

119TH CONGRESS
2D SESSION

H. R. 8415

To amend the Internal Revenue Code of 1986 to increase the deduction for qualified business income, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 21, 2026

Mr. KUSTOFF (for himself, Mrs. MILLER of West Virginia, Mr. STEUBE, Ms. TENNEY, Mr. CAREY, Mrs. FISCHBACH, and Mr. MOORE of Utah) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to increase the deduction for qualified business income, 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. SHORT TITLE.**

4 This Act may be cited as the “Small Business Tax
5 Cut Act”.

6 **SEC. 2. INCREASE IN DEDUCTION FOR QUALIFIED BUSI-**
7 **NESS INCOME.**

8 (a) IN GENERAL.—Subsections (a)(2), (b)(1)(B), and
9 (b)(2)(A) of section 199A of the Internal Revenue Code

1 of 1986 are each amended by striking “20 percent” and
2 inserting “23 percent”.

3 (b) MODIFICATION OF LIMITATIONS BASED ON TAX-
4 ABLE INCOME.—

5 (1) IN GENERAL.—Section 199A(b)(3) of such
6 Code is amended to read as follows:

7 “(3) MODIFICATION OF DETERMINATION OF
8 COMBINED QUALIFIED BUSINESS INCOME AMOUNT
9 BASED ON TAXABLE INCOME.—

10 “(A) EXCEPTION FROM LIMITATIONS.—In
11 the case of any taxpayer whose taxable income
12 for the taxable year does not exceed the thresh-
13 old amount—

14 “(i) paragraph (2) shall be applied
15 without regard to subparagraph (B), and

16 “(ii) a specified service trade or busi-
17 ness shall not fail to be treated as a quali-
18 fied trade or business solely by reason of
19 subsection (d)(1)(A).

20 “(B) PHASE-IN OF LIMITATIONS.—In the
21 case of any taxpayer whose taxable income for
22 the taxable year exceeds the threshold amount,
23 the sum described in paragraph (1)(A) (deter-
24 mined without regard to this subparagraph)

1 shall instead be an amount (if greater) equal to
 2 the excess (if any) of—

3 “(i) the sum described in paragraph
 4 (1)(A) (determined by applying the rules of
 5 clauses (i) and (ii) of subparagraph (A)),
 6 over

7 “(ii) the limitation phase-in amount.

8 “(C) LIMITATION PHASE-IN AMOUNT.—
 9 For purposes of subparagraph (B), the limita-
 10 tion phase-in amount shall be an amount equal
 11 to 75 percent of the excess (if any) of—

12 “(i) the taxable income of the tax-
 13 payer for the taxable year, over

14 “(ii) the threshold amount.”.

15 (2) CONFORMING AMENDMENT.—Section
 16 199A(d) of such Code is amended by striking para-
 17 graph (3).

18 (c) DEDUCTION FOR QUALIFIED BUSINESS INCOME
 19 TO APPLY TO CERTAIN INTEREST DIVIDENDS OF QUALI-
 20 FIED BUSINESS DEVELOPMENT COMPANIES.—

21 (1) IN GENERAL.—Subsections (b)(1)(B) and
 22 (c)(1) of section 199A of such Code are each amend-
 23 ed by inserting “, qualified BDC interest dividends,”
 24 after “qualified REIT dividends”.

1 (2) QUALIFIED BDC INTEREST DIVIDEND DE-
 2 FINED.—Section 199A(e) of such Code is amended
 3 by adding at the end the following new paragraph:

4 “(5) QUALIFIED BDC INTEREST DIVIDEND.—

5 “(A) IN GENERAL.—The term ‘qualified
 6 BDC interest dividend’ means any dividend
 7 from an electing business development company
 8 received during the taxable year which is attrib-
 9 utable to net interest income of such company
 10 which is properly allocable to a qualified trade
 11 or business of such company.

12 “(B) ELECTING BUSINESS DEVELOPMENT
 13 COMPANY.—For purposes of this paragraph, the
 14 term ‘electing business development company’
 15 means a business development company (as de-
 16 fined in section 2(a) of the Investment Com-
 17 pany Act of 1940) which has an election in ef-
 18 fect under section 851 to be treated as a regu-
 19 lated investment company.”.

20 (d) MODIFIED INFLATION ADJUSTMENT.—Section
 21 199A(e)(2)(B) of such Code is amended—

22 (1) by striking “2018” and inserting “2025”,
 23 and

1 (2) in clause (ii), by striking “, determined by
2 substituting ‘calendar year 2017’ for ‘calendar year
3 2016’ in subparagraph (A)(ii) thereof”.

4 (e) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to taxable years beginning after
6 December 31, 2026.

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