

S 936

Small Business and Financial Institutions Tax Relief Act of 2001

Congress: 107 (2001–2003, Ended)

Chamber: Senate

Policy Area: Taxation

Introduced: May 23, 2001

Current Status: Read twice and referred to the Committee on Finance. (text of measure as introduced: CR S5545-5546)

Latest Action: Read twice and referred to the Committee on Finance. (text of measure as introduced: CR S5545-5546) (May 23, 2001)

Official Text: <https://www.congress.gov/bill/107th-congress/senate-bill/936>

Sponsor

Name: Sen. Allard, Wayne [R-CO]

Party: Republican • **State:** CO • **Chamber:** Senate

Cosponsors (3 total)

Cosponsor	Party / State	Role	Date Joined
Sen. Johnson, Tim [D-SD]	D · SD		May 23, 2001
Sen. Thomas, Craig [R-WY]	R · WY		May 23, 2001
Sen. Enzi, Michael B. [R-WY]	R · WY		Jun 21, 2001

Committee Activity

Committee	Chamber	Activity	Date
Finance Committee	Senate	Referred To	May 23, 2001

Subjects & Policy Tags

Policy Area:

Taxation

Related Bills

No related bills are listed.

Summary (as of May 23, 2001)

Small Business and Financial Institutions Tax Relief Act of 2001- Amends the Internal Revenue Code to include individual retirement accounts (IRAs) as eligible S corporation shareholders.

Exempts from prohibited transaction rules any sale of stock in an IRA pursuant to a small business corporation's election to be an S corporation.

Excludes from the definition of passive income for purposes of S status termination any interest income earned by or dividends on assets required to be held by a bank, a bank holding company, or a qualified subchapter S subsidiary bank.

Increases to 150 the maximum number of shareholders a small business organization may have to be eligible to elect S corporation treatment.

States that stock held by a bank director as required by banking regulations (director qualifying stock) shall not be considered a disqualifying second class of S corporation stock.

Directs the Secretary of the Treasury to modify a certain regulation to permit an S corporation bank to treat certain bad debt deductions as built-in losses during the entire period during which the bank recognized built-in gains from changing its accounting method for recognizing bad debts from the reserve method to the charge-off method.

Includes all banks within the three-year deduction preference rule.

Repeals the requirement that partnership rules apply to S corporations (and two-percent shareholders in such corporations) for fringe benefit purposes. Applies current special corporation rules for health insurance costs of self-employed individuals to two-percent shareholders in S corporations, except that a two-percent shareholder's wages shall be treated as self-employed earned income. (Thus provides that non-health care related fringe benefits such as group-term life insurance will be excludable from such wages, and not taxed.)

Makes family limited partnerships eligible to be S corporation shareholders.

Permits the issuance of qualified preferred stock, which shall not be treated as second class stock. Makes any distribution (not in payment in exchange for stock) made by an S corporation with respect to qualified preferred stock includable as ordinary income of the holder and deductible to the corporation as an expense.

Reduces to 90 percent the percentage of shares held by shareholders necessary for consent to election by a small business organization to be an S corporation.

Revises exceptions to the criteria for the treatment of certain wholly owned subchapter S subsidiaries with reference to required information returns.

Actions Timeline

- **May 23, 2001:** Introduced in Senate
- **May 23, 2001:** Sponsor introductory remarks on measure. (CR S5544-5545)
- **May 23, 2001:** Read twice and referred to the Committee on Finance. (text of measure as introduced: CR S5545-5546)