

116TH CONGRESS
1ST SESSION

H. R. 593

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

JANUARY 16, 2019

Mr. CHABOT (for himself, Ms. VELÁZQUEZ, Mrs. RADEWAGEN, Mr. MARSHALL, Mr. LAWSON of Florida, and Mr. NORMAN) 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 2019”.

7 (b) TABLE OF CONTENTS.—The table of contents for
8 this Act is as follows:

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.

1 **SEC. 2. QUARTERLY REPORTING OF ESTIMATED TAX PAY-**
 2 **MENTS.**

3 (a) IN GENERAL.—The table contained in paragraph
 4 (2) of section 6654(c) of the Internal Revenue Code of
 5 1986 is amended—

6 (1) by striking “June 15” and inserting “July
 7 15”, and

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

10 (b) EFFECTIVE DATE.—The amendments made by
 11 this section shall apply to installments due in taxable years
 12 beginning after December 31, 2019.

13 **SEC. 3. ALIGNING THE FILING THRESHOLDS FOR INFORMA-**
 14 **TION REPORTING.**

15 (a) INCREASING THE DOLLAR THRESHOLD RE-
 16 QUIRED FOR FILING A 1099-MISC.—

17 (1) IN GENERAL.—Subsection (a) of section
 18 6041 of the Internal Revenue Code of 1986 is
 19 amended by striking “\$600” and inserting
 20 “\$1,500”.

1 (2) INFLATION ADJUSTMENT.—Section 6041 of
 2 such Code is amended by adding at the end the fol-
 3 lowing new subsection:

4 “(h) INFLATION ADJUSTMENT.—In the case of any
 5 taxable year beginning in a calendar year after 2020, the
 6 dollar amount in subsection (a) shall be increased by an
 7 amount equal to—

8 “(1) such dollar amount, multiplied by

9 “(2) the cost-of-living adjustment determined
 10 under section 1(f)(3) for the calendar year in which
 11 the taxable year begins, determined by substituting
 12 ‘calendar year 2019’ for ‘calendar year 2016’ in sub-
 13 paragraph (A)(ii) thereof.

14 If any increase under the preceding sentence is not a mul-
 15 tiple of \$100, such increase shall be rounded to the nearest
 16 multiple of \$100.”.

17 (3) CONFORMING AMENDMENT.—The heading
 18 of subsection (a) of section 6041 of such Code is
 19 amended by striking “OF \$600 OR MORE” and in-
 20 serting “EXCEEDING THRESHOLD”.

21 (b) INCREASING THE DOLLAR LIMIT FOR REMU-
 22 NERATION FOR SERVICES AND DIRECT SALES.—

23 (1) IN GENERAL.—Paragraph (2) of section
 24 6041A(a) of the Internal Revenue Code of 1986 is

1 amended by striking “\$600” and inserting
 2 “\$1,500”.

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

6 “(g) INFLATION ADJUSTMENT.—In the case of any
 7 taxable year beginning in a calendar year after 2020, the
 8 dollar amount in subsection (a)(2) shall be increased by
 9 an amount equal to—

10 “(1) such dollar amount, multiplied by

11 “(2) the cost-of-living adjustment determined
 12 under section 1(f)(3) for the calendar year in which
 13 the taxable year begins, determined by substituting
 14 ‘calendar year 2019’ for ‘calendar year 2016’ in sub-
 15 paragraph (A)(ii) thereof.

16 If any increase under the preceding sentence is not a mul-
 17 tiple of \$100, such increase shall be rounded to the nearest
 18 multiple of \$100.”.

19 (c) DECREASING THE DOLLAR THRESHOLD RE-
 20 QUIRED FOR FILING A 1099-K; ELIMINATING THE
 21 TRANSACTION THRESHOLD.—Subsection (e) of section
 22 6050W of such Code is amended by striking “only if” and
 23 all that follows through the period at the end and inserting
 24 “only if the amount which would otherwise be reported
 25 under subsection (a)(2) with respect to such transactions

1 exceeds the dollar amount in effect for the taxable year
 2 under section 6041(a).”.

3 (d) EFFECTIVE DATE.—The amendments made by
 4 this section shall apply with respect to returns for years
 5 beginning after December 31, 2019.

6 **SEC. 4. UNIFORM STANDARDS FOR THE USE OF ELEC-**
 7 **TRONIC SIGNATURES FOR THIRD-PARTY DIS-**
 8 **CLOSURE AUTHORIZATIONS.**

9 Not later than 6 months after the date of the enact-
 10 ment of this section, the Secretary of the Treasury shall
 11 publish guidance to establish uniform standards and pro-
 12 cedures for the acceptance of signatures in digital or other
 13 electronic form for purposes of—

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

17 (2) any power of attorney executed by a tax-
 18 payer.

19 **SEC. 5. PRE-NOTIFICATION TESTING.**

20 Not later than 180 days after the date of enactment
 21 of this Act, the Secretary of the Treasury will ensure that,
 22 for any refund or credit of overpayment of tax under the
 23 Internal Revenue Code of 1986 transferred to an indi-
 24 vidual through electronic fund transfer, there is, prior to

1 such transfer, a prenotification testing to verify recipient
 2 information and assist in preventing refund fraud.

3 **SEC. 6. TREATMENT OF CAFETERIA PLANS FOR EMPLOYEE-**
 4 **OWNERS.**

5 (a) IN GENERAL.—Subsection (g) of section 125 of
 6 the Internal Revenue Code of 1986 is amended by adding
 7 at the end the following new paragraph:

8 “(5) SELF-EMPLOYED INDIVIDUALS.—

9 “(A) IN GENERAL.—Notwithstanding sec-
 10 tion 105(g), for purposes of providing qualified
 11 benefits under a cafeteria plan of an eligible
 12 employer (as defined in subsection (j)(5)) and
 13 for purposes of any prohibition on discrimina-
 14 tion (including subsection (b)) with respect to a
 15 cafeteria plan—

16 “(i) the term ‘employee’ includes an
 17 individual who is an employee within the
 18 meaning of section 401(c)(1) and any indi-
 19 vidual treated as a partner under section
 20 1372(a),

21 “(ii) an individual who owns the en-
 22 tire interest in an unincorporated trade or
 23 business shall be treated as his own em-
 24 ployer, and

1 “(iii) a partnership shall be treated as
2 the employer of each partner who is an
3 employee within the meaning of clause (i).

4 “(B) LIMITATION.—

5 “(i) AMOUNTS EXCLUDED NOT TO EX-
6 CEED EARNED INCOME.—In the case of an
7 individual treated as an employee by rea-
8 son of subparagraph (A)(i), subsection (a)
9 shall apply to amounts for an individual
10 only to the extent that such amounts ex-
11 ceeds the individual’s earned income (as
12 defined in section 401(c)(2)) derived from
13 the trade or business with respect to which
14 the cafeteria plan is maintained.

15 “(ii) PARTNERSHIPS.—This para-
16 graph shall apply in the case of any indi-
17 vidual treated as a partner under section
18 1372(a), except that, for purposes of this
19 subsection, such individual’s wages (as de-
20 fined in section 3121) from the S corpora-
21 tion shall be treated as such individual’s
22 earned income, and there shall be such ad-
23 justments in the application of this sub-
24 section as the Secretary may by regula-
25 tions prescribe.

1 “(C) DENIAL OF DOUBLE BENEFIT.—No
 2 deduction or credit shall be allowed to an em-
 3 ployee under any section of this chapter for any
 4 amount excluded from gross income under sub-
 5 section (a) by reason of this paragraph.”.

6 (b) SIMPLE CAFETERIA PLANS.—Paragraph (3) of
 7 section 125(j) of the Internal Revenue Code of 1986 is
 8 amended by adding at the end the following new subpara-
 9 graph:

10 “(E) ALTERNATIVE FOR CERTAIN
 11 PLANS.—

12 “(i) IN GENERAL.—In the case of a
 13 plan that covers one or more individuals
 14 described in clause (i) of subsection
 15 (g)(5)(A), the requirements of this para-
 16 graph shall be treated as met if the aver-
 17 age employer contribution allocable to
 18 qualified benefits under the plan on behalf
 19 of individuals who are not qualified em-
 20 ployees does not exceed 150 percent of the
 21 average employer contribution allocable to
 22 such benefits on behalf of individuals who
 23 are qualified employees.

24 “(ii) ADDITIONAL CONTRIBUTIONS.—
 25 In the case of a plan treated under clause

1 (i) as meeting the requirements of this
2 paragraph, subparagraph (C) shall not
3 apply.”.

4 (c) EFFECTIVE DATE.—The amendment made by
5 this section shall apply with respect to taxable years begin-
6 ning after December 31, 2019.

7 **SEC. 7. EXCLUDING FROM SELF-EMPLOYMENT INCOME**
8 **NET EARNINGS LESS THAN AMOUNT RE-**
9 **QUIRED FOR SOCIAL SECURITY QUARTERS**
10 **OF COVERAGE.**

11 (a) IN GENERAL.—Paragraph (2) of section 1402(b)
12 of the Internal Revenue Code of 1986 is amended by strik-
13 ing “\$400” and inserting “the amount required under sec-
14 tion 213(d) of the Social Security Act for a quarter of
15 coverage for the calendar year in which such taxable year
16 began”.

17 (b) SELF-EMPLOYMENT TAX RETURNS.—Section
18 6017 of the Internal Revenue Code of 1986 is amended
19 by striking “\$400” and inserting “the amount required
20 under section 1402(b)(2)”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply with respect to taxable years begin-
23 ning after the date of the enactment of this Act.

1 **SEC. 8. ALLOWING A DEDUCTION FOR CERTAIN HEALTH IN-**
2 **SURANCE COSTS FOR SELF-EMPLOYMENT**
3 **TAX PURPOSES.**

4 (a) IN GENERAL.—Subsection (l) of section 162 of
5 the Internal Revenue Code of 1986 is amended by striking
6 paragraph (4).

7 (b) EFFECTIVE DATE.—The amendment made by
8 this section shall apply with respect to taxable years begin-
9 ning after December 31, 2019.

10 **SEC. 9. NO EFFECT OF VOLUNTARY WITHHOLDING AGREE-**
11 **MENTS ON WORKER CLASSIFICATION.**

12 Section 3402(p) of the Internal Revenue Code of
13 1986 is amended by adding at the end the following new
14 paragraph:

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

20 **SEC. 10. EFFECT OF VOLUNTARY TRAINING AND GROUP**
21 **DISCOUNT PROGRAMS ON WORKER CLASSI-**
22 **FICATION.**

23 (a) IN GENERAL.—Chapter 79 of the Internal Rev-
24 enue Code of 1986 is amended by adding at the end the
25 following new section:

1 **“SEC. 7706. EFFECT OF VOLUNTARY TRAINING AND GROUP**
2 **DISCOUNT PROGRAMS ON WORKER CLASSI-**
3 **FICATION.**

4 “(a) IN GENERAL.—For purposes of this title, the
5 determination of whether an individual is an employee
6 shall be made without regard to the following:

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

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

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

16 (b) CLERICAL AMENDMENT.—The table of sections
17 for chapter 79 of such Code is amended by inserting after
18 the item relating to section 7705 the following:

“Sec. 7706. Effect of voluntary training and group discount programs on work-
er classification.”.

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