

113TH CONGRESS
2D SESSION

H. R. 1

To amend the Internal Revenue Code of 1986 to provide for comprehensive tax reform.

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 10, 2014

Mr. CAMP 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 comprehensive tax reform.

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; ETC.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Tax Reform Act of 2014”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment
9 to, or repeal of, a section or other provision, the reference

1 the item relating to such section in the table of sections
2 for such part).

3 (b) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to productions commencing after
5 December 31, 2013.

6 **SEC. 3117. REPEAL OF SPECIAL RULES FOR RECOVERIES**
7 **OF DAMAGES OF ANTITRUST VIOLATIONS,**
8 **ETC.**

9 (a) IN GENERAL.—Part VI of subchapter B of chap-
10 ter 1 is amended by striking section 186 (and by striking
11 the item relating to such section in the table of sections
12 for such part).

13 (b) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to taxable years beginning after
15 December 31, 2014.

16 **SEC. 3118. TREATMENT OF REFORESTATION EXPENDI-**
17 **TURES.**

18 (a) ELIMINATION OF EXPENSING ELECTION.—Sec-
19 tion 194 is amended by striking subsections (a) and (b),
20 by redesignating subsection (c) and (d) as subsections (b)
21 and (c), respectively, and by inserting before subsection
22 (b) (as so redesignated) the following new subsection:

23 “(a) IN GENERAL.—In the case of a taxpayer’s quali-
24 fied reforestation expenditures for any taxable year—

1 “(1) except as provided in paragraph (2), no
2 deduction shall be allowed for such expenditures,
3 and

4 “(2) the taxpayer shall—

5 “(A) charge such expenditures to capital
6 account, and

7 “(B) be allowed an amortization deduction
8 of such expenditures ratably over the 7-year pe-
9 riod beginning with the midpoint of the taxable
10 year in which such expenditures are paid or in-
11 curred.”.

12 (b) QUALIFIED REFORESTATION EXPENDITURES.—
13 Section 194(b), as redesignated by subsection (a), is
14 amended by striking paragraph (2), by redesignating
15 paragraph (1) as paragraph (2), and by inserting before
16 paragraph (2) (as so redesignated the following new para-
17 graph:

18 “(1) QUALIFIED REFORESTATION EXPENDI-
19 TURES.—The term ‘qualified reforestation expendi-
20 tures’ means, with respect to any taxable year, the
21 reforestation expenditures paid or incurred by the
22 taxpayer during such taxable year with respect to
23 qualified timber property.”.

1 (c) QUALIFIED TIMBER PROPERTY LIMITED TO OR-
2 NAMENTAL TREES.—Section 194(b)(2), as redesignated
3 by subsections (a) and (b), is amended to read as follows:

4 “(2) QUALIFIED TIMBER PROPERTY.—The term
5 ‘qualified timber property’ means a woodlot or other
6 site located in the United States which—

7 “(A) will contain evergreen trees in signifi-
8 cant commercial quantities which are reason-
9 ably expected to be more than 6 years old at
10 the time severed from the roots, and

11 “(B) is held by the taxpayer for the plant-
12 ing, cultivating, caring for, and cutting of such
13 trees for sale for ornamental purposes.”.

14 (d) DETERMINATION OF RECOMPUTED BASIS.—Sec-
15 tion 1245(b) is amended by striking paragraph (7).

16 (e) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to expenditures paid or incurred
18 in taxable years beginning after December 31, 2014.

19 **SEC. 3119. 20-YEAR AMORTIZATION OF GOODWILL AND CER-**
20 **TAIN OTHER INTANGIBLES.**

21 (a) IN GENERAL.—Subsection (a) of section 197 is
22 amended by striking “15-year period” and inserting “20-
23 year period”.

1 **SEC. 3132. REPEAL OF SPECIAL RULES FOR GAIN OR LOSS**
2 **ON TIMBER, COAL, OR DOMESTIC IRON ORE.**

3 (a) IN GENERAL.—Subchapter I of chapter 1 is
4 amended by striking part III (and by striking the item
5 relating to such part in the table of parts for such sub-
6 chapter).

7 (b) CONFORMING AMENDMENTS.—

8 (1) Section 512(b)(5) is amended by striking
9 the last sentence.

10 (2) Section 871(a)(1)(B) is amended by strik-
11 ing “gains described in section 631(b) or (c), and”.

12 (3) Section 871(d)(1)(A) is amended—

13 (A) by striking “, (ii) rents” and inserting
14 “and (ii) rents”, and

15 (B) by striking “, and (iii) gains described
16 in section 631(b) or (c)”.

17 (4)(A) Section 881(a) is amended by striking
18 paragraph (2) and by redesignating paragraphs (3)
19 and (4) as paragraphs (2) and (3), respectively.

20 (B) Section 1442(a) is amended—

21 (i) by striking “881(a)(3) and (4)” and in-
22 serting “881(a)(2) and (3)”,

23 (ii) by striking “881(a)(3),” and inserting
24 “881(a)(2),”, and

25 (iii) by striking “881(a)(4)” and inserting
26 “881(a)(3)”.

1 (5) Section 882(d)(1)(A) is amended—

2 (A) by striking “, (ii) rents” and inserting
3 “and (ii) rents”, and

4 (B) by striking “, and (iii) gains described
5 in section 631(b) or (c)”.

6 (6) Section 1231(b) is amended by striking
7 paragraph (2).

8 (7) Section 1402(a)(3) is amended by inserting
9 “or” at the end of subparagraph (A) and by striking
10 subparagraph (B) and redesignating subparagraph
11 (C) as subparagraph (B).

12 (8) Section 1441 is amended—

13 (A) in subsection (b), by striking “, gains
14 described in section 631(b) or (c)”, and

15 (B) in subsection (c)(5), by striking “gains
16 described in section 631(b) or (c), gains subject
17 to tax under section 871(a)(1)(D),” and insert-
18 ing “gains subject to tax under section
19 871(a)(1)(D)”.

20 (9)(A) Part IX of subchapter B of chapter 1 is
21 amended by striking section 272 (and by striking
22 the item relating to such section in the table of sec-
23 tions for such subpart).

24 (B) Section 1016(a) is amended by striking
25 paragraph (15).

1 (c) EFFECTIVE DATE.—

2 (1) IN GENERAL.—Except as otherwise pro-
3 vided in this subsection, the amendments made by
4 this section shall apply to taxable years beginning
5 after December 31, 2014.

6 (2) BASIS ADJUSTMENTS.—The amendment
7 made by subsection (b)(9)(B) shall apply to deduc-
8 tions determined for taxable years beginning after
9 December 31, 2014.

10 **SEC. 3133. REPEAL OF LIKE-KIND EXCHANGES.**

11 (a) IN GENERAL.—Part III of subchapter O of chap-
12 ter 1 is amended by striking section 1031 (and by striking
13 the item relating to such section in the table of sections
14 for such part).

15 (b) CONFORMING AMENDMENTS.—

16 (1) Section 121(d)(10) is amended by inserting
17 “(as in effect before its repeal by the Tax Reform
18 Act of 2014)” after “section 1031”.

19 (2) Section 197(f)(2)(B)(i) is amended by in-
20 serting “(as in effect before its repeal by the Tax
21 Reform Act of 2014)” after “1031”.

22 (3) Section 453(f) is amended by striking para-
23 graph (6).

24 (4) Section 470(e)(4) is amended—

1 (A) by striking “Sections 1031(a) and” in
2 subparagraph (A) and inserting “Section”,

3 (i) by striking “1031 or” in subparagraph
4 (B), and

5 (ii) by striking “SECTIONS 1031 AND” in
6 the heading thereof and inserting “SECTION”.

7 (5)(A) Section 501(c)(12)(C)(v) is amended by
8 striking “asset exchange or conversion transaction”
9 and inserting “specified involuntary conversion”.

10 (B) Section 501(c)(12)(G) is amended—

11 (i) by striking “asset exchange or conver-
12 sion transaction” and inserting “specified invol-
13 untary conversion”,

14 (ii) by striking “voluntary exchange or”,
15 and

16 (iii) by striking “1031 or”.

17 (6)(A) Section 704(c) is amended by striking
18 paragraph (2) and by redesignating paragraph (3)
19 as paragraph (2).

20 (B) Section 704(c)(2), as so redesignated, is
21 amended by striking “or (2)”.

22 (7) Section 857(e)(2) is amended by striking
23 subparagraph (B) and by redesignating subpara-
24 graphs (C) and (D) as subparagraphs (B) and (C),
25 respectively.

1 (8)(A) Section 1035 is amended by striking
2 subsection (d) and inserting the following new sub-
3 sections:

4 “(d) GAIN FROM EXCHANGES NOT SOLELY IN
5 KIND.—If an exchange would be within the provisions of
6 subsection (a), of section 1036(a), or of section 1037(a),
7 if it were not for the fact that the property received in
8 exchange consists not only of property permitted by such
9 provisions to be received without the recognition of gain,
10 but also of other property or money, then the gain, if any,
11 to the recipient shall be recognized, but in an amount not
12 in excess of the sum of such money and the fair market
13 value of such other property.

14 “(e) LOSS FROM EXCHANGES NOT SOLELY IN
15 KIND.—If an exchange would be within the provisions of
16 subsection (a), of section 1036(a), or of section 1037(a),
17 if it were not for the fact that the property received in
18 exchange consists not only of property permitted by such
19 provisions to be received without the recognition of gain
20 or loss, but also of other property or money, then no loss
21 from the exchange shall be recognized.

22 “(f) BASIS.—If property was acquired on an ex-
23 change described in this section, section 1036(a), or sec-
24 tion 1037(a), then the basis shall be the same as that of
25 the property exchanged, decreased in the amount of any

1 money received by the taxpayer and increased in the
2 amount of gain or decreased in the amount of loss to the
3 taxpayer that was recognized on such exchange. If the
4 property so acquired consisted in part of the type of prop-
5 erty permitted by this section, section 1036(a), or section
6 1037(a), to be received without the recognition of gain or
7 loss, and in part of other property, the basis provided in
8 this subsection shall be allocated between the properties
9 (other than money) received, and for the purpose of the
10 allocation there shall be assigned to such other property
11 an amount equivalent to its fair market value at the date
12 of the exchange. For purposes of this section and section
13 1036(a), where as part of the consideration to the tax-
14 payer another party to the exchange assumed (as deter-
15 mined under section 357(d)) a liability of the taxpayer,
16 such assumption shall be considered as money received by
17 the taxpayer on the exchange.”.

18 (B) Section 1036(c) is amended—

19 (i) in paragraph (1), by striking “sub-
20 sections (b) and (c) of section 1031” and in-
21 sserting “subsections (d) and (e) of section
22 1035”, and

23 (ii) in paragraph (2), by striking “sub-
24 section (d) of section 1031” and inserting “sub-
25 section (f) of section 1035”.

1 (C) Section 1037(c) is amended—

2 (i) in paragraph (1), by striking “sub-
3 sections (b) and (c) of section 1031” and in-
4 serting “subsections (d) and (e) of section
5 1035”, and

6 (ii) in paragraph (2), by striking “sub-
7 section (d) of section 1031” and inserting “sub-
8 section (f) of section 1035”.

9 (D) Section 83(g) is amended by striking “sec-
10 tion 1031” and inserting “section 1035”.

11 (E) Section 424(b) is amended by striking “sec-
12 tion 1031” and inserting “section 1035”.

13 (F) Section 424(c)(1)(B) is amended by strik-
14 ing “section 1031” and inserting “section 1035”.

15 (9) Section 1060(c) is amended by striking the
16 second sentence thereof.

17 (10) Section 1245(b)(4) is amended—

18 (A) by striking “LIKE KIND EXCHANGES;
19 INVOLUNTARY” and inserting “INVOLUNTARY”,
20 and

21 (B) by striking “1031 or”.

22 (11) Section 1250(d)(4) is amended—

23 (A) by striking “LIKE KIND EXCHANGES;
24 INVOLUNTARY” and inserting “INVOLUNTARY”,

1 (B) by striking “1031 or” in subparagraph
2 (A), and

3 (C) by striking “1031 or” in subparagraph
4 (E).

5 (12) Section 2032A(e)(14)(C) is amended—

6 (A) in clause (i)(I), by inserting “(as in ef-
7 fect before its repeal by the Tax Reform Act of
8 2014)” after “section 1031”, and

9 (B) in clause (ii)(I), by inserting “(as so in
10 effect)” after “section 1031”.

11 (13) Section 4940(c)(4) is amended by striking
12 subparagraph (D).

13 (c) EFFECTIVE DATE.—

14 (1) IN GENERAL.—The amendments made by
15 this section shall apply to transfers after December
16 31, 2014.

17 (2) EXCEPTION FOR TRANSFERS PURSUANT TO
18 BINDING CONTRACTS.—Notwithstanding paragraph
19 (1), the amendments made by this section shall not
20 apply to any transfer if—

21 (A) such transfer is pursuant to a written
22 binding contract entered into before January 1,
23 2015, and

24 (B) the exchange of which such transfer is
25 a part is completed before January 1, 2017.

1 **SEC. 3134. RESTRICTION ON TRADE OR BUSINESS PROP-**
2 **ERTY TREATED AS SIMILAR OR RELATED IN**
3 **SERVICE TO INVOLUNTARILY CONVERTED**
4 **PROPERTY IN DISASTER AREAS.**

5 (a) CLASS LIFE OF REPLACEMENT PROPERTY NOT
6 TO EXCEED CONVERTED PROPERTY.—Section
7 1033(h)(2) is amended by inserting “if the class life of
8 such tangible property does not exceed the class life of
9 the property so converted” before the period at the end.

10 (b) EFFECTIVE DATE.—The amendment made by
11 this section shall apply to disasters declared after Decem-
12 ber 31, 2014.

13 **SEC. 3135. REPEAL OF ROLLOVER OF PUBLICLY TRADED**
14 **SECURITIES GAIN INTO SPECIALIZED SMALL**
15 **BUSINESS INVESTMENT COMPANIES.**

16 (a) IN GENERAL.—Part III of subchapter O of chap-
17 ter 1 is amended by striking section 1044 (and by striking
18 the item relating to such section in the table of sections
19 of such part).

20 (b) CONFORMING AMENDMENTS.—

21 (1) Section 45D(c)(2)(A) is amended to read as
22 follows:

23 “(A) any partnership or corporation which
24 is licensed by the Small Business Administra-
25 tion under section 301(d) of the Small Business

1 (A) such change shall be treated as initi-
2 ated by the taxpayer, and

3 (B) such change shall be treated as made
4 with the consent of the Secretary of the Treas-
5 ury.

6 **SEC. 3304. INSTALLMENT SALES.**

7 (a) REPEAL OF EXCEPTIONS TO TREATMENT AS
8 DEALER DISPOSITIONS.—Section 453(l) is amended to
9 read as follows:

10 “(l) DEALER DISPOSITIONS.—For purposes of sub-
11 section (b)(2)(A), the term ‘dealer disposition’ means any
12 of the following dispositions:

13 “(1) PERSONAL PROPERTY.—Any disposition of
14 personal property by a person who regularly sells or
15 otherwise disposes of personal property of the same
16 type on the installment plan.

17 “(2) REAL PROPERTY.—Any disposition of real
18 property which is held by the taxpayer for sale to
19 customers in the ordinary course of the taxpayer’s
20 trade or business.”.

21 (b) MODIFICATION OF RULES FOR NONDEALERS.—

22 (1) REPEAL OF SPECIAL RULE FOR INTEREST
23 PAYMENTS.—Section 453A(b)(2) is amended to read
24 as follows:

1 “(2) INTEREST PAYMENT EXCEPTION FOR OB-
2 LIGATIONS NOT OUTSTANDING AT CLOSE OF TAX-
3 ABLE YEAR.—Subsection (a)(1) shall apply to an ob-
4 ligation described in paragraph (1) arising during
5 any taxable year only if such obligation is out-
6 standing as of the close of such taxable year.”.

7 (2) REPEAL OF EXCEPTION FOR FARM PROP-
8 ERTY.—Section 453A(b)(3) is amended—

9 (A) by striking “from the disposition—”
10 and all that follows and inserting “from the dis-
11 position by an individual of personal use prop-
12 erty (within the meaning of section
13 1275(b)(3)).”, and

14 (B) by striking “AND FARM” in the head-
15 ing.

16 (3) REPEAL OF SPECIAL RULE FOR
17 TIMESHARES AND RESIDENTIAL LOTS.—Section
18 453A(b) is amended by striking paragraph (4) and
19 by redesignating paragraph (5) as paragraph (4).

20 (4) CONFORMING AMENDMENT.—Section
21 453A(c) is amended—

22 (A) by striking “the applicable percentage
23 of” in paragraph (2)(A), and

1 (B) by striking paragraph (4) and by re-
2 designating paragraphs (5) and (6) as para-
3 graphs (4) and (5), respectively.

4 (c) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to sales and other dispositions
6 after December 31, 2014.

7 **SEC. 3305. REPEAL OF SPECIAL RULE FOR PREPAID SUB-**
8 **SCRIPTION INCOME.**

9 (a) IN GENERAL.—Subpart B of part II of sub-
10 chapter E of chapter 1 is amended by striking section 455
11 (and by striking the item relating to such section in the
12 table of sections for such subpart).

13 (b) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to payments received after Decem-
15 ber 31, 2014.

16 **SEC. 3306. REPEAL OF SPECIAL RULE FOR PREPAID DUES**
17 **INCOME OF CERTAIN MEMBERSHIP ORGANI-**
18 **ZATIONS.**

19 (a) IN GENERAL.—Subpart B of part II of sub-
20 chapter E of chapter 1 is amended by striking section 456
21 (and by striking the item relating to such section in the
22 table of sections for such subpart).

23 (b) CONFORMING AMENDMENT.—Section 277(b)(2)
24 is amended by inserting “(as in effect before its repeal)”
25 after “section 456(c)”.

1 (ii) for purposes of applying the regu-
2 lations and other guidance issued under
3 such section (including any provisions
4 which require accelerated inclusion), the
5 period beginning with the taxpayer's first
6 taxable year beginning after December 31
7 2014, and ending with the taxable year be-
8 fore the first taxable year referred to in
9 clause (i) shall not fail to be taken into ac-
10 count as part of the period of the adjust-
11 ment merely because such amount is not
12 otherwise taken into account under clause
13 (i) during such period.

14 (2) ELECTED TAXABLE YEAR.—For purposes of
15 this subsection, the term “elected taxable year”
16 means such taxable year as the taxpayer may elect
17 (at such time and in such form and manner as the
18 Secretary may provide) which begins after December
19 31, 2014, and is before the taxpayer's second tax-
20 able year beginning after December 31, 2018.

21 **SEC. 3312. MODIFICATION OF RULES FOR CAPITALIZATION**
22 **AND INCLUSION IN INVENTORY COSTS OF**
23 **CERTAIN EXPENSES.**

24 (a) \$10,000,000 GROSS RECEIPTS EXCEPTION TO
25 APPLY TO PROPERTY PRODUCED BY THE TAXPAYER.—

1 Section 263A(b) is amended by striking all that follows
2 paragraph (1) and inserting the following new paragraphs:

3 “(2) PROPERTY ACQUIRED FOR RESALE.—Real
4 or personal property described in section 1221(a)(1)
5 which is acquired by the taxpayer for resale.

6 “(3) EXCEPTION FOR TAXPAYER WITH GROSS
7 RECEIPTS OF \$10,000,000 OR LESS.—This section
8 shall not apply to any property produced or acquired
9 by the taxpayer during any taxable year if the aver-
10 age annual gross receipts of the taxpayer (or any
11 predecessor) for the 3-taxable year period ending
12 with the taxable year preceding such taxable year do
13 not exceed \$10,000,000. For purposes of this para-
14 graph, rules similar to the rules of paragraphs (2)
15 and (3) of section 448(b) shall apply.

16 “(4) FILMS, SOUND RECORDINGS, BOOKS,
17 ETC.—For purposes of this subsection, the term
18 ‘tangible personal property’ shall include a film,
19 sound recording, video tape, book, or similar prop-
20 erty.”.

21 (b) REPEAL OF EXCEPTIONS FOR TIMBER AND CER-
22 TAIN ORNAMENTAL TREES.—Section 263A(c) is amended
23 by striking paragraph (5).

1 (c) REPEAL OF EXCEPTION FOR QUALIFIED CRE-
2 ATIVE EXPENSES.—Section 263A is amended by striking
3 subsection (h).

4 (d) EFFECTIVE DATE.—

5 (1) IN GENERAL.—The amendments made by
6 this section shall apply to taxable years beginning
7 after December 31, 2014.

8 (2) CHANGE IN METHOD OF ACCOUNTING.—In
9 the case of any taxpayer required by the amend-
10 ments made by this section to change its method of
11 accounting for its first taxable year beginning after
12 December 31, 2014—

13 (A) such change shall be treated as initi-
14 ated by the taxpayer, and

15 (B) such change shall be treated as made
16 with the consent of the Secretary of the Treas-
17 ury.

18 **SEC. 3313. MODIFICATION OF INCOME FORECAST METHOD.**

19 (a) EXTENSION OF FORECAST PERIOD.—

20 (1) IN GENERAL.—Paragraph (1) of section
21 167(g) is amended by striking “10th” each place it
22 appears and inserting “20th”.

23 (2) MODIFICATION OF RECOMPUTATION
24 YEARS.—Paragraph (4) of section 167(g) is amend-

1 **SEC. 3633. CERTAIN SHORT-LIFE PROPERTY NOT TREATED**
2 **AS REAL PROPERTY FOR PURPOSES OF REIT**
3 **PROVISIONS.**

4 (a) IN GENERAL.—Section 856(c)(5) is amended by
5 adding at the end the following new subparagraph:

6 “(L) REAL PROPERTY.—The term ‘real
7 property’ shall not include any tangible prop-
8 erty with a class life of less than 27.5 years.
9 For purposes of the preceding sentence, class
10 life of tangible property for any taxable year
11 shall be the greater of—

12 “(i) the class life of such property in
13 the hands of the real estate investment
14 trust, or

15 “(ii) the class life which would be ap-
16 plicable to such property if such property
17 was placed in service in the taxable year.”.

18 (b) EFFECTIVE DATE.—The amendment made by
19 this section shall apply to taxable years beginning after
20 December 31, 2016.

21 **SEC. 3634. REPEAL OF SPECIAL RULES FOR TIMBER HELD**
22 **BY REITS.**

23 (a) IN GENERAL.—Section 856(c)(5)(L), as added by
24 this Act, is amended by inserting “timber or” after “shall
25 not include”.

26 (b) CONFORMING AMENDMENTS.—

1 (1) Section 856(c)(2) is amended by inserting
2 “and” at the end of subparagraph (G), by striking
3 “and” at the end of subparagraph (H), and by strik-
4 ing subparagraph (I).

5 (2) Section 856(c)(5), as amended by the pre-
6 ceding provisions of this Act, is amended by striking
7 subparagraphs (H) and (I) and by redesignating
8 subparagraphs (J), (K), and (L) as subparagraphs
9 (H), (I) and (J), respectively.

10 (3) Section 856(c), as amended by the pre-
11 ceding provisions of this Act, is amended by striking
12 paragraph (9).

13 (4) Section 857(b)(6) is amended by striking
14 subparagraphs (D), (G), and (H), and by redesign-
15 ating subparagraphs (E) and (F) as subparagraphs
16 (D) and (E), respectively.

17 (5) Section 857(b)(6)(D), as redesignated by
18 paragraph (4), is amended by striking “subpara-
19 graphs (C) and (D)” and inserting “subparagraph
20 (C)”.

21 (6) Section 857(b)(6)(E), as redesignated by
22 paragraph (4), is amended—

23 (A) by striking “subparagraph (C) or (D)”
24 and inserting “subparagraph (C)”, and

1 (B) by striking “subparagraphs (C), (D),
2 and (E)” and inserting “subparagraphs (C) and
3 (D)”.

4 (c) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to taxable years beginning after
6 December 31, 2016.

7 **SEC. 3635. LIMITATION ON FIXED PERCENTAGE RENT AND**
8 **INTEREST EXCEPTIONS FOR REIT INCOME**
9 **TESTS.**

10 (a) IN GENERAL.—Section 856 is amended by adding
11 at the end the following new subsection:

12 “(o) LIMITATION ON FIXED PERCENTAGE RENT AND
13 INTEREST EXCEPTIONS.—

14 “(1) IN GENERAL.—If the fixed percentage rent
15 and interest income received or accrued by a real es-
16 tate investment trust from a single C corporation
17 (other than a taxable REIT subsidiary of such real
18 estate investment trust) for any taxable year exceeds
19 either—

20 “(A) 25 percent of the fixed percentage
21 rent income received or accrued by such real es-
22 tate investment trust for such taxable year, or

23 “(B) 25 percent of the fixed percentage in-
24 terest income received or accrued by such real
25 estate investment trust for such taxable year,

1 (1) conduct a study to determine—

2 (A) how many taxable REIT subsidiaries
3 are in existence and the aggregate amount of
4 taxes paid by such subsidiaries, and

5 (B) the amount by which transactions be-
6 tween a REIT and a taxable REIT subsidiary
7 reduce taxable income of the taxable REIT sub-
8 sidiary (whether or not such transactions are
9 conducted at arms length), and

10 (2) submit a report to the Committee on Ways
11 and Means of the House of Representatives and the
12 Committee on Finance of the Senate describing the
13 results of such study.

14 **SEC. 3647. C CORPORATION ELECTION TO BECOME, OR**
15 **TRANSFER ASSETS TO, A RIC OR REIT.**

16 (a) IN GENERAL.—Part IV of subchapter O of chap-
17 ter 1, as amended by the preceding provisions of this Act,
18 is amended by redesignating section 1062 as section 1063
19 and by inserting after section 1061 the following new sec-
20 tion: