

114TH CONGRESS
1ST SESSION

S. 1827

To amend the Internal Revenue Code of 1986 to improve the tax treatment of small businesses.

IN THE SENATE OF THE UNITED STATES

JULY 22, 2015

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

A BILL

To amend the Internal Revenue Code of 1986 to improve the tax treatment of small businesses.

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, ETC.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Small Business Tax Compliance Relief Act of 2015”.

6 (b) TABLE OF CONTENTS.—The table of contents of
7 this Act is as follows:

Sec. 1. Short title, etc.

TITLE I—SMALL BUSINESS TAX REFORM

Sec. 101. Expansion of cash accounting threshold.

Sec. 102. Modification of Safe Harbor for Expensing of Acquisition or Production Costs of Tangible Property.

Sec. 201. Requirement to convene small business review panels.
 Sec. 202. Penalty waivers in cases of good faith efforts.
 Sec. 203. Inflation adjustments for certain provisions.
 Sec. 204. Report on uniform definitions.
 Sec. 205. Report on improvements to customer service.
 Sec. 206. Reasonable cause exception for failure to report certain transactions.
 Sec. 207. Reasonable cause exception.
 Sec. 208. Return due date modifications.

Sec. 301. Modification of application of rules for nonqualified deferred compensation plans.

Sec. 302. Reduction in holding period for qualified small business stock.

Sec. 303. Extension of rollover period for qualified small business stock.

3 SEC. 101. EXPANSION OF CASH ACCOUNTING THRESHOLD.

(1) IN GENERAL.—Paragraph (3) of section 448(b) of the Internal Revenue Code of 1986 is amended by striking “\$5,000,000” in the text and in the heading and inserting “\$10,000,000”.

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

1 (B) by adding at the end the following new
 2 paragraph:

3 “(4) INFLATION ADJUSTMENT.—In the case of
 4 any taxable year beginning in a calendar year after
 5 2015, the dollar amount contained in subsection
 6 (b)(3) and paragraph (1) of this subsection shall be
 7 increased by an amount equal to—

8 “(A) such dollar amount, multiplied by

9 “(B) the cost-of-living adjustment deter-
 10 mined under section 1(f)(3) for the calendar
 11 year in which the taxable year begins, by sub-
 12 stituting ‘calendar year 2014’ for ‘calendar year
 13 1992’ in subparagraph (B) thereof.

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

17 (b) EXEMPTION FROM INVENTORY REQUIREMENT.—
 18 Section 471 of the Internal Revenue Code of 1986 is
 19 amended by redesignating subsection (c) as subsection (d)
 20 and by inserting after subsection (b) the following new
 21 subsection:

22 “(c) SECTION NOT TO APPLY TO CERTAIN CASH
 23 METHOD TAXPAYERS.—If a taxpayer—

24 “(1) would otherwise be required to use inven-
 25 tories under this section for any taxable year, but

1 “(2) the taxpayer meets the gross receipts test
 2 of section 448(b) for the taxable year and is eligible
 3 and elects to use the cash receipts and disburse-
 4 ments method of accounting for the taxable year,
 5 then the requirement to use inventories shall not apply
 6 to the taxpayer for the taxable year.”.

7 (c) EFFECTIVE DATE AND SPECIAL RULE.—

8 (1) IN GENERAL.—The amendments made by
 9 this section shall apply to taxable years beginning
 10 after December 31, 2014.

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

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

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

20 **SEC. 102. MODIFICATION OF SAFE HARBOR FOR EXPENS-**
 21 **ING OF ACQUISITION OR PRODUCTION COSTS**
 22 **OF TANGIBLE PROPERTY.**

23 (a) REQUIREMENT TO MODIFY SAFE HARBOR.—The
 24 Secretary of the Treasury or his delegate shall, within 180

1 days after the date of enactment of this Act, modify
 2 Treasury Regulations section 1.263(a)–1(f) by—

3 (1) increasing the amount of the de minimis
 4 safe harbor for taxpayers without applicable finan-
 5 cial statements from \$500 to \$2,500,

6 (2) requiring adequate records showing the dol-
 7 lar amount being expensed in lieu of accounting pro-
 8 cedures in place at the beginning of the taxable year,
 9 and

10 (3) modifying the definition of applicable finan-
 11 cial statement to include reviewed financial state-
 12 ments.

13 (b) EFFECTIVE DATE.—The modifications required
 14 by subsection (a) shall apply to taxable years beginning
 15 after December 31, 2014.

16 **SEC. 103. REMOVAL OF COMPUTER EQUIPMENT FROM**
 17 **LISTED PROPERTY.**

18 (a) IN GENERAL.—Section 280F(d)(4)(A) of the In-
 19 ternal Revenue Code of 1986 is amended by inserting
 20 “and” at the end of clause (iii) and by striking clause (iv).

21 (b) CONFORMING AMENDMENT.—Section 280F(d)(4)
 22 of the Internal Revenue Code of 1986 is amended by strik-
 23 ing subparagraph (B) and by redesignating subparagraph
 24 (C) as subparagraph (B).

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to taxable years beginning after
 3 the date of the enactment of this Act.

4 **SEC. 104. DEDUCTION FOR HEALTH INSURANCE COSTS IN**
 5 **COMPUTING SELF-EMPLOYMENT TAXES.**

6 (a) IN GENERAL.—Paragraph (4) of section 162(l)
 7 of the Internal Revenue Code of 1986 is amended by strik-
 8 ing “for taxable years beginning before January 1, 2010,
 9 or after December 31, 2010” and inserting “for taxable
 10 years beginning before January 1, 2015.”.

11 (b) EFFECTIVE DATE.—The amendment made by
 12 this section shall apply to taxable years beginning after
 13 December 31, 2014.

14 **SEC. 105. FLEXIBLE RETIREMENT ACCOUNT FOR SMALL**
 15 **BUSINESSES.**

16 (a) IN GENERAL.—Section 408 of the Internal Rev-
 17 enue Code of 1986 is amended by redesignating subsection
 18 (r) as subsection (s) and by inserting after subsection (q)
 19 the following new subsection:

20 “(r) FLEXIBLE RETIREMENT ACCOUNT DEFINED.—

21 “(1) IN GENERAL.—For purposes of this title,
 22 the term ‘flexible retirement account’ means an indi-
 23 vidual retirement account or individual retirement
 24 annuity with respect to which the requirements of
 25 paragraphs (2), (3), (4), and (7) are met.

1 “(2) MAINTAINED BY SMALL BUSINESS.—

2 “(A) IN GENERAL.—This paragraph is sat-
3 isfied for a year with respect to a flexible retire-
4 ment account that is part of a plan of an em-
5 ployer if the employer has not more than 100
6 full-time employees on the last day of the pre-
7 vious year.

8 “(B) AGGREGATION RULES.—For purposes
9 of subparagraph (A), all employees of any
10 trades or business (whether or not incor-
11 porated) which are under common control shall
12 be treated as employed by a single employer.

13 “(3) PARTICIPATION REQUIREMENTS.—This
14 paragraph is satisfied with respect to a flexible re-
15 tirement account for a year only if for such year the
16 employer maintains a flexible retirement account on
17 behalf of each employee who—

18 “(A) has attained age 21, and

19 “(B) received not less than \$3,300 in com-
20 pensation (within the meaning of section
21 415(c)(3)) from the employer in any calendar
22 quarter during the previous year.

23 “(4) AUTOMATIC ENROLLMENT; EMPLOYEE
24 MAY ELECT NOT TO PARTICIPATE.—This paragraph
25 is satisfied with respect to a flexible retirement ac-

1 count that is part of a plan of an employer if under
2 the terms of the plan—

3 “(A) each employee described in paragraph
4 (3) (without regard to paragraph (5))—

5 “(i) may elect—

6 “(I) to have the employer make
7 contributions on behalf of the em-
8 ployee to a flexible retirement ac-
9 count, or

10 “(II) to have such payments paid
11 to the employee directly in cash, and

12 “(ii) is deemed to have made the elec-
13 tion under clause (i)(I), effective as of the
14 first day of the first calendar quarter be-
15 ginning after the employee becomes an em-
16 ployee described in paragraph (3), in an
17 amount equal to 3 percent of the employ-
18 ee’s compensation, until the employee spe-
19 cifically elects not to have such contribu-
20 tions made or to have contributions made
21 in a different amount, and

22 “(B) amounts contributed pursuant clause
23 (i) or (ii) of subparagraph (A) are invested in
24 a diversified common stock fund chosen by the
25 financial institution holding the flexible retire-

1 ment account until the employee specifically
 2 elects to direct such contributions to a different
 3 investment option.

4 “(5) INCLUSION OF SELF-EMPLOYED INDIVID-
 5 UALS.—For purposes of this subsection, the term
 6 ‘employee’ includes an employee as defined in section
 7 401(c)(1). For purposes of applying the limitations
 8 of sections 402(h), 404(h), and 415(c)(1)(A) with
 9 respect to an employee described in the preceding
 10 sentence, the term ‘compensation’ has the meaning
 11 given in subsection (p)(6)(A)(ii).

12 “(6) EMPLOYER CONTRIBUTIONS.—The em-
 13 ployer maintaining a flexible retirement account may
 14 make qualified nonelective contributions (as defined
 15 in section 401(m)(4)(C)) to the flexible retirement
 16 accounts of employees described in paragraph (3),
 17 but only if such contributions made with respect to
 18 all such employees bear a uniform relationship to the
 19 compensation of the employees.

20 “(7) FINANCIAL INSTITUTIONS.—This para-
 21 graph is satisfied with respect to a flexible retire-
 22 ment account if—

23 “(A) such account is maintained at a fi-
 24 nancial institution, including a bank, credit
 25 union, insurance company, broker or dealer reg-

1 istered with the Securities and Exchange Com-
 2 mission, and such other entities as the Sec-
 3 retary may by regulation designate,

4 “(B) such financial institution—

5 “(i) provides for not less than 3 in-
 6 vestment options among which the em-
 7 ployee may choose to direct the contribu-
 8 tions to and balances held in the employ-
 9 ee’s flexible retirement account, each of
 10 which is diversified and has materially dif-
 11 ferent risk and return characteristics, and

12 “(ii) provides a quarterly report to
 13 each employee with respect to whom it
 14 holds a flexible retirement account describ-
 15 ing the contributions to the account, with-
 16 drawals from the account, and investment
 17 performance of the account, and

18 “(C) the contributions to and balances held
 19 in the flexible retirement account of an em-
 20 ployee may not be invested in securities of the
 21 employer maintaining such account.”.

22 (b) LIMITATION ON DEDUCTIONS BY EMPLOYER.—

23 Subsection (h) of section 404 of the Internal Revenue
 24 Code of 1986 is amended—

1 (1) by striking “PENSIONS” in the heading and
2 inserting “PENSIONS AND FLEXIBLE RETIREMENT
3 ACCOUNTS”,

4 (2) by striking “a simplified employee pension”
5 each place it appears in paragraph (1) and inserting
6 “a simplified employee pension or a flexible retire-
7 ment account”, and

8 (3) by striking “For purposes of subsection
9 (a)(7), a simplified employee pension shall be treated
10 as if it were” in paragraph (3) and inserting “In the
11 case of a simplified employee pension or a flexible
12 retirement account, section (a)(7) shall be applied by
13 treating such pension or account as if it were”.

14 (c) TAXABILITY OF BENEFICIARY.—Subsection (h) of
15 section 402 of the Internal Revenue Code of 1986 is
16 amended—

17 (1) by striking “PENSIONS” in the heading and
18 inserting “PENSIONS AND FLEXIBLE RETIREMENT
19 ACCOUNTS”,

20 (2) by striking “408(k))” in paragraph (1) and
21 inserting “408(k)) or a flexible retirement account
22 (as defined in section 408(r))”,

23 (3) by striking “section 408(k)(6)” in para-
24 graph (1)(B) and inserting “subsection (k)(6) or
25 (r)(4) of section 408”,

1 (4) by striking “the simplified employee pen-
 2 sion” each place it appears in paragraphs (1)(B)
 3 and (2)(A) and inserting “the simplified employee
 4 pension or flexible retirement account”,

5 (5) by striking “a simplified employee pension”
 6 each place it appears in paragraphs (2) and (3) and
 7 inserting “a simplified employee pension or flexible
 8 retirement account”, and

9 (6) by striking “reduced in the case” in para-
 10 graph (2)(B) and inserting “reduced, with respect to
 11 a simplified employee pension, in the case”.

12 (d) CONFORMING AMENDMENTS.—

13 (1) Subparagraph (A) of section 219(g)(5) of
 14 the Internal Revenue Code of 1986 is amended by
 15 striking “or” at the end of clause (v) and by adding
 16 at the end the following new clause:

17 “(vii) a flexible retirement account
 18 (within the meaning of section 408(r)),
 19 or”.

20 (2) Paragraph (6) of section 280G(b) of such
 21 Code is amended by striking “or” at the end of sub-
 22 paragraph (C), by striking the period at the end of
 23 subparagraph (D) and inserting “, or”, and by add-
 24 ing at the end the following new subparagraph:

1 “(E) a flexible retirement account (as de-
2 fined in section 408(r)).”.

3 (3) Subsection (j) of section 408 of such Code
4 is amended—

5 (A) by striking “PENSIONS” in the heading
6 and inserting “PENSIONS AND FLEXIBLE RE-
7 TIREMENT ACCOUNTS”, and

8 (B) by striking “pension,” and inserting
9 “pension or flexible retirement account,”.

10 (4) Subsections (b), (c), (m)(4)(B), (n)(3)(B),
11 and (u)(1)(C) of section 414 of such Code are each
12 amended by inserting “, 408(r)” after “408(p)”.

13 (5) Paragraph (6) of section 414(u) of such
14 Code is amended by inserting “, any flexible retire-
15 ment account under section 408(r)” after “408(p)”.

16 (6) Subparagraph (B) of section 414(v)(3) of
17 such Code is amended by inserting “, 408(r)” after
18 “408(k)”.

19 (7) Clause (iv) of section 414(v)(6)(A) of such
20 Code is amended by striking “(k) or (p)” and insert-
21 ing “(k), (p), or (r)”.

22 (8) Paragraph (5) of section 414(w) of such
23 Code is amended by striking “and” at the end of
24 subparagraph (D), by striking the period at the end

1 of subparagraph (E) and inserting “, and”, and by
 2 adding at the end the following new subparagraph:

3 “(F) a flexible retirement account (as de-
 4 fined in section 408(r)).”.

5 (9) Paragraph (2) of section 415(a) of such
 6 Code is amended—

7 (A) by striking “or” at the end of subpara-
 8 graph (B),

9 (B) by striking the comma at the end of
 10 subparagraph (C) and inserting “, or”,

11 (C) by inserting after subparagraph (C)
 12 the following new subparagraph:

13 “(D) a flexible retirement account de-
 14 scribed in section 408(r).”,

15 (D) by striking “or pension” and inserting
 16 “pension, or account”, and

17 (E) by striking “or 408(k)” and inserting
 18 “408(k), or 408(r)”.

19 (10) Subparagraph (C) of section 3121(a)(5) of
 20 such Code is amended by inserting “, or a flexible
 21 retirement account (as defined in section 408(r))”
 22 after “408(k)(6)”.

23 (11) Subparagraph (C) of section 3306(a)(5) of
 24 such Code is amended by inserting “, or a flexible

1 retirement account (as defined in section 408(r)”
 2 after “408(k)(6)”.

3 (12) Subparagraph (A) of section 4972(d)(1) of
 4 such Code is amended by striking “and” at the end
 5 of clause (iii), by striking the period at the end of
 6 clause (iv) and inserting “, and”, and by adding at
 7 the end the following new clause:

8 “(v) any flexible retirement account
 9 (within the meaning of section 408(r)).”.

10 (e) EFFECTIVE DATE.—The amendments made by
 11 this section shall apply to contributions made after De-
 12 cember 31, 2015.

13 **SEC. 106. REPEAL OF SIMPLE PLANS AND SIMPLE IRAS.**

14 (a) SIMPLE 401(k) PLANS.—Paragraph (11) of sec-
 15 tion 401(k) of the Internal Revenue Code of 1986 is
 16 amended by adding at the end the following new subpara-
 17 graph:

18 “(E) TERMINATION.—This paragraph
 19 shall not apply to any cash or deferred arrange-
 20 ment adopted after December 31, 2016.”.

21 (b) SIMPLE IRAS.—Subsection (p) of section 408 of
 22 the Internal Revenue Code of 1986 is amended by adding
 23 at the end the following new paragraph:

1 “(11) TERMINATION.—This subsection shall not
 2 apply to any plan established after December 31,
 3 2016.”.

4 **SEC. 107. MODIFICATION OF RULES RELATING TO THE TER-**
 5 **MINATION OF PARTNERSHIPS AND S COR-**
 6 **PORATIONS.**

7 (a) NO TERMINATION OF PARTNERSHIP ON SALE OR
 8 EXCHANGE OF ASSETS.—

9 (1) IN GENERAL.—Section 708(b)(1) of the In-
 10 ternal Revenue Code of 1986 is amended by striking
 11 “only if” and all that follows and inserting “only if
 12 no part of any business, financial operation, or ven-
 13 ture of the partnership continues to be carried on by
 14 any of its partners in a partnership.”.

15 (2) CONFORMING AMENDMENTS.—

16 (A) Section 168(i)(7)(B) of such Code is
 17 amended by striking the last sentence.

18 (B) Section 743(e) of such Code is amend-
 19 ed by striking paragraph (4).

20 (C) Section 774 of such Code is amended
 21 by striking subsection (c).

22 (b) NO TERMINATION OF S CORPORATION STATUS
 23 DUE TO EXCESSIVE PASSIVE INVESTMENT INCOME.—
 24 Paragraph (3) of section 1362(d) of the Internal Revenue

1 Code of 1986 is amended by adding at the end the fol-
 2 lowing new subparagraph:

3 “(D) TERMINATION.—This paragraph
 4 shall not apply to taxable years ending after the
 5 date of the enactment of the Small Business
 6 Tax Compliance Relief Act of 2015.”.

7 **SEC. 108. REPEAL OF SPECIAL RULES FOR TOP-HEAVY**
 8 **PLANS.**

9 Section 416 of the Internal Revenue Code of 1986
 10 is amended by adding at the end the following new sub-
 11 section:

12 “(j) TERMINATION.—This section shall not apply to
 13 plan years beginning after the date of the enactment of
 14 the Small Business Tax Compliance Relief Act of 2015.”.

15 **TITLE II—PROVISIONS RELATED**
 16 **TO THE INTERNAL REVENUE**
 17 **SERVICE**

18 **SEC. 201. REQUIREMENT TO CONVENE SMALL BUSINESS**
 19 **REVIEW PANELS.**

20 Section 609(d) of title 5, United States Code, is
 21 amended—

22 (1) in paragraph (2), by striking “and” at the
 23 end;

24 (2) in paragraph (3), by striking the period and
 25 inserting “; and”; and

1 (3) by adding at the end the following:

2 “(4) the Internal Revenue Service.”.

3 **SEC. 202. PENALTY WAIVERS IN CASES OF GOOD FAITH EF-**
 4 **FORTS.**

5 The Commissioner of Internal Revenue may waive
 6 the application of any provision of the Internal Revenue
 7 Code of 1986 (other than a criminal penalty) if it is shown
 8 that the taxpayer acted in good faith or failure to comply
 9 with the provision was due to reasonable cause.

10 **SEC. 203. INFLATION ADJUSTMENTS FOR CERTAIN PROVI-**
 11 **SIONS.**

12 (a) IN GENERAL.—Chapter 77 of the Internal Rev-
 13 enue Code of 1986 is amended by adding at the end the
 14 following new section:

15 **“SEC. 7529. INFLATION ADJUSTMENTS.**

16 “(a) IN GENERAL.—In the case of any taxable year
 17 beginning in a calendar year after 2015, each of the speci-
 18 fied dollar amounts shall be increased by an amount equal
 19 to—

20 “(1) such dollar amount, multiplied by

21 “(2) the cost-of-living adjustment determined
 22 under section 1(f)(3) for the calendar year in which
 23 the taxable year begins, determined by substituting
 24 ‘calendar year 2014’ for ‘calendar year 1992’ in sub-
 25 paragraph (B) thereof.

1 “(b) SPECIFIED DOLLAR AMOUNTS.—For purposes
2 of subsection (a), the specified dollar amounts are—

3 “(1) the \$50,000 amount in section 79(a)(1),

4 “(2) each of the \$5,250 amounts in section
5 127(a)(2),

6 “(3) each of the \$500 amounts in paragraphs
7 (11)(A), (11)(B), and (12) of section 170(f),

8 “(4) the \$5,000 amount in section
9 170(f)(11)(C),

10 “(5) the \$10,000,000 amount in section
11 263A(b)(2),

12 “(6) each of the dollar amounts in section
13 274(b)(1),

14 “(7) each of the \$400 amounts in section
15 274(j),

16 “(8) the \$1,600 amount in section
17 274(j)(2)(B),

18 “(9) the \$10,000,000 amount in section
19 1202(b)(1),

20 “(10) each of the \$50,000,000 amounts in sec-
21 tion 1202(d)(1),

22 “(11) the \$50,000 amount in section
23 1244(b)(1), and

24 “(12) the \$1,000,000 in section 1244(c)(3)(A).

25 “(c) ROUNDING.—

1 “(1) Any increase determined under paragraph
2 (5), (9), or (10) of subsection (b) shall be rounded
3 to the nearest multiple of \$100,000.

4 “(2) Any increase determined under paragraph
5 (1), (4), (11), or (12) of subsection (b) shall be
6 rounded to the nearest multiple of \$1,000.

7 “(3) Any increase determined under paragraph
8 (2) of subsection (b) shall be rounded to the nearest
9 multiple of \$500.

10 “(4) Any increase determined under paragraph
11 (3), (7), or (8) of subsection (b) shall be rounded to
12 the nearest multiple of \$100.

13 “(5) Any increase determined under paragraph
14 (6) of subsection (b) shall be rounded to the nearest
15 multiple of \$5.”.

16 (b) CONFORMING AMENDMENTS.—

17 (1) Section 1202(b)(3) of such Code is amend-
18 ed by striking “paragraph (1)(A) shall be applied by
19 substituting ‘\$5,000,000’ for ‘\$10,000,000’” and in-
20 serting “the amount under paragraph (1)(A) shall
21 be 50 percent of such dollar amount (determined
22 without regard to this paragraph)”.

23 (2) Section 1244(b)(2) of such Code is amend-
24 ed by striking “\$100,000” and inserting “200 per-
25 cent of the amount under paragraph (1)”.

1 (c) CLERICAL AMENDMENT.—The table of sections
 2 for chapter 77 of such Code is amended by adding at the
 3 end the following new item:

“Sec. 7529. Inflation adjustments.”.

4 (d) EFFECTIVE DATE.—The amendments made by
 5 this section shall apply to taxable years beginning after
 6 the date of the enactment of this Act.

7 **SEC. 204. REPORT ON UNIFORM DEFINITIONS.**

8 Not later than June 30, 2016, the Commissioner of
 9 Internal Revenue shall submit to the Committee on Small
 10 Business and Entrepreneurship of the Senate, the Com-
 11 mittee on Finance of the Senate, and the Committee on
 12 Ways and Means of the House of Representatives a report
 13 detailing changes in law to make statutory definitions in
 14 the Internal Revenue Code of 1986 relating to small busi-
 15 nesses consistent across different provisions of such Code.
 16 Such report shall include recommendations on wording
 17 such definitions in a manner that is easy to understand
 18 for a layman not familiar with the Internal Revenue Code
 19 of 1986.

20 **SEC. 205. REPORT ON IMPROVEMENTS TO CUSTOMER**
 21 **SERVICE.**

22 Not later than June 30, 2016, the Commissioner of
 23 Internal Revenue shall submit to the Committee on Small
 24 Business and Entrepreneurship of the Senate, the Com-
 25 mittee on Finance of the Senate, and the Committee on

1 Ways and Means of the House of Representatives a report
2 detailing specific ways to improve customer service to
3 small businesses, including objectively measurable goals
4 for how to reduce response times.

5 **SEC. 206. REASONABLE CAUSE EXCEPTION FOR FAILURE**
6 **TO REPORT CERTAIN TRANSACTIONS.**

7 (a) IN GENERAL.—Subsection (d) of section 6707A
8 of the Internal Revenue Code of 1986 is amended to read
9 as follows:

10 “(d) REASONABLE CAUSE WAIVER.—No penalty
11 shall be imposed under this section with respect to any
12 failure if it is shown that such failure is due to reasonable
13 cause and not to willful neglect.”.

14 (b) CONFORMING AMENDMENTS.—

15 (1) Section 6664(d)(3) of the Internal Revenue
16 Code of 1986 is amended by striking “if the penalty
17 for such failure was rescinded under section
18 6707A(d)” and inserting “if it is shown that such
19 failure is due to reasonable cause and not to willful
20 neglect”.

21 (2) Section 6707(c) of such Code is amended to
22 read as follows:

23 “(c) REASONABLE CAUSE WAIVER.—No penalty
24 shall be imposed under this section with respect to any

1 failure if it is shown that such failure is due to reasonable
2 cause and not to willful neglect.”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall take effect on the date of the enactment
5 of this Act.

6 **SEC. 207. REASONABLE CAUSE EXCEPTION.**

7 (a) IN GENERAL.—No assessable penalty or addition
8 to tax shall be imposed under the Internal Revenue Code
9 of 1986 if it is shown that an action, or failure to act,
10 by the taxpayer with regard to any material element was
11 due to reasonable cause and the taxpayer acted in good
12 faith.

13 (b) COORDINATION.—Subsection (a) shall not apply
14 to any assessable penalty or addition to tax for which there
15 is a provision of the Internal Revenue Code which provides
16 for the nonapplication of such penalty or addition if the
17 taxpayer’s action (or failure to act) was due to reasonable
18 cause.

19 **SEC. 208. RETURN DUE DATE MODIFICATIONS.**

20 (a) NEW DUE DATE FOR PARTNERSHIP FORM 1065,
21 S CORPORATION FORM 1120S, AND C CORPORATION
22 FORM 1120.—

23 (1) PARTNERSHIPS.—

1 (A) IN GENERAL.—Section 6072 of the In-
 2 ternal Revenue Code of 1986 is amended by
 3 adding at the end the following new subsection:

4 “(f) RETURNS OF PARTNERSHIPS.—Returns of part-
 5 nerships under section 6031 made on the basis of the cal-
 6 endar year shall be filed on or before the 15th day of
 7 March following the close of the calendar year, and such
 8 returns made on the basis of a fiscal year shall be filed
 9 on or before the 15th day of the third month following
 10 the close of the fiscal year.”.

11 (B) CONFORMING AMENDMENT.—Section
 12 6072(a) of such Code is amended by striking
 13 “6017, or 6031” and inserting “or 6017”.

14 (2) S CORPORATIONS.—

15 (A) IN GENERAL.—So much of subsection
 16 (b) of 6072 of such Code as precedes the sec-
 17 ond sentence thereof is amended to read as fol-
 18 lows:

19 “(b) RETURNS OF CERTAIN CORPORATIONS.—Re-
 20 turns of S corporations under sections 6012 and 6037
 21 made on the basis of the calendar year shall be filed on
 22 or before the 31st day of March following the close of the
 23 calendar year, and such returns made on the basis of a
 24 fiscal year shall be filed on or before the last day of the
 25 third month following the close of the fiscal year.”.

1 (B) CONFORMING AMENDMENTS.—

2 (i) Section 1362(b) of such Code is
3 amended—

4 (I) by striking “15th” each place
5 it appears and inserting “last”,

6 (II) by striking “2½” each place
7 it appears and inserting “3”, and

8 (III) by striking “2 months and
9 15 days” in paragraph (4) and insert-
10 ing “3 months”.

11 (ii) Section 1362(d)(1)(C)(i) of such
12 Code is amended by striking “15th” and
13 inserting “last”.

14 (iii) Section 1362(d)(1)(C)(ii) of such
15 Code is amended by striking “such 15th
16 day” and inserting “the last day of the 3d
17 month thereof”.

18 (3) CONFORMING AMENDMENTS RELATING TO C
19 CORPORATIONS.—

20 (A) Section 170(a)(2)(B) of such Code is
21 amended by striking “third month” and insert-
22 ing “4th month”.

23 (B) Section 563 of such Code is amended
24 by striking “third month” each place it appears
25 and inserting “4th month”.

1 (C) Section 1354(d)(1)(B)(i) of such Code
 2 is amended by striking “3d month” and insert-
 3 ing “4th month”.

4 (D) Subsections (a) and (c) of section
 5 6167 of such Code are each amended by strik-
 6 ing “third month” and inserting “4th month”.

7 (E) Section 6425(a)(1) of such Code is
 8 amended by striking “third month” and insert-
 9 ing “4th month”.

10 (F) Subsections (b)(2)(A), (g)(3), and
 11 (h)(1) of section 6655 of such Code are each
 12 amended by striking “3rd month” and inserting
 13 “4th month”.

14 (4) EFFECTIVE DATE.—The amendments made
 15 by this subsection shall apply to returns for taxable
 16 years beginning after December 31, 2015.

17 (b) MODIFICATION OF DUE DATES BY REGULA-
 18 TION.—In the case of returns for taxable years beginning
 19 after December 31, 2013, the Secretary of the Treasury
 20 or the Secretary’s delegate shall modify appropriate regu-
 21 lations to provide as follows:

22 (1) The maximum extension for the returns of
 23 partnerships filing Form 1065 shall be a 6-month
 24 period beginning on the due date for filing the re-
 25 turn (without regard to any extensions).

1 (2) The maximum extension for the returns of
2 trusts and estates filing Form 1041 shall be a 5½-
3 month period beginning on the due date for filing
4 the return (without regard to any extensions).

5 (3) The maximum extension for the returns of
6 employee benefit plans filing Form 5500 shall be an
7 automatic 3½-month period beginning on the due
8 date for filing the return (without regard to any ex-
9 tensions).

10 (4) The maximum extension for the Forms 990
11 (series) returns of organizations exempt from income
12 tax shall be an automatic 6-month period beginning
13 on the due date for filing the return (without regard
14 to any extensions).

15 (5) The maximum extension for the returns of
16 organizations exempt from income tax that are re-
17 quired to file Form 4720 returns of excise taxes
18 shall be an automatic 6-month period beginning on
19 the due date for filing the return (without regard to
20 any extensions).

21 (6) The maximum extension for the returns of
22 trusts required to file Form 5227 shall be an auto-
23 matic 6-month period beginning on the due date for
24 filing the return (without regard to any extensions).

1 (7) The maximum extension for the returns of
2 Black Lung Benefit Trusts required to file Form
3 6069 returns of excise taxes shall be an automatic
4 6-month period beginning on the due date for filing
5 the return (without regard to any extensions).

6 (8) The maximum extension for a taxpayer re-
7 quired to file Form 8870 shall be an automatic 6-
8 month period beginning on the due date for filing
9 the return (without regard to any extensions).

10 (9) The due date of Form 3520-A, Annual In-
11 formation Return of a Foreign Trust with a United
12 States Owner, shall be the 15th day of the 4th
13 month after the close of the trust's taxable year, and
14 the maximum extension shall be a 6-month period
15 beginning on such day.

16 (10) The due date of FinCEN Form 114 (relat-
17 ing to Report of Foreign Bank and Financial Ac-
18 counts) shall be April 15 with a maximum extension
19 for a 6-month period ending on October 15, and
20 with provision for an extension under rules similar
21 to the rules of 26 C.F.R. 1.6081-5. For any tax-
22 payer required to file such form for the first time,
23 the Secretary of the Treasury may waive any penalty
24 for failure to timely request or file an extension.

1 (11) Taxpayers filing Form 3520, Annual Re-
 2 turn to Report Transactions with Foreign Trusts
 3 and Receipt of Certain Foreign Gifts, shall be al-
 4 lowed to extend the time for filing such form sepa-
 5 rately from the income tax return of the taxpayer,
 6 for an automatic 6-month period beginning on the
 7 due date for filing the return (without regard to any
 8 extensions).

9 (c) CORPORATIONS PERMITTED STATUTORY AUTO-
 10 MATIC 6-MONTH EXTENSION OF INCOME TAX RE-
 11 TURNS.—

12 (1) IN GENERAL.—Section 6081(b) of the In-
 13 ternal Revenue Code of 1986 is amended by striking
 14 “3 months” and inserting “6 months”.

15 (2) EFFECTIVE DATE.—The amendment made
 16 by this section shall apply to returns for taxable
 17 years beginning after December 31, 2015.

18 **TITLE III—PROVISIONS RE-** 19 **LATED TO START-UP BUSI-** 20 **NESSES**

21 **SEC. 301. MODIFICATION OF APPLICATION OF RULES FOR** 22 **NONQUALIFIED DEFERRED COMPENSATION** 23 **PLANS.**

24 (a) RULES ONLY APPLY TO PLANS OF PUBLICLY
 25 TRADED COMPANIES.—

1 (1) IN GENERAL.—Section 409A of the Internal
 2 Revenue Code of 1986 is amended by striking “non-
 3 qualified deferred compensation plan” each place it
 4 appears and inserting “specified nonqualified de-
 5 ferred compensation plan”.

6 (2) SPECIFIED NONQUALIFIED DEFERRED COM-
 7 PENSATION PLAN.—Section 409A(d)(1) of such
 8 Code is amended to read as follows:

9 “(1) SPECIFIED NONQUALIFIED DEFERRED
 10 COMPENSATION PLAN.—

11 “(A) IN GENERAL.—The term ‘specified
 12 nonqualified deferred compensation plan’ means
 13 any plan maintained by a specified employer for
 14 the deferral of compensation, other than—

15 “(i) a qualified employer plan, and

16 “(ii) any bona fide vacation leave, sick
 17 leave, compensatory time, disability pay, or
 18 death benefit plan.

19 “(B) SPECIFIED EMPLOYER.—For pur-
 20 poses of subparagraph (A), the term ‘specified
 21 employer’ means any corporation—

22 “(i) the stock of which is publicly
 23 traded on an established securities market
 24 or otherwise, or

1 “(ii) which is a member of a con-
 2 trolled group of corporations (within the
 3 meaning of section 1563(a), determined
 4 without regard to section 1563(a)(4)) one
 5 of which is publicly traded on an estab-
 6 lished securities market.”.

7 (b) CONFORMING AMENDMENTS.—

8 (1) The last sentence of section
 9 409A(a)(2)(B)(i) of the Internal Revenue Code of
 10 1986 is amended to read as follows: “For purposes
 11 of the preceding sentence, a specified employee is a
 12 key employee (as defined in section 416(i) without
 13 regard to paragraph (5) thereof) of the employer.”.

14 (2) The heading of section 409A of such Code
 15 is amended by inserting “**SPECIFIED**” before
 16 “**NONQUALIFIED**”.

17 (3) The item relating to section 409A in the
 18 table of sections for subpart A of part I of sub-
 19 chapter D of chapter 1 of such Code is by inserting
 20 “specified” before “nonqualified”.

21 (c) EFFECTIVE DATE.—The amendments made by
 22 this section shall apply to amounts deferred after the date
 23 of the enactment of this Act.

1 **SEC. 302. REDUCTION IN HOLDING PERIOD FOR QUALIFIED**
 2 **SMALL BUSINESS STOCK.**

3 (a) IN GENERAL.—Paragraph (1) of section 1202(a)
 4 of the Internal Revenue Code of 1986 is amended by strik-
 5 ing “5 years” and inserting “3 years”.

6 (b) CONFORMING AMENDMENTS.—

7 (1) Paragraph (2) of section 1202(b) of such
 8 Code is amended by striking “5 years” and inserting
 9 “3 years”,

10 (2) Subparagraph (A) of section 1202(g)(2) of
 11 such Code is amended by striking “5 years” and in-
 12 serting “3 years”,

13 (3) Subparagraph (C) of section 1202(h)(2) of
 14 such Code is amended by striking “5-year” and in-
 15 serting “3-year”, and

16 (4) Subparagraph (A) of section 1202(j)(1) of
 17 such Code is amended by striking “5 years” and in-
 18 serting “3 years”.

19 (c) EFFECTIVE DATE.—The amendments made by
 20 this section shall apply to stock issued after the date of
 21 the enactment of this Act.

22 **SEC. 303. EXTENSION OF ROLLOVER PERIOD FOR QUALI-**
 23 **FIED SMALL BUSINESS STOCK.**

24 (a) IN GENERAL.—Paragraph (1) of section 1045(a)
 25 of the Internal Revenue Code of 1986 is amended by strik-
 26 ing “60-day period” and inserting “1-year period”.

1 (b) CONFORMING AMENDMENT.—Paragraph (3) of
2 section 1045(b) of such Code is amended by striking “60-
3 day period” and inserting “1-year period”.

4 (c) EFFECTIVE DATE.—The amendment made by
5 this section shall apply to sales after the date of the enact-
6 ment of this Act.

○