

103<sup>D</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 4201

To amend the Internal Revenue Code of 1986 to provide incentives for the creation of jobs and business opportunities by individuals and small businesses through reduction of the social security tax burden on small employers and the self-employed.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 13, 1994

Mr. MARTINEZ introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide incentives for the creation of jobs and business opportunities by individuals and small businesses through reduction of the social security tax burden on small employers and the self-employed.

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.**

4 This Act may be cited as the “Job Creation and Busi-  
5 ness Equity Act of 1994”.

6 **SEC. 2. FINDINGS.**

7 Congress finds that—

1           (1) the vast majority of jobs created in the  
2 United States over the past quarter century are in  
3 new, small businesses created through the entre-  
4 preneurial skills of individuals who take the risks of  
5 business development;

6           (2) current tax laws in the United States, while  
7 well designed for the long-term protection of Amer-  
8 ican businesses and workers, are often the major  
9 reason that new or emerging businesses fail or are  
10 restricted in the pace of their growth and job  
11 creation;

12           (3) providing special tax deferrals, suspensions  
13 and other rules for new or emerging businesses will  
14 enhance the creation of jobs throughout the economy  
15 over the next decade;

16           (4) current tax incentives offered to small busi-  
17 nesses or proposed with respect to those businesses  
18 do not deal with the direct costs associated with em-  
19 ploying workers, or do so in a manner that does not  
20 always support long-term employment activities, es-  
21 pecially for targeted populations; and

22           (5) tax based incentives that are specifically  
23 linked to the development of jobs in new small busi-  
24 nesses are the best kinds of incentives that can be

1 offered to entrepreneurs who are willing to develop  
2 those jobs.

3 **SEC. 3. AMENDMENT TO SECTION 1402.**

4 (a) Section 1402 of the Internal Revenue Code of  
5 1986 is amended by adding a new subsection (l) at the  
6 end thereof, to read as follows:

7 “(l) SPECIAL RULE FOR NEW BUSINESSES.—For  
8 purposes of this chapter—

9 “(1) a new business shall be defined as a sole-  
10 proprietorship or partnership whose owners would be  
11 treated as self-employed under this chapter, where  
12 the principal owners of the business have not en-  
13 gaged in self-employment activities for more than 3  
14 years out of the 10 years immediately preceding the  
15 year for which such determination is made under  
16 this section; and

17 “(2) the owners, and each of them, where a  
18 partnership is involved, of a new business, as defined  
19 in paragraph (1), shall be exempt from tax under  
20 this subtitle until the self-employment income, as de-  
21 fined in subsection (b) of this section, exceeds  
22 \$25,000 for each owner.”

23 (b) This section shall be effective for businesses cre-  
24 ated on or after January 1, 1994, and for tax periods be-

1 ginning on or after that date and shall continue in effect  
2 until December 31, 1999.

3 **SEC. 4. AMENDMENT TO SECTION 3111.**

4 (a) Section 3111 of the Internal Revenue Code of  
5 1986 is amended by adding a new subsection (d) at the  
6 end thereof, to read as follows:

7 “(d) SPECIAL RULE FOR NEW BUSINESS EMPLOY-  
8 ERS.—For purposes of this chapter—

9 “(1) a new business employer shall be defined  
10 as a sole-proprietorship, partnership, or corporation  
11 where the principal owners of the business have not,  
12 directly as individuals, partners in arrangements  
13 with others or as owners of a corporation, engaged  
14 in commercial or other activities that involve the em-  
15 ployment of other persons (other than as household  
16 employees) for more than 3 years out of 10 years  
17 immediately preceding the year for which such deter-  
18 mination is made under this section; and

19 “(2) the new business employer, and each of  
20 them, where a partnership is involved, as defined in  
21 paragraph (1), shall be exempt from tax on employ-  
22 ers under this subchapter until the gross value of  
23 wages (including any self-employment income, as de-  
24 fined in subsection (b) of section 1401 for each  
25 owner of the business) shall exceed \$100,000.”

1           (b) This section shall be effective for businesses cre-  
2   ated on or after January 1, 1994, and for tax periods be-  
3   ginning on or after that date and shall continue in effect  
4   until December 31, 1999.

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