

**AMENDMENT TO THE SENATE AMENDMENT TO
H.R. 8
OFFERED BY MR. FITZPATRICK OF PENNSYLVANIA,
MR. HULTGREN OF ILLINOIS, AND MR. COFFMAN OF COLORADO**

In section 1(i)(3) of the Internal Revenue Code of 1986, as proposed to be amended by section 101(b)(1)(B), redesignate subparagraph (C) as subparagraph (D) and insert after subparagraph (B) the following:

1 “(C) SPECIAL RULE FOR SMALL BUSI-
2 NESSES.—

3 “(i) IN GENERAL.—In the case of an
4 individual with qualified small business in-
5 come in excess of the applicable amount
6 (determined without regard to this sub-
7 paragraph) in effect for the taxpayer for
8 the taxable year, such applicable amount
9 shall be increased by the amount of such
10 excess.

11 “(ii) QUALIFIED SMALL BUSINESS IN-
12 COME.—For purposes of this subpara-

1 graph, the term ‘qualified small business
2 income’ means the excess (if any) of—

3 “(I) gross income (other than
4 wages as defined in section 3401)
5 from specified small businesses which
6 are not passive activities (within the
7 meaning of section 469(c), determined
8 without regard to paragraph (3)
9 thereof), over

10 “(II) the deductions which are
11 properly allocable to such income.

12 “(iii) SPECIFIED SMALL BUSINESS.—
13 For purposes of this subparagraph, the
14 term ‘specified small business’ means a
15 trade or business—

16 “(I) the gross receipts of which
17 do not exceed \$5,000,000,

18 “(II) which employs at least 1
19 full-time equivalent employee (as de-
20 fined in section 45R(d)(2), determined
21 without regard to any wages which
22 are not deductible under section 162)
23 other than the taxpayer, the tax-
24 payer’s spouse, or an individual who

1 bears a relationship to the taxpayer
2 described in section 152(d)(2), and

3 “(III) which employs not more
4 than 250 full-time equivalent employ-
5 ees (as so defined).

6 “(iv) AGGREGATION RULE.—Rules
7 similar to the rules of section 448(e)(2)
8 shall apply for purposes of subclauses (I),
9 (II) and (III) of clause (iii).”.

