

111<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 1763

To provide tax relief for small businesses, and for other purposes.

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IN THE HOUSE OF REPRESENTATIVES

MARCH 26, 2009

Mr. LATTA (for himself and Mr. CANTOR) introduced the following bill; which  
was referred to the Committee on Ways and Means

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## A BILL

To provide tax relief 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.**

4 This Act may be cited as the “Responsible Reinvest-  
5 ment Act of 2009”.

6 **SEC. 2. ESTATE TAX REPEAL MADE PERMANENT.**

7 Section 901 of the Economic Growth and Tax Relief  
8 Reconciliation Act of 2001 shall not apply to title V of  
9 such Act.

1 **SEC. 3. INCREASED EXPENSING FOR SMALL BUSINESS.**

2 (a) DOLLAR LIMITATION.—Paragraph (1) of section  
3 179(b) of the Internal Revenue Code of 1986 (relating to  
4 dollar limitation) is amended by striking “\$25,000  
5 (\$125,000 in the case of taxable years beginning after  
6 2006 and before 2011)” and inserting “\$500,000”.

7 (b) INCREASE IN QUALIFYING INVESTMENT AT  
8 WHICH PHASEOUT BEGINS.—Paragraph (2) of section  
9 179(b) of such Code (relating to reduction in limitation)  
10 is amended by striking “\$200,000 (\$500,000 in the case  
11 of taxable years beginning after 2006 and before 2011)”  
12 and inserting “\$500,000”.

13 (c) INFLATION ADJUSTMENTS.—Section  
14 179(b)(5)(A) of such Code (relating to inflation adjust-  
15 ments) is amended—

16 (1) by striking “and before 2011”, and

17 (2) by striking “\$125,000 and”.

18 (d) REVOCATION OF ELECTION.—Section 179(e)(2)  
19 of such Code (relating to election irrevocable) is amended  
20 by striking “and before 2011”.

21 (e) COMPUTER SOFTWARE.—Clause (ii) of section  
22 179(d)(1)(A) of such Code is amended by striking “and  
23 before 2011”.

24 (f) EFFECTIVE DATE.—The amendments made by  
25 this section shall apply to taxable years beginning after  
26 December 31, 2009.

1 **SEC. 4. ACCELERATED DEPRECIATION FOR MANUFAC-**  
 2 **TURING AND AGRICULTURAL PROPERTY.**

3 (a) IN GENERAL.—The table contained in section  
 4 168(c) of the Internal Revenue Code of 1986 is amended  
 5 by inserting before the row relating to 3-year property the  
 6 following new row:

Any qualified manufacturing or agricultural property .....	1 year
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7 (b) QUALIFIED MANUFACTURING OR AGRICULTURAL  
 8 PROPERTY.—Subsection (e) of section 168 of such Code  
 9 is amended by adding at the end the following new para-  
 10 graph:

11 “(9) QUALIFIED MANUFACTURING OR AGRICUL-  
 12 TURAL PROPERTY.—The term ‘qualified manufac-  
 13 turing or agricultural property’ means any tangible  
 14 personal property which is used in the trade or busi-  
 15 ness of manufacturing or agriculture.”.

16 (c) EFFECTIVE DATE.—The amendments made by  
 17 this section shall apply to property placed in service after  
 18 the date of the enactment of this Act.

19 **SEC. 5. DEDUCTION FOR QUALIFIED SMALL BUSINESS IN-**  
 20 **COME.**

21 (a) IN GENERAL.—Paragraph (1) of section 199(a)  
 22 of the Internal Revenue Code of 1986 is amended to read  
 23 as follows:

1           “(1) IN GENERAL.—There shall be allowed as a  
2 deduction an amount equal to the sum of—

3           “(A) 9 percent of the lesser of—

4                   “(i) the qualified production activities  
5 income of the taxpayer for the taxable  
6 year, or

7                   “(ii) taxable income (determined with-  
8 out regard to this section) for the taxable  
9 year, and

10           “(B) in the case of a qualified small busi-  
11 ness for a taxable year beginning in 2009 or  
12 2010, 20 percent of the lesser of—

13                   “(i) the qualified small business in-  
14 come of the taxpayer for the taxable year,  
15 or

16                   “(ii) taxable income (determined with-  
17 out regard to this section) for the taxable  
18 year.”.

19           (b) QUALIFIED SMALL BUSINESS; QUALIFIED SMALL  
20 BUSINESS INCOME.—Section 199 of such Code is amend-  
21 ed by adding at the end the following new subsection:

22           “(e) QUALIFIED SMALL BUSINESS; QUALIFIED  
23 SMALL BUSINESS INCOME.—

24           “(1) QUALIFIED SMALL BUSINESS.—

1           “(A) IN GENERAL.—For purposes of this  
2 section, the term ‘qualified small business’  
3 means any taxpayer for any taxable year if the  
4 annual average number of employees employed  
5 by such taxpayer during such taxable year was  
6 500 or fewer.

7           “(B) AGGREGATION RULE.—For purposes  
8 of subparagraph (A), any person treated as a  
9 single employer under subsection (a) or (b) of  
10 section 52 (applied without regard to section  
11 1563(b)) or subsection (m) or (o) of section  
12 414 shall be treated as 1 taxpayer for purposes  
13 of this subsection.

14           “(C) SPECIAL RULE.—If a taxpayer is  
15 treated as a qualified small business for any  
16 taxable year, the taxpayer shall not fail to be  
17 treated as a qualified small business for any  
18 subsequent taxable year solely because the num-  
19 ber of employees employed by such taxpayer  
20 during such subsequent taxable year exceeds  
21 500. The preceding sentence shall cease to  
22 apply to such taxpayer in the first taxable year  
23 in which there is an ownership change (as de-  
24 fined by section 382(g) in respect of a corpora-  
25 tion, or by applying principles analogous to

1 such ownership change in the case of a tax-  
2 payer that is a partnership) with respect to the  
3 stock (or partnership interests) of the taxpayer.

4 “(2) QUALIFIED SMALL BUSINESS INCOME.—

5 “(A) IN GENERAL.—For purposes of this  
6 section, the term ‘qualified small business in-  
7 come’ means the excess of—

8 “(i) the income of the qualified small  
9 business which—

10 “(I) is attributable to the actual  
11 conduct of a trade or business,

12 “(II) is income from sources  
13 within the United States (within the  
14 meaning of section 861), and

15 “(III) is not passive income (as  
16 defined in section 904(d)(2)(B)), over

17 “(ii) the sum of—

18 “(I) the cost of goods sold that  
19 are allocable to such income, and

20 “(II) other expenses, losses, or  
21 deductions (other than the deduction  
22 allowed under this section), which are  
23 properly allocable to such income.

1           “(B) EXCEPTIONS.—The following shall  
2 not be treated as income of a qualified small  
3 business for purposes of subparagraph (A):

4           “(i) Any income which is attributable  
5 to any property described in section  
6 1400N(p)(3).

7           “(ii) Any income which is attributable  
8 to the ownership or management of any  
9 professional sports team.

10          “(iii) Any income which is attributable  
11 to a trade or business described in sub-  
12 paragraph (B) of section 1202(e)(3).

13          “(iv) Any income which is attributable  
14 to any property with respect to which  
15 records are required to be maintained  
16 under section 2257 of title 18, United  
17 States Code.

18          “(C) ALLOCATION RULES, ETC.—Rules  
19 similar to the rules of paragraphs (2), (3),  
20 (4)(D), and (7) of subsection (e) shall apply for  
21 purposes of this paragraph.

22          “(3) SPECIAL RULES.—Except as otherwise  
23 provided by the Secretary, rules similar to the rules  
24 of subsection (d) shall apply for purposes of this  
25 subsection.”.

1 (c) CONFORMING AMENDMENT.—Section 199(a)(2)  
2 of such Code is amended by striking “paragraph (1)” and  
3 inserting “paragraph (1)(A)”.

4 (d) EFFECTIVE DATE.—The amendments made by  
5 this section shall apply to taxable years beginning after  
6 December 31, 2008.

7 **SEC. 6. SMALL BUSINESS MODIFICATIONS RELATED TO**  
8 **HEALTH INSURANCE, HEALTH SAVINGS AC-**  
9 **COUNTS, AND SIMPLIFIED EMPLOYEE PEN-**  
10 **SIONS.**

11 (a) HEALTH INSURANCE DEDUCTION ALLOWED IN  
12 DETERMINING SELF-EMPLOYMENT TAX.—Section 162(l)  
13 of the Internal Revenue Code of 1986 (relating to special  
14 rules for health insurance costs of self-employed individ-  
15 uals) is amended by striking paragraph (4) (relating to  
16 deduction not allowed for self-employment tax purposes)  
17 and redesignating paragraph (5) as paragraph (4).

18 (b) HEALTH SAVINGS ACCOUNT CONTRIBUTIONS AL-  
19 LOWED IN DETERMINING SELF-EMPLOYMENT TAX.—  
20 Subsection (a) of section 1402 of such Code is amended  
21 by redesignating paragraphs (16) and (17) as paragraphs  
22 (17) and (18) and by inserting after paragraph (15) the  
23 following new paragraph:



1           “(16) the deduction provided by section 223  
2           with respect to amounts paid to a health savings ac-  
3           count of the individual shall be allowed;”.

4           (c) SIMPLIFIED EMPLOYEE PENSIONS.—

5           (1) INCREASE IN LIMITATION ON DEDUCTION  
6           FOR CONTRIBUTIONS.—Subparagraph (C) of section  
7           404(h)(1) of such Code is amended by inserting  
8           “(100 percent in the case of an owner-employee as  
9           defined in section 401(c)(3))” after “25 percent”  
10          both places it appears.

11          (2) MODIFICATION ON LIMITATION ON CON-  
12          TRIBUTIONS.—Subsection (j) of section 408 of such  
13          Code is amended by adding at the end the following:  
14          “For purposes of applying the preceding sentence,  
15          net earnings from self-employment shall be deter-  
16          mined without any reduction under section  
17          1402(a)(12).”

18          (3) CONTRIBUTIONS ALLOWED IN DETER-  
19          MINING SELF-EMPLOYMENT TAX.—Subsection (a) of  
20          section 1402 of such Code (as amended by sub-  
21          section (b)) is amended by redesignating paragraphs  
22          (17) and (18) as paragraphs (18) and (19) and by  
23          inserting after paragraph (16) the following new  
24          paragraph:

1           “(17) the deduction provided by section 404  
2           with respect to amounts paid to a simplified em-  
3           ployee pension of the individual shall be allowed;”.

4           (d) EFFECTIVE DATE.—The amendment made by  
5 this section shall apply to taxable years beginning after  
6 the date of the enactment of this Act.

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