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107TH CONGRESS
1ST SESSION

H. R. 1359

To amend the Internal Revenue Code of 1986 to expand and extend the ability of certain exempt organizations to avoid recognizing a gain on the sale of property used directly in the performance of an exempt function.

IN THE HOUSE OF REPRESENTATIVES

APRIL 3, 2001

Mr. MCNULTY 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 expand and extend the ability of certain exempt organizations to avoid recognizing a gain on the sale of property used directly in the performance of an exempt function.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. NONRECOGNITION OF GAIN ON THE SALE OF PROPERTY USED IN PERFORMANCE OF AN EXEMPT FUNCTION.

(a) IN GENERAL.—Subparagraph (D) of section 512(a)(3) of the Internal Revenue Code of 1986 is amended to read as follows:

"(D) NONRECOGNITION OF GAIN.—

"(i) IN GENERAL.—If property used directly in the performance of the exempt function of an organization described in paragraph (7), (9), (17), or (20) of section 501(c) is sold by such organization, gain (if any) from such sale shall be recognized only to the extent that such organization's sales price of such property exceeds the sum of—

"(I) such organization's cost of purchasing, during a period beginning 1 year before the date of such sale and ending 10 years after such date, other property that is used directly in the performance of the exempt function of the organization, and

"(II) any amount paid by such organization during such period to accomplish one or more purposes described in section 170(c)(2)(B).

"(ii) STATUTE OF LIMITATIONS.—If an organization sells property on which gain is not recognized, in whole or in part, by reason of clause (i), then the statutory period for the assessment of any deficiency attributable to such gain shall not expire until the end of the 3-year period beginning on the date that the Secretary is notified by such organization (in such manner as the Secretary may prescribe) that—

"(I) the organization has met the requirements of clause (i) with respect to gain which was not recognized,

"(II) the organization does not intend to meet such requirements, or

"(III) the organization failed to meet such requirements within the prescribed period.

For the purposes of this clause, any deficiency may be assessed before the expiration of such 3-year period notwithstanding the provisions of any other law or rule of law which would otherwise prevent such assessment.

"(iii) DESTRUCTION AND LOSS.—For purposes of this subparagraph, the destruction in whole or in part, theft, seizure, requisition, or condemnation of property, shall be treated as the sale of such property, and rules similar to the rules provided by subsections (b), (c), (e), and (j) of section 1034 (as in effect on the day before the date of the enactment of the Taxpayer Relief Act of 1997) shall apply.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply with respect to the sale of any property for which the 3-year period for offsetting gain by purchasing other property under subparagraph (D) of section 512(a)(3) of the Internal Revenue Code (as in effect on the day before the date of the enactment of this Act) had not expired as of January 1, 2001.

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