

111TH CONGRESS  
2D SESSION

# H. R. 4839

To amend the Internal Revenue Code of 1986 to exclude from gross income contributions to the capital of a partnership, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 12, 2010

Mr. DAVIS of Illinois (for himself, Mr. ROSKAM, and Mr. TIBERI) 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 exclude from gross income contributions to the capital of a partnership, and for other purposes.

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. EXCLUSION OF CONTRIBUTIONS TO CAPITAL**  
4 **OF PARTNERSHIP.**

5 (a) IN GENERAL.—Subsection (a) of section 118 of  
6 the Internal Revenue Code of 1986 is amended by insert-  
7 ing before the period at the end the following: “, and, in  
8 the case of a partnership, gross income shall not include  
9 contributions to the capital of the partnership”.

1 (b) BASIS OF PROPERTY CONTRIBUTED TO PART-  
2 NERSHIP.—Section 723 of such Code is amended—

3 (1) by striking “The basis of property” and in-  
4 serting the following:

5 “(a) IN GENERAL.—Except as provided in subsection  
6 (b), the basis of property”, and

7 (2) by adding at the end the following new sub-  
8 section:

9 “(b) CONTRIBUTIONS TO CAPITAL.—

10 “(1) PROPERTY OTHER THAN MONEY.—If prop-  
11 erty other than money—

12 “(A) is acquired by a partnership as a con-  
13 tribution to capital, and

14 “(B) is not contributed by a partner as  
15 such,

16 then the basis of such property shall be zero.

17 “(2) MONEY.—If money—

18 “(A) is received by a partnership as a con-  
19 tribution to capital, and

20 “(B) is not contributed by a partner as  
21 such,

22 then the basis of any property acquired with such  
23 money during the 12-month period beginning on the  
24 day the contribution is received shall be reduced by  
25 the amount of such contribution. The excess (if any)

1 of the amount of such contribution over the amount  
2 of the reduction under the preceding sentence shall  
3 be applied to the reduction (as of the last day of the  
4 period specified in the preceding sentence) of the  
5 basis of any other property of the partnership. The  
6 particular properties to which the reductions re-  
7 quired by this paragraph shall be allocated shall be  
8 determined under regulations prescribed by the Sec-  
9 retary.”.

10 (c) NO INCREASE IN BASIS OF PARTNER’S INTER-  
11 EST.—Subparagraph (B) of section 705(a)(1) of such  
12 Code is amended by inserting “(other than amounts ex-  
13 cluded from gross income under section 118)” after “ex-  
14 empt from tax under this title”.

15 (d) CONFORMING AMENDMENT.—The heading for  
16 section 118 of such Code is amended by striking “**OF A**  
17 **CORPORATION**” and inserting “**OF CORPORATIONS**  
18 **AND PARTNERSHIPS**”.

19 (e) EFFECTIVE DATE.—The amendments made by  
20 this section shall apply to contributions made after the  
21 date of the enactment of this Act.

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