

116TH CONGRESS  
1ST SESSION

# H. R. 4922

To amend the Internal Revenue Code of 1986 to provide a tax credit for angel investors in start-up businesses, to provide a credit for wages paid by start-up businesses to their first employees, and for other purposes.

---

## IN THE HOUSE OF REPRESENTATIVES

OCTOBER 30, 2019

Ms. JUDY CHU of California (for herself and Mr. BLUMENAUER) 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 a tax credit for angel investors in start-up businesses, to provide a credit for wages paid by start-up businesses to their first employees, 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 “Providing Real Oppor-  
5 tunities for Growth to Rising Entrepreneurs for Sustained  
6 Success (PROGRESS) Act”.

1 **SEC. 2. ANGEL INVESTOR TAX CREDIT.**

2 (a) IN GENERAL.—Subpart D of part IV of sub-  
3 chapter A of chapter 1 of the Internal Revenue Code of  
4 1986 is amended by adding at the end the following new  
5 section:

6 **“SEC. 45T. ANGEL INVESTOR TAX CREDIT.**

7 “(a) GENERAL RULE.—For purposes of section 38,  
8 the angel investor credit determined under this section for  
9 any taxable year is an amount equal to the sum of the  
10 credit amounts determined for the taxable year for all  
11 qualified investments of the taxpayer.

12 “(b) CREDIT AMOUNT.—For purposes of this sec-  
13 tion—

14 “(1) IN GENERAL.—The term ‘credit amount’  
15 means, with respect to any qualified investment in a  
16 qualifying business entity, the lesser of—

17 “(A) 10 percent of the amount of the  
18 qualified investment determined under sub-  
19 section (c)(3) for the taxable year, or

20 “(B) an amount equal to—

21 “(i) 50 percent of such qualified in-  
22 vestment, reduced (but not below zero) by

23 “(ii) the amount of the credit deter-  
24 mined under this section with respect to  
25 such qualified investment of the taxpayer  
26 for all preceding taxable years.

1 “(2) OVERALL DOLLAR LIMITATION.—

2 “(A) IN GENERAL.—The credit amount de-  
3 termined under paragraph (1) with respect to  
4 any qualified investment of a taxpayer in a  
5 qualifying business entity for any taxable year  
6 shall not exceed the lesser of—

7 “(i) \$10,000 (as increased for the tax-  
8 able year by the cost-of-living adjustment  
9 under subsection (e)(2)), or

10 “(ii) an amount equal to—

11 “(I) an amount equal to 5 times  
12 the amount under clause (i) for the  
13 taxable year, reduced (but not below  
14 zero) by

15 “(II) the amount of the credit  
16 determined under this section with re-  
17 spect to such qualified investment of  
18 the taxpayer for all preceding taxable  
19 years.

20 “(B) NO CREDIT AMOUNT BY REASON OF  
21 COST-OF-LIVING ADJUSTMENT AFTER OVERALL  
22 LIMIT FIRST REACHED.—No credit amount  
23 shall be determined under this section with re-  
24 spect to any qualified investment of a taxpayer  
25 in a qualifying business entity for any taxable

1 year after the first taxable year for which the  
 2 amount determined under subclause (II) of sub-  
 3 paragraph (A)(ii) equals or exceeds the amount  
 4 determined under subclause (I) of such sub-  
 5 paragraph.

6 “(3) REDUCTION IN CREDIT AMOUNT WHERE  
 7 LOAN RATE EXCEEDS PRIME RATE.—

8 “(A) IN GENERAL.—If—

9 “(i) the rate of interest (expressed as  
 10 an annual percentage rate) on a qualified  
 11 investment which is a qualifying loan, ex-  
 12 ceeds

13 “(ii) the bank prime rate as of the  
 14 first day of the month in which the loan is  
 15 entered into (or such other time as the  
 16 Secretary may specify),

17 then each of the amounts determined under  
 18 subparagraphs (A) and (B)(i) of paragraph (1)  
 19 shall be reduced (but not below zero) by the  
 20 amount which bears the same ratio to such  
 21 amount as the number of full percentage points  
 22 by which such rate of interest exceeds such  
 23 bank prime rate bears to 25.

24 “(B) SPECIAL RULES WHERE QUALIFYING  
 25 LOANS TREATED AS PART OF SINGLE INVEST-

1           MENT.—If 1 or more qualifying loans to which  
2           subparagraph (A) applies are treated as part of  
3           a single qualified investment under subsection  
4           (c)(1), then, for purposes of this subsection—

5                   “(i) the credit amount under para-  
6                   graph (1) for such single qualified invest-  
7                   ment shall be the sum of such credit  
8                   amounts computed separately for each  
9                   such qualifying loan and such credit  
10                  amount computed for all other qualified in-  
11                  vestments treated as part of such single  
12                  qualified investment, and

13                  “(ii) the limitation under paragraph  
14                  (2) shall be applied to such sum.

15                  “(C) RULES RELATING TO INTEREST  
16                  RATES.—

17                   “(i) ANNUAL PERCENTAGE RATE.—  
18                   The Secretary shall prescribe guidance or  
19                   regulations for the calculation of the an-  
20                   nual percentage rate of interest on a loan  
21                   for purposes of subparagraph (A)(i), in-  
22                   cluding rules which provide for—

23                           “(I) the calculation of the annual  
24                           percentage rate in cases where there  
25                           is a variable rate of interest,

1                   “(II) the recalculation of the an-  
2                   nual percentage rate where the terms  
3                   of the loan are modified after the loan  
4                   is entered into, and

5                   “(III) the proper taking into ac-  
6                   count of lump sum payments, orienta-  
7                   tion and application fees, closing fees,  
8                   invoice discounting fees, and any  
9                   other loan fees.

10                   “(ii) BANK PRIME RATE.—For pur-  
11                   poses of subparagraph (A)(ii), the term  
12                   ‘bank prime rate’ means the average pre-  
13                   dominant prime rate quoted by commercial  
14                   banks to large businesses, as determined  
15                   by the Board of Governors of the Federal  
16                   Reserve System.

17                   “(4) SPECIAL RULES FOR PASS-THRU ENTI-  
18                   TIES.—For purposes of this subsection, if a qualified  
19                   investment in a qualifying business entity is made by  
20                   a partnership, trust, S corporation, or other pass-  
21                   thru entity, the limitations under this subsection  
22                   with respect to the qualified investment shall apply  
23                   at the partnership or other entity level and not at  
24                   the partner or similar level.

1       “(c) QUALIFIED INVESTMENT.—For purposes of this  
2 section—

3           “(1) IN GENERAL.—The term ‘qualified invest-  
4 ment’ means, with respect to any qualifying business  
5 entity, either of the following of the taxpayer:

6           “(A) The direct or indirect acquisition of  
7 stock, or a capital interest, in the entity at its  
8 original issue solely in exchange for cash.

9           “(B) A qualifying loan made to the entity.  
10 If a taxpayer has or had more than 1 qualified in-  
11 vestment in any qualifying business entity for the  
12 taxable year or any prior taxable year, all such in-  
13 vestments shall be treated as a single qualified in-  
14 vestment for purposes of applying this section.

15           “(2) EXCEPTION FOR INVESTMENTS MADE BY  
16 QUALIFIED ACTIVE INVESTORS AND RELATED PER-  
17 SONS.—Such term shall not include any acquisition  
18 or loan made by a taxpayer who, immediately before  
19 the acquisition or loan, is a qualified active investor  
20 in the qualifying business entity or is related to any  
21 qualified active investor.

22           “(3) AMOUNT OF QUALIFIED INVESTMENT.—  
23 The amount of a taxpayer’s qualified investment  
24 with respect to any qualifying business entity for

1 any taxable year shall be the monthly average for  
2 months ending within the taxable year of—

3 “(A) the taxpayer’s aggregate unadjusted  
4 bases in all stock or interests described in para-  
5 graph (1)(A) as of the close of each such  
6 month, and

7 “(B) the aggregate outstanding principal  
8 amount of all qualified loans described in para-  
9 graph (1)(B) as of the close of each such  
10 month.

11 “(4) SPECIAL RULES FOR TRANSFERS OF  
12 QUALIFYING LOANS.—

13 “(A) IN GENERAL.—If a taxpayer sells, ex-  
14 changes, or otherwise transfers all or any por-  
15 tion of a qualifying loan which is a qualified in-  
16 vestment in a qualifying business entity, such  
17 investment shall be treated as a qualified in-  
18 vestment in the hands of the transferee (and  
19 not of the transferor) for periods after the  
20 transfer. This paragraph shall also apply to any  
21 subsequent transfer of such interest.

22 “(B) COORDINATION OF LIMITS.—In ap-  
23 plying subsection (b) to any qualifying loan  
24 treated as a qualified investment of a transferee  
25 under this paragraph—



1           “(i) all credits determined under this  
2           section for any periods before the transfer  
3           with respect to the qualified investment of  
4           any prior holder of such investment shall  
5           be taken into account under paragraphs  
6           (1)(B)(ii) and (2)(A)(ii)(II) of such sub-  
7           section in the same manner as if such  
8           credits were determined for the transferee  
9           for prior taxable years, and

10           “(ii) if only a portion of the qualified  
11           investment was transferred, the amount  
12           taken into account under such paragraphs  
13           by reason of clause (i) shall be ratably re-  
14           duced to reflect only the portion so trans-  
15           ferred.

16           “(d) QUALIFYING BUSINESS ENTITY.—For purposes  
17 of this section—

18           “(1) DEFINITION.—

19           “(A) IN GENERAL.—The term ‘qualifying  
20           business entity’ means, with respect to any  
21           qualified investment, any entity which is en-  
22           gaged in the active conduct of 1 or more trades  
23           or businesses and with respect to which—

24           “(i) the qualified active investor own-  
25           ership requirements of paragraph (2) are

1 met immediately before and after the  
2 qualified investment,

3 “(ii) the wage requirements of para-  
4 graph (3) are met, and

5 “(iii) the certification requirements of  
6 paragraph (4) are met.

7 “(B) ENTITIES UNDER COMMON CON-  
8 TROL.—For purposes of this section, all quali-  
9 fying business entities treated as a single em-  
10 ployer under subsection (a) or (b) of section 52  
11 or subsection (m) or (o) of section 414 shall be  
12 treated as a single qualifying business entity.

13 “(2) QUALIFIED ACTIVE INVESTOR OWNERSHIP  
14 REQUIREMENTS.—The requirements of this para-  
15 graph are met with respect to any entity if qualified  
16 active investors own directly or indirectly—

17 “(A) in the case of a corporation, more  
18 than 50 percent (by vote and value) of the  
19 stock in the corporation, and

20 “(B) in the case of any other entity, more  
21 than 50 percent of the capital or profits inter-  
22 ests in the entity.

23 “(3) WAGE REQUIREMENTS.—

24 “(A) IN GENERAL.—The requirements of  
25 this paragraph are met with respect to any enti-

1 ty if the entity, during the taxable year of the  
2 entity preceding the taxable year in which the  
3 qualified investment is made—

4 “(i) employed at least 1 full-time em-  
5 ployee, or employees constituting a full-  
6 time equivalent employee, in 1 or more  
7 trades or businesses actively conducted by  
8 the entity, and

9 “(ii) paid W-2 wages to such em-  
10 ployee or employees with respect to such  
11 employment.

12 “(B) CERTAIN WAGES NOT TAKEN INTO  
13 ACCOUNT.—W-2 wages shall not be taken into  
14 account under subparagraph (A) if paid by an  
15 entity to an employee, and such employee shall  
16 not be taken into account under subparagraph  
17 (A)(i), during any period the employee is—

18 “(i) a qualified active investor, or

19 “(ii) an employee other than a quali-  
20 fied active investor who is a 5-percent  
21 owner (as defined in section  
22 416(i)(1)(B)(i)) of the entity.

23 “(C) W-2 WAGES.—The term ‘W-2 wages’  
24 means, with respect to any entity, the amounts  
25 described in paragraphs (3) and (8) of section

1           6051(a) paid by the entity with respect to em-  
2           ployment of employees by the entity. Such term  
3           shall not include any amount which is not prop-  
4           erly included in a return filed with the Social  
5           Security Administration on or before the 60th  
6           day after the due date (including extensions)  
7           for such return.

8           “(D) FULL-TIME EMPLOYEES AND  
9           EQUIVALENTS.—For purposes of this para-  
10          graph—

11                   “(i) the term ‘full-time employee’ has  
12                   the meaning given to such term by section  
13                   4980H(c)(4), and

14                   “(ii) the determination of the number  
15                   of employees constituting a full-time equiv-  
16                   alent shall be made in the same manner as  
17                   under section 4980H(c)(2)(E).

18          “(4) CERTIFICATION REQUIREMENTS.—

19                   “(A) IN GENERAL.—The requirements of  
20                   this paragraph are met with respect to any enti-  
21                   ty if the entity certifies, in such form and man-  
22                   ner and at such time as the Secretary may pre-  
23                   scribe, that, at the time of the qualified invest-  
24                   ment, the entity—

1           “(i) is engaged in the active conduct  
2           of 1 or more trades or businesses, and

3           “(ii) meets the requirements of para-  
4           graphs (2) and (3) to be treated as a  
5           qualifying business entity.

6           “(B) CERTIFICATION PROVIDED TO INVES-  
7           TORS AND SECRETARY.—An entity shall—

8           “(i) provide the certification under  
9           subparagraph (A) to the person making  
10          the qualified investment at the time such  
11          investment is made, and

12          “(ii) include such certification, and  
13          the names, addresses, and taxpayer identi-  
14          fication numbers of the entity’s qualified  
15          active investors and the persons making  
16          the qualified investment, with its return of  
17          tax for the taxable year which includes the  
18          date of the qualified investment.

19          “(C) CERTIFICATION INCLUDED WITH RE-  
20          TURN CLAIMING CREDIT.—No credit shall be  
21          determined under subsection (a) with respect to  
22          any taxpayer making a qualified investment in  
23          a qualifying business entity unless the taxpayer  
24          includes the certification under subparagraph  
25          (A) with respect to the investment with its re-

1 turn of tax for any taxable year for which such  
2 credit is being claimed.

3 “(D) TIMELY FILED RETURN REQUIRED.—  
4 The requirements of subparagraph (B)(ii) or  
5 (C) shall be treated as met only if the return  
6 described in such subparagraph is filed on or  
7 before its due date (including extensions).

8 “(5) QUALIFIED ACTIVE INVESTOR.—

9 “(A) IN GENERAL.—The term ‘qualified  
10 active investor’ means, with respect to any enti-  
11 ty, an individual who—

12 “(i) is a citizen or resident of the  
13 United States,

14 “(ii) materially participates (within  
15 the meaning of section 469(h)) in 1 or  
16 more trades or businesses actively con-  
17 ducted by the entity,

18 “(iii) holds stock, or a capital or prof-  
19 its interest, in the entity, and

20 “(iv) meets the income requirements  
21 of subparagraph (B).

22 “(B) INCOME REQUIREMENTS.—The re-  
23 quirements of this subparagraph are met with  
24 respect to an individual if the average annual  
25 taxable income of the individual for the 3 tax-

1           able years of the individual immediately pre-  
2           ceding the taxable year in which the qualified  
3           investment is made does not exceed the applica-  
4           ble amount.

5           “(C) APPLICABLE AMOUNT.—For purposes  
6           of this paragraph, the term ‘applicable amount’  
7           means, with respect to any taxable year in  
8           which a qualified investment is made—

9                   “(i) in the case of an individual not  
10                   described in clause (ii), \$100,000 (as in-  
11                   creased for the taxable year by the cost-of-  
12                   living adjustment under subsection (e)(2)),  
13                   and

14                   “(ii) in the case of an individual who  
15                   is a married individual filing a joint return  
16                   or who is a head of household (as defined  
17                   in section 2(b)) for the taxable year, an  
18                   amount equal to 2 times the amount in ef-  
19                   fect under clause (i) for the taxable year.

20           “(D) RULES FOR DETERMINING AVERAGE  
21           TAXABLE INCOME.—For purposes of this para-  
22           graph—

23                   “(i) a married individual filing a sepa-  
24                   rate return of tax for any taxable year  
25                   shall include the taxable income of their

1 spouse in computing the individual's aver-  
2 age taxable income for any period unless  
3 the Secretary determines that the spouse's  
4 information is not available to the indi-  
5 vidual, and

6 “(ii) the Secretary shall prescribe  
7 rules for the determination of average tax-  
8 able income in cases where the individual  
9 had different filing statuses for the 3 tax-  
10 able years described in subparagraph (B).

11 “(e) DEFINITIONS AND SPECIAL RULES.—For pur-  
12 poses of this section—

13 “(1) RELATED PERSONS.—A person shall be  
14 treated as related to another person if the person  
15 bears a relationship to such other person described  
16 in section 267(b), except that section 267(b) shall be  
17 applied by substituting ‘5 percent’ for ‘50 percent’  
18 each place it appears.

19 “(2) COST-OF-LIVING ADJUSTMENTS.—In the  
20 case of any taxable year beginning after 2020, the  
21 \$10,000 amount under subsection (b)(2)(A)(i) and  
22 the \$100,000 amount under subsection (d)(5)(C)(i)  
23 shall each be increased by an amount equal to—

24 “(A) such dollar amount, multiplied by



1           “(B) the cost-of-living adjustment under  
2           section 1(f)(3) for the calendar year in which  
3           the taxable year begins, determined by sub-  
4           stituting ‘2019’ for ‘2016’ in subparagraph  
5           (A)(ii) thereof.

6           If any increase in such \$10,000 amount is not a  
7           multiple of \$100, such increase shall be rounded to  
8           the next lowest multiple of \$100 and if any increase  
9           in such \$100,000 amount is not a multiple of  
10          \$1,000, such increase shall be rounded to the next  
11          lowest multiple of \$1,000.

12           “(3) RULES RELATING TO ENTITIES.—

13           “(A) SOLE PROPRIETORSHIPS.—If a tax-  
14           payer carries on 1 or more trades or businesses  
15           as sole proprietorships, all such trades or busi-  
16           nesses shall be treated as a single entity for  
17           purposes of applying this section.

18           “(B) APPLICATION TO DISREGARDED EN-  
19           TITIES.—In the case of any entity with a single  
20           owner which is disregarded as an entity sepa-  
21           rate from its owner for purposes of this title,  
22           this section shall be applied in the same manner  
23           as if such entity were a corporation.

1       “(f) REGULATIONS.—The Secretary shall prescribe  
2 such regulations or other guidance as may be necessary  
3 to carry out the provisions of this section.”.

4       (b) CREDIT TO BE PART OF GENERAL BUSINESS  
5 CREDIT.—Section 38(b) of such Code is amended by strik-  
6 ing “plus” at the end of paragraph (31), by striking the  
7 period at the end of paragraph (32) and inserting “, plus”,  
8 and by adding at the end the following new paragraph:  
9           “(33) the angel investor credit determined  
10 under section 45T(a).”.

11       (c) CREDIT ALLOWED AGAINST ALTERNATIVE MIN-  
12 IMUM TAX.—Section 38(c)(4)(B) of such Code is amended  
13 by redesignating clauses (x), (xi), and (xii) as clauses (xi),  
14 (xii), and (xiii), respectively, and by inserting after clause  
15 (ix) the following new clause:

16           “(x) the credit determined under sec-  
17 tion 45T.”.

18       (d) CLERICAL AMENDMENT.—The table of sections  
19 for subpart D of part IV of subchapter A of chapter 1  
20 of such Code is amended by adding at the end the fol-  
21 lowing new item:

      “Sec. 45T. Angel investor tax credit.”.

22       (e) EFFECTIVE DATE.—The amendments made by  
23 this section shall apply to qualified investments made in  
24 taxable years beginning after December 31, 2019.

1 **SEC. 3. FIRST EMPLOYEE BUSINESS WAGE CREDIT.**

2 (a) ALLOWANCE OF CREDIT.—

3 (1) IN GENERAL.—Subpart D of part IV of  
4 subchapter A of chapter 1 of the Internal Revenue  
5 Code of 1986, as amended by section 2, is amended  
6 by adding at the end the following new section:

7 **“SEC. 45U. FIRST EMPLOYEE BUSINESS WAGE CREDIT.**

8 “(a) GENERAL RULE.—For purposes of section 38,  
9 in the case of a qualifying business entity, the first em-  
10 ployee business wage credit determined under this section  
11 for any taxable year is an amount equal to 25 percent  
12 of the qualified wages of the entity for the taxable year.

13 “(b) DOLLAR LIMITATIONS.—

14 “(1) IN GENERAL.—The amount of the credit  
15 determined under subsection (a) with respect to any  
16 qualifying business entity for any taxable year shall  
17 not exceed the lesser of—

18 “(A) \$10,000 (as increased for the taxable  
19 year by the cost-of-living adjustment under sub-  
20 section (f)), or

21 “(B) the excess (if any) of—

22 “(i) an amount equal to 4 times the  
23 amount under subparagraph (A) for the  
24 taxable year, over

1                   “(ii) the amount of the credit deter-  
2                   mined under this section with respect to  
3                   such entity for all preceding taxable years.

4                   “(2) NO CREDIT BY REASON OF COST-OF-LIV-  
5                   ING ADJUSTMENT AFTER OVERALL LIMIT FIRST  
6                   REACHED.—No credit shall be determined under this  
7                   section with respect to any qualifying business entity  
8                   for any taxable year after the first taxable year for  
9                   which the amount determined under clause (ii) of  
10                  paragraph (1)(B) equals or exceeds the amount de-  
11                  termined under clause (i) of such paragraph.

12                  “(3) PASS-THRU ENTITIES.—If a qualifying  
13                  business entity is a partnership, trust, S corporation,  
14                  or other pass-thru entity, the limitations under this  
15                  subsection shall apply at the partnership or other  
16                  entity level and not at the partner or similar level.

17                  “(c) QUALIFIED WAGES.—For purposes of this sec-  
18                  tion—

19                  “(1) IN GENERAL.—The term ‘qualified wages’  
20                  means, with respect to any qualifying business enti-  
21                  ty, the amount of W-2 wages paid or incurred dur-  
22                  ing any eligible taxable year to employees for serv-  
23                  ices performed in connection with the active conduct  
24                  of a trade or business by the entity.

1           “(2) EXCEPTION FOR QUALIFIED ACTIVE IN-  
2           VESTORS AND 5-PERCENT OWNER-EMPLOYEES.—W-  
3           2 wages shall not be taken into account under para-  
4           graph (1) if paid by an entity to an employee, and  
5           such employee shall not be taken into account under  
6           paragraph (3)(A), during any period the employee  
7           is—

8                   “(A) a qualified active investor, or

9                   “(B) an employee other than a qualified  
10                  active investor who is a 5-percent owner (as de-  
11                  fined in section 416(i)(1)(B)(i)) of the entity.

12           “(3) ELIGIBLE TAXABLE YEAR.—

13                   “(A) IN GENERAL.—The term ‘eligible tax-  
14                  able year’ means any taxable year of a quali-  
15                  fying business entity—

16                           “(i) which occurs during the period—

17                                   “(I) beginning with the first tax-  
18                                  able year of the entity in which the  
19                                  entity employed at least 1 full-time  
20                                  employee (or employees constituting a  
21                                  full-time equivalent employee) in 1 or  
22                                  more trades or businesses actively  
23                                  conducted by the entity during the  
24                                  taxable year and paid W-2 wages to

1 such employee or employees with re-  
2 spect to such employment, and

3 “(II) ending with the last taxable  
4 year for which a credit may be deter-  
5 mined for the entity under this section  
6 by reason of the limitation under sub-  
7 section (b)(2), and

8 “(ii) in the case of a taxable year  
9 other than the first taxable year described  
10 in clause (i)(I), with respect to which the  
11 entity meets the employment and wage re-  
12 quirements of such clause.

13 Such term shall not include any taxable year  
14 during such a period if the first taxable year  
15 described in clause (i)(I) of the entity (or any  
16 predecessor) begins before January 1, 2020.

17 “(B) W-2 WAGES; FULL-TIME EMPLOY-  
18 EES.—For purposes of this subsection, W-2  
19 wages, full-time employees, and full-time em-  
20 ployee equivalents shall be determined in the  
21 same manner as under section 45T.

22 “(d) QUALIFYING BUSINESS ENTITY.—For purposes  
23 of this section—

24 “(1) QUALIFYING BUSINESS ENTITY DE-  
25 FINED.—

1           “(A) IN GENERAL.—The term ‘qualifying  
2 business entity’ means, with respect to any tax-  
3 able year for which a credit under this section  
4 is being determined, any entity—

5                   “(i) which is engaged in the active  
6 conduct of 1 or more trades or businesses,

7                   “(ii) with respect to which the quali-  
8 fied active investor ownership requirements  
9 of paragraph (2) of section 45T(d) are met  
10 as of the close of such taxable year (rather  
11 than immediately before and after the  
12 qualified investment), and

13                   “(iii) with respect to which the certifi-  
14 cation requirements of paragraph (2) are  
15 met.

16           “(B) ENTITIES UNDER COMMON CON-  
17 TROL.—For purposes of this section—

18                   “(i) IN GENERAL.—All qualifying  
19 business entities treated as a single em-  
20 ployer under subsection (a) or (b) of sec-  
21 tion 52 or subsection (m) or (o) of section  
22 414 shall be treated as a single qualifying  
23 business entity.

24                   “(ii) ALLOCATION OF CREDIT.—Ex-  
25 cept as provided in regulations, the credit

1 under this section shall be allocated among  
2 the entities comprising the single entity de-  
3 scribed in clause (i) in proportion to the  
4 qualified wages of each such entity taken  
5 into account under subsection (a).

6 “(2) CERTIFICATION REQUIREMENTS.—

7 “(A) IN GENERAL.—The requirements of  
8 this paragraph are met with respect to any enti-  
9 ty for any taxable year described in paragraph  
10 (1) if the entity certifies, in such form and  
11 manner and at such time as the Secretary may  
12 prescribe, that the entity meets the require-  
13 ments described in clauses (i) and (ii) of para-  
14 graph (1)(A).

15 “(B) CERTIFICATION PROVIDED TO SEC-  
16 RETARY.—An entity shall include the certifi-  
17 cation under subparagraph (A), and the names,  
18 addresses, and taxpayer identification numbers  
19 of the entity’s qualified active investors (and  
20 employees who are 5-percent owners described  
21 in subsection (c)(2)(B)), with its return of tax  
22 for the taxable year to which the certification  
23 relates. The requirement of this subparagraph  
24 is met only if such return is filed before its due  
25 date (including extensions).



1           “(3) QUALIFIED ACTIVE INVESTOR.—For pur-  
2           poses of this section (including applying the require-  
3           ments of paragraph (2) of section 45T(d) for pur-  
4           poses of paragraph (1)(A)(ii)), the term ‘qualified  
5           active investor’ has the same meaning given such  
6           term by section 45T(d)(5), except that such section  
7           shall be applied separately for each taxable year de-  
8           scribed in paragraph (1) (rather than the taxable  
9           year of the qualified investment).

10          “(e) ELECTION TO APPLY CREDIT AGAINST PAY-  
11          ROLL TAXES.—

12                 “(1) IN GENERAL.—At the election of a quali-  
13                 fying business entity, section 3111(g) shall apply to  
14                 the payroll tax credit portion of the credit otherwise  
15                 determined under subsection (a) for the taxable year  
16                 and such portion shall not be treated (other than for  
17                 purposes of section 280C) as a credit determined  
18                 under subsection (a).

19                 “(2) PAYROLL TAX CREDIT PORTION.—For  
20                 purposes of this subsection, the payroll tax credit  
21                 portion of the credit determined under subsection  
22                 (a) with respect to any qualifying business entity for  
23                 any taxable year is the least of—

24                         “(A) the amount specified in the election  
25                         made under this subsection,

1           “(B) the credit determined under sub-  
2 section (a) for the taxable year (determined be-  
3 fore the application of this subsection), or

4           “(C) in the case of a qualifying business  
5 entity other than a partnership, estate, S cor-  
6 poration or other pass-thru entity, the amount  
7 of the business credit carryforward under sec-  
8 tion 39 carried from the taxable year (deter-  
9 mined before the application of this subsection  
10 to the taxable year).

11           “(3) ELECTION.—

12           “(A) IN GENERAL.—Any election under  
13 this subsection for any taxable year—

14                   “(i) shall specify the amount of the  
15 credit to which such election applies,

16                   “(ii) shall be made on or before the  
17 due date (including extensions) of the re-  
18 turn for the taxable year, and

19                   “(iii) may be revoked only with the  
20 consent of the Secretary.

21           “(B) SPECIAL RULE FOR PASS-THRU ENTI-  
22 TIES.—In the case of a partnership, estate, S  
23 corporation, or other pass-thru entity, the elec-  
24 tion made under this subsection shall be made  
25 at the entity level.

1 “(f) COST-OF-LIVING ADJUSTMENTS.—In the case of  
2 any taxable year beginning after 2020, the \$10,000  
3 amount under subsection (b)(1)(A) shall be increased by  
4 an amount equal to—

5 “(1) such dollar amount, multiplied by

6 “(2) the cost-of-living adjustment under section  
7 1(f)(3) for the calendar year in which the taxable  
8 year begins, determined by substituting ‘2019’ for  
9 ‘2016’ in subparagraph (A)(ii) thereof.

10 If any increase in such amount is not a multiple of \$100,  
11 such increase shall be rounded to the next lowest multiple  
12 of \$100.

13 “(g) OTHER RULES.—For purposes of this section—

14 “(1) RULES RELATING TO ENTITIES.—Rules  
15 similar to the rules of section 45T(e)(3) shall apply.

16 “(2) ELECTION NOT TO HAVE CREDIT APPLY.—

17 “(A) IN GENERAL.—A taxpayer may elect  
18 not to have this section apply for any taxable  
19 year.

20 “(B) OTHER RULES.—Rules similar to the  
21 rules of paragraphs (2) and (3) of section 51(j)  
22 shall apply for purposes of this paragraph.

23 “(3) CERTAIN OTHER RULES MADE APPLICA-  
24 BLE.—Rules similar to the rules of subsections (c),  
25 (d), and (e) of section 52 shall apply.

1       “(h) REGULATIONS.—The Secretary shall prescribe  
2 such regulations or other guidance as may be necessary  
3 to carrying out the provisions of this section, including  
4 regulations—

5               “(1) preventing the avoidance of the limitations  
6 under this section in cases in which there is a suc-  
7 cessor or new qualified business entity with respect  
8 to the same trade or business for which a prede-  
9 cessor qualified business entity already claimed the  
10 credit under this section,

11               “(2) to minimize compliance and recordkeeping  
12 burdens under the provisions of this section, and

13               “(3) for recapturing the benefit of credits deter-  
14 mined under section 3111(g) in cases where there is  
15 a recapture or a subsequent adjustment to the pay-  
16 roll tax credit portion of the credit determined under  
17 subsection (a), including requiring amended income  
18 tax returns in the cases where there is such an ad-  
19 justment.”.

20               (2) CREDIT TO BE PART OF GENERAL BUSI-  
21 NESS CREDIT.—Section 38(b) of such Code, as  
22 amended by section 2, is amended by striking “plus”  
23 at the end of paragraph (32), by striking the period  
24 at the end of paragraph (33) and inserting “, plus”,

1 and by adding at the end the following new para-  
2 graph:

3 “(34) the first employee business wage credit  
4 determined under section 45U(a).”.

5 (3) CREDIT ALLOWED AGAINST ALTERNATIVE  
6 MINIMUM TAX.—Section 38(c)(4)(B) of such Code,  
7 as amended by section 2, is amended by redesignig-  
8 nating clauses (xi), (xii), and (xiii) as clauses (xii),  
9 (xiii), and (xiv), respectively, and by inserting after  
10 clause (x) the following new clause:

11 “(xi) the credit determined under sec-  
12 tion 45U,”.

13 (4) CLERICAL AMENDMENT.—The table of sec-  
14 tions for subpart D of part IV of subchapter A of  
15 chapter 1 of such Code, as amended by section 2, is  
16 amended by adding at the end the following new  
17 item:

“Sec. 45U. First employee business wage credit.”.

18 (b) PAYROLL TAX CREDIT.—Section 3111 of the In-  
19 ternal Revenue Code of 1986 is amended by adding at the  
20 end the following new subsection:

21 “(g) CREDIT FOR FIRST EMPLOYEE BUSINESS WAGE  
22 EXPENSES.—

23 “(1) IN GENERAL.—In the case of a taxpayer  
24 who has made an election under section 45U(e) for  
25 a taxable year, there shall be allowed as a credit

1 against the tax imposed by subsection (a) for the  
2 first calendar quarter which begins after the date on  
3 which the taxpayer files the return for the taxable  
4 year an amount equal to the payroll tax credit por-  
5 tion determined under section 45U(e)(2).

6 “(2) LIMITATION.—The credit allowed by para-  
7 graph (1) shall not exceed the tax imposed by sub-  
8 section (a) for any calendar quarter on the wages  
9 paid with respect to the employment of all individ-  
10 uals in the employ of the employer.

11 “(3) CARRYOVER OF UNUSED CREDIT.—If the  
12 amount of the credit under paragraph (1) exceeds  
13 the limitation of paragraph (2) for any calendar  
14 quarter, such excess shall be carried to the suc-  
15 ceeding calendar quarter and allowed as a credit  
16 under paragraph (1) for such quarter.

17 “(4) DEDUCTION ALLOWED FOR CREDITED  
18 AMOUNTS.—Notwithstanding section 280C(a), the  
19 credit allowed under paragraph (1) shall not be  
20 taken into account for purposes of determining the  
21 amount of any deduction allowed under chapter 1  
22 for taxes imposed under subsection (a).”.

23 (c) COORDINATION WITH DEDUCTIONS AND OTHER  
24 CREDITS.—

1           (1) DEDUCTIONS.—Section 280C(a) of the In-  
2           ternal Revenue Code of 1986 is amended by insert-  
3           ing “45U(a),” after “45S(a),”.

4           (2) OTHER CREDITS.—

5           (A) Section 41(b)(2)(D) of such Code is  
6           amended by adding at the end the following:

7                   “(iv) EXCLUSION FOR WAGES TO  
8                   WHICH FIRST EMPLOYEE WAGE CREDIT  
9                   APPLIES.—The term ‘wages’ shall not in-  
10                  clude any amount taken into account in  
11                  determining the credit under section  
12                  45U.”.

13          (B) Section 45A(b)(1) of such Code is  
14          amended by adding at the end the following:

15                  “(C) COORDINATION WITH FIRST EM-  
16                  PLOYEE WAGE CREDIT.—The term ‘qualified  
17                  wages’ shall not include wages if any portion of  
18                  such wages is taken into account in determining  
19                  the credit under section 45U.”.

20          (C) Section 1396(c)(3) of such Code is  
21          amended—

22                  (i) by striking “section 51” each place  
23                  it appears and inserting “section 45U or  
24                  51”, and

1                   (ii) by inserting “AND FIRST EM-  
2                   PLOYEE WAGE” after “OPPORTUNITY” in  
3                   the heading thereof.

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

○