



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

May 1, 2014

H.R. 4453
Permanent S Corporation Built-in Gains Recognition Period Act of 2014

As ordered reported by the House Committee on Ways and Means on April 29, 2014

H.R. 4453 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, 2014. 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 under current law. This legislation makes permanent the five-year recognition period for S corporation built-in gains that was generally in effect for taxable years from 2011 through 2013. The legislation also applies to regulated investment companies and real estate investment trusts.

The staff of the Joint Committee on Taxation (JCT) estimates that enacting H.R. 4453 would reduce revenues, thus increasing federal deficits, by \$1.5 billion over the 2014-2024 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. 4453 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 Logan Timmerhoff. The estimate was approved by David Weiner, Assistant Director for Tax Analysis.

CBO Estimate of Pay-As-You-Go Effects for H.R. 4453, as ordered reported by the House Committee on Ways and Means on April 29, 2014

	By Fiscal Year, in Millions of Dollars												2014-	2014-
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2019	2024	
NET INCREASE IN THE DEFICIT														
Statutory Pay-As-You-Go Effects	0	155	221	287	225	148	104	84	82	86	93	1,036	1,485	

Source: Staff of the Joint Committee on Taxation.

Note: Components may not sum to totals because of rounding.
