

111TH CONGRESS
2^D SESSION

H. R. 5691

To amend the Internal Revenue Code of 1986 to provide a credit for investment in new or expanding small businesses.

IN THE HOUSE OF REPRESENTATIVES

JULY 1, 2010

Mr. HOEKSTRA 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 a credit for investment in new or expanding small businesses.

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. CREDIT FOR QUALIFIED SMALL BUSINESS IN-**
4 **VESTMENTS.**

5 (a) IN GENERAL.—Subpart A of part IV of sub-
6 chapter A of chapter 1 of the Internal Revenue Code of
7 1986 is amended by inserting after section 25D the fol-
8 lowing new section:

1 **“SEC. 25E. QUALIFIED SMALL BUSINESS INVESTMENTS.**

2 “(a) IN GENERAL.—In the case of an individual,
3 there shall be allowed as a credit against the tax imposed
4 by this subtitle an amount equal to 20 percent of the
5 amount paid or incurred for qualified small business in-
6 vestments during the taxable year.

7 “(b) QUALIFIED SMALL BUSINESS INVESTMENT.—
8 For purposes of this section—

9 “(1) IN GENERAL.—The term ‘qualified small
10 business investment’ means any stock in a domestic
11 corporation acquired by the taxpayer at its original
12 issue (directly or through an underwriter) or any
13 capital or profits interest in a domestic partnership
14 acquired by the taxpayer from the partnership if—

15 “(A) such stock or interest was is acquired
16 solely in exchange for cash,

17 “(B) either—

18 “(i) such corporation or partnership
19 (including any predecessor thereof) has
20 been in existence of less than 2 years as of
21 such acquisition, or

22 “(ii) such corporation or partnership
23 had at least a 10 percent growth rate for
24 each of 2 taxable years of the corporation
25 or partnership preceding the taxable year
26 in which acquisition occurs, and

1 “(C) the corporation or partnership satis-
2 fies the requirements of subparagraphs (A) and
3 (B) of section 1202(d)(1) with respect to such
4 issuance (determined by substituting ‘corpora-
5 tion or partnership’ for ‘corporation’ therein).

6 “(2) GROWTH RATE.—For purposes of para-
7 graph (1)(B)(ii), the growth rate of any corporation
8 or partnership for any taxable year is the ratio (ex-
9 pressed as a percentage) of—

10 “(A) the excess of—

11 “(i) the gross receipts of such cor-
12 poration or partnership for such taxable
13 year, over

14 “(ii) the gross receipts of such cor-
15 poration or partnership for the preceding
16 taxable year, divided by

17 “(B) the amount described in subpara-
18 graph (A)(ii).

19 “(c) RECAPTURE OF CREDIT IN CASE OF FAILURE
20 TO SATISFY HOLDING PERIOD REQUIREMENT.—In the
21 case of the disposition of any qualified small business in-
22 vestment during the 7-year period beginning on the date
23 that such investment is acquired by the taxpayer, the tax
24 imposed under this subtitle with respect to the taxpayer
25 for the taxable year in which such disposition occurs shall

1 be increased by the amount of the credit allowed under
2 this section with respect to such investment plus interest
3 determined at the underpayment rate.”.

4 (b) CLERICAL AMENDMENT.—The table of sections
5 of such subpart is amended by inserting after the item
6 relating to section 25D the following new item:

“Sec. 25E. Qualified small business investments.”.

7 (c) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to amounts paid or incurred after
9 the date of the enactment of this Act.

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