



AMERICANS
For TAX REFORM
FOUNDATION

Americans For Tax Reform Foundation

Analysis of Proposals To Reform International Tax System

H.R. 4849: The Small Business And Infrastructure Jobs Tax Act of 2010

*Revenue Provision B: Treatment of Securities of a Controlled Corporation Exchanged for
Assets in Certain Reorganization*

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Current Law

Under current law, a corporation may transfer property to its subsidiary, in exchange for securities, tax free.

Proposed Change

Under this proposal, exchanging “preferred stock” (a special type of stock with various features not possessed by ordinary stocks) for property will no longer be considered a tax-free transaction.

ATRF Analysis

For the world economy to flourish, companies need flexibility to respond to changing market conditions without government interference in their internal mechanics. This tax hike seriously undermines the flexibility and freedom of companies to structure themselves so as to minimize inefficiencies. If passed, not only will it hurt the economy through tax hikes, it will further tie up corporations in excessive and unnecessary regulations.

10-year Joint Committee on Taxation Revenue Estimate: \$260 million