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110TH CONGRESS
1ST SESSION**H. R. 976**

IN THE SENATE OF THE UNITED STATES

FEBRUARY 16, 2007

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FEBRUARY 17, 2007

Read the first time

FEBRUARY 26, 2007

Read the second time and placed on the calendar

AN ACT

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-

1 ment or repeal is expressed in terms of an amendment
 2 to, or repeal of, a section or other provision, the reference
 3 shall be considered to be made to a section or other provi-
 4 sion of the Internal Revenue Code of 1986.

5 (c) TABLE OF CONTENTS.—The table of contents of
 6 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.

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

9 (a) EXTENSION.—Section 51(c)(4)(B) (relating to
 10 termination) is amended by striking “2007” and inserting
 11 “2008”.

12 (b) INCREASE IN MAXIMUM AGE FOR DESIGNATED
 13 COMMUNITY RESIDENTS.—

14 (1) IN GENERAL.—Paragraph (5) of section
 15 51(d) is amended to read as follows:

16 “(5) DESIGNATED COMMUNITY RESIDENTS.—

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

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

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

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

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

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

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

1 “(iii) an individual work plan devel-
2 oped and implemented by an employment
3 network pursuant to subsection (g) of sec-
4 tion 1148 of the Social Security Act with
5 respect to which the requirements of such
6 subsection are met.”.

7 (d) TREATMENT OF DISABLED VETERANS UNDER
8 THE WORK OPPORTUNITY TAX CREDIT.—

9 (1) DISABLED VETERANS TREATED AS MEM-
10 BERS OF TARGETED GROUP.—

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

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

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

24 “(I) having a hiring date which is
25 not more than 1 year after having

1 been discharged or released from ac-
2 tive duty in the Armed Forces of the
3 United States, or

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

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

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

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

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

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

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

4 **SEC. 3. EXTENSION AND INCREASE OF EXPENSING FOR**
5 **SMALL BUSINESS.**

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

10 (b) INCREASE IN LIMITATIONS.—Subsection (b) of
11 section 179 is amended—

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

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

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

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

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

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

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

6 **SEC. 4. DETERMINATION OF CREDIT FOR CERTAIN TAXES**
7 **PAID WITH RESPECT TO EMPLOYEE CASH**
8 **TIPS.**

9 (a) IN GENERAL.—Subparagraph (B) of section
10 45B(b)(1) is amended by inserting “as in effect on Janu-
11 ary 1, 2007, and” before “determined without regard to”.

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

15 **SEC. 5. WAIVER OF INDIVIDUAL AND CORPORATE ALTER-**
16 **NATIVE MINIMUM TAX LIMITS ON WORK OP-**
17 **PORTUNITY CREDIT AND CREDIT FOR TAXES**
18 **PAID WITH RESPECT TO EMPLOYEE CASH**
19 **TIPS.**

20 (a) ALLOWANCE AGAINST ALTERNATIVE MINIMUM
21 TAX.—Subparagraph (B) of section 38(c)(4) is amended
22 by striking “and” at the end of clause (i), by inserting
23 a comma at the end of clause (ii), and by adding at the
24 end the following new clauses:

1 “(iii) the credit determined under sec-
2 tion 45B, and

3 “(iv) the credit determined under sec-
4 tion 51.”.

5 (b) **EFFECTIVE DATE.**—The amendments made by
6 this section shall apply to credits determined under sec-
7 tions 45B and 51 of the Internal Revenue Code of 1986
8 in taxable years beginning after December 31, 2006, and
9 to carrybacks of such credits.

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

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

15 “(f) **QUALIFIED JOINT VENTURE.**—

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

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

22 “(B) all items of income, gain, loss, deduc-
23 tion, and credit shall be divided between the
24 spouses in accordance with their respective in-
25 terests in the venture, and

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

5 “(2) QUALIFIED JOINT VENTURE.—For pur-
6 poses of paragraph (1), the term ‘qualified joint ven-
7 ture’ means any joint venture involving the conduct
8 of a trade or business if—

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

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

15 “(C) both spouses elect the application of
16 this subsection.”.

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

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

1 “(17) notwithstanding the preceding provisions
2 of this subsection, each spouse’s share of income or
3 loss from a qualified joint venture shall be taken
4 into account as provided in section 761(f) in deter-
5 mining net earnings from self-employment of such
6 spouse.”.

7 (2) Subsection (a) of section 211 of the Social
8 Security Act (defining net earnings from self-em-
9 ployment) is amended by striking “and” at the end
10 of paragraph (14), by striking the period at the end
11 of paragraph (15) and inserting “; and”, and by in-
12 sserting after paragraph (15) the following new para-
13 graph:

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

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

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

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

6 “(12) CERTAIN INDIVIDUALS NOT ELIGIBLE
7 FOR LOWEST RATE.—

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

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

15 “(ii) the sum of the amounts deter-
16 mined under subparagraphs (B) and (C) of
17 paragraph (1) shall be an amount equal to
18 the rate of tax specified in paragraph
19 (1)(C) multiplied by so much of the ad-
20 justed net capital gain (or, if less, taxable
21 income) as exceeds the excess (if any) of—

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

1 “(II) the taxable income reduced
2 by the adjusted net capital gain.

3 “(B) INDIVIDUALS TO WHOM PARAGRAPH
4 APPLIES.—

5 “(i) IN GENERAL.—For purposes of
6 this paragraph, an individual is described
7 in this subparagraph if—

8 “(I) such individual meets the
9 age requirements of section 152(c)(3)
10 (determined without regard to sub-
11 paragraph (B) thereof), and

12 “(II) such individual’s earned in-
13 come (as defined in section 911(d)(2))
14 for the taxable year does not exceed
15 one-half of such individual’s support
16 (within the meaning of section 152)
17 for such taxable year.

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

20 “(I) the taxpayer and the tax-
21 payer’s spouse shall be treated as a
22 single individual for purposes of ap-
23 plying subclause (II) of clause (i), and

24 “(II) the taxpayer shall be treat-
25 ed as an individual described in this

1 subparagraph only if the taxpayer and
2 the taxpayer’s spouse are described in
3 clause (i) (determined after applica-
4 tion of subclause (I)).”.

5 (b) ALTERNATIVE MINIMUM TAX.—Section 55 is
6 amended by adding at the end the following new sub-
7 section:

8 “(f) CERTAIN INDIVIDUALS NOT ELIGIBLE FOR
9 LOWEST RATE.—In the case of an individual described in
10 section 1(h)(12)(B), no amount shall be determined under
11 subsection (b)(3)(B).”.

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

19 “(iii) no amount of qualified 5-year
20 gain shall be taken into account under sub-
21 paragraph (A) of paragraph (2) (as in ef-
22 fect after the application of section 303 of
23 the Jobs and Growth Tax Relief Reconcili-
24 ation Act of 2003).”.

25 (d) EFFECTIVE DATE.—

1 (1) IN GENERAL.—Except as provided in para-
2 graph (2), the amendments made by this section
3 shall apply to taxable years beginning after Decem-
4 ber 31, 2006.

5 (2) SUNSET OF JGTRRA.—The amendment
6 made by subsection (c) shall apply to taxable years
7 beginning after the date specified in section 303 of
8 the Jobs and Growth Tax Relief Reconciliation Act
9 of 2003.

10 **SEC. 8. SUSPENSION OF CERTAIN PENALTIES AND INTER-**
11 **EST.**

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

15 (b) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to notices provided by the Sec-
17 retary of the Treasury, or his delegate, after the date
18 which is 6 months after the date of the enactment of this
19 Act.

20 **SEC. 9. TIME FOR PAYMENT OF CORPORATE ESTIMATED**
21 **TAXES.**

22 Subparagraph (B) of section 401(1) of the Tax In-
23 crease Prevention and Reconciliation Act of 2005 is

1 amended by striking “106.25 percent” and inserting
2 “112.75 percent”.

Passed the House of Representatives February 16,
2007.

Attest: LORRAINE C. MILLER,
Clerk.

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110TH CONGRESS
1ST Session

H. R. 976

AN ACT

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

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