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# Congress of the United States

## U.S. House of Representatives

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### MEMORANDUM

To: Reporters and Editors  
From: Matthew Beck for Ways and Means Chairman Charles Rangel (D-N.Y.) – 225-3526  
Carol Guthrie for Finance Committee Chairman Max Baucus (D-Mont) – 224-6769  
Re: Chairmen's agreement on small business tax provisions for the supplemental spending bill

Friday afternoon, Chairman Baucus and Chairman Rangel agreed on a package of small business tax incentives for inclusion in the supplemental spending bill currently in conference between the Senate and the House. The package delivered to conferees by the chairmen of the tax-writing committees totals \$4.84 billion in small business tax relief, fully offset. A summary of the tax provisions and offsets is below.

"It's past time to get a pay increase on the ground for America's minimum-wage workers. Chairman Rangel and I worked together to craft a targeted, fiscally responsible package of small business tax incentives that can help minimum wage legislation move through both chambers and into law," said Baucus. "Small businesses employ many, many hardworking Americans, and many of them are preparing for the long-overdue increase in minimum wage that this Congress is finally set to pass. This agreement will provide meaningful tax relief to small businesses across America."

"We have reached final resolution - and I mean final - on a package of small business tax credits that will enable us to pass the first increase in the Federal minimum wage in nearly a decade," said Ways and Means Committee Chairman Charles B. Rangel (D-NY). "This package provides common sense, responsible tax relief so our small businesses can continue to hire new workers and promote economic growth in our communities."

## Small Business Tax Relief Provisions

H.R. 1591, *U.S. Troops Readiness, Veterans' Health,  
and Iraq Accountability Act of 2007*

Provision	Description	10-Year Cost
WOTC	Extend WOTC for 3 1/2 years with disabled veterans and outward migration provisions.	\$2.571 B
179 Expensing	Increase the expensing limit to \$125,000 and the phase-out to \$500,000 and extend through 2008 179 for Go Zone businesses.	\$68 M \$2 M
GO Zone Low Income Housing	Extends enhanced credit treatment for 2 additional years through 2010 and modifies the carryover allocation and Federally subsidized rules for certain low income housing credit buildings.	\$221 M
GO Zone Repairs and Reconstruction	Treats certain qualified GO Zone repairs or reconstruction as "qualified rehabilitation" for purposes of the mortgage revenue bond and Gulf Opportunity Zone bond rules. Calls for GAO study of certain tax incentives in the GO Zone.	\$16 M
Tip Credit	Allow employers to receive full tip credit despite increase in Federal minimum wage.	\$457 M
Family Business Tax Simplification	Proposal would allow an unincorporated business owned jointly by a married couple to file as a sole proprietorship instead of a partnership.	\$0
Waiver of AMT Limitations on WOTC and Tip Credit	Proposal would allow WOTC and the tip credit to be taken under AMT.	\$617 M
S Corp Package	Package includes several changes to the S Corp rules, including ESBT provision.	\$892 M
<b>TOTAL</b>		<b>\$4.844B</b>

## OFFSETS

ITEM	Description	10-Year Estimate
Increase in Minimum Wage	Reduction in the amount of credits taxpayers claim under the FICA/tip tax credit as a result of increase in the minimum wage.	\$ 457 M
Increase in Age of Minor Children Whose Unearned Income is Taxed as Parents' Income	Raises the age <i>from</i> under-18 <i>to</i> under-19 (under-24 if a student) at which a child's unearned income in excess of \$1700 is taxed at the parent's rate. Discourages the practice of transferring investments to one's child for the purpose of avoiding higher tax rates.	\$1.432 B
Modify Interest Suspension Rules	Modifies the rule that the IRS must stop charging interest and filing related penalties if the IRS fails to notify the taxpayer about a deficiency within 18 months after the taxpayer filed the return – extended to 36 months	\$2.430 B
Collection Due Process	Eliminates the requirement that the IRS hold a collection due process hearing before issuing a levy on delinquent employment taxes so these trust fund taxes are not allowed to pyramid. Taxpayers are still afforded CDP hearing once every two years.	\$288 M
Permanent IRS User Fees	Extends permanently IRS user fees.	\$90 M
Bad Checks	In general, the penalty remains at 2% of the check amount. The \$750 threshold is increased to \$1,250 and the \$15 fee is increased to \$25.	\$22 M
Expand Preparer Penalties	Expands preparer penalties to all types of tax returns (e.g., employment, excise, exempt orgs., estate and gift tax). Increases the amounts of the penalties, too.	\$82 M
Erroneous Refund Claim Penalty	Creates a new penalty on claims for refund that are filed without any reasonable basis.	\$98 M
<b>TOTAL</b>		<b>\$4.899 B</b>