

## Calendar No. 22

106TH CONGRESS  
1ST SESSION**S. 364****[Report No. 106–6]**

To improve certain loan programs of the Small Business Administration,  
and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

FEBRUARY 3, 1999

Mr. BOND (for himself, Mr. KERRY, and Mr. LIEBERMAN) introduced the following bill; which was read twice and referred to the Committee on Small Business

MARCH 2, 1999

Reported by Mr. BOND, without amendment

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**A BILL**

To improve certain loan programs of the Small Business  
Administration, 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 Invest-  
5       ment Improvement Act of 1999”.

1 **SEC. 2. SBIC PROGRAM.**

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

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

16 (1) in subsection (d)(1)(C)(i), by striking  
 17 “\$800,000,000” and inserting “\$1,200,000,000”;  
 18 and

19 (2) in subsection (e)(1)(C)(i), by striking  
 20 “\$900,000,000” and inserting “\$1,500,000,000”.

21 (c) DEFINITIONS.—

22 (1) SMALL BUSINESS CONCERN.—Section  
 23 103(5) of the Small Business Investment Act of  
 24 1958 (15 U.S.C. 662(5)) is amended—

1 (A) by redesignating subparagraphs (A)  
 2 through (C) as clauses (i) through (iii), and in-  
 3 denting appropriately;

4 (B) in clause (iii), as redesignated, by add-  
 5 ing “and” at the end;

6 (C) by striking “purposes of this Act, an  
 7 investment” and inserting the following: “pur-  
 8 poses of this Act—

9 “(A) an investment”; and

10 (D) by adding at the end the following:

11 “(B) in determining whether a business  
 12 concern satisfies net income standards estab-  
 13 lished pursuant to section 3(a)(2) of the Small  
 14 Business Act, if the business concern is not re-  
 15 quired by law to pay Federal income taxes at  
 16 the enterprise level, but is required to pass in-  
 17 come through to the shareholders, partners,  
 18 beneficiaries, or other equitable owners of the  
 19 business concern, the net income of the busi-  
 20 ness concern shall be determined by allowing a  
 21 deduction in an amount equal to the sum of—

22 “(i) if the business concern is not re-  
 23 quired by law to pay State (and local, if  
 24 any) income taxes at the enterprise level,  
 25 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—

1                   “(I) if the business concern is  
 2                   not required by law to pay State (and  
 3                   local, if any) income taxes at the en-  
 4                   terprise level, the net income (deter-  
 5                   mined without regard to this clause),  
 6                   multiplied by the marginal State in-  
 7                   come tax rate (or by the combined  
 8                   State and local income tax rates, as  
 9                   applicable) that would have applied if  
 10                  the business concern were a corpora-  
 11                  tion; and

12                  “(II) the net income (so deter-  
 13                  mined) less any deduction for State  
 14                  (and local) income taxes calculated  
 15                  under subclause (I), multiplied by the  
 16                  marginal Federal income tax rate that  
 17                  would have applied if the business  
 18                  concern were a corporation”.

19           (d) TECHNICAL CORRECTIONS.—

20                   (1) REPEAL.—Section 303(g) of the Small  
 21           Business Investment Act of 1958 (15 U.S.C.  
 22           683(g)) is amended by striking paragraph (13).

23                   (2) ISSUANCE OF GUARANTEES AND TRUST  
 24           CERTIFICATES.—Section 320 of the Small Business

1 Investment Act of 1958 (15 U.S.C. 687m) is amend-  
2 ed by striking “6” and inserting “12”.

3 (3) ELIMINATION OF TABLE OF CONTENTS.—

4 Section 101 of the Small Business Investment Act  
5 of 1958 (15 U.S.C. 661 note) is amended to read as  
6 follows:

7 **“SEC. 101. SHORT TITLE.**

8 “This Act may be cited as the ‘Small Business Invest-  
9 ment Act of 1958’.”.



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