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113TH CONGRESS
1ST SESSION

H. R. 815

To amend the Internal Revenue Code of 1986 to make certain dividends and distributions paid to individuals from certain small businesses exempt from tax to the extent of the increased wages of the small business.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 25, 2013

Mr. OWENS 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 make certain dividends and distributions paid to individuals from certain small businesses exempt from tax to the extent of the increased wages of the small business.

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

SECTION 1. EXEMPTION FOR CERTAIN DISTRIBUTIONS OF SMALL BUSINESSES TO EXTENT OF INCREASED WAGES.

(a) IN GENERAL.—Part III of subchapter B of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting before section 140 the following new section:

"SEC. 139F. INCREASED-WAGE DISTRIBUTIONS OF SMALL BUSINESSES.

"(a) APPLICATION TO CORPORATIONS.—

"(1) IN GENERAL.—In the case of a distribution to an individual from a corporation which is a small business concern, gross income shall not include any increased-wage exempt-dividend.

"(2) INCREASED-WAGE EXEMPT-DIVIDEND.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'increased-wage exempt-dividend' means any dividend properly designated as an increased-wage exempt-dividend under subparagraph (B).

"(B) DESIGNATION.—A corporation which is a small business concern may designate any dividend paid by such corporation as an increased-wage exempt-dividend to the extent that the aggregate amount of the dividends so designated for any taxable year does not exceed the wage increase amount for such taxable year.

"(b) APPLICATION TO PARTNERSHIPS.—

"(1) IN GENERAL.—In the case of a distribution to an individual from a partnership which is a small business concern—

"(A) no gain shall be recognized on any increased-wage partnership distribution, and

"(B) in the case of an increased-wage partnership distribution with respect to which no gain is recognized under section 731(a)(2), no reduction shall be made to the adjusted basis to the partner of his interest in the partnership under section 733(1).

"(2) INCREASED-WAGE PARTNERSHIP DISTRIBUTION.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'increased-wage partnership distribution' means any cash distribution from the partnership to a partner which is properly designated as an increased-wage partnership distribution under subparagraph (B).

"(B) DESIGNATION.—A partnership which is a small business concern may designate any cash distribution as an increased-wage partnership distribution to the extent that the aggregate amount of the distributions so designated for any taxable year does not exceed the wage increase amount for such taxable year.

"(c) WAGE INCREASE AMOUNT.—For purposes of this section—

"(1) IN GENERAL.—The term 'wage increase amount' means, with respect to any corporation or partnership for any taxable year, the sum of—

"(A) the excess (if any) of—

"(i) the aggregate qualified wages paid or incurred by the corporation or partnership for such taxable year, over

"(ii) the aggregate qualified wages paid or incurred by the corporation or partnership for the preceding taxable year, plus

"(B) any increased-wage exempt-dividends or increased-wage partnership distributions received by such corporation or partnership during such taxable year.

"(2) QUALIFIED WAGES.—The term 'qualified wages' has the meaning which would be given such term by section 3121(a) if paragraph (1) thereof were applied by treating the contribution and benefit base as being equal to $50,000.

"(3) AGGREGATION RULE.—All persons treated as a single employer under subsection (a) or (b) of section 52 shall be treated as one person for purposes of this subsection.

"(4) TREATMENT OF PREDECESSORS.—Any reference in this subsection to a corporation or partnership shall include a reference to any predecessor of such corporation or partnership.

"(d) SMALL BUSINESS CONCERN.—For purposes of this section, the term 'small business concern' has the meaning given such term by section 3 of the Small Business Act.".

(b) CONFORMING AMENDMENTS.—

(1) Section 1(h)(11)(B)(ii) of such Code is amended by striking "and" at the end of subclause (II), by striking the period at the end of subclause (III) and inserting ", and", and by adding at the end the following new subclause:

"(IV) any increased-wage exempt-dividend (as defined in section 139F).".

(2) The table of sections for part III of subchapter B of chapter 1 of such Code is amended by inserting before the item relating to section 140 the following new item:

"Sec. 139F. Increased-wage distributions.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2012.

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