H. R. 4424

To amend the Internal Revenue Code of 1986 to provide an exclusion from gross income for interest on certain small business loans.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 16, 2017

Mr. BLUM (for himself, Mr. CHABOT, and Mr. CRIST) 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 an exclusion from gross income for interest on certain small business loans.

Be it enacted by the Senate and House of Representa-
tives of the United States of America in Congress assembled,

SECTION 1. EXCLUSION OF INTEREST ON CERTAIN SMALL BUSINESS LOANS.

(a) IN GENERAL.—Part III of subchapter B of chap-
ter 1 of the Internal Revenue Code of 1986 is amended by inserting after section 139F the following new section:
"SEC. 139G. INTEREST ON CERTAIN SMALL BUSINESS LOANS.

"(a) IN GENERAL.—In the case of a bank described in subsection (c), gross income shall not include qualified interest received from a small business during the taxable year.

"(b) QUALIFIED INTEREST.—The term ‘qualified interest’ means, with respect to a small business, interest on indebtedness of not more than $5,000,000—

"(1) secured by land situated in the United States that is used or held by the small business in connection with the active conduct of a farming business, or

"(2) incurred in the ordinary course of the trade or business of the small business.

"(c) BANK DESCRIBED.—

"(1) IN GENERAL.—A bank is described in this subsection if the bank has less than $50 billion in assets at the close of the preceding taxable year.

"(2) BANK DEFINED.—For purposes of this subsection—

"(A) IN GENERAL.—The term ‘bank’ means—

"(i) any financial institution described in section 581 or 591, and
“(ii) a corporation which, under the laws of the State of its incorporation, is subject to supervision and examination by the Commissioner of Banking or other officer of such State in charge of the administration of the banking laws of such State.

“(B) HOLDING COMPANY.—The term ‘bank’ includes—

“(i) any bank holding company (within the meaning of section 2(a) of the Bank Holding Company Act of 1956), and

“(ii) any subsidiary of a financial institution described in section 581 or 591 or of any bank holding company if such subsidiary is predominantly engaged (directly or indirectly) in the active conduct of a banking, financing, or similar business.

“(d) SMALL BUSINESS.—The term ‘small business’ means a small business concern as defined under section 3 of the Small Business Act (15 U.S.C. 632).

“(e) FARMING BUSINESS.—The term ‘farming business’ has the meaning given such term by section 263A(e)(4).

“(f) TERMINATION.—This section shall not apply to interest received after December 31, 2018.”.
(b) CLERICAL AMENDMENT.—The table of sections for part III of subchapter B of chapter 1 of such Code is amended by inserting after the item relating to section 139F the following new item:

"Sec. 139G. Interest on certain small business loans.".

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