IN THE SENATE OF THE UNITED STATES

Mr. Thurmond

Introduced the following bill; which was read twice and referred to the Committee on

A BILL

To permit a taxpayer carrying on a trade or business in the conduct of which 10 or less persons are engaged to elect to take a standard deduction, in lieu of itemized deductions, for expenses attributable to such trade or business.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) part VI of subchapter B of chapter 1 of the Internal Revenue Code of 1954 (relating to itemized deductions for individuals and corporations) is amended by adding at the end thereof a new section as follows:

"SEC. 178. STANDARD DEDUCTION FOR TRADE OR BUSINESS EXPENSES OF SMALL BUSINESS ENTERPRISES.

"(a) General Rule.--In the case of a taxpayer who is engaged in a trade or business as a small business enterprise, there shall be allowed as a deduction (in lieu of the deductions allowed by this part, other than this section, which are attributable to the trade or business of such small business enterprise) an amount equal to the percentage, prescribed by the Secretary or his delegate under subsection (b) for the category to which such trade or business belongs, of the gross income derived during the taxable year from such trade or business.

"(b) Percentage.--

"(1) Determination by Secretary or his delegate.--The Secretary or his delegate shall, on December 1 of each year, prescribe for each category of the trades or businesses which are carried on by small business enterprises, the percentage of the gross income derived from the trade or business which will be allowed as a deduction under subsection (a). The percentage so prescribed for each category of trade or business shall be effective for all taxable years ending during the succeeding calendar year. The Secretary or his delegate shall, insofar as possible, prescribe percentages under this paragraph which will relieve small business enterprises of the burden of keeping detailed records necessary to support the allowance of the deductions allowed by this part (other than this section), but will not relieve any taxpayer from liability for his fair share of the taxes imposed by this chapter on all taxpayers.

"(2) Categories of trades or businesses.--For purposes of paragraph (1), the Secretary or his delegate shall divide the trades or businesses which are carried on by small business enterprises into as many different categories as he deems necessary. The determination as to what category of trade or business any particular trade or business belongs shall be made under regulations prescribed by the Secretary or his delegate.

"(c) Election.--

"(1) Time and manner.--The deduction provided by subsection (a) shall be allowed only if the taxpayer elects to take such deduction at the time of filing his return for the taxable year. Such election shall be made and signified in such manner as the Secretary or his delegate shall prescribe by regulations. If the taxpayer fails to signify, in the manner so prescribed, his election to take the deduction provided by subsection (a), such failure shall be considered his election not to take the deduction provided by subsection (a).
"(2) Effect.—If a taxpayer elects to take the deduction provided by subsection (a) he shall not be allowed for the taxable year any deduction under any other section of this part which is attributable to his trade or business. An election under paragraph (1) for any taxable year may not be revoked except with the approval of the Secretary or his delegate. This paragraph shall not apply if it is determined that the taxpayer was not, for the taxable year, engaged in a trade or business as a small business enterprise.

"(d) Small Business Enterprise Defined.—For purposes of this section, the term 'small business enterprise' means—

"(1) Incorporated business.—Any corporation in which, on each day of the taxable year, 10 or less officers and employees are actively engaged in the conduct of the trade or business of the corporation.

"(2) Unincorporated business.—Any individual proprietorship or partnership in which, on each day of the taxable year, 10 or less persons (including the proprietor or the partners) are actively engaged in the conduct of the trade or business of the proprietorship or partnership.

The determination of whether an officer or employee of a corporation is actively engaged in the conduct of the trade or business of the corporation and of whether a person is actively engaged in the conduct of the trade or business of a proprietorship or partnership shall be made under regulations prescribed by the Secretary or his delegate.

"(e) Exception.—This section shall not apply to any trade or business carried on by a taxpayer which consists of the performance of services by the taxpayer as an employee."

(b) The table of sections for such part is amended by adding at the end thereof

"Sec. 178. Standard deduction for trade or business expenses of small business enterprises."

Sec. 2. The amendments made by this Act shall apply only to taxable years ending after December 31, 1957.

-end-