

110TH CONGRESS
1ST SESSION

H. R. 3874

To amend the Internal Revenue Code of 1986 to reduce the recognition period for built-in gains for subchapter S corporations.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 17, 2007

Mr. KAGEN (for himself, Mr. RAMSTAD, Mr. KIND, and Mr. ENGLISH of Pennsylvania) 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 reduce the recognition period for built-in gains for 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. SHORT TITLE.**

4 This Act may be cited as the “Small Business Growth
5 and Opportunity Act”.

1 **SEC. 2. REDUCED RECOGNITION PERIOD FOR BUILT-IN**
2 **GAINS TAX.**

3 (a) **IN GENERAL.**—Paragraph (7) of section 1374(d)
4 of the Internal Revenue Code of 1986 (relating to defini-
5 tions and special rules) is amended to read as follows:

6 “(7) **RECOGNITION PERIOD.**—The term ‘rec-
7 ognition period’ means the 7-year period beginning
8 with the 1st day of the 1st taxable year for which
9 the corporation was an S corporation. For purposes
10 of applying this section to any amount includable in
11 income by reason of distributions to shareholders
12 pursuant to section 593(e), the preceding sentence
13 shall be applied without regard to the duration of
14 the recognition period in effect on the date of such
15 distribution.”.

16 (b) **EFFECTIVE DATE.**—The amendment made by
17 this section—

18 (1) shall apply for purposes of determining the
19 recognition period with respect to 1st days referred
20 to in section 1374(d)(7) of such Code occurring be-
21 fore, on, or after the date of the enactment of this
22 Act, but

23 (2) shall not apply for purposes of determining
24 the tax imposed by section 1374 of such Code for
25 taxable years ending before such date.