

112TH CONGRESS
2D SESSION

H. R. 4643

To amend the Internal Revenue Code of 1986 to expand the availability of the cash method of accounting for small businesses, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 25, 2012

Mr. BERG (for himself and Mr. THOMPSON of California) 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 expand the availability of the cash method of accounting for small businesses, 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 Tax
5 Simplification Act”.

6 **SEC. 2. CLARIFICATION OF CASH ACCOUNTING RULES FOR**
7 **SMALL BUSINESS.**

8 (a) CASH ACCOUNTING PERMITTED.—

9 (1) IN GENERAL.—Section 446 of the Internal
10 Revenue Code of 1986 (relating to general rule for

1 methods of accounting) is amended by adding at the
 2 end the following new subsection:

3 “(g) CERTAIN SMALL BUSINESS TAXPAYERS PER-
 4 MITTED TO USE CASH ACCOUNTING METHOD WITHOUT
 5 LIMITATION.—

6 “(1) IN GENERAL.—An eligible taxpayer shall
 7 not be required to use an accrual method of account-
 8 ing for any taxable year.

9 “(2) ELIGIBLE TAXPAYER.—For purposes of
 10 this subsection, a taxpayer is an eligible taxpayer
 11 with respect to any taxable year if—

12 “(A) for all prior taxable years beginning
 13 after December 31, 2011, the taxpayer (or any
 14 predecessor) met the gross receipts test of sec-
 15 tion 448(c), and

16 “(B) the taxpayer is not subject to section
 17 447 or 448.”.

18 (2) EXPANSION OF GROSS RECEIPTS TEST.—

19 (A) IN GENERAL.—Paragraph (3) of sec-
 20 tion 448(b) of such Code (relating to entities
 21 with gross receipts of not more than
 22 \$5,000,000) is amended by striking
 23 “\$5,000,000” in the text and in the heading
 24 and inserting “\$10,000,000”.

1 (B) CONFORMING AMENDMENTS.—Section
2 448(c) of such Code is amended—

3 (i) by striking “\$5,000,000” each
4 place it appears in the text and in the
5 heading of paragraph (1) and inserting
6 “\$10,000,000”, and

7 (ii) by adding at the end the following
8 new paragraph:

9 “(4) INFLATION ADJUSTMENT.—In the case of
10 any taxable year beginning in a calendar year after
11 2012, the dollar amount contained in subsection
12 (b)(3) and paragraph (1) of this subsection shall be
13 increased by an amount equal to—

14 “(A) such dollar amount, multiplied by

15 “(B) the cost-of-living adjustment deter-
16 mined under section 1(f)(3) for the calendar
17 year in which the taxable year begins, by sub-
18 stituting ‘calendar year 2011’ for ‘calendar year
19 1992’ in subparagraph (B) thereof.

20 If any amount as adjusted under this subparagraph
21 is not a multiple of \$100,000, such amount shall be
22 rounded to the nearest multiple of \$100,000.”.

23 (b) CLARIFICATION OF INVENTORY RULES FOR
24 SMALL BUSINESS.—

1 (1) IN GENERAL.—Section 471 of the Internal
2 Revenue Code of 1986 (relating to general rule for
3 inventories) is amended by redesignating subsection
4 (c) as subsection (d) and by inserting after sub-
5 section (b) the following new subsection:

6 “(c) SMALL BUSINESS TAXPAYERS NOT REQUIRED
7 TO USE INVENTORIES.—

8 “(1) IN GENERAL.—A qualified taxpayer shall
9 not be required to use inventories under this section
10 for a taxable year.

11 “(2) TREATMENT OF TAXPAYERS NOT USING
12 INVENTORIES.—If a qualified taxpayer does not use
13 inventories with respect to any property for any tax-
14 able year beginning after December 31, 2011, such
15 property shall be treated as a material or supply
16 which is not incidental.

17 “(3) QUALIFIED TAXPAYER.—For purposes of
18 this subsection, the term ‘qualified taxpayer’
19 means—

20 “(A) any eligible taxpayer (as defined in
21 section 446(g)(2)), and

22 “(B) any taxpayer described in section
23 448(b)(3).”.

24 (2) CONFORMING AMENDMENTS.—

1 (A) Subpart D of part II of subchapter E
 2 of chapter 1 of such Code is amended by strik-
 3 ing section 474.

4 (B) The table of sections for subpart D of
 5 part II of subchapter E of chapter 1 of such
 6 Code is amended by striking the item relating
 7 to section 474.

8 (c) EFFECTIVE DATE AND SPECIAL RULES.—

9 (1) IN GENERAL.—The amendments made by
 10 this section shall apply to taxable years beginning
 11 after December 31, 2011.

12 (2) CHANGE IN METHOD OF ACCOUNTING.—In
 13 the case of any taxpayer changing the taxpayer's
 14 method of accounting for any taxable year under the
 15 amendments made by this section—

16 (A) such change shall be treated as initi-
 17 ated by the taxpayer;

18 (B) such change shall be treated as made
 19 with the consent of the Secretary of the Treas-
 20 ury; and

21 (C) the net amount of the adjustments re-
 22 quired to be taken into account by the taxpayer
 23 under section 481 of the Internal Revenue Code
 24 of 1986 shall be taken into account over a pe-

- 1 riod (not greater than 4 taxable years) begin-
- 2 ning with such taxable year.

