

103^D CONGRESS
2^D SESSION

H. R. 3832

To amend the Internal Revenue Code of 1986 to allow certain corporations and certain trusts to be shareholders of subchapter S corporations.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 9, 1994

Mr. SENSENBRENNER (by request) 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 allow certain corporations and certain trusts to be shareholders of subchapter S corporations.

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. CORPORATIONS ALLOWED TO BE SHAREHOLD-**
4 **ERS OF SUBCHAPTER S CORPORATIONS IN**
5 **CERTAIN CASES.**

6 (a) IN GENERAL.—Subsection (c) of section 1361 of
7 the Internal Revenue Code of 1986 (defining S corpora-
8 tion) is amended by adding at the end thereof the follow-
9 ing new paragraph:

1 “(7) CORPORATIONS PERMITTED AS SHARE-
2 HOLDERS IN CERTAIN CASES.—

3 “(A) IN GENERAL.—Subsections (b)(1)(B)
4 and (b)(2)(A) shall not apply to a shareholder
5 which is a corporation if each shareholder of
6 such corporation is of a type permitted (without
7 regard to this paragraph) to be a shareholder of
8 an S corporation.

9 “(B) CORPORATION’S SHAREHOLDERS
10 COUNTED.—The shareholders of each corporate
11 shareholder of a corporation (and not such cor-
12 porate shareholder) shall be counted in deter-
13 mining whether such corporation meets the re-
14 quirement of subsection (b)(1)(A).”

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

18 **SEC. 2. ADDITIONAL TRUSTS ALLOWED TO BE SHAREHOLD-**
19 **ERS OF SUBCHAPTER S CORPORATIONS.**

20 (a) IN GENERAL.—Subsection (d) of section 1361 of
21 the Internal Revenue Code of 1986 (relating to special
22 rule for qualified subchapter S trust) is amended by redес-
23 ignating paragraph (4) as paragraph (5) and by inserting
24 after paragraph (3) the following new paragraph:

1 “(4) ADDITIONAL TRUSTS INCLUDED AS SUB-
2 CHAPTER S TRUSTS.—For purposes of this sub-
3 section, the term ‘qualified subchapter S trust’ also
4 means a trust—

5 “(A) all of the income beneficiaries of
6 which are individuals who are citizens or resi-
7 dents of the United States,

8 “(B) all of the income (within the meaning
9 of section 643(b)) of which is distributed (or re-
10 quired to be distributed) not less frequently
11 than annually to 1 or more of such individuals,
12 and

13 “(C) an election is in effect under para-
14 graph (2) for each of such individuals with re-
15 spect to each corporation the stock of which is
16 held by the trust.”

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

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