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(Original Signature of Member)

119TH CONGRESS  
2D SESSION

**H. R.** \_\_\_\_\_

To amend the Internal Revenue Code of 1986 to increase the deduction for qualified business income, and for other purposes.

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IN THE HOUSE OF REPRESENTATIVES

Mr. KUSTOFF introduced the following bill; which was referred to the Committee on \_\_\_\_\_

\_\_\_\_\_  
**A BILL**

To amend the Internal Revenue Code of 1986 to increase the deduction for qualified business income, 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 “Small Business Tax  
5 Cut Act”.

1 **SEC. 2. INCREASE IN DEDUCTION FOR QUALIFIED BUSI-**  
2 **NESS INCOME.**

3 (a) IN GENERAL.—Subsections (a)(2), (b)(1)(B), and  
4 (b)(2)(A) of section 199A of the Internal Revenue Code  
5 of 1986 are each amended by striking “20 percent” and  
6 inserting “23 percent”.

7 (b) MODIFICATION OF LIMITATIONS BASED ON TAX-  
8 ABLE INCOME.—

9 (1) IN GENERAL.—Section 199A(b)(3) of such  
10 Code is amended to read as follows:

11 “(3) MODIFICATION OF DETERMINATION OF  
12 COMBINED QUALIFIED BUSINESS INCOME AMOUNT  
13 BASED ON TAXABLE INCOME.—

14 “(A) EXCEPTION FROM LIMITATIONS.—In  
15 the case of any taxpayer whose taxable income  
16 for the taxable year does not exceed the thresh-  
17 old amount—

18 “(i) paragraph (2) shall be applied  
19 without regard to subparagraph (B), and

20 “(ii) a specified service trade or busi-  
21 ness shall not fail to be treated as a quali-  
22 fied trade or business solely by reason of  
23 subsection (d)(1)(A).

24 “(B) PHASE-IN OF LIMITATIONS.—In the  
25 case of any taxpayer whose taxable income for  
26 the taxable year exceeds the threshold amount,

1 the sum described in paragraph (1)(A) (deter-  
2 mined without regard to this subparagraph)  
3 shall instead be an amount (if greater) equal to  
4 the excess (if any) of—

5 “(i) the sum described in paragraph  
6 (1)(A) (determined by applying the rules of  
7 clauses (i) and (ii) of subparagraph (A)),  
8 over

9 “(ii) the limitation phase-in amount.

10 “(C) LIMITATION PHASE-IN AMOUNT.—

11 For purposes of subparagraph (B), the limita-  
12 tion phase-in amount shall be an amount equal  
13 to 75 percent of the excess (if any) of—

14 “(i) the taxable income of the tax-  
15 payer for the taxable year, over

16 “(ii) the threshold amount.”.

17 (2) CONFORMING AMENDMENT.—Section  
18 199A(d) of such Code is amended by striking para-  
19 graph (3).

20 (c) DEDUCTION FOR QUALIFIED BUSINESS INCOME  
21 TO APPLY TO CERTAIN INTEREST DIVIDENDS OF QUALI-  
22 FIED BUSINESS DEVELOPMENT COMPANIES.—

23 (1) IN GENERAL.—Subsections (b)(1)(B) and  
24 (c)(1) of section 199A of such Code are each amend-

1 ed by inserting “, qualified BDC interest dividends,”  
2 after “qualified REIT dividends”.

3 (2) QUALIFIED BDC INTEREST DIVIDEND DE-  
4 FINED.—Section 199A(e) of such Code is amended  
5 by adding at the end the following new paragraph:

6 “(5) QUALIFIED BDC INTEREST DIVIDEND.—

7 “(A) IN GENERAL.—The term ‘qualified  
8 BDC interest dividend’ means any dividend  
9 from an electing business development company  
10 received during the taxable year which is attrib-  
11 utable to net interest income of such company  
12 which is properly allocable to a qualified trade  
13 or business of such company.

14 “(B) ELECTING BUSINESS DEVELOPMENT  
15 COMPANY.—For purposes of this paragraph, the  
16 term ‘electing business development company’  
17 means a business development company (as de-  
18 fined in section 2(a) of the Investment Com-  
19 pany Act of 1940) which has an election in ef-  
20 fect under section 851 to be treated as a regu-  
21 lated investment company.”.

22 (d) MODIFIED INFLATION ADJUSTMENT.—Section  
23 199A(e)(2)(B) of such Code is amended—

24 (1) by striking “2018” and inserting “2025”,  
25 and

1           (2) in clause (ii), by striking “, determined by  
2           substituting ‘calendar year 2017’ for ‘calendar year  
3           2016’ in subparagraph (A)(ii) thereof”.

4           (e) EFFECTIVE DATE.—The amendments made by  
5 this section shall apply to taxable years beginning after  
6 December 31, 2026.