

118TH CONGRESS
2D SESSION

S. 5204

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

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 25, 2024

Ms. ROSEN (for herself, Mrs. SHAHEEN, Ms. BALDWIN, Mr. WYDEN, Mr. BLUMENTHAL, Ms. KLOBUCHAR, Mr. HEINRICH, Mr. COONS, and Mr. WARNOCK) 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, to consolidate provisions for start-up and organizational expenditures, 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.**

4 This Act may be cited as the “Tax Relief for New
5 Businesses Act”.

1 **SEC. 2. NEW BUSINESS EXPENDITURES.**

2 (a) CONSOLIDATION OF DEDUCTION FOR START-UP
3 AND ORGANIZATIONAL EXPENDITURES.—

4 (1) IN GENERAL.—Section 195(a) of the Inter-
5 nal Revenue Code of 1986 is amended by inserting
6 “or organizational” after “start-up”.

7 (2) ORGANIZATIONAL EXPENDITURES.—Sub-
8 section (c) of section 195 of the Internal Revenue
9 Code of 1986 is amended by adding at the end the
10 following new paragraph:

11 “(3) ORGANIZATIONAL EXPENDITURES.—The
12 term ‘organizational expenditures’ means any ex-
13 penditure which—

14 “(A) is incident to the creation of a cor-
15 poration or a partnership,

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

17 “(C) is of a character which, if expended
18 incident to the creation of a corporation or a
19 partnership having a limited life, would be am-
20 ortizable over such life.”.

21 (3) CONFORMING AMENDMENTS.—

22 (A) Section 195(b)(1) is amended—

23 (i) by striking “with respect to any
24 start-up expenses” and inserting “with re-
25 spect to any active trade or business”,

1 (ii) by striking “the amount of start-
2 up expenditures with respect to” in sub-
3 paragraph (A)(i) thereof and inserting
4 “the aggregate amount of start-up and or-
5 ganizational expenditures paid in connec-
6 tion with”, and

7 (iii) by adding at the end the fol-
8 lowing flush sentence:

9 “In the case of a partnership or S corporation, the
10 election under the preceding sentence shall be made
11 at the entity level.”.

12 (B) Section 195(b)(2) of such Code is
13 amended—

14 (i) by striking “AMORTIZATION PE-
15 RIOD.—In any case” and inserting the fol-
16 lowing: “AMORTIZATION PERIOD.—

17 “(A) IN GENERAL.—In any case”, and

18 (ii) by adding at the end the following
19 new subparagraph:

20 “(B) SPECIAL PARTNERSHIP RULE.—In
21 the case of a partnership or S corporation, sub-
22 paragraph (A) shall be applied at the entity
23 level.”.

24 (C) Section 195(b) of such Code is amend-
25 ed by striking paragraph (3).

1 (D)(i) Part VIII of subchapter B of chap-
2 ter 1 of such Code is amended by striking sec-
3 tion 248 (and by striking the item relating to
4 such section in the table of sections for such
5 part).

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

8 (iii) Section 312(n)(3) of such Code is
9 amended by striking “Sections 173 and 248”
10 and inserting “Section 173”.

11 (iv) Section 535(b)(3) of such Code is
12 amended by striking “(except section 248)”.

13 (v) Paragraphs (3) and (4) of section
14 545(b) of such Code are each amended by strik-
15 ing “(except section 248)”.

16 (vi) Section 834(c)(7) of such Code is
17 amended by striking “(except section 248)”.

18 (vii) Section 852(b)(2)(C) of such Code is
19 amended by striking “(except section 248)”.

20 (viii) Section 857(b)(2)(A) of such Code is
21 amended by striking “(except section 248)”.

22 (ix) Section 1363(b) of such Code is
23 amended by inserting “and” at the end of para-
24 graph (2), by striking paragraph (3), and by re-
25 designating paragraph (4) as paragraph (3).

1 (x) Section 1375(b)(1)(B)(i) of such Code
2 is amended by striking “(other than the deduc-
3 tion allowed by section 248, relating to organi-
4 zation expenditures)”.

5 (E)(i) Section 709 of such Code is amend-
6 ed to read as follows:

7 **“SEC. 709. TREATMENT OF SYNDICATION FEES.**

8 “No deduction shall be allowed under this chapter to
9 a partnership or to any partner of the partnership for any
10 amounts paid or incurred to promote the sale of (or to
11 sell) an interest in the partnership.”.

12 (ii) The item relating to section 709 in the
13 table of sections for part I of subchapter K of
14 chapter 1 of such Code is amended to read as
15 follows:

“Sec. 709. Treatment of syndication fees.”.

16 (F) The heading of section 195 of such
17 Code (and the item relating to such section in
18 the table of sections for part VI of subchapter
19 B of chapter 1 of such Code) are each amended
20 by inserting “and organizational” after “Start-
21 up”.

22 (b) INCREASE IN LIMITATION.—Clause (ii) of section
23 195(b)(1)(A) of the Internal Revenue Code of 1986 is
24 amended—

1 (1) by striking “\$5,000” and inserting
2 “\$50,000”, and

3 (2) by striking “\$50,000” and inserting
4 “\$150,000”.

5 (c) APPLICATION OF NET OPERATING LOSS
6 RULES.—Section 172 of the Internal Revenue Code of
7 1986 is amended by redesignating subsection (g) as sub-
8 section (h) and by inserting after subsection (f) the fol-
9 lowing new subsection:

10 “(g) SPECIAL RULES FOR START-UP AND ORGANIZA-
11 TIONAL EXPENDITURES.—

12 “(1) IN GENERAL.—In the case of a taxpayer
13 making an election under this subsection—

14 “(A) this section shall be applied sepa-
15 rately to start-up and organizational net oper-
16 ating losses and other net operating losses,

17 “(B) in applying this section to start-up
18 and organizational net operating losses—

19 “(i) subsection (a)(2)(B) shall be ap-
20 plied by substituting ‘100 percent’ for ‘80
21 percent’ in clause (i) thereof, and

22 “(ii) subsection (b)(2)(C) shall not
23 apply, and

24 “(C) in applying this section to other net
25 operating losses, for purposes of subsections

1 (a)(2)(B)(ii)(I) and (b)(2), taxable income shall
2 be reduced by the amount of the deduction al-
3 lowed under this section with respect to start-
4 up and organizational net operating losses.

5 “(2) START-UP AND ORGANIZATIONAL NET OP-
6 ERATING LOSS.—For purposes of this section, the
7 term ‘start-up and organizational net operating loss’
8 means the amount which would be a net operating
9 loss if the only deduction taken into account were
10 the deduction allowed under section 195.

11 “(3) OTHER NET OPERATING LOSSES.—For
12 purposes of this section, the term ‘other net oper-
13 ating loss’ means the net operating loss determined
14 without regard to the deduction allowed under sec-
15 tion 195.

16 “(4) ELECTION.—An election under this section
17 shall be made at such time and in such form and
18 manner as the Secretary shall prescribe. Such an
19 election, once made, shall be irrevocable.”.

20 (d) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to expenses paid or incurred in
22 taxable years beginning after December 31, 2024.

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