

One Hundred Sixth Congress
of the
United States of America

AT THE FIRST SESSION

*Begun and held at the City of Washington on Wednesday,
the sixth day of January, one thousand nine hundred and ninety-nine*

An Act

To amend section 20 of the Small Business Act and make technical corrections
in title III of the Small Business Investment Act.

*Be it enacted by the Senate and House of Representatives of
the United States of America in Congress assembled,*

SECTION 1. SHORT TITLE.

This Act may be cited as the “Small Business Investment
Improvement Act of 1999”.

SEC. 2. SBIC PROGRAM.

(a) **IN GENERAL.**—Section 308(i)(2) of the Small Business Investment Act of 1958 (15 U.S.C. 687(i)(2)) is amended by adding at the end the following: “In this paragraph, the term ‘interest’ includes only the maximum mandatory sum, expressed in dollars or as a percentage rate, that is payable with respect to the business loan amount received by the small business concern, and does not include the value, if any, of contingent obligations, including warrants, royalty, or conversion rights, granting the small business investment company an ownership interest in the equity or increased future revenue of the small business concern receiving the business loan.”.

(b) **FUNDING LEVELS.**—Section 20 of the Small Business Act (15 U.S.C. 631 note) is amended—

(1) in subsection (d)(1)(C)(i), by striking “\$800,000,000” and inserting “\$1,200,000,000”; and

(2) in subsection (e)(1)(C)(i), by striking “\$900,000,000” and inserting “\$1,500,000,000”.

(c) **DEFINITIONS.**—

(1) **SMALL BUSINESS CONCERN.**—Section 103(5) of the Small Business Investment Act of 1958 (15 U.S.C. 662(5)) is amended—

(A) by redesignating subparagraphs (A) through (C) as clauses (i) through (iii), and indenting appropriately;

(B) in clause (iii), as redesignated, by adding “and” at the end;

(C) by striking “purposes of this Act, an investment” and inserting the following: “purposes of this Act—

“(A) an investment”; and

(D) by adding at the end the following:

“(B) in determining whether a business concern satisfies net income standards established pursuant to section 3(a)(2) of the Small Business Act, if the business concern is not required by law to pay Federal income taxes at the enterprise level, but is required to pass income through

to the shareholders, partners, beneficiaries, or other equitable owners of the business concern, the net income of the business concern shall be determined by allowing a deduction in an amount equal to the sum of—

“(i) if the business concern is not required by law to pay State (and local, if any) income taxes at the enterprise level, the net income (determined without regard to this subparagraph), multiplied by the marginal State income tax rate (or by the combined State and local income tax rates, as applicable) that would have applied if the business concern were a corporation; and

“(ii) the net income (so determined) less any deduction for State (and local) income taxes calculated under clause (i), multiplied by the marginal Federal income tax rate that would have applied if the business concern were a corporation;”.

(2) SMALLER ENTERPRISE.—Section 103(12)(A)(ii) of the Small Business Investment Act of 1958 (15 U.S.C. 662(12)(A)(ii)) is amended by inserting before the semicolon at the end the following: “except that, for purposes of this clause, if the business concern is not required by law to pay Federal income taxes at the enterprise level, but is required to pass income through to the shareholders, partners, beneficiaries, or other equitable owners of the business concern, the net income of the business concern shall be determined by allowing a deduction in an amount equal to the sum of—

“(I) if the business concern is not required by law to pay State (and local, if any) income taxes at the enterprise level, the net income (determined without regard to this clause), multiplied by the marginal State income tax rate (or by the combined State and local income tax rates, as applicable) that would have applied if the business concern were a corporation; and

“(II) the net income (so determined) less any deduction for State (and local) income taxes calculated under subclause (I), multiplied by the marginal Federal income tax rate that would have applied if the business concern were a corporation”.

(d) TECHNICAL CORRECTIONS.—

(1) REPEAL.—Section 303(g) of the Small Business Investment Act of 1958 (15 U.S.C. 683(g)) is amended by striking paragraph (13).

(2) ISSUANCE OF GUARANTEES AND TRUST CERTIFICATES.—Section 320 of the Small Business Investment Act of 1958 (15 U.S.C. 687m) is amended by striking “6” and inserting “12”.

(3) ELIMINATION OF TABLE OF CONTENTS.—Section 101 of the Small Business Investment Act of 1958 (15 U.S.C. 661 note) is amended to read as follows:

H. R. 68—3

“SEC. 101. SHORT TITLE.

“This Act may be cited as the ‘Small Business Investment Act of 1958’.”.

Speaker of the House of Representatives.

*Vice President of the United States and
President of the Senate.*