

116TH CONGRESS
1ST SESSION

S. 2841

To amend the Internal Revenue Code of 1986 to increase the limitations for deductible new business expenditures and to consolidate provisions for start-up and organizational expenditures.

IN THE SENATE OF THE UNITED STATES

NOVEMBER 13, 2019

Ms. BALDWIN (for herself and Mr. HOEVEN) 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 increase the limitations for deductible new business expenditures and to consolidate provisions for start-up and organizational expenditures.

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 “Support Our Start-
5 Ups Act”.

6 **SEC. 2. NEW BUSINESS EXPENDITURES.**

7 (a) IN GENERAL.—Subsections (a) and (b) of section
8 195 of the Internal Revenue Code of 1986 are both

1 amended by inserting “and organizational” after “start-
2 up” each place it appears.

3 (b) ORGANIZATIONAL EXPENDITURES.—Subsection
4 (c) of section 195 of the Internal Revenue Code of 1986
5 is amended by adding at the end the following new para-
6 graph:

7 “(3) ORGANIZATIONAL EXPENDITURES.—The
8 term ‘organizational expenditures’ means any ex-
9 penditure which—

10 “(A) is incident to the creation of a cor-
11 poration, S corporation, or partnership,

12 “(B) is chargeable to capital account, and

13 “(C) is of a character which, if expended
14 incident to the creation of a corporation, S cor-
15 poration, or partnership having a limited life,
16 would be amortizable over such life.”.

17 (c) DOLLAR AMOUNTS.—

18 (1) IN GENERAL.—Clause (ii) of section
19 195(b)(1)(A) of the Internal Revenue Code of 1986
20 is amended—

21 (A) by striking “\$5,000” and inserting
22 “\$20,000”; and

23 (B) by striking “\$50,000” and inserting
24 “\$120,000”.

1 (2) ADJUSTMENT FOR INFLATION.—Subsection
 2 (b) of section 195 of such Code is amended by add-
 3 ing at the end the following new paragraph:

4 “(4) ADJUSTMENT FOR INFLATION.—In the
 5 case of a taxable year beginning after December 31,
 6 2020, the \$20,000 and \$120,000 amounts in para-
 7 graph (1)(A)(ii) shall each be increased by an
 8 amount equal to—

9 “(A) such amount, multiplied by

10 “(B) the cost-of-living adjustment deter-
 11 mined under section 1(f)(3) for the calendar
 12 year in which the taxable year begins, deter-
 13 mined by substituting ‘calendar year 2019’ for
 14 ‘calendar year 2016’ in subparagraph (A)(ii)
 15 thereof.

16 If any increase determined under the preceding sen-
 17 tence is not a multiple of \$1,000, such amount shall
 18 be rounded to the nearest multiple of \$1,000.”.

19 (d) AMORTIZATION TREATMENT.—Subparagraph (B)
 20 of section 195(b)(1) of the Internal Revenue Code of
 21 1986, as amended by subsection (a), is amended to read
 22 as follows:

23 “(B) the remainder of such start-up and
 24 organizational expenditures shall be charged to
 25 capital account and allowed as an amortization

1 deduction determined by amortizing such ex-
 2 penditures ratably over the 15-year period be-
 3 ginning with the midpoint of the taxable year in
 4 which the active trade or business begins.”.

5 (e) APPLICATION TO DISREGARDED ENTITIES.—
 6 Subsection (c) of section 195 of the Internal Revenue Code
 7 of 1986, as amended by subsection (b), is amended by
 8 adding at the end the following new paragraph:

9 “(4) APPLICATION TO DISREGARDED ENTI-
 10 TIES.—In the case of any entity with a single owner
 11 which is disregarded as an entity separate from its
 12 owner, this section shall be applied in the same man-
 13 ner as if such entity were a corporation.”.

14 (f) ALLOWANCE OF DEDUCTION UPON LIQUIDATION
 15 OR DISPOSITION.—Section 195 of the Internal Revenue
 16 Code of 1986 is amended by adding at the end the fol-
 17 lowing new subsection:

18 “(e) ALLOWANCE OF DEDUCTION UPON LIQUIDA-
 19 TION OR DISPOSITION.—

20 “(1) LIQUIDATION OF A BUSINESS ENTITY.—In
 21 the case of a complete liquidation by the taxpayer of
 22 any corporation, S corporation, or partnership, any
 23 start-up and organizational expenditures paid or in-
 24 curred in connection with such partnership, S cor-
 25 poration, or corporation which were not allowed as

1 a deduction by reason of this section shall be allowed
 2 as a loss to the extent provided under section 165.

3 “(2) DISPOSITION OF TRADE OR BUSINESS.—In
 4 the case of a complete disposition by the taxpayer of
 5 any trade or business, any start-up and organiza-
 6 tional expenditures paid or incurred in connection
 7 with such trade or business which were not allowed
 8 as a deduction by reason of this section (and which
 9 are not taken into account under paragraph (1))
 10 shall be allowed as a loss to the extent provided
 11 under section 165.”.

12 (g) CONFORMING AMENDMENTS.—

13 (1) Section 195(b)(1) of the Internal Revenue
 14 Code of 1986 is amended—

15 (A) by inserting “(or, in the case of a part-
 16 nership or S corporation, the entity elects)”
 17 after “If a taxpayer elects”,

18 (B) by inserting “(or the entity, as the
 19 case may be)” after “the taxpayer” in subpara-
 20 graph (A), and

21 (C) by adding at the end the following
 22 flush sentence:

23 “In the case of a partnership or S corporation, the
 24 election under the preceding sentence shall be made
 25 at the entity level.”.

1 (2) Section 195(b)(2) of such Code is amend-
2 ed—

3 (A) by striking “AMORTIZATION PERIOD.—
4 In any case” and inserting the following: “AM-
5 ORTIZATION PERIOD.—

6 “(A) IN GENERAL.—In any case”; and

7 (B) by adding at the end the following new
8 subparagraph:

9 “(B) SPECIAL RULE.—In the case of a
10 partnership or S corporation, subparagraph (A)
11 shall be applied at the entity level.”.

12 (3) Section 195(b) of such Code is amended by
13 striking paragraph (3).

14 (4)(A) Part VIII of subchapter B of chapter 1
15 of such Code is amended by striking section 248
16 (and by striking the item relating to such section in
17 the table of sections for such part).

18 (B) Section 56(g)(4)(D)(ii) of such Code is
19 amended by striking “Sections 173 and 248” and
20 inserting “Section 173”.

21 (C) Section 170(b)(2)(C)(ii) of such Code is
22 amended by striking “(except section 248)”.

23 (D) Section 312(n)(3) of such Code is amended
24 by striking “Sections 173 and 248” and inserting
25 “Section 173”.

1 (E) Section 535(b)(3) of such Code is amended
2 by striking “(except section 248)”.

3 (F) Section 545(b)(3) of such Code is amended
4 by striking “(except section 248)”.

5 (G) Section 834(c)(7) of such Code is amended
6 by striking “(except section 248)”.

7 (H) Section 852(b)(2)(C) of such Code is
8 amended by striking “(except section 248)”.

9 (I) Section 857(b)(2)(A) of such Code is
10 amended by striking “(except section 248)”.

11 (J) Section 1363(b) of such Code is amended
12 by inserting “and” at the end of paragraph (2), by
13 striking paragraph (3), and by redesignating para-
14 graph (4) as paragraph (3).

15 (K) Section 1375(b)(1)(B)(i) of such Code is
16 amended by striking “(other than the deduction al-
17 lowed by section 248, relating to organization ex-
18 penditures)”.

19 (5) Part I of subchapter K of chapter 1 of such
20 Code is amended by striking section 709 (and by
21 striking the item relating to such section in the table
22 of sections for such part).

23 (6) The heading of section 195 of such Code
24 (and the item relating to such section in the table
25 of sections for part VI of subchapter B of chapter

1 1 of such Code) are each amended by inserting “and
2 organizational” after “Start-up”.

3 (h) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to expenses paid or incurred in
5 taxable years beginning after December 31, 2019.

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