

105TH CONGRESS
1ST SESSION

S. 1412

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 SENATE OF THE UNITED STATES

NOVEMBER 7, 1997

Mr. SMITH of Oregon (for himself, Mrs. FEINSTEIN, Mr. WYDEN, Mr. BAUCUS, and Mr. GORTON) introduced the following bill; which was read twice and referred to the Committee on Finance

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,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Charitable Giving In-
5 centive Act”.

1 **SEC. 2. ELIMINATION OF CORPORATE LEVEL TAX UPON**
 2 **LIQUIDATION OF CLOSELY HELD CORPORA-**
 3 **TIONS 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 CLOSE-
 13 LY-HELD STOCK ACQUIRED WITHOUT CONSID-
 14 ERATION.—If the 80-percent distributee is an
 15 organization described in section 501(c)(3) and
 16 acquired stock in a liquidated domestic corpora-
 17 tion from either a decedent (within the meaning
 18 of section 1014(b)) or the decedent’s spouse,
 19 subparagraph (A) shall not apply to any dis-
 20 tribution of property to the 80-percent distribu-
 21 tee. This subparagraph shall apply only if all of
 22 the following conditions are met:

23 “(i) 80 percent or more of the stock
 24 in the liquidated corporation was acquired
 25 by the distributee, solely by a distribution
 26 from an estate or trust created by one or

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

9 “(ii) The liquidated corporation
10 adopted its plan of liquidation on or after
11 January 1, 1999.

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 “(iv) All of the stock in the liquidated
17 corporation is non-readily-tradable stock
18 (as defined in section 6166(b)(7)(B)).

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

23 (b) REVISION OF UNRELATED BUSINESS INCOME
24 TAX RULES TO EXEMPT CERTAIN ASSETS.—Subpara-
25 graph (B) of section 514(c)(2) of the Internal Revenue

1 Code of 1986 (relating to property acquired subject to
2 mortgage, etc.) is amended by inserting “or pursuant to
3 a liquidation described in section 337(b)(2)(C),” after
4 “bequest or devise,”.

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

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