AMENDMENT IN THE NATURE OF A SUBSTITUTE TO H.R. 976 OFFERED BY MR. RANGEL OF NEW YORK

Strike all after the enacting clause and insert the following:

1 **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE;**
2 **TABLE OF CONTENTS.**

3 (a) SHORT TITLE.—This Act may be cited as the
4 "Small Business Tax Relief Act of 2007".

5 (b) AMENDMENT OF 1986 CODE.—Except as other-
6 wise expressly provided, whenever in this Act an amend-
7 ment or repeal is expressed in terms of an amendment
8 to, or repeal of, a section or other provision, the reference
9 shall be considered to be made to a section or other provi-
10 sion of the Internal Revenue Code of 1986.

11 (c) TABLE OF CONTENTS.—The table of contents of
12 this Act is as follows:

Sec. 1. Short title; amendment of 1986 Code; table of contents.
Sec. 2. Extension and modification of work opportunity tax credit.
Sec. 3. Extension and increase of expensing for small business.
Sec. 4. Determination of credit for certain taxes paid with respect to employee cash tips.
Sec. 5. Waiver of individual and corporate alternative minimum tax limits on work opportunity credit and credit for taxes paid with respect to employee cash tips.
Sec. 6. Family business tax simplification.
Sec. 7. Denial of lowest capital gains rate for certain dependents.
Sec. 8. Suspension of certain penalties and interest.
Sec. 9. Time for payment of corporate estimated taxes.

1 **SEC. 2. EXTENSION AND MODIFICATION OF WORK OPPOR-**
2 **TUNITY TAX CREDIT.**

3 (a) EXTENSION.—Section 51(c)(4)(B) (relating to
4 termination) is amended by striking "2007" and inserting
5 "2008".

6 (b) INCREASE IN MAXIMUM AGE FOR DESIGNATED
7 COMMUNITY RESIDENTS.—

8 (1) IN GENERAL.—Paragraph (5) of section
9 51(d) is amended to read as follows:

10 "(5) DESIGNATED COMMUNITY RESIDENTS.—

11 "(A) IN GENERAL.—The term 'designated
12 community resident' means any individual who
13 is certified by the designated local agency—

14 "(i) as having attained age 18 but not
15 age 40 on the hiring date, and

16 "(ii) as having his principal place of
17 abode within an empowerment zone, enter-
18 prise community, or renewal community.

19 "(B) INDIVIDUAL MUST CONTINUE TO RE-
20 SIDE IN ZONE OR COMMUNITY.—In the case of
21 a designated community resident, the term
22 'qualified wages' shall not include wages paid or
23 incurred for services performed while the indi-
24 vidual's principal place of abode is outside an
25 empowerment zone, enterprise community, or
26 renewal community.".

1 (2) CONFORMING AMENDMENT.—Subparagraph
2 (D) of section 51(d)(1) is amended to read as fol-
3 lows:
4 "(D) a designated community resident,".
5 (c) CLARIFICATION OF TREATMENT OF INDIVIDUALS
6 UNDER INDIVIDUAL WORK PLANS.—Subparagraph (B)
7 of section 51(d)(6) (relating to vocational rehabilitation
8 referral) is amended by striking "or" at the end of clause
9 (i), by striking the period at the end of clause (ii) and
10 inserting ", or", and by adding at the end the following
11 new clause:
12 "(iii) an individual work plan devel-
13 oped and implemented by an employment
14 network pursuant to subsection (g) of sec-
15 tion 1148 of the Social Security Act with
16 respect to which the requirements of such
17 subsection are met.".
18 (d) TREATMENT OF DISABLED VETERANS UNDER
19 THE WORK OPPORTUNITY TAX CREDIT.—
20 (1) DISABLED VETERANS TREATED AS MEM-
21 BERS OF TARGETED GROUP.—
22 (A) IN GENERAL.—Subparagraph (A) of
23 section 51(d)(3) (relating to qualified veteran)
24 is amended by striking "agency as being a

1 member of a family" and all that follows and
2 inserting "agency as—
3 "(i) being a member of a family re-
4 ceiving assistance under a food stamp pro-
5 gram under the Food Stamp Act of 1977
6 for at least a 3-month period ending dur-
7 ing the 12-month period ending on the hir-
8 ing date, or
9 "(ii) entitled to compensation for a
10 service-connected disability, and—
11 "(I) having a hiring date which is
12 not more that 1 year after having
13 been discharged or released from ac-
14 tive duty in the Armed Forces of the
15 United States, or
16 "(II) having aggregate periods of
17 unemployment during the 1-year pe-
18 riod ending on the hiring date which
19 equal or exceed 6 months.".
20 (B) DEFINITIONS.—Paragraph (3) of sec-
21 tion 51(d) is amended by adding at the end the
22 following new subparagraph:
23 "(C) OTHER DEFINITIONS.—For purposes
24 of subparagraph (A), the terms 'compensation'
25 and 'service-connected' have the meanings given

1 such terms under section 101 of title 38,
2 United States Code.".
3 (2) INCREASE IN AMOUNT OF WAGES TAKEN
4 INTO ACCOUNT FOR DISABLED VETERANS.—Para-
5 graph (3) of section 51(b) is amended—
6 (A) by inserting "($12,000 per year in the
7 case of any individual who is a qualified veteran
8 by reason of subsection (d)(3)(A)(ii))" before
9 the period at the end, and
10 (B) by striking "ONLY FIRST $6,000 OF"
11 in the heading and inserting "LIMITATION ON".
12 (e) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to individuals who begin work for
14 the employer after the date of the enactment of this Act.
15 **SEC. 3. EXTENSION AND INCREASE OF EXPENSING FOR**
16 **SMALL BUSINESS.**
17 (a) EXTENSION.—Subsections (b)(1), (b)(2), (b)(5),
18 (c)(2), and (d)(1)(A)(ii) of section 179 (relating to election
19 to expense certain depreciable business assets) are each
20 amended by striking "2010" and inserting "2011".
21 (b) INCREASE IN LIMITATIONS.—Subsection (b) of
22 section 179 is amended—
23 (1) by striking "$100,000 in the case of taxable
24 years beginning after 2002" in paragraph (1) and

1 inserting "$125,000 in the case of taxable years be-
2 ginning after 2006", and
3 (2) by striking "$400,000 in the case of taxable
4 years beginning after 2002" in paragraph (2) and
5 inserting "$500,000 in the case of taxable years be-
6 ginning after 2006".
7 (c) INFLATION ADJUSTMENT.—Subparagraph (A) of
8 section 179(b)(5) is amended—
9 (1) by striking "2003" and inserting "2007",
10 (2) by striking "$100,000 and $400,000" and
11 inserting "$125,000 and $500,000", and
12 (3) by striking "2002" in clause (ii) and insert-
13 ing "2006".
14 (d) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to taxable years beginning after
16 December 31, 2006.
17 **SEC. 4. DETERMINATION OF CREDIT FOR CERTAIN TAXES**
18 **PAID WITH RESPECT TO EMPLOYEE CASH**
19 **TIPS.**
20 (a) IN GENERAL.—Subparagraph (B) of section
21 45B(b)(1) is amended by inserting "as in effect on Janu-
22 ary 1, 2007, and" before "determined without regard to".
23 (b) EFFECTIVE DATE.—The amendment made by
24 this section shall apply to tips received for services per-
25 formed after December 31, 2006.

1 **SEC. 5. WAIVER OF INDIVIDUAL AND CORPORATE ALTER-**
2 **NATIVE MINIMUM TAX LIMITS ON WORK OP-**
3 **PORTUNITY CREDIT AND CREDIT FOR TAXES**
4 **PAID WITH RESPECT TO EMPLOYEE CASH**
5 **TIPS.**

6 (a) ALLOWANCE AGAINST ALTERNATIVE MINIMUM
7 TAX.—Subparagraph (B) of section 38(c)(4) is amended
8 by striking "and" at the end of clause (i), by striking the
9 period at the end of clause (ii) and inserting a comma,
10 and by adding at the end the following new clauses:

11 "(iii) the credit determined under sec-
12 tion 45B, and

13 "(iv) the credit determined under sec-
14 tion 51.".

15 (b) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to credits determined under sec-
17 tions 45B and 51 of the Internal Revenue Code of 1986
18 in taxable years beginning after December 31, 2006, and
19 to carrybacks of such credits.

20 **SEC. 6. FAMILY BUSINESS TAX SIMPLIFICATION.**

21 (a) IN GENERAL.—Section 761 (defining terms for
22 purposes of partnerships) is amended by redesignating
23 subsection (f) as subsection (g) and by inserting after sub-
24 section (e) the following new subsection:

25 "(f) QUALIFIED JOINT VENTURE.—

1 "(1) IN GENERAL.—In the case of a qualified
2 joint venture conducted by a husband and wife who
3 file a joint return for the taxable year, for purposes
4 of this title—
5 "(A) such joint venture shall not be treat-
6 ed as a partnership,
7 "(B) all items of income, gain, loss, deduc-
8 tion, and credit shall be divided between the
9 spouses in accordance with their respective in-
10 terests in the venture, and
11 "(C) each spouse shall take into account
12 such spouse's respective share of such items as
13 if they were attributable to a trade or business
14 conducted by such spouse as a sole proprietor.
15 "(2) QUALIFIED JOINT VENTURE.—For pur-
16 poses of paragraph (1), the term 'qualified joint ven-
17 ture' means any joint venture involving the conduct
18 of a trade or business if—
19 "(A) the only members of such joint ven-
20 ture are a husband and wife,
21 "(B) both spouses materially participate
22 (within the meaning of section 469(h) without
23 regard to paragraph (5) thereof) in such trade
24 or business, and

1 "(C) both spouses elect the application of
2 this subsection.".
3 (b) NET EARNINGS FROM SELF-EMPLOYMENT.—
4 (1) Subsection (a) of section 1402 (defining net
5 earnings from self-employment) is amended by strik-
6 ing ", and" at the end of paragraph (15) and insert-
7 ing a semicolon, by striking the period at the end of
8 paragraph (16) and inserting "; and", and by insert-
9 ing after paragraph (16) the following new para-
10 graph:
11 "(17) notwithstanding the preceding provisions
12 of this subsection, each spouse's share of income or
13 loss from a qualified joint venture shall be taken
14 into account as provided in section 761(f) in deter-
15 mining net earnings from self-employment of such
16 spouse.".
17 (2) Subsection (a) of section 211 of the Social
18 Security Act (defining net earnings from self-em-
19 ployment) is amended by striking "and" at the end
20 of paragraph (14), by striking the period at the end
21 of paragraph (15) and inserting "; and", and by in-
22 serting after paragraph (16) the following new para-
23 graph:
24 "(16) Notwithstanding the preceding provisions
25 of this subsection, each spouse's share of income or

1 loss from a qualified joint venture shall be taken
2 into account as provided in section 761(f) of the In-
3 ternal Revenue Code of 1986 in determining net
4 earnings from self-employment of such spouse.".
5 (c) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to taxable years beginning after
7 December 31, 2006.

8 **SEC. 7. DENIAL OF LOWEST CAPITAL GAINS RATE FOR CER-**
9 **TAIN DEPENDENTS.**

10 (a) IN GENERAL.—Subsection (h) of section 1 is
11 amended by adding at the end the following new para-
12 graph:
13 "(12) CERTAIN INDIVIDUALS NOT ELIGIBLE
14 FOR LOWEST RATE.—
15 "(A) IN GENERAL.—In the case of an indi-
16 vidual described in subparagraph (B)—
17 "(i) the amount determined under
18 paragraph (1)(A)(ii)(II) shall not be less
19 than the amount of taxable income which
20 would (without regard to this subsection)
21 be taxed at a rate below 15 percent, and
22 "(ii) the sum of the amounts deter-
23 mined under subparagraphs (B) and (C) of
24 paragraph (1) shall be an amount equal to
25 the rate of tax specified in paragraph

1 (1)(C) multiplied by so much of the ad-
2 justed net capital gain (or, if less, taxable
3 income) as exceeds the excess (if any) of—
4 "(I) the amount of taxable in-
5 come which would (without regard to
6 this subsection) be taxed at a rate
7 below 15 percent, over
8 "(II) the taxable income reduced
9 by the adjusted net capital gain.
10 "(B) INDIVIDUALS TO WHOM PARAGRAPH
11 APPLIES.—
12 "(i) IN GENERAL.—For purposes of
13 this paragraph, an individual is described
14 in this subparagraph if—
15 "(I) such individual meets the
16 age requirements of section 152(c)(3)
17 (determined without regard to sub-
18 paragraph (B) thereof), and
19 "(II) such individual's earned in-
20 come (as defined in section 911(d)(2))
21 for the taxable year does not exceed
22 one-half of such individual's support
23 (within the meaning of section 152)
24 for such taxable year.

1 "(ii) SPECIAL RULES FOR JOINT RE-
2 TURNS.—In the case of a joint return—
3 "(I) the taxpayer and the tax-
4 payer's spouse shall be treated as a
5 single individual for purposes of ap-
6 plying subclause (II) of clause (i), and
7 "(II) the taxpayer shall be treat-
8 ed as an individual described in this
9 subparagraph only if the taxpayer and
10 the taxpayer's spouse are described in
11 clause (i) (determined after applica-
12 tion of subclause (I)).".
13 (b) ALTERNATIVE MINIMUM TAX.—Section 55(b)(3)
14 of such Code is amended by inserting before the last sen-
15 tence the following flush sentence: "In the case of an indi-
16 vidual described in section 1(h)(12)(B), no amount shall
17 be determined under subparagraph (B).".
18 (c) COORDINATION WITH SUNSET OF PROVISIONS OF
19 THE JOBS AND GROWTH TAX RELIEF RECONCILIATION
20 ACT OF 2003.—Subparagraph (A) of section 1(h)(12), as
21 added by this section, is amended by striking "and" at
22 the end of clause (i), by striking the period at the end
23 of clause (ii) and inserting ", and", and by adding at the
24 end the following new clause:

1 "(iii) no amount of qualified 5-year
2 gain shall be taken into account under sub-
3 paragraph (A) of paragraph (2) (as in ef-
4 fect after the application of section 303 of
5 the Jobs and Growth Tax Relief Reconcili-
6 ation Act of 2003).".

7 (d) EFFECTIVE DATE.—

8 (1) IN GENERAL.—Except as provided in para-
9 graph (2), the amendments made by this section
10 shall apply to taxable years beginning after Decem-
11 ber 31, 2006.

12 (2) SUNSET OF JGTRRA.—The amendment
13 made by subsection (c) shall apply to taxable years
14 beginning after the date specified in section 303 of
15 the Jobs and Growth Tax Relief Reconciliation Act
16 of 2003.

17 **SEC. 8. SUSPENSION OF CERTAIN PENALTIES AND INTER-**
18 **EST.**

19 (a) IN GENERAL.—Paragraphs (1)(A) and (3)(A) of
20 section 6404(g) are each amended by striking "18-month
21 period" and inserting "22-month period".

22 (b) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to notices provided by the Sec-
24 retary of the Treasury, or his delegate, after the date

1 which is 6 months after the date of the enactment of this
2 Act.

3 **SEC. 9. TIME FOR PAYMENT OF CORPORATE ESTIMATED**
4 **TAXES.**

5 Subparagraph (B) of section 401(1) of the Tax In-
6 crease Prevention and Reconciliation Act of 2005 is
7 amended by striking "106.25 percent" and inserting
8 "112.75 percent".