

***In the Senate of the United States,***

*March 22, 1999.*

*Resolved*, That the bill from the House of Representatives (H.R. 68) entitled “An Act to amend section 20 of the Small Business Act and make technical corrections in title III of the Small Business Investment Act.”, do pass with the following

**AMENDMENT:**

Strike out all after the enacting clause and insert:

1 ***SECTION 1. SHORT TITLE.***

2 *This Act may be cited as the “Small Business Invest-*  
3 *ment Improvement Act of 1999”.*

4 ***SEC. 2. SBIC PROGRAM.***

5 *(a) IN GENERAL.—Section 308(i)(2) of the Small*  
6 *Business Investment Act of 1958 (15 U.S.C. 687(i)(2)) is*  
7 *amended by adding at the end the following: “In this para-*  
8 *graph, the term ‘interest’ includes only the maximum man-*  
9 *datory sum, expressed in dollars or as a percentage rate,*  
10 *that is payable with respect to the business loan amount*

1 *received by the small business concern, and does not include*  
2 *the value, if any, of contingent obligations, including war-*  
3 *rants, royalty, or conversion rights, granting the small busi-*  
4 *ness investment company an ownership interest in the eq-*  
5 *uity or increased future revenue of the small business con-*  
6 *cern receiving the business loan.”.*

7 (b) *FUNDING LEVELS.*—*Section 20 of the Small Busi-*  
8 *ness Act (15 U.S.C. 631 note) is amended—*

9 (1) *in subsection (d)(1)(C)(i), by striking*  
10 *“\$800,000,000” and inserting “\$1,200,000,000”; and*

11 (2) *in subsection (e)(1)(C)(i), by striking*  
12 *“\$900,000,000” and inserting “\$1,500,000,000”.*

13 (c) *DEFINITIONS.*—

14 (1) *SMALL BUSINESS CONCERN.*—*Section 103(5)*  
15 *of the Small Business Investment Act of 1958 (15*  
16 *U.S.C. 662(5)) is amended—*

17 (A) *by redesignating subparagraphs (A)*  
18 *through (C) as clauses (i) through (iii), and in-*  
19 *denting appropriately;*

20 (B) *in clause (iii), as redesignated, by add-*  
21 *ing “and” at the end;*

22 (C) *by striking “purposes of this Act, an in-*  
23 *vestment” and inserting the following: “purposes*  
24 *of this Act—*

25 *“(A) an investment”; and*

1           (D) by adding at the end the following:

2           “(B) in determining whether a business  
3           concern satisfies net income standards estab-  
4           lished pursuant to section 3(a)(2) of the Small  
5           Business Act, if the business concern is not re-  
6           quired by law to pay Federal income taxes at the  
7           enterprise level, but is required to pass income  
8           through to the shareholders, partners, bene-  
9           ficiaries, or other equitable owners of the busi-  
10          ness concern, the net income of the business con-  
11          cern shall be determined by allowing a deduction  
12          in an amount equal to the sum of—

13               “(i) if the business concern is not re-  
14               quired by law to pay State (and local, if  
15               any) income taxes at the enterprise level,  
16               the net income (determined without regard  
17               to this subparagraph), multiplied by the  
18               marginal State income tax rate (or by the  
19               combined State and local income tax rates,  
20               as applicable) that would have applied if  
21               the business concern were a corporation;  
22               and

23               “(ii) the net income (so determined)  
24               less any deduction for State (and local) in-  
25               come taxes calculated under clause (i), mul-

1                    *tiplied by the marginal Federal income tax*  
2                    *rate that would have applied if the business*  
3                    *concern were a corporation;”.*

4                    (2)            *SMALLER            ENTERPRISE.—Section*  
5                    *103(12)(A)(ii) of the Small Business Investment Act*  
6                    *of 1958 (15 U.S.C. 662(12)(A)(ii)) is amended by in-*  
7                    *serting before the semicolon at the end the following:*  
8                    *“except that, for purposes of this clause, if the busi-*  
9                    *ness concern is not required by law to pay Federal*  
10                    *income taxes at the enterprise level, but is required to*  
11                    *pass income through to the shareholders, partners,*  
12                    *beneficiaries, or other equitable owners of the business*  
13                    *concern, the net income of the business concern shall*  
14                    *be determined by allowing a deduction in an amount*  
15                    *equal to the sum of—*

16                    *“(I) if the business concern is not*  
17                    *required by law to pay State (and*  
18                    *local, if any) income taxes at the enter-*  
19                    *prise level, the net income (determined*  
20                    *without regard to this clause), multi-*  
21                    *plied by the marginal State income tax*  
22                    *rate (or by the combined State and*  
23                    *local income tax rates, as applicable)*  
24                    *that would have applied if the business*  
25                    *concern were a corporation; and*

1                   “(II) the net income (so deter-  
2                   mined) less any deduction for State  
3                   (and local) income taxes calculated  
4                   under subclause (I), multiplied by the  
5                   marginal Federal income tax rate that  
6                   would have applied if the business con-  
7                   cern were a corporation”.

8           (d) *TECHNICAL CORRECTIONS.*—

9                   (1) *REPEAL.*—Section 303(g) of the Small Busi-  
10                  ness Investment Act of 1958 (15 U.S.C. 683(g)) is  
11                  amended by striking paragraph (13).

12                  (2) *ISSUANCE OF GUARANTEES AND TRUST CER-*  
13                  *TIFICATES.*—Section 320 of the Small Business In-  
14                  vestment Act of 1958 (15 U.S.C. 687m) is amended  
15                  by striking “6” and inserting “12”.

16                  (3) *ELIMINATION OF TABLE OF CONTENTS.*—Sec-  
17                  tion 101 of the Small Business Investment Act of  
18                  1958 (15 U.S.C. 661 note) is amended to read as fol-  
19                  lows:

1 **“SEC. 101. SHORT TITLE.**

2       *“This Act may be cited as the ‘Small Business Invest-*  
3 *ment Act of 1958’.”.*

Attest:

*Secretary.*

106<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

**H. R. 68**

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**AMENDMENT**