

106TH CONGRESS  
1ST SESSION

# H. R. 2273

To amend the Internal Revenue Code of 1986 to clarify that certain small businesses are permitted to use the cash method of accounting even if they use merchandise or inventory.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 17, 1999

Mr. TALENT (for himself and Mr. ENGLISH) introduced the following bill;  
which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to clarify that certain small businesses are permitted to use the cash method of accounting even if they use merchandise or inventory.

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 Section 446 of the Internal Revenue Code of 1986  
6 (relating to general rule for methods of accounting) is  
7 amended by adding at the end the following new sub-  
8 section:

1       “(g) SMALL TAXPAYERS PERMITTED TO USE CASH  
2 ACCOUNTING METHOD WITHOUT LIMITATION.—A tax-  
3 payer shall not be required to use an accrual method of  
4 accounting for any taxable year by reason of using mer-  
5 chandise or inventory, if the average annual gross receipts  
6 of such taxpayer (or any predecessor) for the 3-year-period  
7 ending with such prior taxable year does not exceed  
8 \$5,000,000. The rules of paragraphs (2) and (3) of section  
9 448(c) shall apply for purposes of the preceding sentence.  
10 In the case of a C corporation or a partnership which has  
11 a C corporation as a partner, the first sentence of this  
12 subsection shall apply only if such C corporation or part-  
13 nership meets the requirements of section 448(b)(3).”  
14       (b) EFFECTIVE DATE.—The amendment made by  
15 this section shall apply to taxable years beginning after  
16 the date of the enactment of this Act.

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