

107TH CONGRESS
1ST SESSION

H. R. 3062

To amend the Internal Revenue Code of 1986 to allow certain small businesses to defer payment of tax.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 9, 2001

Mr. DEMINT (for himself, Mr. BAIRD, Mr. CRANE, Mr. MATSUI, Mr. MANZULLO, Ms. VELÁZQUEZ, Mr. TOOMEY, Mr. PASCRELL, Mr. LEWIS of Kentucky, and Ms. HART) 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 allow certain small businesses to defer payment of tax.

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 “Business Retained In-
5 come During Growth and Expansion Act of 2001” or the
6 “BRIDGE Act of 2001”.

1 **SEC. 2. DEFERRED PAYMENT OF TAX BY CERTAIN SMALL**
2 **BUSINESSES.**

3 (a) IN GENERAL.—Subchapter B of chapter 62 of the
4 Internal Revenue Code of 1986 (relating to extensions of
5 time for payment of tax) is amended by adding at the end
6 the following new section:

7 **“SEC. 6168. EXTENSION OF TIME FOR PAYMENT OF TAX FOR**
8 **CERTAIN SMALL BUSINESSES.**

9 “(a) IN GENERAL.—An eligible small business may
10 elect to pay the tax imposed by chapter 1 in 4 equal in-
11 stallments.

12 “(b) LIMITATION.—The maximum amount of tax
13 which may be paid in installments under this section for
14 any taxable year shall not exceed whichever of the fol-
15 lowing is the least:

16 “(1) The tax imposed by chapter 1 for the tax-
17 able year.

18 “(2) The amount contributed by the taxpayer
19 into a BRIDGE Account during such year.

20 “(3) The excess of \$250,000 over the aggregate
21 amount of tax for which an election under this sec-
22 tion was made by the taxpayer (or any predecessor)
23 for all prior taxable years.

24 “(c) ELIGIBLE SMALL BUSINESS.—For purposes of
25 this section—

1 “(1) IN GENERAL.—The term ‘eligible small
2 business’ means, with respect to any taxable year,
3 any person if—

4 “(A) such person meets the active business
5 requirements of section 1202(e) throughout
6 such taxable year,

7 “(B) the taxpayer has gross receipts of
8 \$10,000,000 or less for the taxable year,

9 “(C) the gross receipts of the taxpayer for
10 such taxable year are at least 10 percent great-
11 er than the average annual gross receipts of the
12 taxpayer (or any predecessor) for the 2 prior
13 taxable years, and

14 “(D) the taxpayer uses an accrual method
15 of accounting.

16 “(2) CERTAIN RULES TO APPLY.—Rules similar
17 to the rules of paragraphs (2) and (3) of section
18 448(c) shall apply for purposes of this subsection.

19 “(d) DATE FOR PAYMENT OF INSTALLMENTS; TIME
20 FOR PAYMENT OF INTEREST.—

21 “(1) DATE FOR PAYMENT OF INSTALLMENTS.—

22 “(A) IN GENERAL.—If an election is made
23 under this section for any taxable year, the first
24 installment shall be paid on or before the due
25 date for such installment and each succeeding

1 installment shall be paid on or before the date
2 which is 1 year after the date prescribed by this
3 paragraph for payment of the preceding install-
4 ment.

5 “(B) DUE DATE FOR FIRST INSTALL-
6 MENT.—The due date for the first installment
7 for a taxable year shall be whichever of the fol-
8 lowing is the earliest:

9 “(i) The date selected by the tax-
10 payer.

11 “(ii) The date which is 2 years after
12 the date prescribed by section 6151(a) for
13 payment of the tax for such taxable year.

14 “(2) TIME FOR PAYMENT OF INTEREST.—If the
15 time for payment of any amount of tax has been ex-
16 tended under this section—

17 “(A) INTEREST FOR PERIOD BEFORE DUE
18 DATE OF FIRST INSTALLMENT.—Interest pay-
19 able under section 6601 on any unpaid portion
20 of such amount attributable to the period before
21 the due date for the first installment shall be
22 paid annually.

23 “(B) INTEREST DURING INSTALLMENT PE-
24 RIOD.—Interest payable under section 6601 on
25 any unpaid portion of such amount attributable

1 to any period after such period shall be paid at
2 the same time as, and as a part of, each install-
3 ment payment of the tax.

4 “(C) INTEREST IN THE CASE OF CERTAIN
5 DEFICIENCIES.—In the case of a deficiency to
6 which subsection (e)(3) applies for a taxable
7 year which is assessed after the due date for
8 the first installment for such year, interest at-
9 tributable to the period before such due date,
10 and interest assigned under subparagraph (B)
11 to any installment the date for payment of
12 which has arrived on or before the date of the
13 assessment of the deficiency, shall be paid upon
14 notice and demand from the Secretary.

15 “(e) SPECIAL RULES.—

16 “(1) APPLICATION OF LIMITATION TO PART-
17 NERS AND S CORPORATION SHAREHOLDERS.—

18 “(A) IN GENERAL.—In applying this sec-
19 tion to a partnership which is an eligible small
20 business—

21 “(i) the election under subsection (a)
22 shall be made by the partnership,

23 “(ii) the amount referred to in sub-
24 section (b)(1) shall be the sum of each
25 partner’s tax which is attributable to items

1 of the partnership and assuming the high-
2 est marginal rate under section 1, and

3 “(iii) the partnership shall be treated
4 as the taxpayer referred to in paragraphs
5 (2) and (3) of subsection (b).

6 “(B) OVERALL LIMITATION ALSO APPLIED
7 AT PARTNER LEVEL.—In the case of a partner
8 in a partnership, the limitation under sub-
9 section (b)(3) shall be applied at the partner-
10 ship and partner levels.

11 “(C) SIMILAR RULES FOR S CORPORA-
12 TIONS.—Rules similar to the rules of subpara-
13 graphs (A) and (B) shall apply to shareholders
14 in an S corporation.

15 “(2) ACCELERATION OF PAYMENT IN CERTAIN
16 CASES.—

17 “(A) IN GENERAL.—If—

18 “(i) the taxpayer ceases to meet the
19 requirement of subsection (c)(1)(A), or

20 “(ii) there is an ownership change
21 with respect to the taxpayer,

22 then the extension of time for payment of tax
23 provided in subsection (a) shall cease to apply,
24 and the unpaid portion of the tax payable in in-
25 stallments shall be paid on or before the due

1 date for filing the return of tax imposed by
2 chapter 1 for the first taxable year following
3 such cessation.

4 “(B) OWNERSHIP CHANGE.—For purposes
5 of subparagraph, in the case of a corporation,
6 the term ‘ownership change’ has the meaning
7 given to such term by section 382. Rules simi-
8 lar to the rules applicable under the preceding
9 sentence shall apply to a partnership.

10 “(3) PRORATION OF DEFICIENCY TO INSTALL-
11 MENTS.—Rules similar to the rules of section
12 6166(e) shall apply for purposes of this section.

13 “(f) BRIDGE ACCOUNT.—For purposes of this
14 section—

15 “(1) IN GENERAL.—The term ‘BRIDGE Ac-
16 count’ means a trust created or organized in the
17 United States for the exclusive benefit of an eligible
18 small business, but only if the written governing in-
19 strument creating the trust meets the following re-
20 quirements:

21 “(A) No contribution will be accepted for
22 any taxable year in excess of the amount al-
23 lowed as a deferral under subsection (b) for
24 such year.

1 “(B) The trustee is a bank (as defined in
2 section 408(n)) or another person who dem-
3 onstrates to the satisfaction of the Secretary
4 that the manner in which such person will ad-
5 minister the trust will be consistent with the re-
6 quirements of this section.

7 “(C) The assets of the trust consist en-
8 tirely of cash or of obligations which have ade-
9 quate stated interest (as defined in section
10 1274(c)(2)) and which pay such interest not
11 less often than annually.

12 “(D) The assets of the trust will not be
13 commingled with other property except in a
14 common trust fund or common investment
15 fund.

16 “(E) Amounts in the trust may be used
17 only—

18 “(i) as security for a loan to the busi-
19 ness or for repayment of such loan, or

20 “(ii) to pay the installments under
21 this section.

22 “(2) ACCOUNT TAXED AS GRANTOR TRUST.—
23 The grantor of a BRIDGE Account shall be treated
24 for purposes of this title as the owner of such Ac-
25 count and shall be subject to tax thereon in accord-

1 ance with subpart E of part I of subchapter J of
2 this chapter (relating to grantors and others treated
3 as substantial owners).

4 “(3) TIME WHEN PAYMENTS DEEMED MADE.—
5 For purposes of this section, a taxpayer shall be
6 deemed to have made a payment to a BRIDGE Ac-
7 count on the last day of a taxable year if such pay-
8 ment is made on account of such taxable year and
9 is made within 3½ months after the close of such
10 taxable year.

11 “(g) REPORTS.—The Secretary may require such re-
12 porting as the Secretary determines to be appropriate to
13 carry out this section.

14 “(h) APPLICATION OF SECTION.—This section shall
15 apply to taxes imposed for taxable years beginning after
16 the date of the enactment of this section and before Janu-
17 ary 1, 2006.”

18 (b) PRIORITY OF LENDER.—Subsection (b) of section
19 6323 of such Code is amended by adding at the end the
20 following new paragraph:

21 “(11) LOANS SECURED BY BRIDGE AC-
22 COUNTS.—With respect to a BRIDGE account (as
23 defined in section 6168(f)) with any bank (as de-
24 fined in section 408(n)), to the extent of any loan
25 made by such bank without actual notice or knowl-

1 edge of the existence of such lien, as against such
2 bank, if such loan is secured by such account.”

3 (c) CLERICAL AMENDMENT.—The table of sections
4 for subchapter B of chapter 62 of such Code is amended
5 by adding at the end the following new item:

“Sec. 6168. Extension of time for payment of tax for certain
small businesses.”.

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

9 (e) STUDY BY GENERAL ACCOUNTING OFFICE.—

10 (1) STUDY.—In consultation with the Secretary
11 of the Treasury, the Comptroller General of the
12 United States shall undertake a study to evaluate
13 the applicability (including administrative aspects)
14 and impact of the BRIDGE Act of 2001, including
15 how it affects the capital funding needs of busi-
16 nesses under the Act and number of businesses ben-
17 efitting.

18 (2) REPORT.—Not later than March 31, 2005,
19 the Comptroller General shall transmit to the Com-
20 mittee on Ways and Means of the House of Rep-
21 resentatives and the Committee on Finance of the
22 Senate a written report presenting the results of the
23 study conducted pursuant to this subsection, to-
24 gether with such recommendations for legislative or

- 1 administrative changes as the Comptroller General
- 2 determines are appropriate.

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