II

117TH CONGRESS
1ST SESSION

S. 2812

To amend the Internal Revenue Code of 1986 to establish a small business start-up tax credit for veterans creating businesses in underserved communities.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 23, 2021

Ms. ROSEN (for herself and Mr. MORAN) 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 establish a small business start-up tax credit for veterans creating businesses in underserved communities.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Veterans Jobs Opportunity Act".

SEC. 2. VETERAN SMALL BUSINESS START-UP CREDIT.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of

1986 is amended by adding at the end the following new section:

"SEC. 45U. VETERAN SMALL BUSINESS START-UP CREDIT.

"(a) IN GENERAL.—For purposes of section 38, the veteran small business start-up credit determined under this section for any taxable year is an amount equal to 15 percent of so much of the qualified start-up expenditures paid or incurred by the taxpayer during such taxable year with respect to an applicable veteran-owned business as does not exceed $50,000.

"(b) DEFINITIONS.—For purposes of this section—

"(1) APPLICABLE VETERAN-OWNED SMALL BUSINESS.—The term 'applicable veteran-owned small business' means a small business—

"(A) owned and controlled by 1 or more veterans or spouses of veterans, and

"(B) the principal place of business of which is in an underserved community.

"(2) OWNERSHIP AND CONTROL.—The term 'owned and controlled' means—

"(A) with respect to any of the individuals described in paragraph (1)(A), that the conduct of any trade or business of the small business is not a passive activity (as defined in section 469(c)), and

"(B) with respect to the small business—

"(i) such small business is a sole proprietorship,

"(ii) if such small business is a corporation, ownership (by vote or value) by the individuals described in paragraph (1)(A) of greater than 50 percent of the stock in such corporation, or

"(iii) if such small business is a partnership, ownership by the individuals described in paragraph (1)(A) of greater than 50 percent of the profits interests or capital interests in such partnership.

"(3) QUALIFIED START-UP EXPENDITURES.—The term 'qualified start-up expenditures' means—

"(A) any start-up expenditures (as defined in section 195(c)), and

"(B) any amounts paid or incurred during the taxable year for the purchase or lease of real property, or the purchase of personal property, placed in service during the taxable year and used in the active conduct of a trade or business.

"(4) SMALL BUSINESS.—

"(A) IN GENERAL.—The term 'small business' means, with respect to any taxable year, any person engaged in a trade or business in the United States if—

"(i) the gross receipts of such person for the preceding taxable year did not exceed $5,000,000, or

"(ii) in the case of a person to which clause (i) does not apply, such person employed not more than 50 full-time employees during the preceding taxable year.

"(B) FULL-TIME EMPLOYEE.—For purposes of subparagraph (A)(ii), an employee shall be considered full-time if such employee is employed at least 30 hours per week for 20 or more calendar weeks in the taxable year.

"(5) UNDERSERVED COMMUNITY.—The term 'underserved community' means any area located within—

"(A) a HUBZone (as defined in section 3(p) of the Small Business Act (15 U.S.C. 632(p)), as in effect on the date of enactment of this section),

"(B) an empowerment zone, or enterprise community, designated under section 1391 (and without regard to whether or not such designation remains in effect),

"(C) an area of low income or moderate income (as recognized by the Federal Financial Institutions Examination Council), or

"(D) a county with persistent poverty (as classified by the Economic Research Service of the Department of Agriculture).

"(6) VETERAN OR SPOUSE OF VETERAN.—The term 'veteran or spouse of a veteran' has the meaning given such term by section 7(a)(31)(G)(ii) of the Small Business Act (15 U.S.C. 636(a)(31)(G)(ii), as in effect on the date of enactment of this section).

"(c) SPECIAL RULES.—For purposes of this section—

"(1) ELECTION TO TAKE CREDIT.—No credit shall be allowed under subsection (a) for any expenditures unless the taxpayer elects to have this section apply to such expenditures.

"(2) YEAR OF ELECTION.—The taxpayer may elect the application of this section only for the first 2 taxable years for which ordinary and necessary expenses paid or incurred in carrying on such trade or business are allowable as a deduction by the taxpayer under section 162.

"(3) CONTROLLED GROUPS AND COMMON CONTROL.—All persons treated as a single employer under subsections (a) and (b) of section 52 shall be treated as 1 person.

"(4) NO DOUBLE BENEFIT.—If a credit is determined under this section with respect to any property, the basis of such property shall be reduced by the amount of the credit attributable to such property.".

(b) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

"Sec. 45U. Veteran small business start-up credit.".

(c) PART OF GENERAL BUSINESS CREDIT.—Section 38(b) of the Internal Revenue Code of 1986 is amended by striking "plus" at the end of paragraph (32), by striking the period at the end of paragraph (33) and inserting ", plus", and by adding at the end the following new paragraph:

"(34) the veteran small business start-up credit determined under section 45U.".

(d) REPORT BY TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION.—Every fourth year after the date of the enactment of this Act, the Treasury Inspector General for Tax Administration shall include in one of the semiannual reports under section 5 of the Inspector General Act of 1978 with respect to such year, an evaluation of the credit allowed under section 45U of the Internal Revenue Code of 1986 (as added by this section), including an evaluation of the success of, and accountability with respect to, such credit.

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

○