

114TH CONGRESS  
2D SESSION

# H. R. 4936

To provide assistance to small businesses.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 14, 2016

Mr. WALBERG introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Oversight and Government Reform, Small Business, Education and the Workforce, and the Judiciary, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To provide assistance to 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; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Main Street Jobs and Opportunity Act of 2016”.

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

Sec. 1. Short title; table of contents.

### TITLE I—DEATH TAX REPEAL

Sec. 101. Repeal of estate and generation-skipping transfer taxes.

Sec. 102. Modifications of gift tax.

## TITLE II—SMALL BUSINESS PAPERWORK RELIEF

Sec. 201. Suspension of fines for first-time paperwork violations by small business concerns.

## TITLE III—OCCUPATIONAL LICENSING

Sec. 301. Sense of Congress regarding occupational licensing.

Sec. 302. Study on effects of certain occupational licensing requirements.

## TITLE IV—RESTORE TRADITIONAL DEFINITION OF FULL-TIME EMPLOYMENT

Sec. 401. Repeal of 30-hour threshold for classification as full-time employee for purposes of the employer mandate in the Patient Protection and Affordable Care Act and replacement with 40 hours.

## TITLE V—SMALL BUSINESS START-UP SAVINGS ACCOUNTS

Sec. 501. Establishment of Small Business Start-Up Savings Accounts.

## TITLE VI—LIMIT FRIVOLOUS LAWSUITS

Sec. 601. Attorney accountability.

## TITLE VII—INCREASE IRS ACCOUNTABILITY

Sec. 701. Modification of standards for awarding of costs and certain fees.

Sec. 702. Civil damages allowed for reckless or intentional disregard of internal revenue laws.

Sec. 703. Modifications relating to certain offenses by officers and employees in connection with revenue laws.

Sec. 704. Modifications relating to civil damages for unauthorized inspection or disclosure of returns and return information.

Sec. 705. Increase in monetary penalties for certain unauthorized disclosures of information.

1 **TITLE I—DEATH TAX REPEAL**2 **SEC. 101. REPEAL OF ESTATE AND GENERATION-SKIPPING**3 **TRANSFER TAXES.**

4 (a) ESTATE TAX REPEAL.—Subchapter C of chapter  
5 11 of subtitle B of the Internal Revenue Code of 1986  
6 is amended by adding at the end the following new section:

7 **“SEC. 2210. TERMINATION.**

8 “(a) IN GENERAL.—Except as provided in subsection  
9 (b), this chapter shall not apply to the estates of decedents

1 dying on or after the date of the enactment of the Main  
 2 Street Jobs and Opportunity Act of 2016.

3 “(b) CERTAIN DISTRIBUTIONS FROM QUALIFIED  
 4 DOMESTIC TRUSTS.—In applying section 2056A with re-  
 5 spect to the surviving spouse of a decedent dying before  
 6 the date of the enactment of the Main Street Jobs and  
 7 Opportunity Act of 2016—

8 “(1) section 2056A(b)(1)(A) shall not apply to  
 9 distributions made after the 10-year period begin-  
 10 ning on such date, and

11 “(2) section 2056A(b)(1)(B) shall not apply on  
 12 or after such date.”.

13 (b) GENERATION-SKIPPING TRANSFER TAX RE-  
 14 PEAL.—Subchapter G of chapter 13 of subtitle B of such  
 15 Code is amended by adding at the end the following new  
 16 section:

17 **“SEC. 2664. TERMINATION.**

18 “This chapter shall not apply to generation-skipping  
 19 transfers on or after the date of the enactment of the Main  
 20 Street Jobs and Opportunity Act of 2016.”.

21 (c) CONFORMING AMENDMENTS.—

22 (1) The table of sections for subchapter C of  
 23 chapter 11 of the Internal Revenue Code of 1986 is  
 24 amended by adding at the end the following new  
 25 item:

“Sec. 2210. Termination.”.

1 (2) The table of sections for subchapter G of  
2 chapter 13 of such Code is amended by adding at  
3 the end the following new item:

“Sec. 2664. Termination.”.

4 (d) EFFECTIVE DATE.—The amendments made by  
5 this section shall apply to the estates of decedents dying,  
6 and generation-skipping transfers, on or after the date of  
7 the enactment of this Act.

8 **SEC. 102. MODIFICATIONS OF GIFT TAX.**

9 (a) COMPUTATION OF GIFT TAX.—Subsection (a) of  
10 section 2502 of the Internal Revenue Code of 1986 is  
11 amended to read as follows:

12 “(a) COMPUTATION OF TAX.—

13 “(1) IN GENERAL.—The tax imposed by section  
14 2501 for each calendar year shall be an amount  
15 equal to the excess of—

16 “(A) a tentative tax, computed under para-  
17 graph (2), on the aggregate sum of the taxable  
18 gifts for such calendar year and for each of the  
19 preceding calendar periods, over

20 “(B) a tentative tax, computed under para-  
21 graph (2), on the aggregate sum of the taxable  
22 gifts for each of the preceding calendar periods.

23 “(2) RATE SCHEDULE.—

<b>“If the amount with respect to which the tentative tax to be computed is:</b>	<b>The tentative tax is:</b>
Not over \$10,000 .....	18% of such amount.

Over \$10,000 but not over \$20,000 .....	\$1,800, plus 20% of the excess over \$10,000.
Over \$20,000 but not over \$40,000 .....	\$3,800, plus 22% of the excess over \$20,000.
Over \$40,000 but not over \$60,000 .....	\$8,200, plus 24% of the excess over \$40,000.
Over \$60,000 but not over \$80,000 .....	\$13,000, plus 26% of the excess over \$60,000.
Over \$80,000 but not over \$100,000 .....	\$18,200, plus 28% of the excess over \$80,000.
Over \$100,000 but not over \$150,000 .....	\$23,800, plus 30% of the excess over \$100,000.
Over \$150,000 but not over \$250,000 .....	\$38,800, plus 32% of the excess of \$150,000.
Over \$250,000 but not over \$500,000 .....	\$70,800, plus 34% of the excess over \$250,000.
Over \$500,000 .....	\$155,800, plus 35% of the excess of \$500,000.”.

1           (b) TREATMENT OF CERTAIN TRANSFERS IN  
2 TRUST.—Section 2511 of the Internal Revenue Code of  
3 1986 is amended by adding at the end the following new  
4 subsection:

5           “(c) TREATMENT OF CERTAIN TRANSFERS IN  
6 TRUST.—Notwithstanding any other provision of this sec-  
7 tion and except as provided in regulations, a transfer in  
8 trust shall be treated as a taxable gift under section 2503,  
9 unless the trust is treated as wholly owned by the donor  
10 or the donor’s spouse under subpart E of part I of sub-  
11 chapter J of chapter 1.”.

12           (c) LIFETIME GIFT EXEMPTION.—

1           (1) IN GENERAL.—Paragraph (1) of section  
2           2505(a) of the Internal Revenue Code of 1986 is  
3           amended to read as follows:

4           “(1) the amount of the tentative tax which  
5           would be determined under the rate schedule set  
6           forth in section 2502(a)(2) if the amount with re-  
7           spect to which such tentative tax is to be computed  
8           were \$5,000,000, reduced by”.

9           (2) INFLATION ADJUSTMENT.—Section 2505 of  
10          such Code is amended by adding at the end the fol-  
11          lowing new subsection:

12          “(d) INFLATION ADJUSTMENT.—

13                 “(1) IN GENERAL.—In the case of any calendar  
14                 year after 2011, the dollar amount in subsection  
15                 (a)(1) shall be increased by an amount equal to—

16                         “(A) such dollar amount, multiplied by

17                         “(B) the cost-of-living adjustment deter-  
18                         mined under section 1(f)(3) for such calendar  
19                         year by substituting ‘calendar year 2010’ for  
20                         ‘calendar year 1992’ in subparagraph (B)  
21                         thereof.

22                 “(2) ROUNDING.—If any amount as adjusted  
23                 under paragraph (1) is not a multiple of \$10,000,  
24                 such amount shall be rounded to the nearest mul-  
25                 tiple of \$10,000.”.

1 (d) CONFORMING AMENDMENTS.—

2 (1) The heading for section 2505 of such Code  
3 is amended by striking “**UNIFIED**”.

4 (2) The item in the table of sections for sub-  
5 chapter A of chapter 12 of such Code relating to  
6 section 2505 is amended to read as follows:

“Sec. 2505. Credit against gift tax.”.

7 (3) Section 2801(a)(1) of such Code is amended  
8 by striking “section 2001(c) as in effect on the date  
9 of such receipt” and inserting “section 2502(a)(2)”.

10 (e) EFFECTIVE DATE.—The amendments made by  
11 this section shall apply to gifts made on or after the date  
12 of the enactment of this Act.

13 (f) TRANSITION RULE.—

14 (1) IN GENERAL.—For purposes of applying  
15 sections 1015(d), 2502, and 2505 of the Internal  
16 Revenue Code of 1986, the calendar year in which  
17 this Act is enacted shall be treated as 2 separate cal-  
18 endar years one of which ends on the day before the  
19 date of the enactment of this Act and the other of  
20 which begins on such date of enactment.

21 (2) APPLICATION OF SECTION 2504(b).—For  
22 purposes of applying section 2504(b) of the Internal  
23 Revenue Code of 1986, the calendar year in which  
24 this Act is enacted shall be treated as one preceding  
25 calendar period.

1           **TITLE II—SMALL BUSINESS**  
2                   **PAPERWORK RELIEF**

3   **SEC. 201. SUSPENSION OF FINES FOR FIRST-TIME PAPER-**  
4                   **WORK VIOLATIONS BY SMALL BUSINESS CON-**  
5                   **CERNS.**

6           Section 3506 of title 44, United States Code (com-  
7   monly referred to as the “Paperwork Reduction Act”), is  
8   amended by adding at the end the following:

9           “(j) SMALL BUSINESSES.—

10                   “(1) SMALL BUSINESS CONCERN.—In this sub-  
11   section, the term ‘small business concern’ has the  
12   meaning given that term under section 3 of the  
13   Small Business Act (15 U.S.C. 632).

14                   “(2) IN GENERAL.—In the case of a first-time  
15   violation by a small business concern of a require-  
16   ment regarding the collection of information by an  
17   agency, the head of the agency shall not impose a  
18   civil fine on the small business concern unless the  
19   head of the agency determines that—

20                           “(A) the violation has the potential to  
21   cause serious harm to the public interest;

22                           “(B) failure to impose a civil fine would  
23   impede or interfere with the detection of crimi-  
24   nal activity;



1           “(C) the violation is a violation of an inter-  
2           nal revenue law or a law concerning the assess-  
3           ment or collection of any tax, debt, revenue, or  
4           receipt;

5           “(D) the violation was not corrected on or  
6           before the date that is 6 months after the date  
7           on which the small business concern receives  
8           notification of the violation in writing from the  
9           agency; or

10           “(E) except as provided in paragraph (3),  
11           the violation presents a danger to the public  
12           health or safety.

13           “(3) DANGER TO PUBLIC HEALTH OR SAFE-  
14           TY.—

15           “(A) IN GENERAL.—In any case in which  
16           the head of an agency determines under para-  
17           graph (2)(E) that a violation presents a danger  
18           to the public health or safety, the head of the  
19           agency may, notwithstanding paragraph (2)(E),  
20           determine not to impose a civil fine on the  
21           small business concern if the violation is cor-  
22           rected not later than 24 hours after receipt by  
23           the owner of the small business concern of noti-  
24           fication of the violation in writing.

1           “(B) CONSIDERATIONS.—In determining  
2 whether to allow a small business concern 24  
3 hours to correct a violation under subparagraph  
4 (A), the head of an agency shall take into ac-  
5 count all of the facts and circumstances regard-  
6 ing the violation, including—

7                   “(i) the nature and seriousness of the  
8 violation, including whether the violation is  
9 technical or inadvertent or involves willful  
10 or criminal conduct;

11                   “(ii) whether the small business con-  
12 cern has made a good faith effort to com-  
13 ply with applicable laws and to remedy the  
14 violation within the shortest practicable pe-  
15 riod of time; and

16                   “(iii) whether the small business con-  
17 cern has obtained a significant economic  
18 benefit from the violation.

19           “(C) NOTICE TO CONGRESS.—In any case  
20 in which the head of an agency imposes a civil  
21 fine on a small business concern for a violation  
22 that presents a danger to the public health or  
23 safety and does not allow the small business  
24 concern 24 hours to correct the violation under  
25 subparagraph (A), the head of the agency shall

1 notify Congress regarding the determination  
 2 not later than 60 days after the date on which  
 3 the civil fine is imposed by the agency.

4 “(4) LIMITED TO FIRST-TIME VIOLATIONS.—

5 “(A) IN GENERAL.—This subsection shall  
 6 not apply to any violation by a small business  
 7 concern of a requirement regarding collection of  
 8 information by an agency if the small business  
 9 concern previously violated any requirement re-  
 10 garding collection of information by the agency.

11 “(B) OTHER AGENCIES.—For purposes of  
 12 making a determination under subparagraph  
 13 (A), the head of an agency shall not take into  
 14 account any violation of a requirement regard-  
 15 ing collection of information by another agen-  
 16 cy.”.

17 **TITLE III—OCCUPATIONAL**  
 18 **LICENSING**

19 **SEC. 301. SENSE OF CONGRESS REGARDING OCCUPA-**  
 20 **TIONAL LICENSING.**

21 It is the sense of Congress that—

22 (1) the Department of Labor should act within  
 23 its existing authority to reduce employment barriers  
 24 created by certain occupational licensing require-  
 25 ments, including providing technical assistance and

1 disseminating guidance and information on best  
2 practices to States interested in increasing economic  
3 opportunity through licensing reciprocity agreements  
4 or other approaches; and

5 (2) that States should form interstate compacts  
6 to make it easier for licensed workers to practice  
7 and relocate across State lines, while also enabling  
8 State regulators to share practitioners' performance  
9 histories.

10 **SEC. 302. STUDY ON EFFECTS OF CERTAIN OCCUPATIONAL**  
11 **LICENSING REQUIREMENTS.**

12 (a) STUDY.—The Secretary of Labor shall conduct  
13 a study on the effects of occupational licensing require-  
14 ments to determine how such requirements may—

15 (1) affect the service quality of certain occupa-  
16 tions;

17 (2) affect public safety; and

18 (3) impose barriers to entry for establishing  
19 small businesses, inhibit competition, increase costs  
20 to consumers, limit hiring, or negatively impact cer-  
21 tain populations.

22 (b) REPORT.—Not later than 180 days after the date  
23 of enactment of this Act, the Secretary shall transmit a  
24 report to Congress detailing the results of the study re-

1 quired by subsection (a), including any recommendation  
 2 for legislation.

3 **TITLE IV—RESTORE TRADI-**  
 4 **TIONAL DEFINITION OF FULL-**  
 5 **TIME EMPLOYMENT**

6 **SEC. 401. REPEAL OF 30-HOUR THRESHOLD FOR CLASSI-**  
 7 **FICATION AS FULL-TIME EMPLOYEE FOR**  
 8 **PURPOSES OF THE EMPLOYER MANDATE IN**  
 9 **THE PATIENT PROTECTION AND AFFORD-**  
 10 **ABLE CARE ACT AND REPLACEMENT WITH 40**  
 11 **HOURS.**

12 (a) **FULL-TIME EQUIVALENTS.**—Paragraph (2) of  
 13 section 4980H(c) of the Internal Revenue Code of 1986  
 14 is amended—

15 (1) by repealing subparagraph (E), and

16 (2) by inserting after subparagraph (D) the fol-  
 17 lowing new subparagraph:

18 “(E) **FULL-TIME EQUIVALENTS TREATED**  
 19 **AS FULL-TIME EMPLOYEES.**—Solely for pur-  
 20 poses of determining whether an employer is an  
 21 applicable large employer under this paragraph,  
 22 an employer shall, in addition to the number of  
 23 full-time employees for any month otherwise de-  
 24 termined, include for such month a number of  
 25 full-time employees determined by dividing the

1 aggregate number of hours of service of employ-  
2 ees who are not full-time employees for the  
3 month by 174.”.

4 (b) FULL-TIME EMPLOYEES.—Paragraph (4) of sec-  
5 tion 4980H(c) of the Internal Revenue Code of 1986 is  
6 amended—

7 (1) by repealing subparagraph (A), and

8 (2) by inserting before subparagraph (B) the  
9 following new subparagraph:

10 “(A) IN GENERAL.—The term ‘full-time  
11 employee’ means, with respect to any month, an  
12 employee who is employed on average at least  
13 40 hours of service per week.”.

14 (c) EFFECTIVE DATE.—The amendments made by  
15 this section shall apply to months beginning after Decem-  
16 ber 31, 2013.

17 **TITLE V—SMALL BUSINESS**  
18 **START-UP SAVINGS ACCOUNTS**

19 **SEC. 501. ESTABLISHMENT OF SMALL BUSINESS START-UP**  
20 **SAVINGS ACCOUNTS.**

21 (a) IN GENERAL.—Chapter 77 of the Internal Rev-  
22 enue Code of 1986 is amended by adding at the end the  
23 following new section:

1 **“SEC. 7529. SMALL BUSINESS START-UP SAVINGS AC-**  
2 **COUNTS.**

3 “(a) IN GENERAL.—An individual or an eligible small  
4 business may enter into an agreement with the Secretary  
5 to establish a small business start-up savings account.

6 “(b) SMALL BUSINESS START-UP SAVINGS AC-  
7 COUNT.—For purposes of this section, the term ‘small  
8 business start-up savings account’ means a trust created  
9 or organized in the United States for the benefit of the  
10 account beneficiary, but only if the written governing in-  
11 strument creating the trust meets the following require-  
12 ments:

13 “(1) Except as provided in subsection (d)(3) in  
14 the case of a rollover contribution, no contribution  
15 will be accepted unless it is in cash, and contribu-  
16 tions will not be accepted for the taxable year on be-  
17 half of any account beneficiary in excess of the  
18 amount in effect for such taxable year under sub-  
19 section (d)(2).

20 “(2) The trustee is a bank (as defined in sec-  
21 tion 408(n)) or such other person who demonstrates  
22 to the satisfaction of the Secretary that the manner  
23 in which such other person will administer the trust  
24 will be consistent with the requirements of this sec-  
25 tion.

1           “(3) No part of the trust funds will be invested  
2           in life insurance contracts.

3           “(4) The interest of an individual in the bal-  
4           ance of his account is nonforfeitable.

5           “(5) The assets of the trust will not be commin-  
6           gled with other property except in a common trust  
7           fund or common investment fund.

8           “(c) ELIGIBLE SMALL BUSINESS.—For purposes of  
9           this section, the term ‘eligible small business’ means, with  
10          respect to any taxable year, any person engaged in a trade  
11          or business if the average number of employees employed  
12          by such person on business days during the taxable year  
13          was 500 or fewer.

14          “(d) TREATMENT OF CONTRIBUTIONS.—

15                 “(1) IN GENERAL.—There shall be allowed as a  
16                 deduction for the taxable year an amount equal to  
17                 so much of the account beneficiary’s contributions  
18                 for the taxable year to all small business start-up  
19                 savings accounts maintained for the benefit of such  
20                 beneficiary as do not exceed the contribution limita-  
21                 tions in effect for the taxable year under paragraph  
22                 (2).

23                 “(2) CONTRIBUTION LIMITATION.—

24                         “(A) IN GENERAL.—The amount allowable  
25                         as a deduction under paragraph (1) with re-



1           spect to all small business start-up savings ac-  
2           counts maintained for the benefit of any person  
3           shall not exceed the lesser of—

4                   “(i) \$10,000, or

5                   “(ii) \$150,000, reduced by the aggre-  
6           gate contributions by such person for all  
7           taxable years with respect to all small busi-  
8           ness start-up savings accounts of the tax-  
9           payer.

10          “(B) COST OF LIVING ADJUSTMENT.—

11                   “(i) IN GENERAL.—In the case of a  
12           taxable year beginning after 2016, the  
13           \$10,000 amount in subparagraph (A) shall  
14           be increased by an amount equal to—

15                   “(I) such dollar amount, multi-  
16           plied by

17                   “(II) the cost-of-living adjust-  
18           ment determined under section 1(f)(3)  
19           for the calendar year in which the tax-  
20           able year begins, determined by sub-  
21           stituting ‘calendar year 2015’ for ‘cal-  
22           endar year 1992’ in subparagraph (B)  
23           thereof.

24                   “(ii) ROUNDING.—If any amount as  
25           adjusted under clause (i) is not a multiple

1                   of \$500, such amount shall be rounded to  
2                   the next lowest multiple of \$500.

3                   “(3) ROLLOVERS FROM RETIREMENT PLANS  
4                   NOT ALLOWED.—Under regulations prescribed by  
5                   the Secretary, a person may make a rollover con-  
6                   tribution to a small business start-up savings ac-  
7                   count only in the case of a rollover from another  
8                   small business start-up savings account.

9                   “(4) TREATED AS DEDUCTION FOR INDIVID-  
10                   UALS AND CORPORATIONS.—For purposes of chapter  
11                   1, the deduction allowed under paragraph (1) shall  
12                   be treated as a deduction specified in part VI of sub-  
13                   chapter B of chapter 1 (relating to itemized deduc-  
14                   tions for individuals and corporations).

15                   “(e) TREATMENT OF DISTRIBUTIONS.—

16                   “(1) TAX TREATMENT.—

17                   “(A) EXCLUSION OF QUALIFIED DISTRIBUTI-  
18                   ONS.—Any qualified distribution from a small  
19                   business start-up savings account shall not be  
20                   includible in gross income.

21                   “(B) INCLUSION OF OTHER DISTRIBUTI-  
22                   ONS.—Any distribution from a small business  
23                   start-up savings account which is not a quali-  
24                   fied distribution shall be included in gross in-  
25                   come.

1           “(2) QUALIFIED DISTRIBUTION.—For purposes  
2 of this subsection, the term ‘qualified distribution’  
3 means, with respect to any taxable year, any pay-  
4 ment or distribution from a small business start-up  
5 savings account—

6           “(A) to the extent the amount of such pay-  
7 ment or distribution does not exceed the sum  
8 of—

9           “(i) the aggregate amounts paid or in-  
10 curred by the taxpayer for such taxable  
11 year with respect to the taxpayer’s trade or  
12 business for the purchase of equipment or  
13 facilities, marketing, training, incorpora-  
14 tion, and accounting fees, and

15           “(ii) the aggregate capital contribu-  
16 tions of the taxpayer with respect to an eli-  
17 gible small business for the taxable year  
18 (but only to the extent such amounts are  
19 used by such small business for purposes  
20 described in clause (i)), and

21           “(B) which, in the case of a payment or  
22 distribution subsequent to the first payment or  
23 distribution from such account (or any prede-  
24 cessor to such account)—

1           “(i) is made not later than the close  
2           of the 5th taxable year beginning after the  
3           date of such first payment or distribution,  
4           and

5           “(ii) is made with respect to the same  
6           eligible small business with respect to  
7           which such first payment or distribution  
8           was made.

9           “(3) TREATMENT AFTER DEATH OF ACCOUNT  
10          BENEFICIARY.—

11           “(A) IN GENERAL.—If, by reason of the  
12           death of the account beneficiary, any person ac-  
13           quires the account beneficiary’s interest in a  
14           small business start-up savings account—

15           “(i) such account shall cease to be a  
16           small business start-up savings account as  
17           of the date of death, and

18           “(ii) an amount equal to the fair mar-  
19           ket value of the assets in such account on  
20           such date shall be includible—

21           “(I) in the case of a person who  
22           is not the estate of such beneficiary,  
23           in such person’s gross income for the  
24           taxable year which includes such date,  
25           or

1                   “(II) in the case of a person who  
2                   is the estate of such beneficiary, in  
3                   such beneficiary’s gross income for  
4                   the last taxable year of such bene-  
5                   ficiary.

6                   “(B) SPECIAL RULES.—

7                   “(i) REDUCTION OF INCLUSION FOR  
8                   PREDEATH EXPENSES.—The amount in-  
9                   cludible in gross income under subpara-  
10                  graph (A) shall be reduced by the amounts  
11                  described in paragraph (2) which were in-  
12                  curred by the decedent before the date of  
13                  the decedent’s death and paid by such per-  
14                  son within 1 year after such date.

15                  “(ii) DEDUCTION FOR ESTATE  
16                  TAXES.—An appropriate deduction shall be  
17                  allowed under section 691(c) to any person  
18                  (other than the decedent) with respect to  
19                  amounts included in gross income under  
20                  subparagraph (A)(ii)(I) by such person.

21                  “(4) TREATMENT FOR FAILURE TO BE TREAT-  
22                  ED AS ELIGIBLE SMALL BUSINESS.—If for any tax-  
23                  able year a taxpayer which holds a small business  
24                  start-up savings account as an eligible small busi-  
25                  ness ceases to be an eligible small business—

1           “(A) such account shall cease to be a small  
2           business start-up savings account, and

3           “(B) the balance of such account shall be  
4           treated as paid out for such taxable year in a  
5           distribution which is not a qualified distribu-  
6           tion.

7           “(f) SPECIAL RULES.—

8           “(1) DENIAL OF DOUBLE BENEFIT.—Any de-  
9           duction or credit otherwise allowed for the taxable  
10          year with respect to amounts described in subsection  
11          (e)(2)(A) shall be reduced by an amount equal to  
12          the qualified distributions attributable to such  
13          amounts. The adjusted basis of any property placed  
14          in service for the taxable year shall be reduced by  
15          the amount of any qualified distributions attrib-  
16          utable to such property. For purposes of this para-  
17          graph, qualified distributions shall first be treated as  
18          attributable to amounts described in subsection  
19          (e)(2)(A), then to property placed in service for the  
20          taxable year.

21          “(2) AGGREGATION RULE.—For purposes of  
22          this section, all persons treated as a single employer  
23          under subsection (a) or (b) of section 52, or sub-  
24          section (m) or (o) of section 414, shall be treated as  
25          one person.”.

1 (b) EXCISE TAX ON EXCESS CONTRIBUTIONS AND  
 2 NONQUALIFIED DISTRIBUTIONS.—Subtitle D of the Inter-  
 3 nal Revenue Code of 1986 is amended by adding at the  
 4 end the following new chapter:

5 **“CHAPTER 50A—SMALL BUSINESS START-**  
 6 **UP SAVINGS ACCOUNTS**

“Sec. 5000D. Tax on excess contributions to small business start-up savings accounts.

“Sec. 5000E. Tax on nonqualified distributions from small business start-up savings accounts.

“Sec. 5000F. Cross reference.

7 **“SEC. 5000D. TAX ON EXCESS CONTRIBUTIONS TO SMALL**  
 8 **BUSINESS START-UP SAVINGS ACCOUNTS.**

9 “(a) IN GENERAL.—In the case of a small business  
 10 start-up savings account (within the meaning of section  
 11 7529) there is imposed for each taxable year a tax in an  
 12 amount equal to 6 percent of the amount of the excess  
 13 contributions to such taxpayer’s account (determined as  
 14 of the close of the taxable year).

15 “(b) LIMITATION.—The amount of tax imposed by  
 16 subsection (a) shall not exceed 6 percent of the value of  
 17 the account (determined as of the close of the taxable  
 18 year).

19 “(c) EXCESS CONTRIBUTIONS.—For purposes of this  
 20 section, in the case of contributions to all small business  
 21 start-up savings accounts maintained for the benefit of a  
 22 person, the term ‘excess contributions’ means the sum  
 23 of—

1 “(1) the excess (if any) of—

2 “(A) the amount contributed to such ac-  
3 counts for the taxable year, over

4 “(B) the amount allowable as a contribu-  
5 tion under section 7529(d)(2)(A) for such tax-  
6 able year, and

7 “(2) the amount determined under this sub-  
8 section for the preceding taxable year, reduced by  
9 the sum of—

10 “(A) the distributions out of the accounts  
11 for the taxable year, and

12 “(B) the excess (if any) of—

13 “(i) the maximum amount allowable  
14 as a contribution under section  
15 7529(d)(2)(A) for such taxable year, over

16 “(ii) the amount contributed to such  
17 accounts for such taxable year.

18 **“SEC. 5000E. TAX ON NONQUALIFIED DISTRIBUTIONS FROM**  
19 **SMALL BUSINESS START-UP SAVINGS AC-**  
20 **COUNTS.**

21 “(a) IN GENERAL.—If for any taxable year an  
22 amount is paid or distributed out of a taxpayer’s small  
23 business start-up savings account, there is imposed for  
24 such taxable year a tax in an amount equal to 10 percent



1 of the portion of such amount which is includible in the  
2 gross income of the taxpayer.

3 “(b) EXCEPTION FOR DISABILITY OR DEATH.—Sub-  
4 section (a) shall not apply if the payment or distribution  
5 is made after the account beneficiary becomes disabled  
6 within the meaning of section 72(m)(7) (but only if such  
7 beneficiary’s account was created before becoming so dis-  
8 abled) or dies.

9 **“SEC. 5000F. CROSS REFERENCE.**

10 “For prohibited transactions, see section 4975.”.

11 (c) PROHIBITED TRANSACTIONS.—

12 (1) IN GENERAL.—Paragraph (1) of section  
13 4975(e) of such Code is amended by striking “or”  
14 at the end of subparagraph (F), by striking the pe-  
15 riod at the end of subparagraph and inserting “,  
16 or”, and by adding at the end the following new sub-  
17 paragraph:

18 “(H) a small business start-up savings ac-  
19 count (within the meaning of section 7529).”.

20 (2) SPECIAL RULE FOR CEASING TO BE A  
21 SMALL BUSINESS START-UP SAVINGS ACCOUNT.—

22 Section 4975(c) of such Code (relating to tax on  
23 prohibited transactions) is amended by adding at the  
24 end the following new paragraph:

1           “(7) SPECIAL RULE FOR SMALL BUSINESS  
2           START-UP SAVINGS ACCOUNT.—An individual for  
3           whose benefit a small business start-up savings ac-  
4           count (within the meaning of section 7529) is estab-  
5           lished shall be exempt from the tax imposed by this  
6           section with respect to any transaction concerning  
7           such account (which would otherwise be taxable  
8           under this section) if, with respect to such trans-  
9           action, the account ceases to be a small business  
10          start-up savings account by reason of the application  
11          of paragraph (3) or (4) of section 7529(e) to such  
12          account.”.

13          (d) DEDUCTION ALLOWED WHETHER OR NOT INDI-  
14          VIDUAL ITEMIZES.—Subsection (a) of section 62 of such  
15          Code is amended by inserting after paragraph (21) the  
16          following new paragraph:

17                 “(22) CONTRIBUTIONS TO SMALL BUSINESS  
18                 START-UP SAVINGS ACCOUNTS.—The deduction al-  
19                 lowed by section 7529(d)(1)(A).”.

20          (e) CONFORMING AMENDMENTS.—

21                 (1) The table of chapters for subtitle D of such  
22                 Code is amended by adding at the end the following  
23                 new item:

                  “CHAPTER 50A. SMALL BUSINESS START-UP SAVINGS ACCOUNTS”.



1 impose additional appropriate sanctions, such as  
2 striking the pleadings, dismissing the suit, or other  
3 directives of a non-monetary nature, or, if warranted  
4 for effective deterrence, an order directing payment  
5 of a penalty into the court.”.

6 (b) **RULE OF CONSTRUCTION.**—Nothing in this Act  
7 or an amendment made by this Act shall be construed to  
8 bar or impede the assertion or development of new claims,  
9 defenses, or remedies under Federal, State, or local laws,  
10 including civil rights laws, or under the Constitution of  
11 the United States.

## 12 **TITLE VII—INCREASE IRS** 13 **ACCOUNTABILITY**

### 14 **SEC. 701. MODIFICATION OF STANDARDS FOR AWARDING** 15 **OF COSTS AND CERTAIN FEES.**

16 (a) **SMALL BUSINESSES ELIGIBLE WITHOUT RE-**  
17 **GARD TO NET WORTH.**—Subparagraph (D) of section  
18 7430(c)(4) of the Internal Revenue Code of 1986 is  
19 amended by striking “and” at the end of clause (i)(II),  
20 by striking the period at the end of clause (ii) and insert-  
21 ing “, and”, and by adding at the end the following new  
22 clause:

23 “(iii) in the case of an eligible small  
24 business, the net worth limitation in clause  
25 (ii) of such section shall not apply.”.

1 (b) ELIGIBLE SMALL BUSINESS.—Paragraph (4) of  
2 section 7430(c) of the Internal Revenue Code of 1986 is  
3 amended by adding at the end the following new subpara-  
4 graph:

5 “(F) ELIGIBLE SMALL BUSINESS.—For  
6 purposes of subparagraph (D)(iii), the term ‘eli-  
7 gible small business’ means, with respect to any  
8 proceeding commenced in a taxable year—

9 “(i) a corporation the stock of which  
10 is not publicly traded,

11 “(ii) a partnership, or

12 “(iii) a sole proprietorship,

13 if the average annual gross receipts of such cor-  
14 poration, partnership, or sole proprietorship for  
15 the 3-taxable-year period preceding such taxable  
16 year does not exceed \$50,000,000. For pur-  
17 poses of applying the test under the preceding  
18 sentence, rules similar to the rules of para-  
19 graphs (2) and (3) of section 448(c) shall  
20 apply.”.

21 (c) EFFECTIVE DATE.—The amendments made by  
22 this section shall apply to proceedings commenced after  
23 the date of the enactment of this Act.

1 **SEC. 702. CIVIL DAMAGES ALLOWED FOR RECKLESS OR IN-**  
2 **TENTIONAL DISREGARD OF INTERNAL REV-**  
3 **ENUE LAWS.**

4 (a) INCREASE IN AMOUNT OF DAMAGES.—Section  
5 7433(b) of the Internal Revenue Code of 1986 is amended  
6 by striking “\$1,000,000 (\$100,000, in the case of neg-  
7 ligence)” and inserting “\$3,000,000 (\$300,000, in the  
8 case of negligence)”.

9 (b) EXTENSION OF TIME TO BRING ACTION.—Sec-  
10 tion 7433(d)(3) of the Internal Revenue Code of 1986 is  
11 amended by striking “2 years” and inserting “5 years”.

12 (c) EFFECTIVE DATE.—The amendments made by  
13 this section shall apply to actions of employees of the In-  
14 ternal Revenue Service after the date of the enactment  
15 of this Act.

16 **SEC. 703. MODIFICATIONS RELATING TO CERTAIN OF-**  
17 **FENSES BY OFFICERS AND EMPLOYEES IN**  
18 **CONNECTION WITH REVENUE LAWS.**

19 (a) INCREASE IN PENALTY.—Section 7214 of the In-  
20 ternal Revenue Code of 1986 is amended—

21 (1) by striking “\$10,000” in subsection (a) and  
22 inserting “\$25,000”, and

23 (2) by striking “\$5,000” in subsection (b) and  
24 inserting “\$10,000”.

1 (b) EFFECTIVE DATE.—The amendments made by  
2 this section shall take effect on the date of the enactment  
3 of this Act.

4 **SEC. 704. MODIFICATIONS RELATING TO CIVIL DAMAGES**  
5 **FOR UNAUTHORIZED INSPECTION OR DIS-**  
6 **CLOSURE OF RETURNS AND RETURN INFOR-**  
7 **MATION.**

8 (a) INCREASE IN AMOUNT OF DAMAGES.—Subpara-  
9 graph (A) of section 7431(c)(1) of the Internal Revenue  
10 Code of 1986 is amended by striking “\$1,000” and insert-  
11 ing “\$10,000”.

12 (b) EFFECTIVE DATE.—The amendment made by  
13 this section shall apply to inspections and disclosure occur-  
14 ring on and after the date of the enactment of this Act.

15 **SEC. 705. INCREASE IN MONETARY PENALTIES FOR CER-**  
16 **TAIN UNAUTHORIZED DISCLOSURES OF IN-**  
17 **FORMATION.**

18 (a) IN GENERAL.—Paragraphs (1), (2), (3), and (4)  
19 of section 7213(a) of the Internal Revenue Code of 1986  
20 are each amended by striking “\$5,000” and inserting  
21 “\$10,000”.

22 (b) EFFECTIVE DATE.—The amendments made by  
23 this section shall apply to disclosures made after the date  
24 of the enactment of this Act.

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