

105TH CONGRESS
1ST SESSION

H. R. 508

To amend the Internal Revenue Code of 1986 to make the FICA tax inapplicable to overtime hours of small business employees.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 4, 1997

Mr. ANDREWS 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 make the FICA tax inapplicable to overtime hours of small business employees.

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. INAPPLICABILITY OF FICA TAX TO OVERTIME**
4 **HOURS OF SMALL BUSINESS EMPLOYEES.**

5 (a) IN GENERAL.—Subsection (a) of section 3121 of
6 the Internal Revenue Code of 1986 (defining wages) is
7 amended by striking “or” at the end of paragraph (20),
8 by striking the period at the end of paragraph (21) and
9 inserting “; or”, and by inserting after paragraph (21) the
10 following new paragraph:

1 “(22) remuneration with respect to employment
2 paid to an individual by a small employer on an
3 hourly basis for hours worked by such individual for
4 such small employer for any week, to the extent that
5 such hours exceed 40 such hours for such week.”

6 (b) SMALL EMPLOYER.—Subsection (a) of section
7 3121 of such Code is amended by adding at the end the
8 following:

9 “For purposes of paragraph (22), the term ‘small em-
10 ployer’ means an employer that employed not more than
11 20 full-time employees during the preceding taxable year.
12 Persons treated as a single employer for purposes of sub-
13 section (a) or (b) of section 52 shall be treated as a single
14 employer for purposes of the preceding sentence.”

15 (c) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to remuneration paid after Decem-
17 ber 31, 1997, with respect to hours worked after such
18 date.

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