103D CONGRESS
1ST SESSION

S. 947

To amend the Internal Revenue Code of 1986 to limit the tax rate for certain small businesses, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 13 (legislative day, APRIL 19), 1993

Mr. PRESSLER (for himself, Mr. BENNETT, Mr. BURNS, and Mr. KEMPTHORNE) introduced the following bill; which was read twice and referred to the Committee on Finance

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A BILL

To amend the Internal Revenue Code of 1986 to limit the tax rate for certain small businesses, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. MAXIMUM SMALL BUSINESS TAX RATE.

(a) IN GENERAL.—Section 1 of the Internal Revenue Code of 1986 (relating to tax imposed) is amended by adding at the end the following new subsection:

"(i) MAXIMUM SMALL BUSINESS TAX RATE.—

"(1) IN GENERAL.—If a taxpayer has taxable small business income for any taxable year to which this subsection applies, then the tax imposed by this section shall not exceed the sum of—

"(A) a tax computed at the rates and in the same manner as if this subsection had not been enacted on the greater of—

"(i) taxable income reduced by the amount of taxable small business income, or

"(ii) the amount of taxable income taxed at a rate below 31 percent, plus

"(B) a tax of 31 percent of the amount of taxable income in excess of the amount determined under paragraph (1).

"(2) TAXABLE SMALL BUSINESS INCOME.—For purposes of this subsection, the term 'taxable small business income' means the taxable income of the taxpayer for any taxable year attributable to the active conduct of any trade or business of an eligible small business in which the taxpayer materially participates (within the meaning of section 469(h) (other than paragraph (4)).

"(3) ELIGIBLE SMALL BUSINESS.—For purposes of paragraph (2)—

"(A) IN GENERAL.—The term 'eligible small business' means for any taxable year an individual, partnership, S corporation, or other pass-through entity the average annual gross receipts of which do not exceed $5,000,000 for the 3-taxable-year period ending with the preceding taxable year.

''(B) APPLICABLE RULES.—

''(i) AGGREGATION RULES.—All persons treated as a single employer under subsection (a) or (b) of section 52 shall be treated as 1 person for purposes of subparagraph (A).

''(ii) SPECIAL RULES.—The rules of subsections (c)(3) and (d)(8) of section 448 shall apply for purposes of subparagraph (A).

''(4) YEARS TO WHICH SUBSECTION APPLIES.—This subsection shall apply to any taxable year if the highest rate of tax set forth in subsection (a), (b), (c), (d), or (e) (whichever applies) for the taxable year exceeds 31 percent.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1992.

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