

105TH CONGRESS  
2D SESSION

# S. 2535

To prohibit the Secretary of the Treasury from issuing regulations dealing with hybrid transactions.

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## IN THE SENATE OF THE UNITED STATES

OCTOBER 1 (legislative day, SEPTEMBER 29), 1998

Mr. BREAUX (for himself and Mr. MACK) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To prohibit the Secretary of the Treasury from issuing regulations dealing with hybrid transactions.

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. HYBRID TRANSACTIONS UNDER SUBPART F.**

4 (a) PROHIBITION ON REGULATIONS.—The Secretary  
5 of the Treasury (or his delegate)—

6 (1) shall not issue temporary or final regula-  
7 tions relating to the treatment of hybrid transactions  
8 under subpart F of part III of subchapter N of  
9 chapter 1 of the Internal Revenue Code of 1986 pur-  
10 suant to Internal Revenue Service Notice 98–35 or

1 any other regulations reaching the same or similar  
2 result as such notice,

3 (2) shall retroactively withdraw any regulations  
4 described in paragraph (1) which were issued after  
5 the date of such notice and before the date of the  
6 enactment of this Act, and

7 (3) shall not modify or withdraw sections  
8 301.7701–1 through 301.7701–3 of the Treasury  
9 Regulations (relating to the classification of certain  
10 business entities) in a manner which alters the treat-  
11 ment of hybrid transactions under such subpart F.

12 (b) STUDY AND REPORT.—The Secretary of the  
13 Treasury (or his delegate) shall study the tax treatment  
14 of hybrid transactions under such subpart F and submit  
15 a report to the Committee on Ways and Means of the  
16 House of Representatives and the Committee on Finance  
17 of the Senate. The Secretary shall hold at least one public  
18 hearing to receive comments from any interested party  
19 prior to submitting such report.

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