

103<sup>D</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 545

To amend the Internal Revenue Code of 1986 to provide that the provision enacted as part of the Energy Policy Act of 1992 requiring the recognition of precontribution gain in the case of certain partnership distributions to a contributing partner shall be fully prospective, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 21, 1993

Mr. TORRICELLI introduced the following bill; which was referred to the  
Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide that the provision enacted as part of the Energy Policy Act of 1992 requiring the recognition of precontribution gain in the case of certain partnership distributions to a contributing partner shall be fully prospective, 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,*

1 **SECTION 1. MODIFICATION OF RULES REQUIRING REC-**  
2 **OGNITION OF PRECONTRIBUTION GAIN IN**  
3 **CASE OF CERTAIN PARTNERSHIP DISTRIBUTI-**  
4 **ONS TO CONTRIBUTING PARTNER.**

5 (a) PROVISION TO BE PROSPECTIVE.—Subsection  
6 (c) of section 1937 of the Energy Policy Act of 1992 is  
7 amended by striking “distributions” and inserting “Prop-  
8 erty contributed to a partnership”.

9 (b) PRECONTRIBUTION GAIN DETERMINED WITH-  
10 OUT NETTING LOSSES.—

11 (1) Subsection (b) of section 737 of such Code  
12 is amended by striking “net gain” and inserting  
13 “gain”.

14 (2) Subsections (a) and (b) of section 737 of  
15 such Code are each amended by striking “net  
16 precontribution gain” each place it appears and in-  
17 serting “precontribution gain”.

18 (c) INTEREST CHARGE.—Section 737 of such Code  
19 is amended by adding at the end thereof the following new  
20 subsection:

21 “(e) INTEREST CHARGE IMPOSED ON GAIN RECOG-  
22 NIZED.—

23 “(1) IN GENERAL.—If any portion of the gain  
24 recognized under subsection (a) for any taxable year  
25 is attributable to property contributed prior to such  
26 taxable year, the taxpayer’s tax imposed by this

1 chapter for such taxable year shall be increased by  
2 the aggregate of the additional amounts determined  
3 under paragraph (2) with respect to each such prop-  
4 erty.

5 “(2) ADDITIONAL AMOUNT.—For purposes of  
6 paragraph (1), the additional amount with respect to  
7 any property shall be equal to the aggregate amount  
8 of interest (determined at the rate applicable under  
9 section 6621(a)(2) for the month with or within  
10 which any taxable year ends) that would accrue—

11 “(A) on an amount equal to the deferred  
12 tax liability for the taxable year which is attrib-  
13 utable to such property,

14 “(B) during the period—

15 “(i) ending on the due date for filing  
16 the return for such taxable year (deter-  
17 mined without regard to extensions), and

18 “(ii) beginning on the due date for fil-  
19 ing the return for the taxable year (deter-  
20 mined without regard to extensions) of the  
21 taxpayer during which the property was  
22 contributed.

23 “(3) DEFERRED TAX LIABILITY.—For purposes  
24 of paragraph (2), the term ‘deferred tax liability’

1 means, with respect to any property, the product  
2 of—

3 “(A) the amount of gain recognized under  
4 subsection (a) with respect to such property,  
5 and

6 “(B) the maximum rate of tax in effect  
7 under section 1 or 11, whichever is appropriate,  
8 for the taxable year of the taxpayer during  
9 which such property was contributed.

10 “(4) SPECIAL RULE.—Any increase in tax  
11 under subsection shall not be treated as a tax im-  
12 posed by this chapter for purposes of—

13 “(A) determining the amount of any credit  
14 allowable under this chapter, and

15 “(B) determining the amount of the tax  
16 imposed by section 55.”

17 (d) EFFECTIVE DATE.—The amendments made by  
18 this section shall take effect as if included in the amend-  
19 ments made by section 1937 of the Energy Policy Act of  
20 1992 on the date of the enactment of such Act.

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