

107TH CONGRESS
1ST SESSION

H. R. 2846

To amend the Internal Revenue Code of 1986 to provide comparable unrelated business taxable income treatment to tax exempt organizations which hold interests in S corporations to the treatment as is provided to such organizations for interests held in partnerships.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 6, 2001

Mr. BAIRD (for himself and Mr. RYAN of Wisconsin) 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 provide comparable unrelated business taxable income treatment to tax exempt organizations which hold interests in S corporations to the treatment as is provided to such organizations for interests held in partnerships.

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. COMPARABLE TREATMENT OF TAX EXEMPT**
2 **ORGANIZATION'S OWNERSHIP INTERESTS IN**
3 **S CORPORATIONS AND IN PARTNERSHIPS**
4 **FOR PURPOSES OF UNRELATED BUSINESS**
5 **TAXABLE INCOME.**

6 (a) **IN GENERAL.**—Subsection (c) of section 512 of
7 the Internal Revenue Code of 1986 (relating to special
8 rule for partnerships) is amended—

9 (1) by inserting “or S corporation” after “part-
10 nership” each place it appears in paragraphs (1)
11 and (2),

12 (2) by inserting “or shareholder” after “mem-
13 ber” in paragraph (1), and

14 (3) by inserting “AND S CORPORATIONS” after
15 “PARTNERSHIPS” in the heading.

16 (b) **REPORTING REQUIREMENT.**—Section 6037 of
17 such Code (relating to return of S corporation) is amended
18 by adding at the end the following new subsection:

19 “(d) **SEPARATE STATEMENT OF ITEMS OF UNRE-**
20 **LATED BUSINESS TAXABLE INCOME.**—In the case of any
21 S corporation regularly carrying on a trade or business
22 (within the meaning of section 512(c)(1)), the information
23 required under subsection (b) to be furnished to any
24 shareholder described in section 1631(c)(6) shall include
25 such information as is necessary to enable the shareholder
26 to compute its pro rata share of the corporation’s income

1 or loss from the trade or business in accordance with sec-
2 tion 512(a)(1), but without regard to the modifications de-
3 scribed in paragraphs (8) through (15) of section
4 512(b).”.

5 (c) CONFORMING AMENDMENTS.—

6 (1) Section 512 of such Code is amended by
7 striking subsection (e).

8 (2) Section 512(c) of such Code is amended by
9 adding at the end the following new paragraph:

10 “(3) EXCEPTION FOR ESOPS.—This subsection
11 shall not apply to employer securities (within the
12 meaning of section 409(l) held by an employee stock
13 ownership plan described in section 4975(e)(7).”.

14 (d) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to taxable years beginning after
16 December 31, 2001.

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