

.....  
(Original Signature of Member)

115TH CONGRESS  
1ST SESSION

**H. R.** \_\_\_\_\_

To amend the Internal Revenue Code of 1986 to modify S corporation shareholder and preferred stock rules with respect to banks.

\_\_\_\_\_  
IN THE HOUSE OF REPRESENTATIVES

Mr. MARCHANT introduced the following bill; which was referred to the Committee on \_\_\_\_\_

\_\_\_\_\_  
**A BILL**

To amend the Internal Revenue Code of 1986 to modify S corporation shareholder and preferred stock rules with respect to banks.

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 “Capital Access for  
5 Small Business Banks Act”.

1 **SEC. 2. S CORPORATION BANKS PERMITTED TO HAVE 500**  
2 **SHAREHOLDERS.**

3 (a) IN GENERAL.—Section 1361(c) of the Internal  
4 Revenue Code of 1986 is amended by adding at the end  
5 the following new paragraph:

6 “(7) BANK SHAREHOLDER LIMIT.—In the case  
7 of a bank (as defined in section 581) or a depository  
8 institution holding company (as defined in section  
9 3(w)(1) of the Federal Deposit Insurance Act (12  
10 U.S.C. 1813(w)(1))), subsection (b)(1)(A) shall be  
11 applied by substituting ‘500 shareholders’ for ‘100  
12 shareholders’.”.

13 (b) EFFECTIVE DATE.—The amendment made by  
14 this section shall apply to taxable years beginning after  
15 December 31, 2017.

16 **SEC. 3. BANK ISSUANCE OF PREFERRED STOCK PER-**  
17 **MITTED.**

18 (a) IN GENERAL.—Section 1361 of the Internal Rev-  
19 enue Code of 1986 is amended by adding at the end the  
20 following new subsection:

21 “(h) TREATMENT OF QUALIFIED PREFERRED BANK  
22 STOCK.—

23 “(1) IN GENERAL.—Qualified preferred bank  
24 stock shall not be taken into account as outstanding  
25 stock of the S corporation for purposes of this sub-

1 chapter (other than subsection (b)(1)(A) and section  
2 1368(g)).

3 “(2) QUALIFIED PREFERRED BANK STOCK.—  
4 For purposes of this subsection, the term ‘qualified  
5 preferred bank stock’ means stock which—

6 “(A) is issued by a bank (as defined in sec-  
7 tion 581) or a depository institution holding  
8 company (as defined in section 3(w)(1) of the  
9 Federal Deposit Insurance Act (12 U.S.C.  
10 1813(w)(1))),

11 “(B) is not held by a person ineligible  
12 under subsection (b)(1) to be a shareholder of  
13 a small business corporation, and

14 “(C) meets the requirements of subpara-  
15 graphs (A), (B), and (C) of section  
16 1504(a)(4).”.

17 (b) DISTRIBUTIONS INCLUDIBLE IN SHAREHOLDER  
18 GROSS INCOME AND DEDUCTIBLE BY S CORPORATION.—  
19 Section 1368 of such Code is amended by adding at the  
20 end the following new subsection:

21 “(g) QUALIFIED PREFERRED BANK STOCK.—If a  
22 shareholder receives a distribution (not in part or full pay-  
23 ment in exchange for stock) from an S corporation with  
24 respect to any qualified preferred bank stock (as defined  
25 in section 1361(h))—

1           “(1) the amount of such distribution shall be  
2           includible in gross income of the shareholder, and

3           “(2) there shall be allowed as a deduction by  
4           the corporation for the taxable year of such corpora-  
5           tion in which or with which ends the taxable year in  
6           which such amount is included in the gross income  
7           of the shareholder an amount equal to the amount  
8           which bears the same ratio to the amount of such  
9           distribution as—

10                   “(A) the highest rate of tax in effect for  
11                   the taxable year with respect to individuals for  
12                   qualified dividend income (as defined in section  
13                   1(h)(11)), over

14                   “(B) the highest rate of tax in effect for  
15                   the taxable year with respect to individuals  
16                   under subsections (a), (b), (c), and (d) of sec-  
17                   tion 1 (after the application of subsection (i)  
18                   thereof).”.

19           (c) EFFECTIVE DATE.—The amendments made by  
20           this section shall apply to taxable years beginning after  
21           December 31, 2017.