

116TH CONGRESS  
1ST SESSION

# H. R. 593

To amend the Internal Revenue Code of 1986 to simplify income tax compliance for small businesses, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 16, 2019

Mr. CHABOT (for himself, Ms. VELÁZQUEZ, Mrs. RADEWAGEN, Mr. MARSHALL, Mr. LAWSON of Florida, and Mr. NORMAN) 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 simplify income tax compliance for small businesses, and for other purposes.

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; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Small Business Owners’ Tax Simplification Act of  
6 2019”.

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

Sec. 1. Short title; table of contents.

Sec. 2. Quarterly reporting of estimated tax payments.

- Sec. 3. Aligning the filing thresholds for information reporting.  
 Sec. 4. Uniform standards for the use of electronic signatures for third-party disclosure authorizations.  
 Sec. 5. Pre-notification testing.  
 Sec. 6. Treatment of cafeteria plans for employee-owners.  
 Sec. 7. Excluding from self-employment income net earnings less than amount required for Social Security quarters of coverage.  
 Sec. 8. Allowing a deduction for certain health insurance costs for self-employment tax purposes.  
 Sec. 9. No effect of voluntary withholding agreements on worker classification.  
 Sec. 10. Effect of voluntary training and group discount programs on worker classification.

1 **SEC. 2. QUARTERLY REPORTING OF ESTIMATED TAX PAY-**  
 2 **MENTS.**

3 (a) IN GENERAL.—The table contained in paragraph  
 4 (2) of section 6654(c) of the Internal Revenue Code of  
 5 1986 is amended—

6 (1) by striking “June 15” and inserting “July  
 7 15”, and

8 (2) by striking “September 15” and inserting  
 9 “October 15”.

10 (b) EFFECTIVE DATE.—The amendments made by  
 11 this section shall apply to installments due in taxable years  
 12 beginning after December 31, 2019.

13 **SEC. 3. ALIGNING THE FILING THRESHOLDS FOR INFORMA-**  
 14 **TION REPORTING.**

15 (a) INCREASING THE DOLLAR THRESHOLD RE-  
 16 QUIRED FOR FILING A 1099-MISC.—

17 (1) IN GENERAL.—Subsection (a) of section  
 18 6041 of the Internal Revenue Code of 1986 is  
 19 amended by striking “\$600” and inserting  
 20 “\$1,500”.

1           (2) INFLATION ADJUSTMENT.—Section 6041 of  
2           such Code is amended by adding at the end the fol-  
3           lowing new subsection:

4           “(h) INFLATION ADJUSTMENT.—In the case of any  
5           taxable year beginning in a calendar year after 2020, the  
6           dollar amount in subsection (a) shall be increased by an  
7           amount equal to—

8                 “(1) such dollar amount, multiplied by

9                 “(2) the cost-of-living adjustment determined  
10            under section 1(f)(3) for the calendar year in which  
11            the taxable year begins, determined by substituting  
12            ‘calendar year 2019’ for ‘calendar year 2016’ in sub-  
13            paragraph (A)(ii) thereof.

14           If any increase under the preceding sentence is not a mul-  
15           tiple of \$100, such increase shall be rounded to the nearest  
16           multiple of \$100.”.

17           (3) CONFORMING AMENDMENT.—The heading  
18           of subsection (a) of section 6041 of such Code is  
19           amended by striking “OF \$600 OR MORE” and in-  
20           serting “EXCEEDING THRESHOLD”.

21           (b) INCREASING THE DOLLAR LIMIT FOR REMU-  
22           NERATION FOR SERVICES AND DIRECT SALES.—

23                 (1) IN GENERAL.—Paragraph (2) of section  
24           6041A(a) of the Internal Revenue Code of 1986 is

1 amended by striking “\$600” and inserting  
2 “\$1,500”.

3 (2) INFLATION ADJUSTMENT.—Section 6041A  
4 of such Code is amended by adding at the end the  
5 following new subsection:

6 “(g) INFLATION ADJUSTMENT.—In the case of any  
7 taxable year beginning in a calendar year after 2020, the  
8 dollar amount in subsection (a)(2) shall be increased by  
9 an amount equal to—

10 “(1) such dollar amount, multiplied by

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

16 If any increase under the preceding sentence is not a mul-  
17 tiple of \$100, such increase shall be rounded to the nearest  
18 multiple of \$100.”.

19 (c) DECREASING THE DOLLAR THRESHOLD RE-  
20 QUIRED FOR FILING A 1099-K; ELIMINATING THE  
21 TRANSACTION THRESHOLD.—Subsection (e) of section  
22 6050W of such Code is amended by striking “only if” and  
23 all that follows through the period at the end and inserting  
24 “only if the amount which would otherwise be reported  
25 under subsection (a)(2) with respect to such transactions

1 exceeds the dollar amount in effect for the taxable year  
2 under section 6041(a).”.

3 (d) **EFFECTIVE DATE.**—The amendments made by  
4 this section shall apply with respect to returns for years  
5 beginning after December 31, 2019.

6 **SEC. 4. UNIFORM STANDARDS FOR THE USE OF ELEC-**  
7 **TRONIC SIGNATURES FOR THIRD-PARTY DIS-**  
8 **CLOSURE AUTHORIZATIONS.**

9 Not later than 6 months after the date of the enact-  
10 ment of this section, the Secretary of the Treasury shall  
11 publish guidance to establish uniform standards and pro-  
12 cedures for the acceptance of signatures in digital or other  
13 electronic form for purposes of—

14 (1) any request for disclosure of a taxpayer’s  
15 return or return information under section 6103(c)  
16 of the Internal Revenue Code of 1986, and

17 (2) any power of attorney executed by a tax-  
18 payer.

19 **SEC. 5. PRE-NOTIFICATION TESTING.**

20 Not later than 180 days after the date of enactment  
21 of this Act, the Secretary of the Treasury will ensure that,  
22 for any refund or credit of overpayment of tax under the  
23 Internal Revenue Code of 1986 transferred to an indi-  
24 vidual through electronic fund transfer, there is, prior to

1 such transfer, a prenotification testing to verify recipient  
2 information and assist in preventing refund fraud.

3 **SEC. 6. TREATMENT OF CAFETERIA PLANS FOR EMPLOYEE-**  
4 **OWNERS.**

5 (a) IN GENERAL.—Subsection (g) of section 125 of  
6 the Internal Revenue Code of 1986 is amended by adding  
7 at the end the following new paragraph:

8 “(5) SELF-EMPLOYED INDIVIDUALS.—

9 “(A) IN GENERAL.—Notwithstanding sec-  
10 tion 105(g), for purposes of providing qualified  
11 benefits under a cafeteria plan of an eligible  
12 employer (as defined in subsection (j)(5)) and  
13 for purposes of any prohibition on discrimina-  
14 tion (including subsection (b)) with respect to a  
15 cafeteria plan—

16 “(i) the term ‘employee’ includes an  
17 individual who is an employee within the  
18 meaning of section 401(c)(1) and any indi-  
19 vidual treated as a partner under section  
20 1372(a),

21 “(ii) an individual who owns the en-  
22 tire interest in an unincorporated trade or  
23 business shall be treated as his own em-  
24 ployer, and

1           “(iii) a partnership shall be treated as  
2           the employer of each partner who is an  
3           employee within the meaning of clause (i).

4           “(B) LIMITATION.—

5           “(i) AMOUNTS EXCLUDED NOT TO EX-  
6           CEED EARNED INCOME.—In the case of an  
7           individual treated as an employee by rea-  
8           son of subparagraph (A)(i), subsection (a)  
9           shall apply to amounts for an individual  
10          only to the extent that such amounts ex-  
11          ceeds the individual’s earned income (as  
12          defined in section 401(c)(2)) derived from  
13          the trade or business with respect to which  
14          the cafeteria plan is maintained.

15          “(ii) PARTNERSHIPS.—This para-  
16          graph shall apply in the case of any indi-  
17          vidual treated as a partner under section  
18          1372(a), except that, for purposes of this  
19          subsection, such individual’s wages (as de-  
20          fined in section 3121) from the S corpora-  
21          tion shall be treated as such individual’s  
22          earned income, and there shall be such ad-  
23          justments in the application of this sub-  
24          section as the Secretary may by regula-  
25          tions prescribe.

1           “(C) DENIAL OF DOUBLE BENEFIT.—No  
2           deduction or credit shall be allowed to an em-  
3           ployee under any section of this chapter for any  
4           amount excluded from gross income under sub-  
5           section (a) by reason of this paragraph.”.

6           (b) SIMPLE CAFETERIA PLANS.—Paragraph (3) of  
7           section 125(j) of the Internal Revenue Code of 1986 is  
8           amended by adding at the end the following new subpara-  
9           graph:

10                   “(E)     ALTERNATIVE     FOR     CERTAIN  
11           PLANS.—

12                   “(i) IN GENERAL.—In the case of a  
13           plan that covers one or more individuals  
14           described in clause (i) of subsection  
15           (g)(5)(A), the requirements of this para-  
16           graph shall be treated as met if the aver-  
17           age employer contribution allocable to  
18           qualified benefits under the plan on behalf  
19           of individuals who are not qualified em-  
20           ployees does not exceed 150 percent of the  
21           average employer contribution allocable to  
22           such benefits on behalf of individuals who  
23           are qualified employees.

24                   “(ii) ADDITIONAL CONTRIBUTIONS.—  
25           In the case of a plan treated under clause



1 (i) as meeting the requirements of this  
2 paragraph, subparagraph (C) shall not  
3 apply.”.

4 (c) EFFECTIVE DATE.—The amendment made by  
5 this section shall apply with respect to taxable years begin-  
6 ning after December 31, 2019.

7 **SEC. 7. EXCLUDING FROM SELF-EMPLOYMENT INCOME**  
8 **NET EARNINGS LESS THAN AMOUNT RE-**  
9 **QUIRED FOR SOCIAL SECURITY QUARTERS**  
10 **OF COVERAGE.**

11 (a) IN GENERAL.—Paragraph (2) of section 1402(b)  
12 of the Internal Revenue Code of 1986 is amended by strik-  
13 ing “\$400” and inserting “the amount required under sec-  
14 tion 213(d) of the Social Security Act for a quarter of  
15 coverage for the calendar year in which such taxable year  
16 began”.

17 (b) SELF-EMPLOYMENT TAX RETURNS.—Section  
18 6017 of the Internal Revenue Code of 1986 is amended  
19 by striking “\$400” and inserting “the amount required  
20 under section 1402(b)(2)”.

21 (c) EFFECTIVE DATE.—The amendments made by  
22 this section shall apply with respect to taxable years begin-  
23 ning after the date of the enactment of this Act.

1 **SEC. 8. ALLOWING A DEDUCTION FOR CERTAIN HEALTH IN-**  
2 **SURANCE COSTS FOR SELF-EMPLOYMENT**  
3 **TAX PURPOSES.**

4 (a) IN GENERAL.—Subsection (l) of section 162 of  
5 the Internal Revenue Code of 1986 is amended by striking  
6 paragraph (4).

7 (b) EFFECTIVE DATE.—The amendment made by  
8 this section shall apply with respect to taxable years begin-  
9 ning after December 31, 2019.

10 **SEC. 9. NO EFFECT OF VOLUNTARY WITHHOLDING AGREE-**  
11 **MENTS ON WORKER CLASSIFICATION.**

12 Section 3402(p) of the Internal Revenue Code of  
13 1986 is amended by adding at the end the following new  
14 paragraph:

15 “(4) WORKER CLASSIFICATION.—Agreements  
16 under paragraph (3) may not be taken into account  
17 in determining whether any party to such agreement  
18 is an employee or an employer for purposes of any  
19 provision of this title.”.

20 **SEC. 10. EFFECT OF VOLUNTARY TRAINING AND GROUP**  
21 **DISCOUNT PROGRAMS ON WORKER CLASSI-**  
22 **FICATION.**

23 (a) IN GENERAL.—Chapter 79 of the Internal Rev-  
24 enue Code of 1986 is amended by adding at the end the  
25 following new section:

1 **“SEC. 7706. EFFECT OF VOLUNTARY TRAINING AND GROUP**  
2 **DISCOUNT PROGRAMS ON WORKER CLASSI-**  
3 **FICATION.**

4 “(a) IN GENERAL.—For purposes of this title, the  
5 determination of whether an individual is an employee  
6 shall be made without regard to the following:

7 “(1) Whether such individual is offered, and  
8 whether such individual accepts, voluntary training.

9 “(2) Whether such individual is offered, or  
10 takes advantage of, a discount on goods and services  
11 available by reason of such individual performing  
12 services.

13 “(b) REGULATIONS.—The Secretary shall issue such  
14 regulations as the Secretary determines are necessary to  
15 carry out the purposes of this section.”.

16 (b) CLERICAL AMENDMENT.—The table of sections  
17 for chapter 79 of such Code is amended by inserting after  
18 the item relating to section 7705 the following:

“Sec. 7706. Effect of voluntary training and group discount programs on work-  
er classification.”.

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