

105TH CONGRESS  
1ST SESSION

# H. R. 3029

To amend the Internal Revenue Code of 1986 to permit certain tax free corporate liquidations into a 501(c)(3) organization and to revise the unrelated business income tax rules regarding receipt of debt-financed property in such a liquidation.

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## IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 12, 1997

Ms. DUNN (for herself, Mr. SMITH of Oregon, Ms. FURSE, Mr. NETHERCUTT, Ms. HOOLEY of Oregon, and Mr. PAUL) 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 permit certain tax free corporate liquidations into a 501(c)(3) organization and to revise the unrelated business income tax rules regarding receipt of debt-financed property in such a liquidation.

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. ELIMINATION OF CORPORATE LEVEL TAX**  
2 **UPON LIQUIDATION OF CLOSELY HELD COR-**  
3 **PORATIONS UNDER CERTAIN CONDITIONS.**

4 (a) IN GENERAL.—Paragraph (2) of section 337(b)  
5 of the Internal Revenue Code of 1986 (relating to treat-  
6 ment of indebtedness of subsidiary, etc.) is amended—

7 (1) by striking “Except as provided in subpara-  
8 graph (B)” in subparagraph (A) and inserting “Ex-  
9 cept as provided in subparagraph (B) or (C)”, and

10 (2) by adding at the end the following new sub-  
11 paragraph:

12 “(C) EXCEPTION IN THE CASE OF CLOSE-  
13 LY-HELD STOCK ACQUIRED WITHOUT CONSID-  
14 ERATION.—If the 80-percent distributee is an  
15 organization described in section 501(c)(3) and  
16 acquired stock in a liquidated domestic corpora-  
17 tion from either a decedent (within the meaning  
18 of section 1014(b)) or the decedent’s spouse,  
19 subparagraph (A) shall not apply to any dis-  
20 tribution of property to the 80-percent distribu-  
21 tee. This subparagraph shall apply only if all of  
22 the following conditions are met:

23 “(i) 80 percent or more of the stock  
24 in the liquidated corporation was acquired  
25 by the distributee, solely by a distribution  
26 from an estate or trust created by one or

1 more qualified persons. For purposes of  
2 this clause, the term ‘qualified person’  
3 means a citizen or individual resident of  
4 the United States, an estate (other than a  
5 foreign estate within the meaning of sec-  
6 tion 7701(a)(31)(A)), or any trust de-  
7 scribed in clause (i), (ii), or (iii) of section  
8 1361(c)(2)(A).

9 “(ii) The liquidated corporation  
10 adopted its plan of liquidation on or after  
11 January 1, 1999.

12 “(iii) The 80-percent distributee is an  
13 organization created or organized under  
14 the laws of the United States or of any  
15 State.

16 “(iv) All of the stock in the liquidated  
17 corporation is non-readily-tradable stock  
18 (as defined in section 6166(b)(7)(B)).

19 Nothing in subsection (d) shall be construed to  
20 limit the application of this subsection in cir-  
21 cumstances in which this subparagraph ap-  
22 plies.”.

23 (b) REVISION OF UNRELATED BUSINESS INCOME  
24 TAX RULES TO EXEMPT CERTAIN ASSETS.—Subpara-  
25 graph (B) of section 514(c)(2) of the Internal Revenue

1 Code of 1986 (relating to property acquired subject to  
2 mortgage, etc.) is amended by inserting “or pursuant to  
3 a liquidation described in section 337(b)(2)(C),” after  
4 “bequest or devise,”.

5 (c) EFFECTIVE DATE.—The amendments made by  
6 this section shall take effect on the date of the enactment  
7 of this Act.

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