

Senate Small-Business Revenue Raisers Take a Drubbing at Ways & Means Hearing

The stalemate between the House and Senate over small-business tax incentives legislation continued at a March 14 House Ways and Means Committee hearing as Democrats and Republicans attacked the \$8.3 billion revenue-raising package in the Senate-approved bill and Chairman Charles Rangel, D-N.Y., indicated that there are no signs of when, or even whether, the two chambers will go to conference to work out a compromise.

The House and Senate last month approved separate bills providing tax incentives to help small businesses absorb the impact of a planned minimum wage increase, but disagreements over the size and scope of that relief (as well as disagreements over revenue offsets) have delayed the start of formal conference negotiations. The House bill provides for \$1.3 billion in tax incentives that are offset by targeted revenue raisers.

Deferred Comp, Retroactivity Targeted

House taxwriters aimed their toughest criticism at a Senate provision that would limit the annual amount that an individual can defer in a nonqualified deferred compensation arrangement to the lesser of \$1 million or the average taxable compensation for the previous five years. It would apply retroactively to taxable years beginning after December 31, 2006.

Rangel complained about the proposal's retroactivity, while Rep. Richard Neal, D-Mass., and Rep. Jon H. Lewis, D-Ga., said the proposal could hurt middle managers and even rank-and-file workers at times.

Ways and Means members also criticized Senate proposals to roll back the effective dates of current-law provisions to curb corporate inversions and sale-in/lease-out (SILO) arrangements. The Senate bill would move back the effective date for anti-inversion provisions in the American Jobs Creation Act of 2004 to March 20, 2002 (from March 4, 2003). It also would disallow future losses on foreign tax-exempt use property for SILO arrangements entered into on or before March 12, 2004.

Grassley Responds

Senate Finance Committee ranking Republican Charles Grassley of Iowa addressed the complaints from House taxwriters in a March 14 news release.

Alluding to the fact that the anti-inversion provision in the Senate bill has been proposed several times in recent years, Grassley said that "the claims of retroactive taxes completely ignore the bipartisan statements from Sen. [Max] Baucus, [D-Mont.,] and myself that put these companies on fair notice that corporate inversions were done at their own peril."

Grassley also expressed surprise at the criticism of the SILO provision. "These same Democratic leaders voted for exactly these same provisions during the conference on the [American Jobs Creation Act]," he said.

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