

116TH CONGRESS  
1ST SESSION

# H. R. 2971

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

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## IN THE HOUSE OF REPRESENTATIVES

MAY 23, 2019

Mr. BIGGS introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

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

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 “Freedom for Small  
5 Businesses Act of 2019”.

6 **SEC. 2. INCREASE AND EXPANSION OF DEDUCTION FOR**  
7 **QUALIFIED BUSINESS INCOME.**

8 (a) DEDUCTION MADE PERMANENT.—Section 199A  
9 of the Internal Revenue Code of 1986 is amended by strik-  
10 ing subsection (i).

1 (b) DEDUCTION TO ACHIEVE A TOP RATE ON  
2 QUALIFIED BUSINESS INCOME OF 21 PERCENT.—Sub-  
3 sections (a)(2), (b)(1)(B), and (b)(2)(A) of section 199A  
4 of such Code are each amended by striking “20 percent”  
5 and inserting “43 percent (47 percent in the case of any  
6 taxable year beginning after December 31, 2025)”.

7 (c) REPEAL OF LIMITATION BASED ON W-2 WAGES  
8 PAID WITH RESPECT TO THE TRADE OR BUSINESS.—  
9 Section 199A(b)(2) of section 199A of such Code, as  
10 amended by subsection (a), is amended to read as follows:

11 “(2) DETERMINATION OF DEDUCTIBLE  
12 AMOUNT FOR EACH TRADE OR BUSINESS.—The  
13 amount determined under this paragraph with re-  
14 spect to any qualified trade or business is 43 percent  
15 (47 percent in the case of any taxable year begin-  
16 ning after December 31, 2025) of the taxpayer’s  
17 qualified business income with respect to the quali-  
18 fied trade or business.”.

19 (d) REPEAL OF EXCLUSION OF SPECIFIED SERVICE  
20 TRADES OR BUSINESSES.—Section 199A(d) of such Code  
21 is amended to read as follows:

22 “(d) QUALIFIED TRADE OR BUSINESS.—For pur-  
23 poses of this section, the term ‘qualified trade or business’  
24 means any trade or business other than the trade or busi-  
25 ness of performing services as an employee.”.

1 (e) CONFORMING AMENDMENTS.—

2 (1) Section 199A(b) of such Code, as amended  
3 by subsection (d), is amended—

4 (A) by striking paragraphs (3), (4), and  
5 (6), and redesignating paragraphs (5) and (7)  
6 as paragraphs (3) and (4), and

7 (B) by “the lesser of—” and all that fol-  
8 lows in paragraph (4) (as so redesignated) and  
9 inserting “9 percent of so much of the qualified  
10 business income with respect to such trade or  
11 business as is properly allocable to qualified  
12 payments received from such cooperative”.

13 (2) Section 199A(e) of such Code is amended  
14 by striking paragraph (2).

15 (3) Section 199A(f)(1) of such Code is amended  
16 to read as follows:

17 “(1) APPLICATION TO PARTNERSHIPS AND S  
18 CORPORATIONS.—

19 “(A) IN GENERAL.—In the case of a part-  
20 nership or S corporation—

21 “(i) this section shall be applied at the  
22 partner or shareholder level, and

23 “(ii) each partner or shareholder shall  
24 take into account such person’s allocable

1 share of each qualified item of income,  
2 gain, deduction, and loss.

3 For purposes of this subparagraph, in the case  
4 of an S corporation, an allocable share shall be  
5 the shareholder's pro rata share of an item.

6 “(B) TREATMENT OF TRADES OR BUSI-  
7 NESS IN PUERTO RICO.—In the case of any tax-  
8 payer with qualified business income from  
9 sources within the commonwealth of Puerto  
10 Rico, if all such income is taxable under section  
11 1 for such taxable year, then for purposes of  
12 determining the qualified business income of  
13 such taxpayer for such taxable year, the term  
14 ‘United States’ shall include the Commonwealth  
15 of Puerto Rico.”.

16 (4) Section 199A(f)(4)(A) of such Code is  
17 amended by striking “and wages”.

18 (5) Section 199A(g)(1) of such Code is amend-  
19 ed by striking subparagraph (B) and redesignating  
20 subparagraph (C) as subparagraph (B).

21 (6) Section 199A of such Code is amended by  
22 striking subsection (h).

1       (f) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2019.

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