

117TH CONGRESS
2D SESSION

H. R. 6428

To amend the Internal Revenue Code of 1986 to establish a State and local general sales tax credit for small businesses.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 19, 2022

Mr. KHANNA 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 establish a State and local general sales tax credit for 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. SHORT TITLE.**

4 This Act may be cited as the “Brick and Mortar
5 Small Business Tax Credit Act of 2022”.

6 **SEC. 2. STATE AND LOCAL GENERAL SALES TAX CREDIT**
7 **FOR SMALL BUSINESSES.**

8 (a) IN GENERAL.—Subpart D of part IV of sub-
9 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 is amended by adding at the end the following new
2 section:

3 **“SEC. 45U. STATE AND LOCAL GENERAL SALES TAX CREDIT**
4 **FOR SMALL BUSINESSES.**

5 “(a) ALLOWANCE OF CREDIT.—For purposes of sec-
6 tion 38, in the case of an eligible small business, the State
7 and local general sales tax credit determined under this
8 section for the taxable year is an amount equal to 5 per-
9 cent of so much of the business gross receipts of the tax-
10 payer for the taxable year as do not exceed \$1,000,000
11 (regardless of whether such receipts are subject to a State
12 or local general sales tax).

13 “(b) PHASEOUT OF CREDIT.—If the business gross
14 receipts of the taxpayer for the taxable year exceed
15 \$1,000,000, the credit otherwise determined under sub-
16 section (a) shall be reduced by an amount which bears
17 the same ratio to the amount of such credit (determined
18 without regard to this subsection) as—

19 “(1) such excess, bears to

20 “(2) \$1,000,000.

21 “(c) DEFINITIONS AND SPECIAL RULES.—

22 “(1) DEFINITIONS.—For purposes of this sec-
23 tion—

24 “(A) ELIGIBLE SMALL BUSINESS.—

1 “(i) IN GENERAL.—The term ‘eligible
2 small business’ means any taxpayer for
3 any taxable year if—

4 “(I) the business gross receipts
5 of such taxpayer for such taxable year
6 do not exceed \$2,000,000, and

7 “(II) more than 50 percent of
8 such business gross receipts of such
9 taxpayer for such taxable year were
10 generated by in-person sales.

11 “(ii) SPECIAL RULE FOR 2020 AND
12 2021.—In the case of any taxable year be-
13 ginning in or with calendar year 2020 or
14 2021, clause (i)(II) shall be applied by
15 substituting ‘any percentage of’ for ‘more
16 than 50 percent’.

17 “(B) BUSINESS GROSS RECEIPTS.—The
18 term ‘business gross receipts’ means gross re-
19 ceipts received in the course of any trade or
20 business (other than the trade or business of
21 being an employee).

22 “(C) IN-PERSON SALES.—The term ‘in-
23 person sales’ means a sales transaction in which
24 a customer pays for a good or service at a phys-
25 ical location of an eligible small business.

1 “(D) STATE.—The term ‘State’ means
2 each of the several States, the District of Co-
3 lumbia, American Samoa, Guam, the Common-
4 wealth of the Northern Mariana Islands, Puerto
5 Rico, the Virgin Islands of the United States,
6 and any other territory of the United States.

7 “(2) AGGREGATION RULES.—All persons treat-
8 ed as a single employer under subsection (a) or (b)
9 of section 52, or subsection (n) or (o) of section 414,
10 shall be treated as one person.

11 “(d) TERMINATION.—Subsection (a) shall not apply
12 with respect to any taxable year beginning after December
13 31, 2026.”.

14 (b) CREDIT MADE PART OF GENERAL BUSINESS
15 CREDIT.—Subsection (b) of section 38 of such Code is
16 amended by striking “plus” at the end of paragraph (32),
17 by striking the period at the end of paragraph (33) and
18 inserting “, plus”, and by adding at the end the following
19 new paragraph:

20 “(34) in the case of an eligible small business
21 (as defined in section 45U), the State and local gen-
22 eral sales tax credit determined under section 45U.”.

23 (c) CLERICAL AMENDMENT.—The table of sections
24 for subpart D of part IV of subchapter A of chapter 1

1 of such Code is amended by adding at the end the fol-
2 lowing new item:

“Sec. 45U. State and local general sales tax credit for small businesses.”.

3 (d) PUBLIC AWARENESS CAMPAIGN.—

4 (1) REQUIREMENT.—The Administrator of the
5 Small Business Administration, in consultation with
6 the Internal Revenue Service, shall conduct a public
7 awareness campaign to inform relevant small busi-
8 ness concerns of the tax credit under section 45U of
9 the Internal Revenue Code of 1986, as added by
10 subsection (a).

11 (2) PLAN.—Not later than 180 days after the
12 date of the enactment of this Act, the Administrator
13 shall submit to Congress a plan to implement the
14 public awareness campaign under paragraph (1), in-
15 cluding—

16 (A) a description of the objectives and
17 goals for the campaign; and

18 (B) a description of how the Administrator
19 will work with other departments and agencies
20 of the Federal Government and with nongovern-
21 mental entities to inform relevant small busi-
22 ness concerns of the tax credit described in
23 paragraph (1).

24 (3) AUTHORIZATION OF APPROPRIATIONS.—

25 There is authorized to be appropriated to the Ad-

1 administrator \$500,000 for fiscal year 2022 to carry
2 out the public awareness campaign under paragraph
3 (1).

4 (e) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to taxable years beginning after
6 December 31, 2019.

○