

104TH CONGRESS
1ST SESSION

S. 750

To amend the Internal Revenue Code of 1986 to properly characterize certain redemptions of stock held by corporations.

IN THE SENATE OF THE UNITED STATES

MAY 3 (legislative day, MAY 1), 1995

Mr. PACKWOOD (for himself and Mr. MOYNIHAN) 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 properly characterize certain redemptions of stock held by 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. TREATMENT OF DISTRIBUTIONS IN REDEMP-**
4 **TION OF STOCK HELD BY A CORPORATION.**

5 (a) IN GENERAL.—Subsection (b) of section 302 of
6 the Internal Revenue Code of 1986 (relating to redemp-
7 tions treated as exchanges) is amended by redesignating
8 paragraph (5) as paragraph (6) and by inserting after
9 paragraph (4) the following new paragraph:

1 “(5) REDEMPTION FROM CERTAIN CORPORATE
2 SHAREHOLDERS.—Except as provided in regulations,
3 subsection (a) shall apply to a distribution in re-
4 demption of stock held by a corporation if—

5 “(A) such redemption is—

6 “(i) part of a partial liquidation (with-
7 in the meaning of subsection (e)) of the re-
8 deeming corporation, or

9 “(ii) not pro rata as to all sharehold-
10 ers, and

11 “(B) such corporation would be entitled to
12 a deduction under section 243, 244, or 245
13 with respect to such distribution but for the ap-
14 plication of this paragraph.

15 To the extent provided by regulations, no loss shall
16 be recognized solely by reason of the application of
17 this paragraph.”

18 (b) TECHNICAL AMENDMENTS.—

19 (1) Subsection (a) of section 302 of such Code
20 is amended by striking “or (4)” and inserting “(4),
21 or (5)”.

22 (2) Paragraph (6) of section 302(b) of such
23 Code (as redesignated by subsection (a)) is amended
24 by striking “or (4)” each place it appears and in-
25 serting “(4), or (5)”.

1 (3) Subsection (e) of section 1059 of such Code
2 is amended by striking paragraph (1) and by redes-
3 ignating paragraphs (2) and (3) as paragraphs (1)
4 and (2), respectively.

5 (4) Subsection (g) of section 1059 of such Code
6 is amended by inserting “and section 302(b)(5)”
7 after “this section” in paragraph (1) and in the ma-
8 terial preceding paragraph (1).

9 (c) EFFECTIVE DATE.—

10 (1) IN GENERAL.—The amendments made by
11 this section shall apply to redemptions after May 3,
12 1995.

13 (2) EXCEPTION.—The amendments made by
14 this section shall not apply to any redemption pursu-
15 ant to the terms of—

16 (A) a written binding contract in effect on
17 May 3, 1995, or

18 (B) a tender offer outstanding on May 3,
19 1995.

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