

112TH CONGRESS
1ST SESSION

H. R. 2604

To amend the Internal Revenue Code of 1986 to provide for the treatment of securities of a controlled corporation exchanged for assets in certain reorganizations.

IN THE HOUSE OF REPRESENTATIVES

JULY 20, 2011

Ms. SLAUGHTER (for herself, Mr. WELCH, Mr. KUCINICH, Mr. MICHAUD, Mr. JOHNSON of Georgia, Mr. OLVER, Mr. COSTELLO, Mrs. NAPOLITANO, Ms. PINGREE of Maine, Ms. SUTTON, Mr. DEFazio, Ms. KAPTUR, Mr. WALZ of Minnesota, Mr. TIERNEY, Ms. SCHAKOWSKY, Ms. MCCOLLUM, and Mr. RAHALL) 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 provide for the treatment of securities of a controlled corporation exchanged for assets in certain reorganizations.

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. TREATMENT OF SECURITIES OF A CON-**

4 **TROLLED CORPORATION EXCHANGED FOR**

5 **ASSETS IN CERTAIN REORGANIZATIONS.**

6 (a) IN GENERAL.—Section 361 of the Internal Rev-

7 enue Code of 1986 (relating to nonrecognition of gain or

1 loss to corporations; treatment of distributions) is amend-
2 ed by adding at the end the following new subsection:

3 “(d) SPECIAL RULES FOR TRANSACTIONS INVOLVING
4 SECTION 355 DISTRIBUTIONS.—In the case of a reorga-
5 nization described in section 368(a)(1)(D) with respect to
6 which stock or securities of the corporation to which the
7 assets are transferred are distributed in a transaction
8 which qualifies under section 355—

9 “(1) this section shall be applied by substituting
10 ‘stock other than nonqualified preferred stock (as
11 defined in section 351(g)(2))’ for ‘stock or securities’
12 in subsections (a) and (b)(1), and

13 “(2) the first sentence of subsection (b)(3) shall
14 apply only to the extent that the sum of the money
15 and the fair market value of the other property
16 transferred to such creditors does not exceed the ad-
17 justed bases of such assets transferred (reduced by
18 the amount of the liabilities assumed (within the
19 meaning of section 357(c)).”.

20 (b) CONFORMING AMENDMENT.—Paragraph (3) of
21 section 361(b) of the Internal Revenue Code of 1986 is
22 amended by striking the last sentence.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to exchanges after the date of en-
3 actment of this Act.

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