

Small Business
and Work
Opportunity
Tax Act of 2007.

26 USC 1 note.

26 USC 1 *et seq.*

Subtitle B—Small Business Tax Incentives

SEC. 8201. SHORT TITLE; AMENDMENT OF CODE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This subtitle may be cited as the “Small Business and Work Opportunity Tax Act of 2007”.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this subtitle an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) TABLE OF CONTENTS.—The table of contents of this subtitle is as follows:

Sec. 8201. Short title; amendment of Code; table of contents.

PART 1—SMALL BUSINESS TAX RELIEF PROVISIONS

SUBPART A—GENERAL PROVISIONS

- Sec. 8211. Extension and modification of work opportunity tax credit.
- Sec. 8212. Extension and increase of expensing for small business.
- Sec. 8213. Determination of credit for certain taxes paid with respect to employee cash tips.
- Sec. 8214. Waiver of individual and corporate alternative minimum tax limits on work opportunity credit and credit for taxes paid with respect to employee cash tips.
- Sec. 8215. Family business tax simplification.

SUBPART B—GULF OPPORTUNITY ZONE TAX INCENTIVES

- Sec. 8221. Extension of increased expensing for qualified section 179 Gulf Opportunity Zone property.
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- Sec. 8224. GAO study of practices employed by State and local governments in allocating and utilizing tax incentives provided pursuant to the Gulf Opportunity Zone Act of 2005.

SUBPART C—SUBCHAPTER S PROVISIONS

- Sec. 8231. Capital gain of S corporation not treated as passive investment income.
- Sec. 8232. Treatment of bank director shares.
- Sec. 8233. Special rule for bank required to change from the reserve method of accounting on becoming S corporation.
- Sec. 8234. Treatment of the sale of interest in a qualified subchapter S subsidiary.
- Sec. 8235. Elimination of all earnings and profits attributable to pre-1983 years for certain corporations.
- Sec. 8236. Deductibility of interest expense on indebtedness incurred by an electing small business trust to acquire S corporation stock.

PART 2—REVENUE PROVISIONS

- Sec. 8241. Increase in age of children whose unearned income is taxed as if parent's income.
- Sec. 8242. Suspension of certain penalties and interest.
- Sec. 8243. Modification of collection due process procedures for employment tax liabilities.
- Sec. 8244. Permanent extension of IRS user fees.
- Sec. 8245. Increase in penalty for bad checks and money orders.
- Sec. 8246. Understatement of taxpayer liability by return preparers.
- Sec. 8247. Penalty for filing erroneous refund claims.
- Sec. 8248. Time for payment of corporate estimated taxes.

PART 1—SMALL BUSINESS TAX RELIEF PROVISIONS

Subpart A—General Provisions

SEC. 8211. EXTENSION AND MODIFICATION OF WORK OPPORTUNITY TAX CREDIT.

(a) EXTENSION.—Section 51(c)(4)(B) (relating to termination) is amended by striking “December 31, 2007” and inserting “August 31, 2011”. 26 USC 51.

(b) INCREASE IN MAXIMUM AGE FOR DESIGNATED COMMUNITY RESIDENTS.—

(1) IN GENERAL.—Paragraph (5) of section 51(d) is amended to read as follows:

“(5) DESIGNATED COMMUNITY RESIDENTS.—

“(A) IN GENERAL.—The term ‘designated community resident’ means any individual who is certified by the designated local agency—

“(i) as having attained age 18 but not age 40 on the hiring date, and

“(ii) as having his principal place of abode within an empowerment zone, enterprise community, renewal community, or rural renewal county.

“(B) INDIVIDUAL MUST CONTINUE TO RESIDE IN ZONE, COMMUNITY, OR COUNTY.—In the case of a designated community resident, the term ‘qualified wages’ shall not include wages paid or incurred for services performed while the individual’s principal place of abode is outside an empowerment zone, enterprise community, renewal community, or rural renewal county.

“(C) RURAL RENEWAL COUNTY.—For purposes of this paragraph, the term ‘rural renewal county’ means any county which—

“(i) is outside a metropolitan statistical area (defined as such by the Office of Management and Budget), and

“(ii) during the 5-year periods 1990 through 1994 and 1995 through 1999 had a net population loss.”.

(2) CONFORMING AMENDMENT.—Subparagraph (D) of section 51(d)(1) is amended to read as follows:

“(D) a designated community resident.”.

(c) CLARIFICATION OF TREATMENT OF INDIVIDUALS UNDER INDIVIDUAL WORK PLANS.—Subparagraph (B) of section 51(d)(6) (relating to vocational rehabilitation referral) is amended by striking “or” at the end of clause (i), by striking the period at the end of clause (ii) and inserting “, or”, and by adding at the end the following new clause:

“(iii) an individual work plan developed and implemented by an employment network pursuant to subsection (g) of section 1148 of the Social Security Act with respect to which the requirements of such subsection are met.”.

(d) TREATMENT OF DISABLED VETERANS UNDER THE WORK OPPORTUNITY TAX CREDIT.—

(1) DISABLED VETERANS TREATED AS MEMBERS OF TARGETED GROUP.—

(A) IN GENERAL.—Subparagraph (A) of section 51(d)(3) (relating to qualified veteran) is amended by striking “agency as being a member of a family” and all that follows and inserting “agency as—

“(i) being a member of a family receiving assistance under a food stamp program under the Food Stamp Act of 1977 for at least a 3-month period ending during the 12-month period ending on the hiring date, or

“(ii) entitled to compensation for a service-connected disability, and—

“(I) having a hiring date which is not more than 1 year after having been discharged or released from active duty in the Armed Forces of the United States, or

“(II) having aggregate periods of unemployment during the 1-year period ending on the hiring date which equal or exceed 6 months.”.

(B) DEFINITIONS.—Paragraph (3) of section 51(d) is amended by adding at the end the following new subparagraph:

“(C) OTHER DEFINITIONS.—For purposes of subparagraph (A), the terms ‘compensation’ and ‘service-connected’ have the meanings given such terms under section 101 of title 38, United States Code.”.

(2) INCREASE IN AMOUNT OF WAGES TAKEN INTO ACCOUNT FOR DISABLED VETERANS.—Paragraph (3) of section 51(b) is amended—

(A) by inserting “(\$12,000 per year in the case of any individual who is a qualified veteran by reason of subsection (d)(3)(A)(ii))” before the period at the end, and

(B) by striking “ONLY FIRST \$6,000 OF” in the heading and inserting “LIMITATION ON”.

26 USC 51 note.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to individuals who begin work for the employer after the date of the enactment of this Act.

SEC. 8212. EXTENSION AND INCREASE OF EXPENSING FOR SMALL BUSINESS.

26 USC 179.

(a) EXTENSION.—Subsections (b)(1), (b)(2), (b)(5), (c)(2), and (d)(1)(A)(ii) of section 179 (relating to election to expense certain depreciable business assets) are each amended by striking “2010” and inserting “2011”.

(b) INCREASE IN LIMITATIONS.—Subsection (b) of section 179 is amended—

(1) by striking “\$100,000 in the case of taxable years beginning after 2002” in paragraph (1) and inserting “\$125,000 in the case of taxable years beginning after 2006”, and

(2) by striking “\$400,000 in the case of taxable years beginning after 2002” in paragraph (2) and inserting “\$500,000 in the case of taxable years beginning after 2006”.

(c) INFLATION ADJUSTMENT.—Subparagraph (A) of section 179(b)(5) is amended—

(1) by striking “2003” and inserting “2007”,

(2) by striking “\$100,000 and \$400,000” and inserting “\$125,000 and \$500,000”, and

(3) by striking “2002” in clause (ii) and inserting “2006”.