

117<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 8559

To amend the Internal Revenue Code of 1986 to provide tax relief for certain small business owners, to impose a tax on the repurchase of corporate stock, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JULY 28, 2022

Ms. CRAIG introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide tax relief for certain small business owners, to impose a tax on the repurchase of corporate stock, 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 “Small Business Owner  
5 Tax Relief Act of 2022”.

1 **SEC. 2. ENHANCED DEDUCTION FOR CERTAIN SELF-EM-**  
2 **PLOYED INDIVIDUALS.**

3 (a) IN GENERAL.—Section 164(f) of the Internal  
4 Revenue Code of 1986 is amended by adding at the end  
5 the following new paragraph:

6 “(3) ENHANCED DEDUCTION FOR LOWER-IN-  
7 COME INDIVIDUALS.—In the case of an individual  
8 with a gross income of less than \$400,000 for the  
9 taxable year, paragraph (1) shall be applied by sub-  
10 stituting ‘three quarters of the taxes imposed’ for  
11 ‘one-half of the taxes imposed’.”.

12 (b) EFFECTIVE DATE.—The amendment made by  
13 this section shall apply to taxable years beginning after  
14 December 31, 2021.

15 **SEC. 3. EXCISE TAX ON REPURCHASE OF CORPORATE**  
16 **STOCK.**

17 (a) IN GENERAL.—Subtitle D is amended by insert-  
18 ing after chapter 36 the following new chapter:

19 **“CHAPTER 37—REPURCHASE OF**  
20 **CORPORATE STOCK**

“Sec. 4501. Repurchase of corporate stock.

21 **“SEC. 4501. REPURCHASE OF CORPORATE STOCK.**

22 “(a) GENERAL RULE.—There is hereby imposed on  
23 each covered corporation a tax equal to 0.8 percent of the  
24 fair market value of any stock of the corporation which

1 is repurchased by such corporation during the taxable  
2 year.

3 “(b) COVERED CORPORATION.—For purposes of this  
4 section, the term ‘covered corporation’ means any domes-  
5 tic corporation the stock of which is traded on an estab-  
6 lished securities market (within the meaning of section  
7 7704(b)(1)).

8 “(c) REPURCHASE.—For purposes of this section—

9 “(1) IN GENERAL.—The term ‘repurchase’  
10 means—

11 “(A) a redemption within the meaning of  
12 section 317(b) with regard to the stock of a  
13 covered corporation, and

14 “(B) any transaction determined by the  
15 Secretary to be economically similar to a trans-  
16 action described in subparagraph (A).

17 “(2) TREATMENT OF PURCHASES BY SPECIFIED  
18 AFFILIATES.—

19 “(A) IN GENERAL.—The acquisition of  
20 stock of a covered corporation by a specified af-  
21 filiate of such covered corporation, from a per-  
22 son who is not the covered corporation or a  
23 specified affiliate of such covered corporation,  
24 shall be treated as a repurchase of the stock of

1 the covered corporation by such covered cor-  
2 poration.

3 “(B) SPECIFIED AFFILIATE.—For pur-  
4 poses of this section, the term ‘specified affil-  
5 iate’ means, with respect to any corporation—

6 “(i) any corporation more than 50  
7 percent of the stock of which is owned (by  
8 vote or by value), directly or indirectly, by  
9 such corporation, and

10 “(ii) any partnership more than 50  
11 percent of the capital interests or profits  
12 interests of which is held, directly or indi-  
13 rectly, by such corporation.

14 “(3) ADJUSTMENT.—The amount taken into  
15 account under subsection (a) with respect to any  
16 stock repurchased by a covered corporation shall be  
17 reduced by the fair market value of any stock issued  
18 by the covered corporation during the taxable year,  
19 including the fair market value of any stock issued  
20 to employees of such covered corporation or a speci-  
21 fied affiliate of such covered corporation during the  
22 taxable year, whether or not such stock is issued in  
23 response to the exercise of an option to purchase  
24 such stock.

1       “(d) SPECIAL RULES FOR ACQUISITION OF STOCK OF  
2 CERTAIN FOREIGN CORPORATIONS.—

3           “(1) IN GENERAL.—In the case of an acquisi-  
4 tion of stock of an applicable foreign corporation by  
5 a specified affiliate of such corporation (other than  
6 a foreign corporation or a foreign partnership (un-  
7 less such partnership has a domestic entity as a di-  
8 rect or indirect partner)) from a person who is not  
9 the applicable foreign corporation or a specified affil-  
10 iate of such applicable foreign corporation, for pur-  
11 poses of this section—

12           “(A) such specified affiliate shall be treat-  
13 ed as a covered corporation with respect to such  
14 acquisition,

15           “(B) such acquisition shall be treated as a  
16 repurchase of stock of a covered corporation by  
17 such covered corporation, and

18           “(C) the adjustment under subsection  
19 (c)(3) shall be determined only with respect to  
20 stock issued by such specified affiliate to em-  
21 ployees of the specified affiliate.

22           “(2) SURROGATE FOREIGN CORPORATIONS.—In  
23 the case of a repurchase of stock of a covered surro-  
24 gate foreign corporation by such covered surrogate  
25 foreign corporation, or an acquisition of stock of a

1 covered surrogate foreign corporation by a specified  
2 affiliate of such corporation, for purposes of this sec-  
3 tion—

4 “(A) the expatriated entity with respect to  
5 such covered surrogate foreign corporation shall  
6 be treated as a covered corporation with respect  
7 to such repurchase or acquisition,

8 “(B) such repurchase or acquisition shall  
9 be treated as a repurchase of stock of a covered  
10 corporation by such covered corporation, and

11 “(C) the adjustment under subsection  
12 (c)(3) shall be determined only with respect to  
13 stock issued by such expatriated entity to em-  
14 ployees of the expatriated entity.

15 “(3) DEFINITIONS.—For purposes of this sub-  
16 section—

17 “(A) APPLICABLE FOREIGN CORPORA-  
18 TION.—The term ‘applicable foreign corpora-  
19 tion’ means any foreign corporation the stock of  
20 which is traded on an established securities  
21 market (within the meaning of section  
22 7704(b)(1)).

23 “(B) COVERED SURROGATE FOREIGN COR-  
24 PORATION.—The term ‘covered surrogate for-  
25 eign corporation’ means any surrogate foreign

1 corporation (as determined under section  
2 7874(a)(2)(B) by substituting ‘September 20,  
3 2021’ for ‘March 4, 2003’ each place it ap-  
4 pears) the stock of which is traded on an estab-  
5 lished securities market (within the meaning of  
6 section 7704(b)(1)), but only with respect to  
7 taxable years which include any portion of the  
8 applicable period with respect to such corpora-  
9 tion under section 7874(d)(1).

10 “(C) EXPATRIATED ENTITY.—The term  
11 ‘expatriated entity’ has the meaning given such  
12 term by section 7874(a)(2)(A).

13 “(e) EXCEPTIONS.—Subsection (a) shall not apply—

14 “(1) to the extent that the repurchase is part  
15 of a reorganization (within the meaning of section  
16 368(a)) and no gain or loss is recognized on such re-  
17 purchase by the shareholder under chapter 1 by rea-  
18 son of such reorganization,

19 “(2) in any case in which the stock repurchased  
20 is, or an amount of stock equal to the value of the  
21 stock repurchased is, contributed to an employer-  
22 sponsored retirement plan, employee stock ownership  
23 plan, or similar plan,

1           “(3) in any case in which the total value of the  
2           stock repurchased during the taxable year does not  
3           exceed \$1,000,000,

4           “(4) under regulations prescribed by the Sec-  
5           retary, in cases in which the repurchase is by a deal-  
6           er in securities in the ordinary course of business,

7           “(5) to repurchases by a regulated investment  
8           company (as defined in section 851) or a real estate  
9           investment trust, or

10           “(6) to the extent that the repurchase is treated  
11           as a dividend for purposes of this title.

12           “(f) REGULATIONS AND GUIDANCE.—The Secretary  
13           shall prescribe such regulations and other guidance as are  
14           necessary or appropriate to administer and to prevent the  
15           avoidance of the purposes of this section, including regula-  
16           tions and other guidance—

17           “(1) to prevent the abuse of the exceptions pro-  
18           vided by subsection (e),

19           “(2) to address special classes of stock and pre-  
20           ferred stock, and

21           “(3) for the application of the rules under sub-  
22           section (d).”.

23           (b) TAX NOT DEDUCTIBLE.—Paragraph (6) of sec-  
24           tion 275(a) is amended by inserting “37,” before “41”.



1           (c) CLERICAL AMENDMENT.—The table of chapters  
2 for subtitle D is amended by inserting after the item relat-  
3 ing to chapter 36 the following new item:

                  “CHAPTER 37—REPURCHASE OF CORPORATE STOCK”.

4           (d) EFFECTIVE DATE.—The amendments made by  
5 this section shall apply to repurchases (within the meaning  
6 of section 4501(c) of the Internal Revenue Code of 1986,  
7 as added by this section) of stock after December 31,  
8 2021.

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