

112TH CONGRESS  
1ST SESSION

# H. R. 2614

To amend the Internal Revenue Code of 1986 to allow distributions from retirement accounts to start a business.

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IN THE HOUSE OF REPRESENTATIVES

JULY 21, 2011

Mr. PAUL introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to allow distributions from retirement accounts to start a business.

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 “The Entrepreneurship  
5 Tax Cut Act of 2011”.

1 **SEC. 2. EXCLUSION FROM GROSS INCOME OF QUALIFIED**  
2 **CAPITAL DISTRIBUTION FROM TAX-FAVORED**  
3 **ACCOUNTS.**

4 (a) IN GENERAL.—Part III of subchapter B of chap-  
5 ter 1 of the Internal Revenue Code is amended by insert-  
6 ing before section 140 the following new section:

7 **“SEC. 139F. QUALIFIED CAPITAL DISTRIBUTIONS.**

8 “(a) IN GENERAL.—Gross income shall not include  
9 any qualified capital distribution from a tax-favored ac-  
10 count.

11 “(b) DEFINITIONS.—For purposes of this section—

12 “(1) QUALIFIED CAPITAL DISTRIBUTION.—

13 “(A) IN GENERAL.—The term ‘qualified  
14 capital distribution’ means any distribution to  
15 an individual from a tax-favored account of  
16 such individual to the extent such distribution  
17 is used to acquire an eligible interest in an enti-  
18 ty in connection with beginning an active trade  
19 or business.

20 “(B) ELIGIBLE INTEREST.—For purposes  
21 of this paragraph, the term ‘eligible interest’  
22 means, with respect to any entity, an ownership  
23 interest in such entity of at least 40 percent of  
24 the total combined voting power of all classes of  
25 interests entitled to vote, or at least 40 percent

1 of the total value of all ownership interests in  
2 the entity.

3 “(C) SOLE PROPRIETORSHIPS.—Any cap-  
4 ital contribution to a sole proprietorship shall  
5 be treated as meeting the requirements of sub-  
6 paragraphs (A) and (B) if such requirements  
7 would be met if such proprietorship were a cor-  
8 poration.

9 “(D) BEGINNING OF TRADE OR BUSI-  
10 NESS.—Rules similar to the rules of section  
11 195(c)(2) shall apply for purposes of this para-  
12 graph.

13 “(2) TAX-FAVORED ACCOUNT.—The term ‘tax-  
14 favored account’ means any of the following:

15 “(A) An eligible retirement plan (as de-  
16 fined in section 402(c)(8)(B)).

17 “(B) A health savings account described in  
18 section 223.

19 “(C) A Roth IRA.

20 “(D) A qualified tuition program described  
21 in section 529.

22 “(c) AMOUNT DISTRIBUTED MUST BE REPAID.—

23 “(1) IN GENERAL.—Any individual who receives  
24 a qualified capital distribution may make one or  
25 more contributions in an aggregate amount not to

1 exceed the amount of such distribution to a tax-fa-  
2 vored account of which such individual is a bene-  
3 ficiary and to which a rollover contribution of such  
4 distribution could be made under section 402(c),  
5 403(a)(4), 403(b)(8), 408(d)(3), or 457(e)(16),  
6 223(f)(5), or 529(e)(3)(C), as the case may be.

7 “(2) TREATMENT OF REPAYMENTS OF DIS-  
8 TRIBUTIONS FROM ELIGIBLE RETIREMENT PLANS  
9 OTHER THAN IRAS.—For purposes of this title, if a  
10 contribution is made pursuant to paragraph (1) with  
11 respect to a qualified capital distribution from an el-  
12 igible retirement plan other than an individual re-  
13 tirement plan, then the taxpayer shall, to the extent  
14 of the amount of the contribution, be treated as hav-  
15 ing received the qualified capital distribution in an  
16 eligible rollover distribution (as defined in section  
17 402(c)(4)) and as having transferred the amount to  
18 the eligible retirement plan in a direct trustee to  
19 trustee transfer within 60 days of the distribution.

20 “(3) TREATMENT OF REPAYMENTS FOR DIS-  
21 TRIBUTIONS FROM IRAS.—For purposes of this title,  
22 if a contribution is made pursuant to paragraph (1)  
23 with respect to a qualified capital distribution from  
24 an individual retirement plan, then, to the extent of  
25 the amount of the contribution, the qualified capital

1 distribution shall be treated as a distribution de-  
2 scribed in section 408(d)(3) and as having been  
3 transferred to the eligible retirement plan in a direct  
4 trustee to trustee transfer within 60 days of the dis-  
5 tribution.

6 “(4) OTHER TAX-FAVORED ACCOUNTS.—For  
7 purposes of this title, if a contribution is made pur-  
8 suant to paragraph (1) with respect to a qualified  
9 capital distribution—

10 “(A) from a health savings account de-  
11 scribed in section 223, or

12 “(B) from a qualified tuition program de-  
13 scribed in section 529,

14 then, to the extent of the amount of the contribu-  
15 tion, the qualified capital distribution shall be treat-  
16 ed as a distribution described in section  
17 529(c)(3)(C) or 223(f)(5), as the case may be, and  
18 as having been transferred to such account or pro-  
19 gram, as the case may be, within 60 days of the dis-  
20 tribution.

21 “(d) DENIAL OF DOUBLE BENEFIT.—The basis in  
22 any ownership interest with respect to the acquisition of  
23 which an amount was excluded from gross income under  
24 subsection (a) shall be reduced by an amount equal to the  
25 amount so excluded. The Secretary may prescribe such

1 regulations as may be necessary to carry out the purposes  
2 of this subsection in the case of capital contributions to  
3 sole proprietorships.”.

4 (b) CONFORMING AMENDMENTS.—

5 (1) Paragraph (2) of section 72(t) of such Code  
6 is amended by adding at the end the following new  
7 subparagraph:

8 “(H) QUALIFIED CAPITAL DISTRIBUTU-  
9 TIONS.—Any distribution excludable from gross  
10 income under section 139F (relating to quali-  
11 fied capital distributions).”.

12 (2) Subsection (a) of section 1016 of such Code  
13 is amended by striking “and” at the end of para-  
14 graph (35), by striking the period at the end of  
15 paragraph (36) and inserting “, and”, and by add-  
16 ing at the end the following new paragraph:

17 “(37) to the extent provided in section  
18 139F(d).”.

19 (c) CLERICAL AMENDMENT.—The table of sections  
20 for part III of subchapter B of chapter 1 of such Code  
21 is amended by inserting before the item relating to section  
22 140 the following new section:

“Sec. 139F. Qualified capital distributions.”.

1           (d) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to distributions made after the  
3 date of the enactment of this Act.

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