

110TH CONGRESS
1ST SESSION

H. R. 3501

To amend the Internal Revenue Code of 1986 to provide that indebtedness incurred by a partnership in acquiring securities and commodities is not treated as acquisition indebtedness by organizations which are limited partners for purposes of the unrelated business income tax.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 7, 2007

Mr. LEVIN (for himself, Mr. McDERMOTT, Mr. LEWIS of Georgia, Mr. POMEROY, Mr. BLUMENAUER, Mr. PASCRELL, Ms. BERKLEY, and Mr. VAN HOLLEN) 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 that indebtedness incurred by a partnership in acquiring securities and commodities is not treated as acquisition indebtedness by organizations which are limited partners for purposes of the unrelated business income tax.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. INDEBTEDNESS INCURRED BY A PARTNERSHIP**
2 **IN ACQUIRING SECURITIES AND COMMOD-**
3 **ITIES NOT TREATED AS ACQUISITION IN-**
4 **DEBTEDNESS FOR ORGANIZATIONS WHICH**
5 **ARE LIMITED PARTNERS.**

6 (a) IN GENERAL.—Subsection (c) of section 514 of
7 the Internal Revenue Code of 1986 (relating to acquisition
8 indebtedness) is amended by adding at the end the fol-
9 lowing new paragraph:

10 “(10) SECURITIES AND COMMODITIES AC-
11 QUIRED BY PARTNERSHIPS IN WHICH AN ORGANIZA-
12 TION IS A LIMITED PARTNER.—

13 “(A) IN GENERAL.—In the case of any or-
14 ganization which is a limited partner in a part-
15 nership, the term ‘acquisition indebtedness’
16 does not, for purposes of this section, include
17 indebtedness incurred or continued by such
18 partnership in purchasing or carrying any
19 qualified security or commodity.

20 “(B) APPLICATION OF CERTAIN ALLOCA-
21 TION REQUIREMENTS.—The provisions of sub-
22 paragraph (A) shall not apply unless the re-
23 quirements of subclause (II) or (III) of para-
24 graph (9)(B)(vi) are met with respect to such
25 partnership.

1 “(C) QUALIFIED SECURITY OR COM-
2 MODITY.—For purposes of this paragraph, the
3 term ‘qualified security or commodity’ means
4 any security (as defined in section 475(e)(2)
5 without regard to the last sentence thereof),
6 any commodity (as defined in section
7 475(e)(2)), or any option or derivative contract
8 with respect to such a security or commodity.

9 “(D) APPLICATION TO TIERED PARTNER-
10 SHIPS AND OTHER PASS-THRU ENTITIES.—
11 Rules similar to the rules of subparagraphs (A)
12 and (B) shall apply in the case of tiered part-
13 nerships and other pass-thru entities.

14 “(E) REGULATIONS.—The Secretary may
15 prescribe such regulations as may be necessary
16 or appropriate to carry out the purposes of this
17 paragraph, including regulations providing for
18 the application of rules similar to the rules of
19 clauses (i) through (v) of paragraph (9)(B) for
20 purposes of subparagraphs (A) and (B) of this
21 paragraph.”.

22 (b) EFFECTIVE DATE.—The amendment made by
23 this section shall apply to taxable years beginning after
24 the date of the enactment of this Act .

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