

**DESCRIPTION OF H.R. 4454,
A BILL TO MAKE PERMANENT CERTAIN RULES
REGARDING BASIS ADJUSTMENTS TO
STOCK OF S CORPORATIONS MAKING
CHARITABLE CONTRIBUTIONS OF PROPERTY**

Scheduled for Markup
by the
HOUSE COMMITTEE ON WAYS AND MEANS
on April 29, 2014

Prepared by the Staff
of the
JOINT COMMITTEE ON TAXATION



April 25, 2014
JCX-40-14

CONTENTS

	<u>Page</u>
INTRODUCTION	1
A. Permanent Rule Regarding Basis Adjustment to Stock of S Corporations Making Charitable Contributions of Property (sec. 1367 of the Code)	2
B. Estimated Revenue Effects	3

INTRODUCTION

The House Committee on Ways and Means has scheduled a committee markup of H.R. 4454, a bill to make permanent certain rules regarding basis adjustments to stock of S corporations making charitable contributions of property, on April 29, 2014. This document,¹ prepared by the staff of the Joint Committee on Taxation, provides a description of the bill.

¹ This document may be cited as follows: Joint Committee on Taxation, *Description of H.R. 4454, A Bill to Make Permanent Certain Rules Regarding Basis Adjustments to Stock of S Corporations Making Charitable Contributions of Property* (JCX-40-14), April 25, 2014. This document can also be found on our website at www.jct.gov.

**A. Permanent Rule Regarding Basis Adjustment to Stock of S Corporations
Making Charitable Contributions of Property
(sec. 1367 of the Code)**

Present Law

Under present law, if an S corporation contributes money or other property to a charity, each shareholder takes into account the shareholder's pro rata share of the contribution in determining its own income tax liability.² A shareholder of an S corporation reduces the basis in the stock of the S corporation by the amount of the charitable contribution that flows through to the shareholder.³

In the case of charitable contributions made in taxable years beginning before January 1, 2014, the amount of a shareholder's basis reduction in the stock of an S corporation by reason of a charitable contribution made by the corporation is equal to the shareholder's pro rata share of the adjusted basis of the contributed property. For contributions made in taxable years beginning after December 31, 2013, the amount of the reduction is the shareholder's pro rata share of the fair market value of the contributed property.

Description of Proposal

The proposal makes permanent the basis reduction rule applicable for contributions made in taxable years beginning before January 1, 2014.

Effective Date

The proposal applies to charitable contributions made in taxable years beginning after December 31, 2013.

² Sec. 1366(a)(1)(A).

³ Sec. 1367(a)(2)(B).

B. Estimated Revenue Effects

Fiscal Years [Billions of Dollars]												
<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2014-19</u>	<u>2014-24</u>
---	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.3	-0.7

NOTE: Details do not add to totals due to rounding.