H. R. 3717

To amend the Internal Revenue Code of 1986 to simplify income tax compliance for small businesses, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 8, 2017

Mr. CHABOT (for himself and Ms. Velázquez) 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 simplify income tax compliance 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; TABLE OF CONTENTS.

4 (a) Short Title.—This Act may be cited as the
5 “Small Business Owners’ Tax Simplification Act of
6 2017”.
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8 (b) Table of Contents.—The table of contents for

Sec. 1. Short title; table of contents.
Sec. 2. Quarterly reporting of estimated tax payments.
Sec. 3. Aligning the filing thresholds for information reporting.
Sec. 4. Uniform standards for the use of electronic signatures for third-party disclosure authorizations.
Sec. 5. Pre-notification testing.
Sec. 6. Treatment of cafeteria plans for employee-owners.
Sec. 7. Excluding from self-employment income net earnings less than amount required for Social Security quarters of coverage.
Sec. 8. Allowing a deduction for certain health insurance costs for self-employment tax purposes.
Sec. 9. No effect of voluntary withholding agreements on worker classification.
Sec. 10. Effect of voluntary training and group discount programs on worker classification.

SEC. 2. QUARTERLY REPORTING OF ESTIMATED TAX PAYMENTS.

(a) IN GENERAL.—The table contained in paragraph (2) of section 6654(c) of the Internal Revenue Code of 1986 is amended—

(1) by striking “June 15” and inserting “July 15”, and

(2) by striking “September 15” and inserting “October 15”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to installments due in taxable years beginning after December 31, 2017.

SEC. 3. ALIGNING THE FILING THRESHOLDS FOR INFORMATION REPORTING.

(a) INCREASING THE DOLLAR THRESHOLD REQUIRED FOR FILING A 1099–MISC.—

(1) IN GENERAL.—Subsection (a) of section 6041 of the Internal Revenue Code of 1986 is amended by striking “$600” and inserting “$1,500”.
(2) INFLATION ADJUSTMENT.—Section 6041 of such Code is amended by adding at the end the following new subsections:

“(h) INFLATION ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2018, the dollar amount in subsection (a) shall be increased by an amount equal to—

“(1) such dollar amount, multiplied by

“(2) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2017’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(i) ROUNDING.—If any dollar amount in subsection (a) (after being increased under subsection (g)) is not a multiple of $100, such dollar amount shall be rounded to the nearest multiple of $100.”.

(3) CONFORMING AMENDMENT.—The heading of subsection (a) of section 6041 of such Code is amended to read as follows: “PAYMENTS EXCEEDING THRESHOLD.”.

(b) INCREASING THE DOLLAR LIMIT FOR REMUNERATION FOR SERVICES AND DIRECT SALES.—

(1) IN GENERAL.—Paragraph (2) of section 6041A(a) of the Internal Revenue Code of 1986 is
amended by striking “$600” and inserting “$1,500”.

(2) INFLATION ADJUSTMENT.—Section 6041A of such Code is amended by adding at the end the following new subsections:

“(g) INFLATION ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2018, the dollar amount in subsection (a)(2) shall be increased by an amount equal to—

“(1) such dollar amount, multiplied by

“(2) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2017’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(h) ROUNDING.—If any dollar amount in subsection (a)(2) (after being increased under subsection (g)) is not a multiple of $100, such dollar amount shall be rounded to the nearest multiple of $100.”.

(e) DECREASING THE DOLLAR THRESHOLD REQUIRED FOR FILING A 1099–K; ELIMINATING THE TRANSACTION THRESHOLD.—Subsection (e) of section 6050W of such Code is amended by striking “only if” and all that follows through the period at the end and inserting “only if the amount which would otherwise be reported
under subsection (a)(2) with respect to such transactions exceeds the dollar amount in effect for the taxable year under section 6041(a).”.

(d) Effective Date.—The amendments made by this section shall apply with respect to returns for years beginning after December 31, 2017.

SEC. 4. UNIFORM STANDARDS FOR THE USE OF ELECTRONIC SIGNATURES FOR THIRD-PARTY DISCLOSURE AUTHORIZATIONS.

Not later than 6 months after the date of the enactment of this section, the Secretary of the Treasury shall publish guidance to establish uniform standards and procedures for the acceptance of signatures in digital or other electronic form for purposes of—

(1) any request for disclosure of a taxpayer’s return or return information under section 6103(c) of the Internal Revenue Code of 1986, and

(2) any power of attorney executed by a taxpayer.

SEC. 5. PRE-NOTIFICATION TESTING.

Not later than 180 days after the date of enactment of this Act, the Secretary of the Treasury will ensure that, for any refund or credit of overpayment of tax under the Internal Revenue Code of 1986 transferred to an individual through electronic fund transfer, there is, prior to
such transfer, a prenotification testing to verify recipient
information and assist in preventing refund fraud.

SEC. 6. TREATMENT OF CAFETERIA PLANS FOR EMPLOYEE-
OWNERS.

(a) In General.—Subsection (g) of section 125 of
the Internal Revenue Code of 1986 is amended by adding
at the end the following new paragraph:

“(5) Self-employed individuals.—

“(A) In general.—Notwithstanding sec-
tion 105(g), for purposes of providing qualified
benefits under a cafeteria plan of an eligible
employer (as defined in subsection (j)(5)) and
for purposes of any prohibition on discrimina-
tion (including subsection (b)) with respect to a
cafeteria plan—

“(i) the term ‘employee’ includes an
individual who is an employee within the
meaning of section 401(c)(1) and any indi-
vidual treated as a partner under section
1372(a),

“(ii) an individual who owns the en-
tire interest in an unincorporated trade or
business shall be treated as his own em-
ployer, and
“(iii) a partnership shall be treated as
the employer of each partner who is an
employee within the meaning of clause (i).
“(B) LIMITATION.—
“(i) AMOUNTS EXCLUDED NOT TO EX-
CEED EARNED INCOME.—In the case of an
individual treated as an employee by rea-
son of subparagraph (A)(i), subsection (a)
shall apply to amounts for an individual
only to the extent that such amounts ex-
ceeds the individual’s earned income (as
defined in section 401(c)(2)) derived from
the trade or business with respect to which
the cafeteria plan is maintained.
“(ii) PARTNERSHIPS.—This para-
graph shall apply in the case of any indi-
vidual treated as a partner under section
1372(a), except that, for purposes of this
subsection, such individual’s wages (as de-
defined in section 3121) from the S corpora-
tion shall be treated as such individual’s
earned income, and there shall be such ad-
justments in the application of this sub-
section as the Secretary may by regula-
tions prescribe.
“(C) Denial of double benefit.—No deduction or credit shall be allowed to an employee under any section of this chapter for any amount excluded from gross income under subsection (a) by reason of this paragraph.”

(b) Simple Cafeteria Plans.—Paragraph (3) of section 125(j) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

“(E) Alternative for certain plans.—

“(i) In general.—In the case of a plan that covers one or more individuals described in clause (i) of subsection (g)(5)(A), the requirements of this paragraph shall be treated as met if the average employer contribution allocable to qualified benefits under the plan on behalf of individuals who are not qualified employees does not exceed 150 percent of the average employer contribution allocable to such benefits on behalf of individuals who are qualified employees.

“(ii) Additional contributions.—In the case of a plan treated under clause
(i) as meeting the requirements of this paragraph, subparagraph (C) shall not apply.”.

(c) Effective Date.—The amendment made by this section shall apply with respect to taxable years beginning after December 31, 2017.

SEC. 7. EXCLUDING FROM SELF-EMPLOYMENT INCOME NET EARNINGS LESS THAN AMOUNT REQUIRED FOR SOCIAL SECURITY QUARTERS OF COVERAGE.

(a) In General.—Paragraph (2) of section 1402(b) of the Internal Revenue Code of 1986 is amended by striking “$400” and inserting “the amount required under section 213(d) of the Social Security Act for a quarter of coverage for the calendar year in which such taxable year began”.

(b) Self-Employment Tax Returns.—Section 6017 of the Internal Revenue Code of 1986 is amended by striking “$400” and inserting “the amount required under section 1402(b)(2)”.

(c) Effective Date.—The amendments made by this section shall apply with respect to taxable years beginning after the date of the enactment of this Act.
SEC. 8. ALLOWING A DEDUCTION FOR CERTAIN HEALTH INSURANCE COSTS FOR SELF-EMPLOYMENT TAX PURPOSES.

(a) In General.—Subsection (l) of section 162 of the Internal Revenue Code of 1986 is amended by striking paragraph (4).

(b) Effective Date.—The amendment made by this section shall apply with respect to taxable years beginning after December 31, 2017.

SEC. 9. NO EFFECT OF VOLUNTARY WITHHOLDING AGREEMENTS ON WORKER CLASSIFICATION.

Section 3402(p) of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:

“(4) Worker classification.—Agreements under paragraph (3) may not be taken into account in determining whether any party to such agreement is an employee or an employer for purposes of any provision of this title.”.

SEC. 10. EFFECT OF VOLUNTARY TRAINING AND GROUP DISCOUNT PROGRAMS ON WORKER CLASSIFICATION.

(a) In General.—Chapter 79 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:
“(a) In General.—For purposes of this title, the determination of whether an individual is an employee shall be made without regard to the following:

“(1) Whether such individual is offered, and whether such individual accepts, voluntary training.

“(2) Whether such individual is offered, or takes advantage of, a discount on goods and services available by reason of such individual performing services.

“(b) Regulations.—The Secretary shall issue such regulations as the Secretary determines are necessary to carry out the purposes of this section.”.

(b) Clerical Amendment.—The table of sections for chapter 79 of such Code is amended by inserting after the item relating to section 7705 the following:

“Sec. 7706. Effect of voluntary training and group discount programs on worker classification.”. 