

Union Calendar No. 5

110TH CONGRESS
1ST SESSION

H. R. 976

[Report No. 110-14]

To amend the Internal Revenue Code of 1986 to provide tax relief for small businesses, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 9, 2007

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

FEBRUARY 15, 2007

Additional sponsors: Mr. STARK, Mr. LEVIN, Mr. McDERMOTT, Mr. LEWIS of Georgia, Mr. NEAL of Massachusetts, Mr. McNULTY, Mr. TANNER, Mr. BECERRA, Mr. DOGGETT, Mr. POMEROY, Mrs. JONES of Ohio, Mr. THOMPSON of California, Mr. LARSON of Connecticut, Mr. EMANUEL, Mr. BLUMENAUER, Mr. KIND, Mr. PASCRELL, Ms. BERKLEY, Mr. CROWLEY, Mr. VAN HOLLEN, Mr. MEEK of Florida, Ms. SCHWARTZ, Mr. DAVIS of Alabama, Mr. SPRATT, Ms. VELÁZQUEZ, Ms. BEAN, Mr. HILL, Mr. SHULER, Mr. CRAMER, Mr. MELANCON, Mr. BOSWELL, Mr. SALAZAR, Mr. LINCOLN DAVIS of Tennessee, Mr. BARROW, Mr. MATHE-SON, Mr. MICHAUD, Mr. ELLSWORTH, Mr. MOORE of Kansas, Mr. MARSHALL, Mr. DONNELLY, Mr. BOYD of Florida, Mr. CARDOZA, Mr. MAHONEY of Florida, Mr. ARCURI, Ms. GIFFORDS, Mr. ROSS, Ms. HERSETH, Mr. COSTA, Mrs. GILLIBRAND, Mr. BISHOP of Georgia, Mr. BACA, Mr. ENGLISH of Pennsylvania, Mr. HULSHOF, Mr. SAM JOHNSON of Texas, Mr. LEWIS of Kentucky, Mr. RAMSTAD, Mr. TIBERI, Mr. WELLER of Illinois, Mr. BRADY of Texas, Mr. PORTER, Mr. LINDER, Mr. REYNOLDS, Mr. SCHIFF, Mr. WELCH of Vermont, Mr. McKEON, Mr. PATRICK MURPHY of Pennsylvania, Mr. ISRAEL, Mr. SKELTON, Mrs. BOYDA of Kansas, Mr. HERGER, and Mr. HALL of New York

FEBRUARY 15, 2007

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]
 [For text of introduced bill, see copy of bill as introduced on February 9, 2007]

A BILL

To amend the Internal Revenue Code of 1986 to provide tax relief for small businesses, 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; AMENDMENT OF 1986 CODE;**

4 **TABLE OF CONTENTS.**

5 (a) *SHORT TITLE.*—*This Act may be cited as the*
 6 *“Small Business Tax Relief Act of 2007”.*

7 (b) *AMENDMENT OF 1986 CODE.*—*Except as otherwise*
 8 *expressly provided, whenever in this Act an amendment or*
 9 *repeal is expressed in terms of an amendment to, or repeal*
 10 *of, a section or other provision, the reference shall be consid-*
 11 *ered to be made to a section or other provision of the Inter-*
 12 *nal Revenue Code of 1986.*

13 (c) *TABLE OF CONTENTS.*—*The table of contents of this*
 14 *Act is as follows:*

Sec. 1. Short title; amendment of 1986 Code; table of contents.

Sec. 2. Extension and modification of work opportunity tax credit.

Sec. 3. Extension and increase of expensing for small business.

Sec. 4. Determination of credit for certain taxes paid with respect to employee cash tips.

Sec. 5. Waiver of individual and corporate alternative minimum tax limits on work opportunity credit and credit for taxes paid with respect to employee cash tips.

Sec. 6. Family business tax simplification.

Sec. 7. Denial of lowest capital gains rate for certain dependents.

Sec. 8. Suspension of certain penalties and interest.

Sec. 9. Time for payment of corporate estimated taxes.

1 **SEC. 2. EXTENSION AND MODIFICATION OF WORK OPPOR-**
 2 **TUNITY TAX CREDIT.**

3 (a) *EXTENSION.*—Section 51(c)(4)(B) (relating to ter-
 4 mination) is amended by striking “2007” and inserting
 5 “2008”.

6 (b) *INCREASE IN MAXIMUM AGE FOR DESIGNATED*
 7 *COMMUNITY RESIDENTS.*—

8 (1) *IN GENERAL.*—Paragraph (5) of section
 9 51(d) is amended to read as follows:

10 “(5) *DESIGNATED COMMUNITY RESIDENTS.*—

11 “(A) *IN GENERAL.*—The term ‘designated
 12 community resident’ means any individual who
 13 is certified by the designated local agency—

14 “(i) as having attained age 18 but not
 15 age 40 on the hiring date, and

16 “(ii) as having his principal place of
 17 abode within an empowerment zone, enter-
 18 prise community, or renewal community.

19 “(B) *INDIVIDUAL MUST CONTINUE TO RE-*
 20 *SIDE IN ZONE OR COMMUNITY.*—In the case of a
 21 designated community resident, the term ‘quali-
 22 fied wages’ shall not include wages paid or in-
 23 curred for services performed while the individ-
 24 ual’s principal place of abode is outside an em-

1 *powerment zone, enterprise community, or re-*
2 *newal community.”.*

3 (2) *CONFORMING AMENDMENT.*—*Subparagraph*
4 *(D) of section 51(d)(1) is amended to read as follows:*

5 *“(D) a designated community resident,”.*

6 (c) *CLARIFICATION OF TREATMENT OF INDIVIDUALS*
7 *UNDER INDIVIDUAL WORK PLANS.*—*Subparagraph (B) of*
8 *section 51(d)(6) (relating to vocational rehabilitation refer-*
9 *ral) is amended by striking “or” at the end of clause (i),*
10 *by striking the period at the end of clause (ii) and inserting*
11 *“; or”, and by adding at the end the following new clause:*

12 *“(iii) an individual work plan devel-*
13 *oped and implemented by an employment*
14 *network pursuant to subsection (g) of sec-*
15 *tion 1148 of the Social Security Act with*
16 *respect to which the requirements of such*
17 *subsection are met.”.*

18 (d) *TREATMENT OF DISABLED VETERANS UNDER THE*
19 *WORK OPPORTUNITY TAX CREDIT.*—

20 (1) *DISABLED VETERANS TREATED AS MEMBERS*
21 *OF TARGETED GROUP.*—

22 (A) *IN GENERAL.*—*Subparagraph (A) of*
23 *section 51(d)(3) (relating to qualified veteran) is*
24 *amended by striking “agency as being a member*

1 *of a family” and all that follows and inserting*
2 *“agency as—*

3 *“(i) being a member of a family receiv-*
4 *ing assistance under a food stamp program*
5 *under the Food Stamp Act of 1977 for at*
6 *least a 3-month period ending during the*
7 *12-month period ending on the hiring date,*
8 *or*

9 *“(ii) entitled to compensation for a*
10 *service-connected disability, and—*

11 *“(I) having a hiring date which is*
12 *not more than 1 year after having been*
13 *discharged or released from active duty*
14 *in the Armed Forces of the United*
15 *States, or*

16 *“(II) having aggregate periods of*
17 *unemployment during the 1-year pe-*
18 *riod ending on the hiring date which*
19 *equal or exceed 6 months.”.*

20 *(B) DEFINITIONS.—Paragraph (3) of sec-*
21 *tion 51(d) is amended by adding at the end the*
22 *following new subparagraph:*

23 *“(C) OTHER DEFINITIONS.—For purposes of*
24 *subparagraph (A), the terms ‘compensation’ and*
25 *‘service-connected’ have the meanings given such*

1 *terms under section 101 of title 38, United*
2 *States Code.”.*

3 (2) *INCREASE IN AMOUNT OF WAGES TAKEN INTO*
4 *ACCOUNT FOR DISABLED VETERANS.—Paragraph (3)*
5 *of section 51(b) is amended—*

6 (A) *by inserting “(\$12,000 per year in the*
7 *case of any individual who is a qualified veteran*
8 *by reason of subsection (d)(3)(A)(ii))” before the*
9 *period at the end, and*

10 (B) *by striking “ONLY FIRST \$6,000 OF” in*
11 *the heading and inserting “LIMITATION ON”.*

12 (e) *EFFECTIVE DATE.—The amendments made by this*
13 *section shall apply to individuals who begin work for the*
14 *employer after the date of the enactment of this Act.*

15 **SEC. 3. EXTENSION AND INCREASE OF EXPENSING FOR**
16 **SMALL BUSINESS.**

17 (a) *EXTENSION.—Subsections (b)(1), (b)(2), (b)(5),*
18 *(c)(2), and (d)(1)(A)(ii) of section 179 (relating to election*
19 *to expense certain depreciable business assets) are each*
20 *amended by striking “2010” and inserting “2011”.*

21 (b) *INCREASE IN LIMITATIONS.—Subsection (b) of sec-*
22 *tion 179 is amended—*

23 (1) *by striking “\$100,000 in the case of taxable*
24 *years beginning after 2002” in paragraph (1) and in-*

1 serting “\$125,000 in the case of taxable years begin-
2 ning after 2006”, and

3 (2) by striking “\$400,000 in the case of taxable
4 years beginning after 2002” in paragraph (2) and in-
5 serting “\$500,000 in the case of taxable years begin-
6 ning after 2006”.

7 (c) *INFLATION ADJUSTMENT*.—Subparagraph (A) of
8 section 179(b)(5) is amended—

9 (1) by striking “2003” and inserting “2007”,

10 (2) by striking “\$100,000 and \$400,000” and in-
11 serting “\$125,000 and \$500,000”, and

12 (3) by striking “2002” in clause (i) and insert-
13 ing “2006”.

14 (d) *EFFECTIVE DATE*.—The amendments made by this
15 section shall apply to taxable years beginning after Decem-
16 ber 31, 2006.

17 **SEC. 4. DETERMINATION OF CREDIT FOR CERTAIN TAXES**

18 **PAID WITH RESPECT TO EMPLOYEE CASH**

19 **TIPS.**

20 (a) *IN GENERAL*.—Subparagraph (B) of section
21 45B(b)(1) is amended by inserting “as in effect on January
22 1, 2007, and” before “determined without regard to”.

23 (b) *EFFECTIVE DATE*.—The amendment made by this
24 section shall apply to tips received for services performed
25 after December 31, 2006.

1 **SEC. 5. WAIVER OF INDIVIDUAL AND CORPORATE ALTER-**
2 **NATIVE MINIMUM TAX LIMITS ON WORK OP-**
3 **PORTUNITY CREDIT AND CREDIT FOR TAXES**
4 **PAID WITH RESPECT TO EMPLOYEE CASH**
5 **TIPS.**

6 (a) *ALLOWANCE AGAINST ALTERNATIVE MINIMUM*
7 *TAX.*—*Subparagraph (B) of section 38(c)(4) is amended by*
8 *striking “and” at the end of clause (i), by inserting a*
9 *comma at the end of clause (ii), and by adding at the end*
10 *the following new clauses:*

11 “(iii) *the credit determined under sec-*
12 *tion 45B, and*

13 “(iv) *the credit determined under sec-*
14 *tion 51.”.*

15 (b) *EFFECTIVE DATE.*—*The amendments made by this*
16 *section shall apply to credits determined under sections 45B*
17 *and 51 of the Internal Revenue Code of 1986 in taxable*
18 *years beginning after December 31, 2006, and to carrybacks*
19 *of such credits.*

20 **SEC. 6. FAMILY BUSINESS TAX SIMPLIFICATION.**

21 (a) *IN GENERAL.*—*Section 761 (defining terms for*
22 *purposes of partnerships) is amended by redesignating sub-*
23 *section (f) as subsection (g) and by inserting after sub-*
24 *section (e) the following new subsection:*

25 “(f) *QUALIFIED JOINT VENTURE.*—

1 “(1) *IN GENERAL.*—*In the case of a qualified*
2 *joint venture conducted by a husband and wife who*
3 *file a joint return for the taxable year, for purposes*
4 *of this title—*

5 “(A) *such joint venture shall not be treated*
6 *as a partnership,*

7 “(B) *all items of income, gain, loss, deduc-*
8 *tion, and credit shall be divided between the*
9 *spouses in accordance with their respective inter-*
10 *ests in the venture, and*

11 “(C) *each spouse shall take into account*
12 *such spouse’s respective share of such items as if*
13 *they were attributable to a trade or business con-*
14 *ducted by such spouse as a sole proprietor.*

15 “(2) *QUALIFIED JOINT VENTURE.*—*For purposes*
16 *of paragraph (1), the term ‘qualified joint venture’*
17 *means any joint venture involving the conduct of a*
18 *trade or business if—*

19 “(A) *the only members of such joint venture*
20 *are a husband and wife,*

21 “(B) *both spouses materially participate*
22 *(within the meaning of section 469(h) without*
23 *regard to paragraph (5) thereof) in such trade or*
24 *business, and*

1 “(C) both spouses elect the application of
2 this subsection.”.

3 (b) *NET EARNINGS FROM SELF-EMPLOYMENT.*—

4 (1) Subsection (a) of section 1402 (defining net
5 earnings from self-employment) is amended by strik-
6 ing “, and” at the end of paragraph (15) and insert-
7 ing a semicolon, by striking the period at the end of
8 paragraph (16) and inserting “; and”, and by insert-
9 ing after paragraph (16) the following new para-
10 graph:

11 “(17) notwithstanding the preceding provisions
12 of this subsection, each spouse’s share of income or
13 loss from a qualified joint venture shall be taken into
14 account as provided in section 761(f) in determining
15 net earnings from self-employment of such spouse.”.

16 (2) Subsection (a) of section 211 of the Social
17 Security Act (defining net earnings from self-employ-
18 ment) is amended by striking “and” at the end of
19 paragraph (14), by striking the period at the end of
20 paragraph (15) and inserting “; and”, and by insert-
21 ing after paragraph (15) the following new para-
22 graph:

23 “(16) Notwithstanding the preceding provisions
24 of this subsection, each spouse’s share of income or
25 loss from a qualified joint venture shall be taken into

1 *account as provided in section 761(f) of the Internal*
2 *Revenue Code of 1986 in determining net earnings*
3 *from self-employment of such spouse.”.*

4 *(c) EFFECTIVE DATE.—The amendments made by this*
5 *section shall apply to taxable years beginning after Decem-*
6 *ber 31, 2006.*

7 **SEC. 7. DENIAL OF LOWEST CAPITAL GAINS RATE FOR CER-**
8 **TAIN DEPENDENTS.**

9 *(a) IN GENERAL.—Subsection (h) of section 1 is*
10 *amended by adding at the end the following new paragraph:*

11 *“(12) CERTAIN INDIVIDUALS NOT ELIGIBLE FOR*
12 *LOWEST RATE.—*

13 *“(A) IN GENERAL.—In the case of an indi-*
14 *vidual described in subparagraph (B)—*

15 *“(i) the amount determined under*
16 *paragraph (1)(A)(ii)(II) shall not be less*
17 *than the amount of taxable income which*
18 *would (without regard to this subsection) be*
19 *taxed at a rate below 15 percent, and*

20 *“(ii) the sum of the amounts deter-*
21 *mined under subparagraphs (B) and (C) of*
22 *paragraph (1) shall be an amount equal to*
23 *the rate of tax specified in paragraph*
24 *(1)(C) multiplied by so much of the ad-*

1 *justed net capital gain (or, if less, taxable*
2 *income) as exceeds the excess (if any) of—*

3 *“(I) the amount of taxable income*
4 *which would (without regard to this*
5 *subsection) be taxed at a rate below 15*
6 *percent, over*

7 *“(II) the taxable income reduced*
8 *by the adjusted net capital gain.*

9 *“(B) INDIVIDUALS TO WHOM PARAGRAPH*
10 *APPLIES.—*

11 *“(i) IN GENERAL.—For purposes of*
12 *this paragraph, an individual is described*
13 *in this subparagraph if—*

14 *“(I) such individual meets the age*
15 *requirements of section 152(c)(3) (de-*
16 *termined without regard to subpara-*
17 *graph (B) thereof), and*

18 *“(II) such individual’s earned in-*
19 *come (as defined in section 911(d)(2))*
20 *for the taxable year does not exceed*
21 *one-half of such individual’s support*
22 *(within the meaning of section 152) for*
23 *such taxable year.*

24 *“(ii) SPECIAL RULES FOR JOINT RE-*
25 *TURNS.—In the case of a joint return—*

1 “(I) the taxpayer and the tax-
2 payer’s spouse shall be treated as a
3 single individual for purposes of ap-
4 plying subclause (II) of clause (i), and

5 “(II) the taxpayer shall be treated
6 as an individual described in this sub-
7 paragraph only if the taxpayer and the
8 taxpayer’s spouse are described in
9 clause (i) (determined after application
10 of subclause (I)).”.

11 (b) *ALTERNATIVE MINIMUM TAX.*—Section 55 is
12 amended by adding at the end the following new subsection:

13 “(f) *CERTAIN INDIVIDUALS NOT ELIGIBLE FOR LOW-*
14 *EST RATE.*—In the case of an individual described in sec-
15 tion 1(h)(12)(B), no amount shall be determined under sub-
16 section (b)(3)(B).”.

17 (c) *COORDINATION WITH SUNSET OF PROVISIONS OF*
18 *THE JOBS AND GROWTH TAX RELIEF RECONCILIATION ACT*
19 *OF 2003.*—Subparagraph (A) of section 1(h)(12), as added
20 by this section, is amended by striking “and” at the end
21 of clause (i), by striking the period at the end of clause
22 (ii) and inserting “, and”, and by adding at the end the
23 following new clause:

24 “(iii) no amount of qualified 5-year
25 gain shall be taken into account under sub-

1 paragraph (A) of paragraph (2) (as in ef-
2 fect after the application of section 303 of
3 the Jobs and Growth Tax Relief Reconcili-
4 ation Act of 2003).”.

5 (d) *EFFECTIVE DATE.*—

6 (1) *IN GENERAL.*—*Except as provided in para-*
7 *graph (2), the amendments made by this section shall*
8 *apply to taxable years beginning after December 31,*
9 *2006.*

10 (2) *SUNSET OF JGTRRA.*—*The amendment made*
11 *by subsection (c) shall apply to taxable years begin-*
12 *ning after the date specified in section 303 of the Jobs*
13 *and Growth Tax Relief Reconciliation Act of 2003.*

14 **SEC. 8. SUSPENSION OF CERTAIN PENALTIES AND INTER-**
15 **EST.**

16 (a) *IN GENERAL.*—*Paragraphs (1)(A) and (3)(A) of*
17 *section 6404(g) are each amended by striking “18-month*
18 *period” and inserting “22-month period”.*

19 (b) *EFFECTIVE DATE.*—*The amendments made by this*
20 *section shall apply to notices provided by the Secretary of*
21 *the Treasury, or his delegate, after the date which is 6*
22 *months after the date of the enactment of this Act.*

1 **SEC. 9. TIME FOR PAYMENT OF CORPORATE ESTIMATED**
2 **TAXES.**

3 *Subparagraph (B) of section 401(1) of the Tax In-*
4 *crease Prevention and Reconciliation Act of 2005 is amend-*
5 *ed by striking “106.25 percent” and inserting “112.75 per-*
6 *cent”.*

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