

108TH CONGRESS
1ST SESSION

S. 106

To amend the Internal Revenue Code of 1986 to increase and modify the exclusion relating to qualified small business stock, to reduce the depreciation recovery period for certain restaurant buildings, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 9, 2003

Ms. COLLINS introduced the following bill; which was read twice and referred to the Committee on the Finance

A BILL

To amend the Internal Revenue Code of 1986 to increase and modify the exclusion relating to qualified small business stock, to reduce the depreciation recovery period for certain restaurant buildings, 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.**

4 This Act may be cited as the “Small Business Growth
5 and Worker Assistance Act”.

1 **SEC. 2. INCREASED EXCLUSION AND OTHER MODIFICA-**
2 **TIONS APPLICABLE TO QUALIFIED SMALL**
3 **BUSINESS STOCK.**

4 (a) INCREASED EXCLUSION.—

5 (1) IN GENERAL.—Section 1202(a) of the In-
6 ternal Revenue Code of 1986 (relating to partial ex-
7 clusion for gain from certain small business stock)
8 is amended by striking “50 percent” each place it
9 appears and inserting “75 percent”.

10 (2) EMPOWERMENT ZONE BUSINESSES.—Sub-
11 paragraph (A) of section 1202(a)(2) of the Internal
12 Revenue Code of 1986 (relating to empowerment
13 zone businesses) is amended by striking “60 per-
14 cent” and inserting “85 percent”.

15 (b) REDUCTION IN HOLDING PERIOD.—

16 (1) IN GENERAL.—Paragraph (1) of section
17 1202(a) of the Internal Revenue Code of 1986 is
18 amended by striking “5 years” and inserting “3
19 years”.

20 (2) CONFORMING AMENDMENTS.—

21 (A) Subparagraph (A) of section
22 1202(g)(2) of such Code is amended by striking
23 “5 years” and inserting “3 years”,

24 (B) Subparagraph (C) of section
25 1202(h)(2) of such Code is amended by striking
26 “5-year” and inserting “3-year”, and

1 (C) Subparagraph (A) of section
2 1202(j)(1) of such Code is amended by striking
3 “5 years” and inserting “3 years”.

4 (c) REPEAL OF MINIMUM TAX PREFERENCE.—

5 (1) IN GENERAL.—Section 57(a) of the Internal
6 Revenue Code of 1986 (relating to items of tax pref-
7 erence) is amended by striking paragraph (7).

8 (2) TECHNICAL AMENDMENT.—Section
9 53(d)(1)(B)(ii)(II) of such Code is amended by
10 striking “, (5), and (7)” and inserting “and (5)”.

11 (d) OTHER MODIFICATIONS.—

12 (1) WORKING CAPITAL LIMITATION.—

13 (A) IN GENERAL.—Section 1202(e)(6) of
14 the Internal Revenue Code of 1986 (relating to
15 working capital) is amended—

16 (i) in subparagraph (B), by striking
17 “2 years” and inserting “5 years”; and

18 (ii) by striking “2 years” in the last
19 sentence and inserting “5 years”.

20 (B) LIMITATION ON ASSETS TREATED AS
21 USED IN ACTIVE CONDUCT OF BUSINESS.—The
22 second sentence of section 1202(e)(6) of such
23 Code is amended by inserting “described in
24 subparagraph (A)” after “of the corporation”.

1 (2) EXCEPTION FROM REDEMPTION RULES
2 WHERE BUSINESS PURPOSE.—Section 1202(e)(3) of
3 such Code (relating to certain purchases by corpora-
4 tion of its own stock) is amended by adding at the
5 end the following:

6 “(D) WAIVER WHERE BUSINESS PUR-
7 POSE.—A purchase of stock by the issuing cor-
8 poration shall be disregarded for purposes of
9 subparagraph (B) if the issuing corporation es-
10 tablishes that there was a business purpose for
11 such purchase and one of the principal purposes
12 of the purchase was not to avoid the limitations
13 of this section.”.

14 (e) EXCLUDED QUALIFIED TRADE OR BUSINESS.—
15 Section 1202(e)(3) of the Internal Revenue Code of 1986
16 (relating to qualified trade or business) is amended—

17 (1) by inserting “, and is anticipated to con-
18 tinue to be,” before “the reputation” in subpara-
19 graph (A), and

20 (2) by inserting “but not including the business
21 of raising fish or any business involving bio-
22 technology applications” after “trees” in subpara-
23 graph (C).

24 (f) INCREASE IN CAP ON ELIGIBLE GAIN FOR JOINT
25 RETURNS.—

1 (1) IN GENERAL.—Section 1202(b)(1)(A) of the
2 Internal Revenue Code of 1986 (relating to per-
3 issuer limitations on taxpayer’s eligible gain) is
4 amended by inserting “(\$20,000,000 in the case of
5 a joint return)” after “\$10,000,000”.

6 (2) CONFORMING AMENDMENT.—Section
7 1202(b)(3) of such Code is amended by striking sub-
8 paragraph (A) and redesignating subparagraphs (B)
9 and (C) as subparagraphs (A) and (B), respectively.
10 (g) DECREASE IN CAPITAL GAINS RATE.—

11 (1) IN GENERAL.—Subparagraph (A) of section
12 1(h)(5) of the Internal Revenue Code of 1986 (relat-
13 ing to 28-percent gain) is amended to read as fol-
14 lows:

15 “(A) collectibles gain, over”.

16 (2) CONFORMING AMENDMENTS.—

17 (A) Section 1(h) of such Code is amended
18 by striking paragraph (8).

19 (B) Paragraph (9) of section 1(h) of such
20 Code is amended by striking “, gain described
21 in paragraph (7)(A)(i), and section 1202 gain”
22 and inserting “and gain described in paragraph
23 (7)(A)(i)”.

24 (h) INCREASE IN ROLLOVER PERIOD FOR QUALIFIED
25 SMALL BUSINESS STOCK.—Subsections (a)(1) and (b)(3)

1 of section 1045 of the Internal Revenue Code of 1986 (re-
 2 lating to rollover of gain from qualified small business
 3 stock to another qualified small business stock) are each
 4 amended by striking “60-day” and inserting “180-day”.

5 (i) EFFECTIVE DATE.—The amendments made by
 6 this section shall apply to stock issued after the date of
 7 enactment of this Act.

8 **SEC. 3. DEPRECIATION RECOVERY PERIOD FOR RES-**
 9 **TAURANT BUILDINGS.**

10 (a) 15-YEAR RECOVERY PERIOD.—Section
 11 168(e)(3)(E) of the Internal Revenue Code of 1986 (relat-
 12 ing to 15-year property) is amended by striking “and” at
 13 the end of clause (ii), by striking the period at the end
 14 of clause (iii) and inserting “, and”, and by adding at the
 15 end the following new clause:

16 “(iv) any section 1250 property which
 17 is a retail restaurant facility or an im-
 18 provement thereto.”.

19 (b) RETAIL RESTAURANT FACILITY.—Section 168(e)
 20 of the Internal Revenue Code of 1986 (relating to classi-
 21 fication of property) is amended by adding at the end the
 22 following new paragraph:

23 “(6) RETAIL RESTAURANT FACILITY.—The
 24 term ‘retail restaurant facility’ means any building
 25 if more than 50 percent of the building’s square

1 footage is devoted to preparation of, and seating for
2 on-premises consumption of, prepared meals.”.

3 (c) **ALTERNATIVE SYSTEM.**—The table contained in
4 section 168(g)(3)(B) of the Internal Revenue Code of
5 1986 is amended by inserting after the item relating to
6 subparagraph (E)(iii) the following new item:

 “(E)(iv) 20”.

7 (d) **EFFECTIVE DATE.**—The amendments made by
8 this section shall apply to property placed in service after
9 the date of the enactment of this Act and to all improve-
10 ments made after such date.

11 **SEC. 4. INCREASE IN SECTION 179 EXPENSING.**

12 (a) **IN GENERAL.**—Section 179(b)(1) of the Internal
13 Revenue Code of 1986 (relating to dollar limitation) is
14 amended to read as follows:

15 “(1) **DOLLAR LIMITATION.**—The aggregate cost
16 which may be taken into account under subsection
17 (a) for any taxable year shall not exceed \$50,000.”.

18 (b) **EFFECTIVE DATE.**—The amendment made by
19 this section shall apply to taxable years beginning after
20 December 31, 2002.

21 **SEC. 5. EXTENSION OF THE TEMPORARY EXTENDED UNEM-**
22 **PLOYMENT COMPENSATION ACT OF 2002.**

23 (a) **IN GENERAL.**—Section 208 of the Temporary Ex-
24 tended Unemployment Compensation Act of 2002 (Public

1 Law 107–147; 116 Stat. 30) is amended to read as fol-
2 lows:

3 **“SEC. 208. APPLICABILITY.**

4 “(a) IN GENERAL.—Except as provided in subsection
5 (b), an agreement entered into under this title shall apply
6 to weeks of unemployment—

7 “(1) beginning after the date on which such
8 agreement is entered into; and

9 “(2) ending before July 1, 2003.

10 “(b) TRANSITION FOR AMOUNT REMAINING IN AC-
11 COUNT.—

12 “(1) IN GENERAL.—Subject to paragraphs (2)
13 and (3), in the case of an individual who has
14 amounts remaining in an account established under
15 section 203 as of June 28, 2003, temporary ex-
16 tended unemployment compensation shall continue
17 to be payable to such individual from such amounts
18 for any week beginning after such date for which the
19 individual meets the eligibility requirements of this
20 title.

21 “(2) NO AUGMENTATION AFTER JUNE 28,
22 2003.—If the account of an individual is exhausted
23 after June 28, 2003, then section 203(c) shall not
24 apply and such account shall not be augmented
25 under such section, regardless of whether such indi-

1 vidual's State is in an extended benefit period (as
2 determined under paragraph (2) of such section).

3 “(3) LIMITATION.—No compensation shall be
4 payable by reason of paragraph (1) for any week be-
5 ginning after September 27, 2003.”.

6 (b) EFFECTIVE DATE.—The amendment made by
7 this section shall take effect as if included in the enact-
8 ment of the Temporary Extended Unemployment Com-
9 pensation Act of 2002 (Public Law 107–147; 116 Stat.
10 21).

11 **SEC. 6. WORKFORCE INVESTMENT.**

12 Section 137 of the Workforce Investment Act of 1998
13 (29 U.S.C. 2872) is amended to read as follows:

14 **“SEC. 137. AUTHORIZATION OF APPROPRIATIONS.**

15 “(a) YOUTH ACTIVITIES.—There is authorized to be
16 appropriated and there is appropriated to carry out the
17 activities described in section 127(a), \$1,000,000,000 for
18 fiscal year 2003.

19 “(b) ADULT EMPLOYMENT AND TRAINING ACTIVI-
20 TIES.—There is authorized to be appropriated and there
21 is appropriated to carry out the activities described in sec-
22 tion 132(a)(1), \$2,000,000,000 for fiscal year 2003.

23 “(c) DISLOCATED WORKER EMPLOYMENT AND
24 TRAINING ACTIVITIES.—There is authorized to be appro-
25 priated and there is appropriated to carry out the activi-

1 ties described in section 132(a)(2), \$2,000,000,000 for fis-
2 cal year 2003.”.

3 **SEC. 7. TEMPORARY STATE FISCAL RELIEF.**

4 (a) TEMPORARY INCREASE OF MEDICAID FMAP.—

5 (1) PERMITTING MAINTENANCE OF FISCAL
6 YEAR 2002 FMAP FOR LAST 2 CALENDAR QUARTERS
7 OF FISCAL YEAR 2003.—Notwithstanding any other
8 provision of law, but subject to paragraph (5), if the
9 FMAP determined without regard to this subsection
10 for a State for fiscal year 2003 is less than the
11 FMAP as so determined for fiscal year 2002, the
12 FMAP for the State for fiscal year 2002 shall be
13 substituted for the State’s FMAP for the third and
14 fourth calendar quarters of fiscal year 2003, before
15 the application of this subsection.

16 (2) PERMITTING MAINTENANCE OF FISCAL
17 YEAR 2003 FMAP FOR FISCAL YEAR 2004.—Notwith-
18 standing any other provision of law, but subject to
19 paragraph (5), if the FMAP determined without re-
20 gard to this subsection for a State for fiscal year
21 2004 is less than the FMAP as so determined for
22 fiscal year 2003, the FMAP for the State for fiscal
23 year 2003 shall be substituted for the State’s FMAP
24 for each calendar quarter of fiscal year 2004, before
25 the application of this subsection.

1 (3) GENERAL 1.35 PERCENTAGE POINTS IN-
2 CREASE FOR LAST 2 CALENDAR QUARTERS OF FIS-
3 CAL YEAR 2003 AND FISCAL YEAR 2004.—Notwith-
4 standing any other provision of law, but subject to
5 paragraphs (5) and (6), for each State for the third
6 and fourth calendar quarters of fiscal year 2003 and
7 each calendar quarter of fiscal year 2004, the
8 FMAP (taking into account the application of para-
9 graphs (1) and (2)) shall be increased by 1.35 per-
10 centage points.

11 (4) INCREASE IN CAP ON MEDICAID PAYMENTS
12 TO TERRITORIES.—Notwithstanding any other provi-
13 sion of law, but subject to paragraph (6), with re-
14 spect to the third and fourth calendar quarters of
15 fiscal year 2003 and each calendar quarter of fiscal
16 year 2004, the amounts otherwise determined for
17 Puerto Rico, the Virgin Islands, Guam, the North-
18 ern Mariana Islands, and American Samoa under
19 subsections (f) and (g) of section 1108 of the Social
20 Security Act (42 U.S.C. 1308) shall each be in-
21 creased by an amount equal to 2.7 percent of such
22 amounts.

23 (5) SCOPE OF APPLICATION.—The increases in
24 the FMAP for a State under this subsection shall

1 apply only for purposes of title XIX of the Social Se-
2 curity Act and shall not apply with respect to—

3 (A) disproportionate share hospital pay-
4 ments described in section 1923 of such Act
5 (42 U.S.C. 1396r-4), or

6 (B) payments under title IV or XXI of
7 such Act (42 U.S.C. 601 et seq. and 1397aa et
8 seq.).

9 (6) STATE ELIGIBILITY.—

10 (A) IN GENERAL.—Subject to subpara-
11 graph (B), a State is eligible for an increase in
12 its FMAP under paragraph (3) or an increase
13 in a cap amount under paragraph (4) only if
14 the eligibility under its State plan under title
15 XIX of the Social Security Act (including any
16 waiver under such title or under section 1115
17 of such Act (42 U.S.C. 1315)) is no more re-
18 strictive than the eligibility under such plan (or
19 waiver) as in effect on January 1, 2003.

20 (B) STATE REINSTATEMENT OF ELIGI-
21 BILITY PERMITTED.—A State that has re-
22 stricted eligibility under its State plan under
23 title XIX of the Social Security Act (including
24 any waiver under such title or under section
25 1115 of such Act (42 U.S.C. 1315)) after Jan-

1 uary 1, 2003, but prior to the date of enact-
2 ment of this Act is eligible for an increase in its
3 FMAP under paragraph (3) or an increase in
4 a cap amount under paragraph (4) in the first
5 calendar quarter (and subsequent calendar
6 quarters) in which the State has reinstated eli-
7 gibility that is no more restrictive than the eli-
8 gibility under such plan (or waiver) as in effect
9 on January 1, 2003.

10 (C) RULE OF CONSTRUCTION.—Nothing in
11 subparagraph (A) or (B) shall be construed as
12 affecting a State’s flexibility with respect to
13 benefits offered under the State medicaid pro-
14 gram under title XIX of the Social Security Act
15 (42 U.S.C. 1396 et seq.) (including any waiver
16 under such title or under section 1115 of such
17 Act (42 U.S.C. 1315)).

18 (7) DEFINITIONS.—In this subsection:

19 (A) FMAP.—The term “FMAP” means
20 the Federal medical assistance percentage, as
21 defined in section 1905(b) of the Social Secu-
22 rity Act (42 U.S.C. 1396d(b)).

23 (B) STATE.—The term “State” has the
24 meaning given such term for purposes of title

1 XIX of the Social Security Act (42 U.S.C. 1396
2 et seq.).

3 (8) REPEAL.—Effective as of October 1, 2004,
4 this subsection is repealed.

5 (b) ADDITIONAL TEMPORARY STATE FISCAL RE-
6 LIEF.—

7 (1) IN GENERAL.—Title XX of the Social Secu-
8 rity Act (42 U.S.C. 1397–1397f) is amended by
9 adding at the end the following:

10 **“SEC. 2008. ADDITIONAL TEMPORARY GRANTS FOR STATE**
11 **FISCAL RELIEF.**

12 “(a) IN GENERAL.—For the purpose of providing
13 State fiscal relief allotments to States under this section,
14 there are hereby appropriated, out of any funds in the
15 Treasury not otherwise appropriated, \$3,000,000,000.
16 Such funds shall be available for obligation by the State
17 through June 30, 2004, and for expenditure by the State
18 through September 30, 2004. This section constitutes
19 budget authority in advance of appropriations Acts and
20 represents the obligation of the Federal Government to
21 provide for the payment to States of amounts provided
22 under this section.

23 “(b) ALLOTMENT.—Funds appropriated under sub-
24 section (a) shall be allotted by the Secretary among the
25 States in accordance with the following table:

“State	Allotment (in dol- lars)
Alabama	\$33,918,100
Alaska	\$8,488,200
Amer. Samoa	\$88,600
Arizona	\$47,601,600
Arkansas	\$27,941,800
California	\$314,653,900
Colorado	\$27,906,200
Connecticut	\$41,551,200
Delaware	\$8,306,000
District of Columbia	\$12,374,400
Florida	\$128,271,100
Georgia	\$69,106,600
Guam	\$135,900
Hawaii	\$9,914,700
Idaho	\$10,293,600
Illinois	\$102,577,900
Indiana	\$50,659,800
Iowa	\$27,799,700
Kansas	\$21,414,300
Kentucky	\$44,508,400
Louisiana	\$50,974,000
Maine	\$17,841,100
Maryland	\$44,228,800
Massachusetts	\$100,770,700
Michigan	\$91,196,800
Minnesota	\$57,515,400
Mississippi	\$35,978,500
Missouri	\$62,189,600
Montana	\$8,242,000
Nebraska	\$16,671,600
Nevada	\$10,979,700
New Hampshire	\$10,549,400
New Jersey	\$87,577,300
New Mexico	\$21,807,600
New York	\$461,401,900
North Carolina	\$79,538,300
North Dakota	\$5,716,900
N. Mariana Islands	\$50,000
Ohio	\$116,367,800
Oklahoma	\$30,941,800
Oregon	\$34,327,200
Pennsylvania	\$159,089,700
Puerto Rico	\$3,991,900
Rhode Island	\$16,594,100
South Carolina	\$38,238,000
South Dakota	\$6,293,700
Tennessee	\$81,120,000
Texas	\$159,779,800
Utah	\$12,551,700
Vermont	\$8,003,800
Virgin Islands	\$128,800
Virginia	\$44,288,300
Washington	\$66,662,200
West Virginia	\$19,884,400
Wisconsin	\$47,218,900
Wyoming	\$3,776,400
Total	\$3,000,000,000

1 “(c) USE OF FUNDS.—Funds appropriated under
2 this section may be used by a State for services directed

1 at the goals set forth in section 2001, subject to the re-
2 quirements of this title.

3 “(d) PAYMENT TO STATES.—Not later than 30 days
4 after amounts are appropriated under subsection (a), in
5 addition to any payment made under section 2002 or
6 2007, the Secretary shall make a lump sum payment to
7 a State of the total amount of the allotment for the State
8 as specified in subsection (b).

9 “(e) DEFINITION.—For purposes of this section, the
10 term ‘State’ means the 50 States, the District of Colum-
11 bia, and the territories contained in the list under sub-
12 section (b).”.

13 (2) REPEAL.—Effective as of January 1, 2005,
14 section 2008 of the Social Security Act, as added by
15 paragraph (1), is repealed.

○