

117TH CONGRESS
1ST SESSION

H. R. 2796

To amend section 414 of the Internal Revenue Code of 1986 to update
the family attribution rule.

IN THE HOUSE OF REPRESENTATIVES

APRIL 22, 2021

Mr. PANETTA (for himself and Mr. ARRINGTON) introduced the following bill;
which was referred to the Committee on Ways and Means

A BILL

To amend section 414 of the Internal Revenue Code of
1986 to update the family attribution rule.

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 “Family Attribution
5 Modernization Act”.

6 **SEC. 2. REFORM OF FAMILY ATTRIBUTION RULE.**

7 (a) IN GENERAL.—Section 414 of the Internal Rev-
8 enue Code of 1986 is amended—

9 (1) in subsection (b)—

1 (A) by striking “For purposes of” and in-
2 serting the following:

3 “(1) IN GENERAL.—For purposes of”, and

4 (B) by adding at the end the following new
5 paragraphs:

6 “(2) SPECIAL RULES FOR APPLYING FAMILY
7 ATTRIBUTION.—For purposes of applying the attri-
8 bution rules under section 1563 with respect to
9 paragraph (1), the following rules apply:

10 “(A) Community property laws shall be
11 disregarded for purposes of determining owner-
12 ship.

13 “(B) Any ownership that is not attributed
14 to a spouse by reason of section 1563(e)(5)
15 shall also not be attributed to the minor chil-
16 dren of the owner and the attribution rule in
17 paragraph (6)(A) shall not apply to such owner-
18 ship.

19 “(3) PLAN SHALL NOT FAIL TO BE TREATED AS
20 SATISFYING THIS SECTION.—If application of para-
21 graph (2) causes two or more entities to be a con-
22 trolled group, or an affiliated service group, or to no
23 longer be in a controlled group or an affiliated serv-
24 ice group, such change shall be treated as a trans-
25 action to which section 410(b)(6)(C) applies.”, and

1 (2) in subsection (m)(6)(B), by striking “apply”
2 and inserting “apply, except that community prop-
3 erty laws shall be disregarded for purposes of deter-
4 mining ownership”.

5 (b) **EFFECTIVE DATE.**—The amendments made by
6 this section shall apply to plan years beginning on or after
7 the date of the enactment of this section.

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