

103^D CONGRESS
1ST SESSION

H. R. 482

To amend the Internal Revenue Code of 1986 to exempt certain personal service corporations from restrictions on deducting accrued year-end regular periodic compensation payable to owner-employees.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 6, 1993

Mr. STARK 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 exempt certain personal service corporations from restrictions on deducting accrued year-end regular periodic compensation payable to owner-employees.

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. DEDUCTION BY PERSONAL SERVICE CORPORA-**
4 **TION OF CERTAIN ACCRUED YEAR-END COM-**
5 **PENSATION PAYABLE TO OWNER-EMPLOY-**
6 **EES.**

7 (a) IN GENERAL.—Section 267 of the Internal Reve-
8 nue Code of 1986 (relating to losses, expenses, and inter-

1 est with respect to transactions between related taxpayers)
2 is amended by adding at the end thereof the following new
3 subsection:

4 “(h) YEAR-END REGULAR COMPENSATION PAID TO
5 OWNER-EMPLOYEES OF PERSONAL SERVICE CORPORA-
6 TION.—

7 “(1) IN GENERAL.—In the case of a qualified
8 personal service corporation, the last sentence of
9 subsection (a)(2) shall not apply to qualified com-
10 pensation to be paid by such corporation to any em-
11 ployee who is not a key employee (as defined in sec-
12 tion 416(i)).

13 “(2) QUALIFIED COMPENSATION.—For pur-
14 poses of paragraph (1), the term ‘qualified com-
15 pensation’ means compensation payable to an em-
16 ployee for the payroll period ending at the close of
17 such corporation’s taxable year if—

18 “(A) such payroll period is a semi-monthly
19 or shorter period,

20 “(B) such employee is regularly paid on
21 the basis of semi-monthly or shorter payroll pe-
22 riods, and

23 “(C) such compensation is solely for hours
24 of service performed or is such payroll period’s

1 ratable share of such employee's annual basic
2 rate of compensation.

3 “(3) QUALIFIED PERSONAL SERVICE CORPORA-
4 TION.—For purposes of paragraph (1), the term
5 ‘qualified personal service corporation’ means any
6 personal service corporation (within the meaning of
7 section 441(i)(2)) using an accrual method of ac-
8 counting for its last taxable year ending before the
9 date of the enactment of this subsection.”

10 (b) EFFECTIVE DATE.—The amendment made by
11 this section shall apply to taxable years beginning after
12 December 31, 1992.

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