

107TH CONGRESS
1ST SESSION

H. R. 2111

To amend the Internal Revenue Code of 1986 to provide tax benefits for small businesses, to amend the Fair Labor Standards Act of 1938 to increase the minimum wage, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 7, 2001

Mr. QUINN introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 to provide tax benefits for small businesses, to amend the Fair Labor Standards Act of 1938 to increase the minimum wage, and for other purposes.

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; REFERENCES; TABLE OF CON-**
4 **TENTS.**

5 (a) SHORT TITLE.—This Act may be cited as the
6 “Small Business Tax Fairness Act of 2001”.

1 (b) AMENDMENT OF 1986 CODE.—Except as other-
 2 wise expressly provided, whenever in this Act an amend-
 3 ment or repeal is expressed in terms of an amendment
 4 to, or repeal of, a section or other provision, the reference
 5 shall be considered to be made to a section or other provi-
 6 sion of the Internal Revenue Code of 1986.

7 (c) TABLE OF CONTENTS.—The table of contents of
 8 this Act is as follows:

Sec. 1. Short title; references; table of contents.

TITLE I—SMALL BUSINESS PROVISIONS

Sec. 101. Deduction for 100 percent of health insurance costs of self-employed individuals.

Sec. 102. Increase in expense treatment for small businesses.

Sec. 103. Increased deduction for meal expenses.

Sec. 104. Increased deductibility of business meal expenses for individuals subject to Federal limitations on hours of service.

Sec. 105. Income averaging for farmers and fishermen not to increase alternative minimum tax liability.

Sec. 106. Repeal of occupational taxes relating to distilled spirits, wine, and beer.

TITLE II—REAL ESTATE PROVISIONS

Subtitle A—Private Activity Bond Volume Cap

Sec. 201. Acceleration of phase-in of increase in volume cap on private activity bonds.

Subtitle B—Exclusion From Gross Income for Certain Forgiven Mortgage Obligations

Sec. 202. Exclusion from gross income for certain forgiven mortgage obligations.

TITLE III—AMENDMENTS TO THE FAIR LABOR STANDARDS ACT OF 1938

Sec. 301. Short title.

Sec. 302. Minimum Wage.

1 **TITLE I—SMALL BUSINESS**
2 **PROVISIONS**

3 **SEC. 101. DEDUCTION FOR 100 PERCENT OF HEALTH IN-**
4 **SURANCE COSTS OF SELF-EMPLOYED INDI-**
5 **VIDUALS.**

6 (a) IN GENERAL.—Paragraph (1) of section 162(l)
7 is amended to read as follows:

8 “(1) ALLOWANCE OF DEDUCTION.—In the case
9 of an individual who is an employee within the
10 meaning of section 401(c)(1), there shall be allowed
11 as a deduction under this section an amount equal
12 to 100 percent of the amount paid during the tax-
13 able year for insurance which constitutes medical
14 care for the taxpayer and the taxpayer’s spouse and
15 dependents.”.

16 (b) CLARIFICATION OF LIMITATIONS ON OTHER COV-
17 ERAGE.—The first sentence of section 162(l)(2)(B) is
18 amended to read as follows: “Paragraph (1) shall not
19 apply to any taxpayer for any calendar month for which
20 the taxpayer participates in any subsidized health plan
21 maintained by any employer (other than an employer de-
22 scribed in section 401(c)(4)) of the taxpayer or the spouse
23 of the taxpayer.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2000.

4 **SEC. 102. INCREASE IN EXPENSE TREATMENT FOR SMALL**
5 **BUSINESSES.**

6 (a) IN GENERAL.—Paragraph (1) of section 179(b)
7 (relating to dollar limitation) is amended to read as fol-
8 lows:

9 “(1) DOLLAR LIMITATION.—The aggregate cost
10 which may be taken into account under subsection
11 (a) for any taxable year shall not exceed \$30,000.”.

12 (b) EFFECTIVE DATE.—The amendment made by
13 this section shall apply to taxable years beginning after
14 December 31, 2000.

15 **SEC. 103. INCREASED DEDUCTION FOR MEAL EXPENSES.**

16 (a) IN GENERAL.—Paragraph (1) of section 274(n)
17 (relating to only 50 percent of meal and entertainment
18 expenses allowed as deduction) is amended by striking “50
19 percent” in the text and inserting “the allowable percent-
20 age”.

21 (b) ALLOWABLE PERCENTAGES.—Subsection (n) of
22 section 274 is amended by redesignating paragraphs (2)
23 and (3) as paragraphs (3) and (4), respectively, and by
24 inserting after paragraph (1) the following new paragraph:

1 “(2) ALLOWABLE PERCENTAGE.—For purposes
2 of paragraph (1), the allowable percentage is—

3 “(A) in the case of amounts for items de-
4 scribed in paragraph (1)(B), 50 percent, and

5 “(B) in the case of expenses for food or
6 beverages, 60 percent (55 percent for taxable
7 years beginning during 2001).”.

8 (c) CONFORMING AMENDMENT.—The heading for
9 subsection (n) of section 274 is amended by striking “50
10 PERCENT” and inserting “LIMITED PERCENTAGES”.

11 (d) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to taxable years beginning after
13 December 31, 2000.

14 **SEC. 104. INCREASED DEDUCTIBILITY OF BUSINESS MEAL**
15 **EXPENSES FOR INDIVIDUALS SUBJECT TO**
16 **FEDERAL LIMITATIONS ON HOURS OF SERV-**
17 **ICE.**

18 (a) IN GENERAL.—Paragraph (4) of section 274(n)
19 (relating to limited percentages of meal and entertainment
20 expenses allowed as deduction), as redesignated by section
21 103, is amended to read as follows:

22 “(4) SPECIAL RULE FOR INDIVIDUALS SUBJECT
23 TO FEDERAL HOURS OF SERVICE.—In the case of
24 any expenses for food or beverages consumed while
25 away from home (within the meaning of section

1 162(a)(2)) by an individual during, or incident to,
2 the period of duty subject to the hours of service
3 limitations of the Department of Transportation,
4 paragraph (2)(B) shall be applied by substituting
5 ‘80 percent’ for the percentage otherwise applicable
6 under paragraph (2)(B).”.

7 (b) EFFECTIVE DATE.—The amendment made by
8 subsection (a) shall apply to taxable years beginning after
9 December 31, 2000.

10 **SEC. 105. INCOME AVERAGING FOR FARMERS AND FISHER-**
11 **MEN NOT TO INCREASE ALTERNATIVE MIN-**
12 **IMUM TAX LIABILITY.**

13 (a) IN GENERAL.—Section 55(c) (defining regular
14 tax) is amended by redesignating paragraph (2) as para-
15 graph (3) and by inserting after paragraph (1) the fol-
16 lowing:

17 “(2) COORDINATION WITH INCOME AVERAGING
18 FOR FARMERS AND FISHERMEN.—Solely for pur-
19 poses of this section, section 1301 (relating to aver-
20 aging of farm and fishing income) shall not apply in
21 computing the regular tax.”.

22 (b) ALLOWING INCOME AVERAGING FOR FISHER-
23 MEN.—

1 (1) IN GENERAL.—The following provisions of
2 part II of subchapter A of chapter 51 of the Internal
3 Revenue Code of 1986 (relating to occupational
4 taxes) are hereby repealed:

5 (A) Subpart A (relating to proprietors of
6 distilled spirits plants, bonded wine cellars,
7 etc.).

8 (B) Subpart B (relating to brewer).

9 (C) Subpart D (relating to wholesale deal-
10 ers) (other than sections 5114 and 5116).

11 (D) Subpart E (relating to retail dealers)
12 (other than section 5124).

13 (E) Subpart G (relating to general provi-
14 sions) (other than sections 5142, 5143, 5145,
15 and 5146).

16 (2) NONBEVERAGE DOMESTIC DRAWBACK.—
17 Section 5131 is amended by striking “, on payment
18 of a special tax per annum,”.

19 (3) INDUSTRIAL USE OF DISTILLED SPIRITS.—
20 Section 5276 is hereby repealed.

21 (b) CONFORMING AMENDMENTS.—

22 (1)(A) The heading for part II of subchapter A
23 of chapter 51 and the table of subparts for such
24 part are amended to read as follows:

1 **“PART II—MISCELLANEOUS PROVISIONS**

 “Subpart A. Manufacturers of stills.

 “Subpart B. Nonbeverage domestic drawback claimants.

 “Subpart C. Recordkeeping by dealers.

 “Subpart D. Other provisions.”.

2 (B) The table of parts for such subchapter A
3 is amended by striking the item relating to part II
4 and inserting the following new item:

 “Part II. Miscellaneous provisions.”.

5 (2) Subpart C of part II of such subchapter
6 (relating to manufacturers of stills) is redesignated
7 as subpart A.

8 (3)(A) Subpart F of such part II (relating to
9 nonbeverage domestic drawback claimants) is redesi-
10 gnated as subpart B and sections 5131 through
11 5134 are redesignated as sections 5111 through
12 5114, respectively.

13 (B) The table of sections for such subpart B,
14 as so redesignated, is amended—

15 (i) by redesignating the items relating to
16 sections 5131 through 5134 as relating to sec-
17 tions 5111 through 5114, respectively; and

18 (ii) by striking “and rate of tax” in the
19 item relating to section 5111, as so redesign-
20 nated.

21 (C) Section 5111, as redesignated by subpara-
22 graph (A), is amended—

1 (i) by striking “**AND RATE OF TAX**” in
2 the section heading;

3 (ii) by striking “(a) **ELIGIBILITY FOR**
4 **DRAWBACK.—**”; and

5 (iii) by striking subsection (b).

6 (4) Part II of subchapter A of chapter 51 is
7 amended by adding after subpart B, as redesignated
8 by paragraph (3), the following new subpart:

9 **“Subpart C—Recordkeeping by Dealers**

“Sec. 5121. Recordkeeping by wholesale dealers.

“Sec. 5122. Recordkeeping by retail dealers.

“Sec. 5123. Preservation and inspection of records, and entry of
premises for inspection.”.

10 (5)(A) Section 5114 (relating to records) is
11 moved to subpart C of such part II and inserted
12 after the table of sections for such subpart.

13 (B) Section 5114 is amended—

14 (i) by striking the section heading and in-
15 serting the following new heading:

16 **“SEC. 5121. RECORDKEEPING BY WHOLESALE DEALERS.”;**

17 and

18 (ii) by redesignating subsection (c) as sub-
19 section (d) and by inserting after subsection (b)
20 the following new subsection:

21 “(c) **WHOLESALE DEALERS.—**For purposes of this
22 part—

1 “(1) WHOLESale DEALER IN LIQUORS.—The
2 term ‘wholesale dealer in liquors’ means any dealer
3 (other than a wholesale dealer in beer) who sells, or
4 offers for sale, distilled spirits, wines, or beer, to an-
5 other dealer.

6 “(2) WHOLESale DEALER IN BEER.—The term
7 ‘wholesale dealer in beer’ means any dealer who
8 sells, or offers for sale, beer, but not distilled spirits
9 or wines, to another dealer.

10 “(3) DEALER.—The term ‘dealer’ means any
11 person who sells, or offers for sale, any distilled spir-
12 its, wines, or beer.

13 “(4) PRESUMPTION IN CASE OF SALE OF 20
14 WINE GALLONS OR MORE.—The sale, or offer for
15 sale, of distilled spirits, wines, or beer, in quantities
16 of 20 wine gallons or more to the same person at
17 the same time, shall be presumptive evidence that
18 the person making such sale, or offer for sale, is en-
19 gaged in or carrying on the business of a wholesale
20 dealer in liquors or a wholesale dealer in beer, as the
21 case may be. Such presumption may be overcome by
22 evidence satisfactorily showing that such sale, or
23 offer for sale, was made to a person other than a
24 dealer.”.

1 (C) Paragraph (3) of section 5121(d), as so re-
2 designated, is amended by striking “section 5146”
3 and inserting “section 5123”.

4 (6)(A) Section 5124 (relating to records) is
5 moved to subpart C of part II of subchapter A of
6 chapter 51 and inserted after section 5121.

7 (B) Section 5124 is amended—

8 (i) by striking the section heading and in-
9 serting the following new heading:

10 **“SEC. 5122. RECORDKEEPING BY RETAIL DEALERS.”;**

11 (ii) by striking “section 5146” in sub-
12 section (c) and inserting “section 5123”; and

13 (iii) by redesignating subsection (c) as sub-
14 section (d) and inserting after subsection (b)
15 the following new subsection:

16 “(c) RETAIL DEALERS.—For purposes of this
17 section—

18 “(1) RETAIL DEALER IN LIQUORS.—The term
19 ‘retail dealer in liquors’ means any dealer (other
20 than a retail dealer in beer) who sells, or offers for
21 sale, distilled spirits, wines, or beer, to any person
22 other than a dealer.

23 “(2) RETAIL DEALER IN BEER.—The term ‘re-
24 tail dealer in beer’ means any dealer who sells, or of-

1 fers for sale, beer, but not distilled spirits or wines,
2 to any person other than a dealer.

3 “(3) DEALER.—The term ‘dealer’ has the
4 meaning given such term by section 5121(c)(3).”.

5 (7) Section 5146 is moved to subpart C of part
6 II of subchapter A of chapter 51, inserted after sec-
7 tion 5122, and redesignated as section 5123.

8 (8) Part II of subchapter A of chapter 51 is
9 amended by inserting after subpart C the following
10 new subpart:

11 **“Subpart D—Other Provisions**

 “Sec. 5131. Packaging distilled spirits for industrial uses.
 “Sec. 5132. Prohibited purchases by dealers.”.

12 (9) Section 5116 is moved to subpart D of part
13 II of subchapter A of chapter 51, inserted after the
14 table of sections, redesignated as section 5131, and
15 amended by inserting “(as defined in section
16 5121(c))” after “dealer” in subsection (a).

17 (10) Subpart D of part II of subchapter A of
18 chapter 51 is amended by adding at the end thereof
19 the following new section:

20 **“SEC. 5132. PROHIBITED PURCHASES BY DEALERS.**

21 “(a) IN GENERAL.—Except as provided in regula-
22 tions prescribed by the Secretary, it shall be unlawful for
23 a dealer to purchase distilled spirits from any person other

1 than a wholesale dealer in liquors who is required to keep
2 the records prescribed by section 5121.

3 “(b) PENALTY AND FORFEITURE.—

**“For penalty and forfeiture provisions applicable
to violations of subsection (a), see sections 5687 and
7302.”.**

4 (11) Subsection (b) of section 5002 is
5 amended—

6 (A) by striking “section 5112(a)” and in-
7 serting “section 5121(c)(3)”;

8 (B) by striking “section 5112” and insert-
9 ing “section 5121(c)”; and

10 (C) by striking “section 5122” and insert-
11 ing “section 5122(e)”.

12 (12) Subparagraph (A) of section 5010(c)(2) is
13 amended by striking “section 5134” and inserting
14 “section 5114”.

15 (13) Subsection (d) of section 5052 is amended
16 to read as follows:

17 “(d) BREWER.—For purposes of this chapter, the
18 term ‘brewer’ means any person who brews beer or pro-
19 duces beer for sale. Such term shall not include any person
20 who produces only beer exempt from tax under section
21 5053(e).”.

1 (14) The text of section 5182 is amended to
2 read as follows:

**“For provisions requiring recordkeeping by
wholesale liquor dealers, see section 5112, and by
retail liquor dealers, see section 5122.”.**

3 (15) Subsection (b) of section 5402 is amended
4 by striking “section 5092” and inserting “section
5 5052(d)”.

6 (16) Section 5671 is amended by striking “or
7 5091”.

8 (17)(A) Part V of subchapter J of chapter 51
9 is hereby repealed.

10 (B) The table of parts for such subchapter J is
11 amended by striking the item relating to part V.

12 (18)(A) Sections 5142, 5143, and 5145 are
13 moved to subchapter D of chapter 52, inserted after
14 section 5731, redesignated as sections 5732, 5733,
15 and 5734, respectively, and amended—

16 (i) by striking “this part” each place it ap-
17 pears and inserting “this subchapter”; and

18 (ii) by striking “this subpart” in section
19 5732(c)(2) (as so redesignated) and inserting
20 “this subchapter”.

21 (B) Section 5732, as redesignated by subpara-
22 graph (A), is amended by striking “(except the tax
23 imposed by section 5131)” each place it appears.

1 (C) Subsection (c) of section 5733, as redesignig-
2 nated by subparagraph (A), is amended by striking
3 paragraph (2) and by redesignating paragraph (3)
4 as paragraph (2).

5 (D) The table of sections for subchapter D of
6 chapter 52 is amended by adding at the end thereof
7 the following:

 “Sec. 5732. Payment of tax.

 “Sec. 5733. Provisions relating to liability for occupational taxes.

 “Sec. 5734. Application of State laws.”.

8 (E) Section 5731 is amended by striking sub-
9 section (c) and by redesignating subsection (d) as
10 subsection (c).

11 (19) Subsection (c) of section 6071 is amended
12 by striking “section 5142” and inserting “section
13 5732”.

14 (20) Paragraph (1) of section 7652(g) is
15 amended—

16 (A) by striking “subpart F” and inserting
17 “subpart B”; and

18 (B) by striking “section 5131(a)” and in-
19 serting “section 5111(a)”.

20 (21) The table of sections for subchapter D of
21 chapter 51 is amended by striking the item relating
22 to section 5276.

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall take effect on July 1, 2001, but shall
 3 not apply to taxes imposed for periods before such date.

4 **TITLE II—REAL ESTATE**
 5 **PROVISIONS**

6 **Subtitle A—Private Activity Bond**
 7 **Volume Cap**

8 **SEC. 201. ACCELERATION OF PHASE-IN OF INCREASE IN**
 9 **VOLUME CAP ON PRIVATE ACTIVITY BONDS.**

10 (a) IN GENERAL.—The table contained in section
 11 146(d)(2) (relating to per capita limit; aggregate limit) is
 12 amended to read as follows:

| “Calendar Year | Per Capita Limit | Aggregate Limit |
|----------------------------|---------------------|--------------------|
| 2001 | \$55.00 | \$165,000,000 |
| 2002 | 60.00 | 180,000,000 |
| 2003 | 65.00 | 195,000,000 |
| 2004, 2005, and 2006 | 70.00 | 210,000,000 |
| 2007 and thereafter | 75.00 | 225,000,000.”. |

13 (b) EFFECTIVE DATE.—The amendment made by
 14 this section shall apply to calendar years beginning after
 15 2000.

16 **Subtitle B—Exclusion From Gross**
 17 **Income for Certain Forgiven**
 18 **Mortgage Obligations**

19 **SEC. 202. EXCLUSION FROM GROSS INCOME FOR CERTAIN**
 20 **FORGIVEN MORTGAGE OBLIGATIONS.**

21 (a) IN GENERAL.—Paragraph (1) of section 108(a)
 22 (relating to exclusion from gross income) is amended by

1 striking “or” at the end of both subparagraphs (A) and
 2 (C), by striking the period at the end of subparagraph (D)
 3 and inserting “, or”, and by inserting after subparagraph
 4 (D) the following new subparagraph:

5 “(E) in the case of an individual, the in-
 6 debtedness discharged is qualified residential in-
 7 debtedness.”.

8 (b) QUALIFIED RESIDENTIAL INDEBTEDNESS
 9 SHORTFALL.—Section 108 (relating to discharge of in-
 10 debtedness) is amended by adding at the end the following
 11 new subsection:

12 “(h) QUALIFIED RESIDENTIAL INDEBTEDNESS.—

13 “(1) LIMITATIONS.—The amount excluded
 14 under subparagraph (E) of subsection (a)(1) with
 15 respect to any qualified residential indebtedness
 16 shall not exceed the excess (if any) of—

17 “(A) the outstanding principal amount of
 18 such indebtedness (immediately before the dis-
 19 charge), over

20 “(B) the sum of—

21 “(i) the amount realized from the sale
 22 of the real property securing such indebt-
 23 edness reduced by the cost of such sale,
 24 and

1 “(ii) the outstanding principal amount
2 of any other indebtedness secured by such
3 property.

4 “(2) QUALIFIED RESIDENTIAL INDEBTED-
5 NESS.—

6 “(A) IN GENERAL.—The term ‘qualified
7 residential indebtedness’ means indebtedness
8 which—

9 “(i) was incurred or assumed by the
10 taxpayer in connection with real property
11 used as the principal residence (within the
12 meaning of section 121) of the taxpayer
13 and is secured by such real property,

14 “(ii) is incurred or assumed to ac-
15 quire, construct, reconstruct, or substan-
16 tially improve such real property, and

17 “(iii) with respect to which such tax-
18 payer makes an election to have this para-
19 graph apply.

20 “(B) REFINANCED INDEBTEDNESS.—Such
21 term shall include indebtedness resulting from
22 the refinancing of indebtedness under subpara-
23 graph (A)(ii), but only to the extent the amount
24 of the indebtedness resulting from such refi-

1 nancing does not exceed the amount of the refi-
2 nanced indebtedness.

3 “(C) EXCEPTIONS.—Such term shall not
4 include qualified farm indebtedness or qualified
5 real property business indebtedness.”.

6 (c) CONFORMING AMENDMENTS.—

7 (1) Paragraph (2) of section 108(a) is
8 amended—

9 (A) in subparagraph (A) by striking “and
10 (D)” and inserting “(D), and (E)”; and

11 (B) by amending subparagraph (B) to read
12 as follows:

13 “(B) INSOLVENCY EXCLUSION TAKES
14 PRECEDENCE OVER QUALIFIED FARM EXCLU-
15 SION; QUALIFIED REAL PROPERTY BUSINESS
16 EXCLUSION; AND QUALIFIED RESIDENTIAL
17 SHORTFALL EXCLUSION.—Subparagraphs (C),
18 (D), and (E) of paragraph (1) shall not apply
19 to a discharge to the extent the taxpayer is in-
20 solvent.”.

21 (2) Paragraph (1) of section 108(b) is amended
22 by striking “or (C)” and inserting “(C), or (E)”.

23 (3) Subsection (c) of section 121 of such Code
24 is amended by adding at the end the following new
25 paragraph:

1 “(4) SPECIAL RULE RELATING TO DISCHARGE
2 OF INDEBTEDNESS.—The amount of gain which
3 (but for this paragraph) would be excluded from
4 gross income under subsection (a) with respect to a
5 principal residence shall be reduced by the amount
6 excluded from gross income under section
7 108(a)(1)(E) with respect to such residence.”.

8 (d) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to discharges after December 31,
10 2000.

11 **TITLE III—AMENDMENTS TO**
12 **THE FAIR LABOR STANDARDS**
13 **ACT OF 1938**

14 **SEC. 301. SHORT TITLE.**

15 This title may be cited as the “Minimum Wage In-
16 crease Act of 2001”.

17 **SEC. 302. MINIMUM WAGE.**

18 Section 6(a)(1) of the Fair Labor Standards Act of
19 1938 (29 U.S.C. 206(a)(1)) is amended to read as follows:

20 “(1) except as otherwise provided in this sec-
21 tion, not less than—

22 “(A) \$5.15 an hour beginning September
23 1, 1997,

24 “(B) \$5.65 an hour beginning September
25 1, 2001, and

1 “(C) \$6.15 an hour beginning April 1,
2 2002;”.

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