

106TH CONGRESS  
2D SESSION

# S. 2949

To amend the Internal Revenue Code of 1986 to treat distributions from publicly traded partnerships as qualifying income of regulated investment companies, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

JULY 27, 2000

Mr. GRAMM (for himself, Mr. NICKLES, Mrs. HUTCHISON, Mr. MURKOWSKI, and Mr. GRASSLEY) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to treat distributions from publicly traded partnerships as qualifying income of regulated investment companies, and for other purposes.

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. DISTRIBUTIONS FROM PUBLICLY TRADED**  
4                       **PARTNERSHIPS TREATED AS QUALIFYING IN-**  
5                       **COME OF REGULATED INVESTMENT COMPA-**  
6                       **NIES.**

7           (a) IN GENERAL.—Paragraph (2) of section 851(b)  
8       of the Internal Revenue Code of 1986 (defining regulated

1 investment company) is amended by inserting “distribu-  
 2 tions or other income derived from an interest in a publicly  
 3 traded partnership (as defined in section 7704(b)),” after  
 4 “dividends, interest,”.

5 (b) SOURCE FLOW-THROUGH RULE NOT TO  
 6 APPLY.—The last sentence of section 851(b) of such Code  
 7 is amended by inserting “(other than a publicly traded  
 8 partnership (as defined in section 7704(b)))” after “de-  
 9 rived from a partnership”.

10 **SEC. 2. SPECIAL PASSIVE ACTIVITY RULE FOR PUBLICLY**  
 11 **TRADED PARTNERSHIPS TO APPLY TO REGU-**  
 12 **LATED INVESTMENT COMPANIES.**

13 Subsection (k) of section 469 of the Internal Revenue  
 14 Code of 1986 (relating to separate application of section  
 15 in case of publicly traded partnerships) is amended by  
 16 adding at the end the following new paragraph:

17 “(4) APPLICATION TO REGULATED INVEST-  
 18 MENT COMPANIES.—For purposes of this section, a  
 19 regulated investment company (as defined in section  
 20 851) holding an interest in a publicly traded part-  
 21 nership shall be treated as a taxpayer described in  
 22 subsection (a)(2) with respect to items attributable  
 23 to such interest.”

1 **SEC. 3. EFFECTIVE DATE.**

2       The amendments made by this Act shall apply to tax-  
3 able years beginning after the date of the enactment of  
4 this Act.

