

107TH CONGRESS
1ST SESSION

S. 1134

To amend the Internal Revenue Code of 1986 to modify the rules applicable to qualified small business stock.

IN THE SENATE OF THE UNITED STATES

JUNE 28, 2001

Mr. LIEBERMAN (for himself and Mr. HATCH) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to modify the rules applicable to qualified small business stock.

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. SHORT TITLE.**

4 This Act may be cited as the “Venture Capital Gains
5 and Growth Act of 2001”.

6 **SEC. 2. MODIFICATIONS APPLICABLE TO QUALIFIED SMALL**
7 **BUSINESS STOCK.**

8 (a) REPEAL OF MINIMUM TAX PREFERENCE.—

9 (1) IN GENERAL.—Subsection (a) of section 57
10 of the Internal Revenue Code of 1986 (relating to

1 items of tax preference) is amended by striking
2 paragraph (7).

3 (2) TECHNICAL AMENDMENT.—Subclause (II)
4 of section 53(d)(1)(B)(ii) of such Code is amended
5 by striking “, (5), and (7)” and inserting “and (5)”.

6 (b) INCREASE IN ROLLOVER PERIOD FOR QUALIFIED
7 SMALL BUSINESS STOCK.—Subsections (a)(1) and (b)(3)
8 of section 1045 of the Internal Revenue Code of 1986 (re-
9 lating to rollover of gain from qualified small business
10 stock to another qualified small business stock) are each
11 amended by striking “60-day” and inserting “180-day”.

12 (c) REDUCTION IN HOLDING PERIOD.—

13 (1) IN GENERAL.—Subsection (a) of section
14 1202 of the Internal Revenue Code of 1986 (relating
15 to partial exclusion for gains from certain small
16 business stock) is amended by striking “5 years”
17 and inserting “3 years”.

18 (2) CONFORMING AMENDMENT.—Subsections
19 (g)(2)(A) and (j)(1)(A) of section 1202 of such Code
20 are each amended by striking “5 years” and insert-
21 ing “3 years”.

22 (d) REPEAL OF PER-ISSUER LIMITATION.—Section
23 1202(b) of the Internal Revenue Code of 1986 (relating
24 to per-issuer limitations on taxpayer’s eligible gain) is re-
25 pealed.

1 (e) QUALIFIED TRADE OR BUSINESS.—Section
2 1202(e)(3) of the Internal Revenue Code of 1986 (relating
3 to qualified trade or business) is amended by inserting “,
4 and is anticipated to continue to be,” before “the reputa-
5 tion” in subparagraph (A).

6 (f) OTHER MODIFICATIONS.—

7 (1) REPEAL OF WORKING CAPITAL LIMITA-
8 TION.—Section 1202(e)(6) of the Internal Revenue
9 Code of 1986 (relating to working capital) is
10 amended—

11 (A) in subparagraph (B), by striking “2
12 years” and inserting “5 years”; and

13 (B) by striking the last sentence.

14 (2) EXCEPTION FROM REDEMPTION RULES
15 WHERE BUSINESS PURPOSE.—Section 1202(e)(3) of
16 such Code (relating to certain purchases by corpora-
17 tion of its own stock) is amended by adding at the
18 end the following new subparagraph:

19 “(D) WAIVER WHERE BUSINESS PUR-
20 POSE.—A purchase of stock by the issuing cor-
21 poration shall be disregarded for purposes of
22 subparagraph (B) if the issuing corporation es-
23 tablishes that there was a business purpose for
24 such purchase and one of the principal purposes

1 of the purchase was not to avoid the limitations
2 of this section.”.

3 (g) INCREASED EXCLUSION.—

4 (1) IN GENERAL.—Subsection (a) of section
5 1202 of the Internal Revenue Code of 1986 (relating
6 to 50-percent exclusion for gain from certain small
7 business stock) is amended by striking “50 percent”
8 and inserting “100 percent”.

9 (2) CONFORMING AMENDMENTS.—

10 (A) Subparagraph (A) of section 1(h)(5) of
11 such Code is amended to read as follows:

12 “(A) collectibles gain, over”.

13 (B) Section 1(h) of such Code is amended
14 by striking paragraph (8).

15 (C) Paragraph (9) of section 1(h) of such
16 Code is amended by striking “, gain described
17 in paragraph (7)(A)(i), and section 1202 gain”
18 and inserting “and gain described in paragraph
19 (7)(A)(i)”.

20 (D) Section 1(h) of such Code is amended
21 by redesignating paragraphs (9) (as amended
22 by subparagraph (C)), (10), (11), and (12) as
23 paragraphs (8), (9), (10), and (11), respec-
24 tively.

1 (E) The heading for section 1202 of such
2 Code is amended by striking “**PARTIAL**” and
3 inserting “**100-PERCENT**”.

4 (F) The table of sections for part I of sub-
5 chapter P of chapter 1 of such Code is amended
6 by striking “Partial” in the item relating to
7 section 1202 and inserting “100-percent”.

8 (h) EXCLUSION AVAILABLE TO CORPORATIONS.—

9 (1) IN GENERAL.—Subsection (a) of section
10 1202 of the Internal Revenue Code of 1986 (relating
11 to partial exclusion for gains from certain small
12 business stock) is amended by striking “other than
13 a corporation”.

14 (2) TECHNICAL AMENDMENT.—Subsection (c)
15 of section 1202 of such Code is amended by adding
16 at the end the following new paragraph:

17 “(4) STOCK HELD AMONG MEMBERS OF CON-
18 TROLLED GROUP NOT ELIGIBLE.—Stock of a mem-
19 ber of a parent-subsidiary controlled group (as de-
20 fined in subsection (d)(3)) shall not be treated as
21 qualified small business stock while held by another
22 member of such group.”.

23 (i) STOCK OF LARGER BUSINESSES ELIGIBLE FOR
24 EXCLUSION.—

1 (1) IN GENERAL.—Paragraph (1) of section
2 1202(d) of the Internal Revenue Code of 1986 (de-
3 fining qualified small business) is amended by strik-
4 ing “\$50,000,000” each place it appears and insert-
5 ing “\$300,000,000”.

6 (2) INFLATION ADJUSTMENT.—Section 1202(d)
7 of such Code (defining qualified small business) is
8 amended by adding at the end the following:

9 “(4) INFLATION ADJUSTMENT OF ASSET LIM-
10 TATION.—In the case of stock issued in any calendar
11 year after 2002, the \$300,000,000 amount con-
12 tained in paragraph (1) shall be increased by an
13 amount equal to—

14 “(A) such dollar amount, multiplied by

15 “(B) the cost-of-living adjustment deter-
16 mined under section 1(f)(3) for the calendar
17 year in which the taxable year begins, deter-
18 mined by substituting ‘calendar year 2001’ for
19 ‘calendar year 1992’ in subparagraph (B)
20 thereof.

21 If any amount as adjusted under the preceding sen-
22 tence is not a multiple of \$10,000, such amount
23 shall be rounded to the nearest multiple of
24 \$10,000.”.

1 (j) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to stock issued after the date of
3 the enactment of this Act.

○