

115TH CONGRESS
2D SESSION

H. R. 5813

To amend the Internal Revenue Code of 1986 to exclude from the definition of personal holding company income certain royalties and rents derived in the active conduct of a trade or business.

IN THE HOUSE OF REPRESENTATIVES

MAY 15, 2018

Mr. BARR (for himself, Mr. WENSTRUP, Mr. REICHERT, and Mr. BISHOP of Michigan) 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 exclude from the definition of personal holding company income certain royalties and rents derived in the active conduct of a trade or business.

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. SHORT TITLE.**

4 This Act may be cited as the “Removing Onerous Ob-
5 stacles in the Tax code for Mainstreet Businesses Act of
6 2018” or as the “ROOT for Mainstreet Businesses Act
7 of 2018”.

1 **SEC. 2. CERTAIN ROYALTIES AND RENTS DERIVED IN THE**
2 **ACTIVE CONDUCT OF A TRADE OR BUSINESS**
3 **NOT TREATED AS PERSONAL HOLDING COM-**
4 **PANY INCOME.**

5 (a) ROYALTIES.—

6 (1) IN GENERAL.—Section 543(a)(1) of the In-
7 ternal Revenue Code of 1986 is amended by striking
8 “and” at the end of subparagraph (D), by striking
9 the period at the end of subparagraph (E) and in-
10 sserting “, and”, and by adding at the end the fol-
11 lowing new subparagraph:

12 “(F) royalties derived in the active conduct
13 of a trade or business which are received from
14 a person other than a related person (within the
15 meaning of section 267).”.

16 (2) COPYRIGHT ROYALTIES.—Section 543(a)(4)
17 of such Code is amended by inserting “or to any
18 amount derived in the active conduct of a trade or
19 business which are received from a person other
20 than a related person (within the meaning of section
21 267)” after “active business computer software roy-
22 alties” in the last sentence thereof.

23 (b) RENTS.—

24 (1) IN GENERAL.—Section 543(b)(3) of such
25 Code is amended by striking “or” at the end of sub-
26 paragraph (D), by striking the period at the end of

1 subparagraph (E) and inserting “, or”, and by add-
2 ing at the end the following new subparagraph:

3 “(F) amounts derived in the active conduct
4 of a trade or business which are received from
5 a person other than a related person (within the
6 meaning of section 267).”.

7 (2) PRODUCED FILM RENTS.—Section
8 543(a)(5)(B) of such Code is amended by adding at
9 the end the following: “Such term shall not include
10 any amount derived in the active conduct of a trade
11 or business which are received from a person other
12 than a related person (within the meaning of section
13 267).”

14 (c) REGULATIONS.—Section 543 of such Code is
15 amended by adding at the end the following new sub-
16 section:

17 “(e) DETERMINATION OF WHETHER ROYALTIES AND
18 RENTS ARE DERIVED IN THE ACTIVE CONDUCT OF A
19 TRADE OR BUSINESS.—The Secretary shall prescribe reg-
20 ulations or other guidance providing for the treatment of
21 rents, royalties, and other amounts described in sub-
22 sections (a)(1)(F), (a)(4), (a)(5)(B), and (b)(3)(F) as
23 being derived in the active conduct of a trade or business
24 consistent with the regulations and other guidance pro-

1 viding for such treatment for purposes of section
2 954(e)(2)(A).”.

3 (d) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to taxable years ending on or after
5 the date of the enactment of this Act.

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