 1998

Mr. SMITH 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 treat income from certain leases as income from rental real estate activities in which the taxpayer actively participates.

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. CASH RENT LEASES AND NON-MATERIAL PAR-**  
4 **TICIPATION SHARE LEASES TREATED AS**  
5 **RENTAL REAL ESTATE ACTIVITY.**

6 (a) IN GENERAL.—Paragraph (7) of section 469(c)  
7 of the Internal Revenue Code of 1986 (relating to special

1 rules for taxpayers in real property business) is amended  
2 by adding at the end the following new subparagraph:

3           “(E)     NONMATERIAL     PARTICIPATION  
4           LEASE.—

5                     “(i) IN GENERAL.— For purposes of  
6                     this paragraph, rental real estate activity  
7                     shall include the lease of real estate under  
8                     a nonmaterial participation share lease.

9                     “(ii) NONMATERIAL PARTICIPATION  
10                    LEASE.—For purposes of clause (i), the  
11                    term ‘nonmaterial participation lease’  
12                    means a lease if the income from such  
13                    lease is not self-employment income (as de-  
14                    fined in section 1402(b) for purposes of  
15                    chapter 2.”.

16           (b) EFFECTIVE DATE.—The amendment made by  
17 subsection (a) shall apply to taxable years beginning after  
18 the date of the enactment of this Act.

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