

110TH CONGRESS
1ST SESSION

S. 296

To amend the Internal Revenue Code of 1986 to expand the availability of the cash method of accounting for small businesses, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 16, 2007

Mr. BOND (for himself and Ms. SNOWE) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to expand the availability of the cash method of accounting for small businesses, 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. CLARIFICATION OF CASH ACCOUNTING RULES

4 FOR SMALL BUSINESS.

5 (a) CASH ACCOUNTING PERMITTED.—

1 “(g) CERTAIN SMALL BUSINESS TAXPAYERS PER-
2 MITTED TO USE CASH ACCOUNTING METHOD WITHOUT
3 LIMITATION.—

4 “(1) IN GENERAL.—An eligible taxpayer shall
5 not be required to use an accrual method of account-
6 ing for any taxable year.

7 “(2) ELIGIBLE TAXPAYER.—For purposes of
8 this subsection, a taxpayer is an eligible taxpayer
9 with respect to any taxable year if—

10 “(A) for all prior taxable years beginning
11 after December 31, 2006, the taxpayer (or any
12 predecessor) met the gross receipts test of sec-
13 tion 448(c), and

14 “(B) the taxpayer is not subject to section
15 447 or 448.”.

16 (2) EXPANSION OF GROSS RECEIPTS TEST.—

17 (A) IN GENERAL.—Paragraph (3) of sec-
18 tion 448(b) of such Code (relating to entities
19 with gross receipts of not more than
20 \$5,000,000) is amended by striking
21 “\$5,000,000” in the text and in the heading
22 and inserting “\$10,000,000”.

23 (B) CONFORMING AMENDMENTS.—Section
24 448(c) of such Code is amended—

1 (i) by striking “\$5,000,000” each
2 place it appears in the text and in the
3 heading of paragraph (1) and inserting
4 “\$10,000,000”, and

5 (ii) by adding at the end the following
6 new paragraph:

7 “(4) INFLATION ADJUSTMENT.—In the case of
8 any taxable year beginning in a calendar year after
9 2007, the dollar amount contained in subsection
10 (b)(3) and paragraph (1) of this subsection shall be
11 increased by an amount equal to—

12 “(A) such dollar amount, multiplied by

If any amount as adjusted under this subparagraph is not a multiple of \$100,000, such amount shall be rounded to the nearest multiple of \$100,000.”.

22 (b) CLARIFICATION OF INVENTORY RULES FOR
23 SMALL BUSINESS.—

24 (1) IN GENERAL.—Section 471 of the Internal
25 Revenue Code of 1986 (relating to general rule for

1 inventories) is amended by redesignating subsection
2 (c) as subsection (d) and by inserting after sub-
3 section (b) the following new subsection:

4 **“(c) SMALL BUSINESS TAXPAYERS NOT REQUIRED**
5 **TO USE INVENTORIES.—**

6 **“(1) IN GENERAL.—**A qualified taxpayer shall
7 not be required to use inventories under this section
8 for a taxable year.

9 **“(2) TREATMENT OF TAXPAYERS NOT USING**
10 **INVENTORIES.—**If a qualified taxpayer does not use
11 inventories with respect to any property for any tax-
12 able year beginning after December 31, 2006, such
13 property shall be treated as a material or supply
14 which is not incidental.

15 **“(3) QUALIFIED TAXPAYER.—**For purposes of
16 this subsection, the term ‘qualified taxpayer’
17 means—

18 **“(A)** any eligible taxpayer (as defined in
19 section 446(g)(2)), and

20 **“(B)** any taxpayer described in section
21 448(b)(3).”.

22 **(2) CONFORMING AMENDMENTS.—**

23 (A) Subpart D of part II of subchapter E
24 of chapter 1 of such Code is amended by strik-
25 ing section 474.

5 (c) EFFECTIVE DATE AND SPECIAL RULES.—

13 (A) such change shall be treated as initi-
14 ated by the taxpayer;

15 (B) such change shall be treated as made
16 with the consent of the Secretary of the Treas-
17 ury; and

18 (C) the net amount of the adjustments re-
19 quired to be taken into account by the taxpayer
20 under section 481 of the Internal Revenue Code
21 of 1986 shall be taken into account over a pe-
22 riod (not greater than 4 taxable years) begin-
23 ning with such taxable year.

