

110TH CONGRESS
1ST SESSION

H. R. 976

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. MCCREERY) 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 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 other-
8 wise expressly provided, whenever in this Act an amend-
9 ment or repeal is expressed in terms of an amendment
10 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-
 2 sion of the Internal Revenue Code of 1986.

3 (c) TABLE OF CONTENTS.—The table of contents of
 4 this 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.

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

7 (a) EXTENSION.—Section 51(c)(4)(B) (relating to
 8 termination) is amended by striking “2007” and inserting
 9 “2008”.

10 (b) INCREASE IN MAXIMUM AGE FOR DESIGNATED
 11 COMMUNITY RESIDENTS.—

12 (1) IN GENERAL.—Paragraph (5) of section
 13 51(d) is amended to read as follows:

14 “(5) DESIGNATED COMMUNITY RESIDENTS.—

15 “(A) IN GENERAL.—The term ‘designated
 16 community resident’ means any individual who
 17 is certified by the designated local agency—

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

1 “(ii) as having his principal place of
2 abode within an empowerment zone, enter-
3 prise community, or renewal community.

4 “(B) INDIVIDUAL MUST CONTINUE TO RE-
5 SIDE IN ZONE OR COMMUNITY.—In the case of
6 a designated community resident, the term
7 ‘qualified wages’ shall not include wages paid or
8 incurred for services performed while the indi-
9 vidual’s principal place of abode is outside an
10 empowerment zone, enterprise community, or
11 renewal community.”.

12 (2) CONFORMING AMENDMENT.—Subparagraph
13 (D) of section 51(d)(1) is amended to read as fol-
14 lows:

15 “(D) a designated community resident,”.

16 (c) CLARIFICATION OF TREATMENT OF INDIVIDUALS
17 UNDER INDIVIDUAL WORK PLANS.—Subparagraph (B)
18 of section 51(d)(6) (relating to vocational rehabilitation
19 referral) is amended by striking “or” at the end of clause
20 (i), by striking the period at the end of clause (ii) and
21 inserting “, or”, and by adding at the end the following
22 new clause:

23 “(iii) an individual work plan devel-
24 oped and implemented by an employment
25 network pursuant to subsection (g) of sec-

1 tion 1148 of the Social Security Act with
2 respect to which the requirements of such
3 subsection are met.”.

4 (d) TREATMENT OF DISABLED VETERANS UNDER
5 THE WORK OPPORTUNITY TAX CREDIT.—

6 (1) DISABLED VETERANS TREATED AS MEM-
7 BERS OF TARGETED GROUP.—

8 (A) IN GENERAL.—Subparagraph (A) of
9 section 51(d)(3) (relating to qualified veteran)
10 is amended by striking “agency as being a
11 member of a family” and all that follows and
12 inserting “agency as—

13 “(i) being a member of a family re-
14 ceiving assistance under a food stamp pro-
15 gram under the Food Stamp Act of 1977
16 for at least a 3-month period ending dur-
17 ing the 12-month period ending on the hir-
18 ing date, or

19 “(ii) entitled to compensation for a
20 service-connected disability, and—

21 “(I) having a hiring date which is
22 not more that 1 year after having
23 been discharged or released from ac-
24 tive duty in the Armed Forces of the
25 United States, or

1 “(II) having aggregate periods of
2 unemployment during the 1-year pe-
3 riod ending on the hiring date which
4 equal or exceed 6 months.”.

5 (B) DEFINITIONS.—Paragraph (3) of sec-
6 tion 51(d) is amended by adding at the end the
7 following new subparagraph:

8 “(C) OTHER DEFINITIONS.—For purposes
9 of subparagraph (A), the terms ‘compensation’
10 and ‘service-connected’ have the meanings given
11 such terms under section 101 of title 38,
12 United States Code.”.

13 (2) INCREASE IN AMOUNT OF WAGES TAKEN
14 INTO ACCOUNT FOR DISABLED VETERANS.—Para-
15 graph (3) of section 51(b) is amended—

16 (A) by inserting “(\$12,000 per year in the
17 case of any individual who is a qualified veteran
18 by reason of subsection (d)(3)(A)(ii))” before
19 the period at the end, and

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

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

1 **SEC. 3. EXTENSION AND INCREASE OF EXPENSING FOR**
2 **SMALL BUSINESS.**

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

7 (b) INCREASE IN LIMITATIONS.—Subsection (b) of
8 section 179 is amended—

9 (1) by striking “\$100,000 in the case of taxable
10 years beginning after 2002” in paragraph (1) and
11 inserting “\$125,000 in the case of taxable years be-
12 ginning after 2006”, and

13 (2) by striking “\$400,000 in the case of taxable
14 years beginning after 2002” in paragraph (2) and
15 inserting “\$500,000 in the case of taxable years be-
16 ginning after 2006”.

17 (c) INFLATION ADJUSTMENT.—Subparagraph (A) of
18 section 179(b)(5) is amended—

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

20 (2) by striking “\$100,000 and \$400,000” and
21 inserting “\$125,000 and \$500,000”, and

22 (3) by striking “2002” in clause (ii) and insert-
23 ing “2006”.

24 (d) EFFECTIVE DATE.—The amendments made by
25 this section shall apply to taxable years beginning after
26 December 31, 2006.

1 **SEC. 4. DETERMINATION OF CREDIT FOR CERTAIN TAXES**
2 **PAID WITH RESPECT TO EMPLOYEE CASH**
3 **TIPS.**

4 (a) **IN GENERAL.**—Subparagraph (B) of section
5 45B(b)(1) is amended by inserting “as in effect on Janu-
6 ary 1, 2007, and” before “determined without regard to”.

7 (b) **EFFECTIVE DATE.**—The amendment made by
8 this section shall apply to tips received for services per-
9 formed after December 31, 2006.

10 **SEC. 5. WAIVER OF INDIVIDUAL AND CORPORATE ALTER-**
11 **NATIVE MINIMUM TAX LIMITS ON WORK OP-**
12 **PORTUNITY CREDIT AND CREDIT FOR TAXES**
13 **PAID WITH RESPECT TO EMPLOYEE CASH**
14 **TIPS.**

15 (a) **ALLOWANCE AGAINST ALTERNATIVE MINIMUM**
16 **TAX.**—Subparagraph (B) of section 38(c)(4) is amended
17 by striking “and” at the end of clause (i), by striking the
18 period at the end of clause (ii) and inserting a comma,
19 and by adding at the end the following new clauses:

20 “(iii) the credit determined under sec-
21 tion 45B, and

22 “(iv) the credit determined under sec-
23 tion 51.”.

24 (b) **EFFECTIVE DATE.**—The amendments made by
25 this section shall apply to credits determined under sec-
26 tions 45B and 51 of the Internal Revenue Code of 1986

1 in taxable years beginning after December 31, 2006, and
2 to carrybacks of such credits.

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

4 (a) IN GENERAL.—Section 761 (defining terms for
5 purposes of partnerships) is amended by redesignating
6 subsection (f) as subsection (g) and by inserting after sub-
7 section (e) the following new subsection:

8 “(f) QUALIFIED JOINT VENTURE.—

9 “(1) IN GENERAL.—In the case of a qualified
10 joint venture conducted by a husband and wife who
11 file a joint return for the taxable year, for purposes
12 of this title—

13 “(A) such joint venture shall not be treat-
14 ed as a partnership,

15 “(B) all items of income, gain, loss, deduc-
16 tion, and credit shall be divided between the
17 spouses in accordance with their respective in-
18 terests in the venture, and

19 “(C) each spouse shall take into account
20 such spouse’s respective share of such items as
21 if they were attributable to a trade or business
22 conducted by such spouse as a sole proprietor.

23 “(2) QUALIFIED JOINT VENTURE.—For pur-
24 poses of paragraph (1), the term ‘qualified joint ven-

1 ture’ means any joint venture involving the conduct
2 of a trade or business if—

3 “(A) the only members of such joint ven-
4 ture are a husband and wife,

5 “(B) both spouses materially participate
6 (within the meaning of section 469(h) without
7 regard to paragraph (5) thereof) in such trade
8 or business, and

9 “(C) both spouses elect the application of
10 this subsection.”.

11 (b) NET EARNINGS FROM SELF-EMPLOYMENT.—

12 (1) Subsection (a) of section 1402 (defining net
13 earnings from self-employment) is amended by strik-
14 ing “, and” at the end of paragraph (15) and insert-
15 ing a semicolon, by striking the period at the end of
16 paragraph (16) and inserting “; and”, and by insert-
17 ing after paragraph (16) the following new para-
18 graph:

19 “(17) notwithstanding the preceding provisions
20 of this subsection, each spouse’s share of income or
21 loss from a qualified joint venture shall be taken
22 into account as provided in section 761(f) in deter-
23 mining net earnings from self-employment of such
24 spouse.”.

1 (2) Subsection (a) of section 211 of the Social
2 Security Act (defining net earnings from self-em-
3 ployment) is amended by striking “and” at the end
4 of paragraph (14), by striking the period at the end
5 of paragraph (15) and inserting “; and”, and by in-
6 serting after paragraph (16) the following new para-
7 graph:

8 “(16) Notwithstanding the preceding provisions
9 of this subsection, each spouse’s share of income or
10 loss from a qualified joint venture shall be taken
11 into account as provided in section 761(f) of the In-
12 ternal Revenue Code of 1986 in determining net
13 earnings from self-employment of such spouse.”.

14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to taxable years beginning after
16 December 31, 2006.

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

19 (a) IN GENERAL.—Subsection (h) of section 1 is
20 amended by adding at the end the following new para-
21 graph:

22 “(12) CERTAIN INDIVIDUALS NOT ELIGIBLE
23 FOR LOWEST RATE.—

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

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

6 “(ii) the sum of the amounts deter-
7 mined under subparagraphs (B) and (C) of
8 paragraph (1) shall be an amount equal to
9 the rate of tax specified in paragraph
10 (1)(C) multiplied by so much of the ad-
11 justed net capital gain (or, if less, taxable
12 income) as exceeds the excess (if any) of—

13 “(I) the amount of taxable in-
14 come which would (without regard to
15 this subsection) be taxed at a rate
16 below 15 percent, over

17 “(II) the taxable income reduced
18 by the adjusted net capital gain.

19 “(B) INDIVIDUALS TO WHOM PARAGRAPH
20 APPLIES.—

21 “(i) IN GENERAL.—For purposes of
22 this paragraph, an individual is described
23 in this subparagraph if—

24 “(I) such individual meets the
25 age requirements of section 152(e)(3)

1 (determined without regard to sub-
2 paragraph (B) thereof), and

3 “(II) such individual’s earned in-
4 come (as defined in section 911(d)(2))
5 for the taxable year does not exceed
6 one-half of such individual’s support
7 (within the meaning of section 152)
8 for such taxable year.

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

11 “(I) the taxpayer and the tax-
12 payer’s spouse shall be treated as a
13 single individual for purposes of ap-
14 plying subclause (II) of clause (i), and

15 “(II) the taxpayer shall be treat-
16 ed as an individual described in this
17 subparagraph only if the taxpayer and
18 the taxpayer’s spouse are described in
19 clause (i) (determined after applica-
20 tion of subclause (I)).”.

21 (b) ALTERNATIVE MINIMUM TAX.—Section 55(b)(3)
22 of such Code is amended by inserting before the last sen-
23 tence the following flush sentence: “In the case of an indi-
24 vidual described in section 1(h)(12)(B), no amount shall
25 be determined under subparagraph (B).”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2006.

4 **SEC. 8. SUSPENSION OF CERTAIN PENALTIES AND INTER-**
5 **EST.**

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

9 (b) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to notices provided by the Sec-
11 retary of the Treasury after the date which is 6 months
12 after the date of the enactment of this Act.

13 **SEC. 9. TIME FOR PAYMENT OF CORPORATE ESTIMATED**
14 **TAXES.**

15 Subparagraph (B) of section 401(1) of the Tax In-
16 crease Prevention and Reconciliation Act of 2005 is
17 amended by striking “106.25 percent” and inserting
18 “112.75 percent”.

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