



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

February 5, 2015

H.R. 629

Permanent S Corporation Built-in Gains Recognition Period Act of 2015

As ordered reported by the House Committee on Ways and Means on February 4, 2015

H.R. 629 would amend the Internal Revenue Code to make permanent a five-year recognition period for built-in gains of S corporations, retroactive to January 1, 2015. Under current law, a corporation that meets certain requirements may elect to be taxed as an S corporation, which generally pays no corporate-level tax, unlike a C corporation. For corporations that convert from C corporations to S corporations, or S corporations that receive assets under certain conditions from C corporations, there is a corporate-level tax on certain built-in gains of certain assets, with a 10-year recognition period. This legislation would make permanent the five-year recognition period for S corporation built-in gains that was generally in effect for taxable years from 2011 through 2014. The legislation also would apply to regulated investment companies and real estate investment trusts.

The staff of the Joint Committee on Taxation (JCT) estimates that enacting H.R. 629 would reduce revenues, thus increasing federal deficits, by \$1.5 billion over the 2015-2025 period.

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending and revenues. Enacting H.R. 629 would result in revenue losses in each year beginning in 2015. The estimated increases in the deficit are shown in the following table.

JCT has determined that the bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

The CBO staff contact for this estimate is Nathaniel Frentz. The estimate was approved by David Weiner, Assistant Director for Tax Analysis.

CBO Estimate of Pay-As-You-Go Effects for H.R. 629, as ordered reported by the House Committee on Ways and Means on February 4, 2015

	By Fiscal Year, in Millions of Dollars											2015-	2015-
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2020	2025
NET INCREASE IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	70	218	283	222	147	103	84	81	86	92	99	1,043	1,485

Source: Staff of the Joint Committee on Taxation.
