

108TH CONGRESS  
2D SESSION

# S. 2946

To promote small business growth, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

OCTOBER 8, 2004

Mr. BAYH introduced the following bill; which was read twice and referred to  
the Committee on Finance

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## A BILL

To promote small business growth, 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 Growth  
5 Act”.

6 **SEC. 2. CREDIT FOR EMPLOYEE HEALTH INSURANCE EX-**  
7 **PENSES.**

8 (a) IN GENERAL.—Subpart D of part IV of sub-  
9 chapter A of chapter 1 of the Internal Revenue Code of  
10 1986 (relating to business-related credits) is amended by  
11 adding at the end the following:

1 **“SEC. 45G. EMPLOYEE HEALTH INSURANCE EXPENSES.**

2       “(a) GENERAL RULE.—For purposes of section 38,  
3 in the case of a qualified small employer, the employee  
4 health insurance expenses credit determined under this  
5 section is an amount equal to the applicable percentage  
6 of the amount paid by the taxpayer during the taxable  
7 year for qualified employee health insurance expenses.

8       “(b) APPLICABLE PERCENTAGE.—

9           “(1) IN GENERAL.—For purposes of subsection  
10 (a), the applicable percentage is—

11               “(A) 50 percent in the case of an employer  
12 with less than 26 qualified employees,

13               “(B) 40 percent in the case of an employer  
14 with more than 25 but less than 36 qualified  
15 employees,

16               “(C) 30 percent in the case of an employer  
17 with more than 35 but less than 51 qualified  
18 employees,

19               “(D) 20 percent in the case of an employer  
20 with more than 50 but less than 76 qualified  
21 employees, and

22               “(E) 10 percent in the case of an employer  
23 with more than 75 but less than 101 qualified  
24 employees.

25           “(2) HIGH CONTRIBUTION BONUS.—With re-  
26 spect to any taxable year during which a qualified

1 small employer pays 100 percent of qualified em-  
2 ployee health insurance expenses for the qualified  
3 employees of the small employer, the applicable per-  
4 centage otherwise determined for such taxable year  
5 under the preceding paragraph shall be increased by  
6 5 percentage points.

7 “(c) PER EMPLOYEE DOLLAR LIMITATION.—The  
8 amount of qualified employee health insurance expenses  
9 taken into account under subsection (a) with respect to  
10 any qualified employee for any taxable year shall not ex-  
11 ceed the maximum employer contribution for self-only cov-  
12 erage or family coverage (as applicable) determined under  
13 section 8906(a) of title 5, United States Code, for the cal-  
14 endar year in which such taxable year begins.

15 “(d) DEFINITIONS AND SPECIAL RULES.—For pur-  
16 poses of this section—

17 “(1) QUALIFIED SMALL EMPLOYER.—

18 “(A) IN GENERAL.—The term ‘qualified  
19 small employer’ means any small employer  
20 which—

21 “(i) provides eligibility for health in-  
22 surance coverage (after any waiting period  
23 (as defined in section 9801(b)(4))) to all  
24 qualified employees of the employer,

1           “(ii) pays at least 70 percent of the  
2 cost of such coverage (60 percent in the  
3 case of family coverage) for each qualified  
4 employee, and

5           “(iii) in the case of a small employer  
6 which is located in a State which has es-  
7 tablished a health insurance purchasing  
8 pool under section 3 of the Small Business  
9 Health Care Act of 2003, joins such pool.

10           “(B) TRANSITION RULE FOR NEW  
11 PLANS.—

12           “(i) IN GENERAL.—If a small em-  
13 ployer (or any predecessor) did not provide  
14 health insurance coverage to the qualified  
15 employees of the employer during the em-  
16 ployer’s precompliance period, then sub-  
17 paragraph (A) shall be applied to such em-  
18 ployer for the first 5 taxable years fol-  
19 lowing such period by substituting ‘50 per-  
20 cent’ for ‘70 percent’ in clause (ii) (or for  
21 ‘60 percent’ in such clause, in the case of  
22 family coverage).

23           “(ii) PRECOMPLIANCE PERIODS.—For  
24 purposes of clause (i), the precompliance  
25 periods are—

1           “(I) the period beginning with  
2           the small employer’s taxable year pre-  
3           ceding its first taxable year beginning  
4           after the date of the enactment of this  
5           section, and

6           “(II) the period beginning with  
7           the small employer’s taxable year pre-  
8           ceding the first taxable year for which  
9           the employer meets the requirement of  
10          subparagraph (A)(i).

11          An employer not in existence for any pe-  
12          riod shall be treated in the same manner  
13          as an employer which is in existence and  
14          not providing coverage.

15          “(C) SMALL EMPLOYER.—

16               “(i) IN GENERAL.—For purposes of  
17               this paragraph, the term ‘small employer’  
18               means, with respect to any calendar year,  
19               any employer if such employer employed  
20               an average of not less than 2 and not more  
21               than 100 qualified employees on business  
22               days during either of the 2 preceding cal-  
23               endar years. For purposes of the preceding  
24               sentence, a preceding calendar year may be

1 taken into account only if the employer was  
2 in existence throughout such year.

3 “(ii) EMPLOYERS NOT IN EXISTENCE  
4 IN PRECEDING YEAR.—In the case of an  
5 employer which was not in existence  
6 throughout the 1st preceding calendar  
7 year, the determination under clause (i)  
8 shall be based on the average number of  
9 qualified employees that it is reasonably  
10 expected such employer will employ on  
11 business days in the current calendar year.

12 “(2) QUALIFIED EMPLOYEE HEALTH INSUR-  
13 ANCE EXPENSES.—

14 “(A) IN GENERAL.—The term ‘qualified  
15 employee health insurance expenses’ means any  
16 amount paid by an employer for health insur-  
17 ance coverage to the extent such amount is at-  
18 tributable to coverage provided to any employee  
19 while such employee is a qualified employee.

20 “(B) EXCEPTION FOR AMOUNTS PAID  
21 UNDER SALARY REDUCTION ARRANGEMENTS.—  
22 No amount paid or incurred for health insur-  
23 ance coverage pursuant to a salary reduction  
24 arrangement shall be taken into account under  
25 subparagraph (A).

1           “(C) HEALTH INSURANCE COVERAGE.—

2           The term ‘health insurance coverage’ has the  
3           meaning given such term by section 9832(b)(1).

4           “(3) QUALIFIED EMPLOYEE.—The term ‘quali-  
5           fied employee’ means an employee of an employer  
6           who, with respect to any period, is not provided  
7           health insurance coverage under—

8                   “(A) a health plan of the employee’s  
9                   spouse,

10                   “(B) title XVIII, XIX, or XXI of the So-  
11                   cial Security Act,

12                   “(C) chapter 17 of title 38, United States  
13                   Code,

14                   “(D) chapter 55 of title 10, United States  
15                   Code,

16                   “(E) chapter 89 of title 5, United States  
17                   Code, or

18                   “(F) any other provision of law.

19           “(4) EMPLOYEE—The term ‘employee’—

20                   “(A) means any individual, with respect to  
21                   any calendar year, who is reasonably expected  
22                   to receive at least \$5,000 and not more than  
23                   \$100,000 of compensation from the employer  
24                   during such year,

1           “(B) does not include an employee within  
2           the meaning of section 401(e)(1), and

3           “(C) includes a leased employee within the  
4           meaning of section 414(n).

5           “(5) COMPENSATION.—The term ‘compensa-  
6           tion’ means amounts described in section  
7           6051(a)(3).

8           “(e) CERTAIN RULES MADE APPLICABLE.—For pur-  
9           poses of this section, rules similar to the rules of section  
10          52 shall apply.

11          “(f) DENIAL OF DOUBLE BENEFIT.—No deduction  
12          or credit under any other provision of this chapter shall  
13          be allowed with respect to qualified employee health insur-  
14          ance expenses taken into account under subsection (a).”.

15          (b) CREDIT TO BE PART OF GENERAL BUSINESS  
16          CREDIT.—Section 38(b) of the Internal Revenue Code of  
17          1986 (relating to current year business credit) is amended  
18          by striking “plus” at the end of paragraph (14), by strik-  
19          ing the period at the end of paragraph (15) and inserting  
20          “, plus”, and by adding at the end the following:

21                 “(16) the employee health insurance expenses  
22                 credit determined under section 45G.”.

23          (c) NO CARRYBACKS.—Subsection (d) of section 39  
24          of the Internal Revenue Code of 1986 (relating to

1 carryback and carryforward of unused credits) is amended  
2 by adding at the end the following:

3           “(11) NO CARRYBACK OF SECTION 45G CREDIT  
4           BEFORE EFFECTIVE DATE.—No portion of the un-  
5           used business credit for any taxable year which is  
6           attributable to the employee health insurance ex-  
7           penses credit determined under section 45G may be  
8           carried back to a taxable year ending before the date  
9           of the enactment of section 45G.”.

10          (d) CLERICAL AMENDMENT.—The table of sections  
11 for subpart D of part IV of subchapter A of chapter 1  
12 of the Internal Revenue Code of 1986 is amended by add-  
13 ing at the end the following:

                  “Sec. 45G. Employee health insurance expenses.”.

14          (e) EMPLOYER OUTREACH.—The Internal Revenue  
15 Service shall, in conjunction with the Small Business Ad-  
16 ministration, develop materials and implement an edu-  
17 cational program to ensure that business personnel are  
18 aware of—

19               (1) the eligibility criteria for the tax credit pro-  
20               vided under section 45G of the Internal Revenue  
21               Code of 1986 (as added by this section),

22               (2) the methods to be used in calculating such  
23               credit, and

24               (3) the documentation needed in order to claim  
25               such credit,

1 so that the maximum number of eligible businesses may  
2 claim the tax credit.

3 (f) HEALTH INSURANCE PURCHASING POOLS.—

4 (1) MATCHING FUNDS FOR OPERATION OF  
5 POOLS.—

6 (A) IN GENERAL.—In the case of a State  
7 or a unit of local government that establishes a  
8 health insurance purchasing pool, the Secretary  
9 of Health and Human Services shall provide,  
10 from the funds allocated under paragraph (2),  
11 a grant equal to the applicable percentage of  
12 the administrative costs associated with such  
13 pool.

14 (B) APPLICABLE PERCENTAGE.—For pur-  
15 poses of subparagraph (A), the applicable per-  
16 centage is—

17 (i) 75 percent for the initial year of  
18 the grant;

19 (ii) 50 percent for year succeeding the  
20 year to which clause (i) is applicable;

21 (iii) 25 percent for the year suc-  
22 ceeding the year to which clause (iii) is ap-  
23 plicable; and

24 (iv) zero thereafter.

1 (C) SPECIAL RULE FOR LOCAL GOVERN-  
2 MENT PURCHASING POOLS.—The Secretary of  
3 Health and Human Services shall not provide a  
4 grant under this subsection to any unit of a  
5 local government unless such unit of local gov-  
6 ernment submits to the Secretary a certificate  
7 from the State in which such unit of local gov-  
8 ernment is located authorizing such grant.

9 (D) HEALTH INSURANCE PURCHASING  
10 POOL.—For purposes of this subsection, the  
11 term “health insurance purchasing pool” means  
12 a purchasing pool for small employers (as de-  
13 fined under section 45G of the Internal Rev-  
14 enue Code of 1986) for the purpose of pro-  
15 viding health insurance coverage (as defined in  
16 such section) to qualified employees (as defined  
17 in such section).

18 (2) FUNDING.—Out of the money in the Treas-  
19 ury of the United States not otherwise appropriated,  
20 there are authorized and appropriated such sums as  
21 are necessary to carry out this subsection.

22 (g) EFFECTIVE DATE.—The amendments made by  
23 this section shall apply to amounts paid or incurred in tax-  
24 able years beginning after the date of the enactment of  
25 this Act.

1 **SEC. 3. CREDIT FOR EMPLOYEE TRAINING EXPENSES OF**  
2 **SMALL BUSINESSES.**

3 (a) IN GENERAL.—Subpart D of part IV of sub-  
4 chapter A of chapter 1 of the Internal Revenue Code of  
5 1986 (relating to business related credits), as amended by  
6 this Act, is amended by adding at the end the following  
7 new section:

8 **“SEC. 45H. SMALL BUSINESS EMPLOYEE TRAINING EX-**  
9 **PENSES.**

10 “(a) IN GENERAL.—

11 “(1) ALLOWANCE OF CREDIT.—For purposes of  
12 section 38, in the case of an eligible small business  
13 employer, the small business employee training cred-  
14 it determined under this section for the taxable year  
15 is an amount equal to so much of the qualified train-  
16 ing expenses paid or incurred by the eligible small  
17 business employer with respect to qualified employ-  
18 ees as exceeds the base amount.

19 “(2) BASE AMOUNT.—For purposes of para-  
20 graph (1)—

21 “(A) IN GENERAL.—The base amount is  
22 an amount equal to the average amount of  
23 qualified training expenses paid or incurred by  
24 the eligible small business employer with re-  
25 spect to all qualified employees for the 3 pre-  
26 ceding taxable years.

1           “(B) SPECIAL RULE FOR NEW BUSI-  
2           NESSES.—

3           “(i) BUSINESSES WITH AT LEAST 1  
4           TAXABLE YEAR.—In the case of an eligible  
5           small business employer which has at least  
6           1 full preceding taxable year but fewer  
7           than 3 preceding taxable years, the base  
8           amount shall be the amount of qualified  
9           training expenses paid or incurred by such  
10          employer with respect to all qualified em-  
11          ployees during the preceding taxable year.

12          “(ii) START-UP YEAR.—In the case of  
13          an eligible small business employer which  
14          does not have any full preceding taxable  
15          years, the base amount shall be zero.

16          “(b) LIMITATIONS.—

17                 “(1) PER EMPLOYEE LIMITATION.—The  
18                 amount of the credit allowed under subsection (a)  
19                 for any taxable year with respect to any qualified  
20                 employee shall not exceed \$1,000 (\$500 in the case  
21                 of an eligible small business to which subsection  
22                 (a)(2)(B)(ii) applies).

23                 “(2) NUMBER OF EMPLOYEES.—Not more than  
24                 5 qualified employees may be taken into account  
25                 under subsection (a) for any taxable year.

1 “(c) ELIGIBLE SMALL BUSINESS EMPLOYER.—

2 “(1) IN GENERAL.—The term ‘eligible small  
3 business employer’ means, with respect to any cal-  
4 endar year, an employer who employed an average of  
5 at least 2 but not more than 100 employees on busi-  
6 ness days during the preceding taxable year.

7 “(2) EXCEPTION.—Such term shall not include  
8 any employer who is a physician or whose principal  
9 business is providing legal, accounting, engineering,  
10 architectural, or similar services.

11 “(d) QUALIFIED TRAINING EXPENSES.—For pur-  
12 poses of this section, the term ‘qualified training expenses’  
13 means expenses paid or incurred for the training of a  
14 qualified employee to a person who is an eligible provider  
15 of training services within the meaning of section 122 of  
16 the Workforce Investment Act of 1998.

17 “(e) QUALIFIED EMPLOYEE.—For purposes of this  
18 section, the term ‘qualified employee’ means an individual  
19 who has been employed by the eligible small business em-  
20 ployer on a full-time basis for at least 6 months and who  
21 is not any of the following:

22 “(1) A highly compensated employee (within  
23 the meaning of section 414(q)).

24 “(2) A physician or a veterinarian.

1           “(3) An individual participating in an appren-  
2           ticeship or a specialty trade skills development pro-  
3           gram associated with a specialty trade contractor as  
4           specified in subsector 238 of the North American In-  
5           dustry Classification System (as in effect on the  
6           date of the enactment of this section).”.

7           (b) CREDIT MADE PART OF GENERAL BUSINESS  
8           CREDIT.—Section 38(b) of the Internal Revenue Code of  
9           1986, as amended by this Act, is amended by striking  
10          “plus” at the end of paragraph (15), by striking the period  
11          at the end of paragraph (16) and inserting “, plus”, and  
12          by adding at the end the following new paragraph:

13                 “(17) the small business employee training  
14                 credit determined under section 45H(a).”.

15          (c) LIMITATION ON CARRY BACK.—Section 39(d) of  
16          the Internal Revenue Code of 1986, as amended by this  
17          Act, is amended by adding at the end the following new  
18          paragraph:

19                 “(12) NO CARRYBACK OF SMALL BUSINESS EM-  
20                 PLOYEE TRAINING CREDIT BEFORE DATE OF ENACT-  
21                 MENT.—No portion of the unused business credit for  
22                 any taxable year which is attributable to the small  
23                 business employee training credit determined under  
24                 section 45H may be carried back to a taxable year

1 beginning before the date of the enactment of sec-  
2 tion 45H.”.

3 (d) CLERICAL AMENDMENT.—The table of sections  
4 for subpart D of part IV of subchapter A of chapter 1  
5 of the Internal Revenue Code of 1986, as amended by this  
6 Act, is amended by adding at the end the following new  
7 item:

“Sec. 45H. Small business employee training credit.”.

8 (e) EFFECTIVE DATE.—The amendments made by  
9 this section shall apply to expenditures incurred after De-  
10 cember 31, 2005.

11 **SEC. 4. ACCESS TO CAPITAL.**

12 (a) GENERAL BUSINESS LOANS.—There are author-  
13 ized to be appropriated for general business loans under  
14 section 7(a) of the Small Business Act (15 U.S.C.  
15 636(a))—

16 (1) for fiscal year 2005, \$16,500,000,000;  
17 (2) for fiscal year 2006, \$17,000,000,000; and  
18 (3) for fiscal year 2007 and each fiscal year  
19 thereafter, the sum of—

20 (A) \$17,000,000,000; and

21 (B) \$17,000,000,000 multiplied by the cu-  
22 mulative percentage change in the consumer  
23 price index (as defined by section 1(f)(5) of the  
24 Internal Revenue Code of 1986) between Octo-

1           ber 1, 2005, and October 1 of such fiscal year,  
2           rounded to the nearest \$1,000,000.

3           (b) DEBENTURE SIZE.—Section 502(2) of the Small  
4 Business Investment Act of 1958 (15 U.S.C. 696(2)) is  
5 amended to read as follows:

6           “(2) MAXIMUM AMOUNT.—Loans made by the  
7 Administration under this section shall be limited  
8 to—

9           “(A) \$1,000,000 for each small business  
10 concern if the loan proceeds will not be directed  
11 toward a goal or project described in subpara-  
12 graph (B) or (C);

13           “(B) \$1,300,000 for each small business  
14 concern if the loan proceeds will be directed to-  
15 ward 1 or more of the public policy goals de-  
16 scribed under section 501(d)(3); and

17           “(C) \$4,000,000 for each small business  
18 concern if the loan proceeds will be directed to-  
19 ward projects for small manufacturers.”.

20 **SEC. 5. 2-YEAR EXTENSION OF INCREASED EXPENSING FOR**  
21 **SMALL BUSINESS.**

22           Subsections (b), (c), and (d) of section 179 of the  
23 Internal Revenue Code of 1986 are each amended by

- 1 striking “2006” each place it appears and inserting
- 2 “2008”.

