

119TH CONGRESS
1ST SESSION

H. R. 2089

To amend the Internal Revenue Code of 1986 to allow individuals to defer recognition of reinvested capital gains distributions from regulated investment companies.

IN THE HOUSE OF REPRESENTATIVES

MARCH 11, 2025

Ms. VAN DUYNE (for herself and Ms. SEWELL) 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 allow individuals to defer recognition of reinvested capital gains distributions from regulated investment companies.

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 “Generating Retirement
5 Ownership through Long-Term Holding”.

1 **SEC. 2. DEFERRAL OF REINVESTED CAPITAL GAIN DIVI-**
 2 **DENDS OF REGULATED INVESTMENT COMPA-**
 3 **NIES.**

4 (a) IN GENERAL.—Part III of subchapter O of chap-
 5 ter 1 of the Internal Revenue Code of 1986 is amended
 6 by inserting after section 1045 the following new section:

7 **“SEC. 1046. REINVESTED CAPITAL GAIN DIVIDENDS OF**
 8 **REGULATED INVESTMENT COMPANIES.**

9 “(a) NONRECOGNITION OF GAIN.—In the case of an
 10 individual, no gain shall be recognized on the receipt of
 11 a capital gain dividend distributed by a regulated invest-
 12 ment company to which part I of subchapter M applies
 13 if such capital gain dividend is automatically reinvested
 14 in additional shares of the company pursuant to a dividend
 15 reinvestment plan.

16 “(b) DEFINITIONS AND SPECIAL RULES.—For pur-
 17 poses of this section—

18 “(1) CAPITAL GAIN DIVIDEND.—The term ‘cap-
 19 ital gain dividend’ has the meaning given to such
 20 term by section 852(b)(3)(C).

21 “(2) RECOGNITION OF DEFERRED CAPITAL
 22 GAIN DIVIDENDS.—

23 “(A) IN GENERAL.—Gain treated as unrec-
 24 ognized in accordance with subsection (a) shall
 25 be recognized in accordance with subparagraph
 26 (B)—

1 “(i) upon a subsequent sale or re-
2 demption by such individual of stock in the
3 distributing company, or

4 “(ii) upon the death of the individual.

5 “(B) GAIN RECOGNITION.—

6 “(i) IN GENERAL.—Upon a sale or re-
7 demption described in subparagraph (A),
8 the taxpayer shall recognize that portion of
9 total gain treated as unrecognized in ac-
10 cordance with subsection (a) (and not pre-
11 viously recognized pursuant to this sub-
12 paragraph) that is equivalent to the por-
13 tion of the taxpayer’s shares in the distrib-
14 uting company that are sold or redeemed.

15 “(ii) DEATH OF INDIVIDUAL.—Except
16 as provided by regulations, any portion of
17 such total gain not recognized under clause
18 (i) prior to the taxpayer’s death shall be
19 recognized upon the death of the taxpayer
20 and included in the taxpayer’s gross in-
21 come for the taxable year ending on the
22 date of the taxpayer’s death.

23 “(3) HOLDING PERIOD.—The taxpayer’s hold-
24 ing period in shares acquired through reinvestment
25 of a capital gain dividend to which subsection (a) ap-

1 plies shall be determined by treating the shareholder
 2 as having held such shares for one year and a day
 3 as of the date such shares are acquired.

4 “(c) SECTION NOT TO APPLY TO CERTAIN TAX-
 5 PAYERS.—This section shall not apply to—

6 “(1) an individual with respect to whom a de-
 7 duction under section 151 is allowable to another
 8 taxpayer for a taxable year beginning in the cal-
 9 endar year in which such individual’s taxable year
 10 begins, or

11 “(2) an estate or trust.

12 “(d) REGULATIONS.—The Secretary shall prescribe
 13 such regulations as may be necessary to carry out the pur-
 14 poses of this section.”.

15 (b) CONFORMING AMENDMENTS.—

16 (1) Section 852(b)(3)(B) of such Code is
 17 amended by adding at the end the following new
 18 sentence: “For rules regarding nonrecognition of
 19 gain with respect to reinvested capital gain dividends
 20 received by individuals, see section 1046.”.

21 (2) The table of sections for part III of sub-
 22 chapter O of chapter 1 of such Code is amended by
 23 inserting after the item relating to section 1045 the
 24 following new item:

“Sec. 1046. Reinvested capital gain dividends of regulated investment compa-
 nies.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years ending after the
3 date of the enactment of this Act.

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