

.....
(Original Signature of Member)

117TH CONGRESS
1ST SESSION

H. R. _____

To amend the Internal Revenue Code of 1986 to establish a State and
local general sales tax credit for small businesses.

IN THE HOUSE OF REPRESENTATIVES

Mr. KHANNA introduced the following bill; which was referred to the
Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to establish
a State and local general sales tax credit for small busi-
nesses.

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 “Brick and Mortar
5 Small Business Tax Credit Act of 2022”.

1 **SEC. 2. STATE AND LOCAL GENERAL SALES TAX CREDIT**
2 **FOR SMALL BUSINESSES.**

3 (a) IN GENERAL.—Subpart D of part IV of sub-
4 chapter A of chapter 1 of the Internal Revenue Code of
5 1986 is amended by adding at the end the following new
6 section:

7 **“SEC. 45U. STATE AND LOCAL GENERAL SALES TAX CREDIT**
8 **FOR SMALL BUSINESSES.**

9 “(a) ALLOWANCE OF CREDIT.—For purposes of sec-
10 tion 38, in the case of an eligible small business, the State
11 and local general sales tax credit determined under this
12 section for the taxable year is an amount equal to 5 per-
13 cent of so much of the business gross receipts of the tax-
14 payer for the taxable year as do not exceed \$1,000,000
15 (regardless of whether such receipts are subject to a State
16 or local general sales tax).

17 “(b) PHASEOUT OF CREDIT.—If the business gross
18 receipts of the taxpayer for the taxable year exceed
19 \$1,000,000, the credit otherwise determined under sub-
20 section (a) shall be reduced by an amount which bears
21 the same ratio to the amount of such credit (determined
22 without regard to this subsection) as—

23 “(1) such excess, bears to

24 “(2) \$1,000,000.

25 “(c) DEFINITIONS AND SPECIAL RULES.—

1 “(1) DEFINITIONS.—For purposes of this sec-
2 tion—

3 “(A) ELIGIBLE SMALL BUSINESS.—

4 “(i) IN GENERAL.—The term ‘eligible
5 small business’ means any taxpayer for
6 any taxable year if—

7 “(I) the business gross receipts
8 of such taxpayer for such taxable year
9 do not exceed \$2,000,000, and

10 “(II) more than 50 percent of
11 such business gross receipts of such
12 taxpayer for such taxable year were
13 generated by in-person sales.

14 “(ii) SPECIAL RULE FOR 2020 AND
15 2021.—In the case of any taxable year be-
16 ginning in or with calendar year 2020 or
17 2021, clause (i)(II) shall be applied by
18 substituting ‘any percentage of’ for ‘more
19 than 50 percent’.

20 “(B) BUSINESS GROSS RECEIPTS.—The
21 term ‘business gross receipts’ means gross re-
22 ceipts received in the course of any trade or
23 business (other than the trade or business of
24 being an employee).

1 “(C) IN-PERSON SALES.—The term ‘in-
2 person sales’ means a sales transaction in which
3 a customer pays for a good or service at a phys-
4 ical location of an eligible small business.

5 “(D) STATE.—The term ‘State’ means
6 each of the several States, the District of Co-
7 lumbia, American Samoa, Guam, the Common-
8 wealth of the Northern Mariana Islands, Puerto
9 Rico, the Virgin Islands of the United States,
10 and any other territory of the United States.

11 “(2) AGGREGATION RULES.—All persons treat-
12 ed as a single employer under subsection (a) or (b)
13 of section 52, or subsection (n) or (o) of section 414,
14 shall be treated as one person.

15 “(d) TERMINATION.—Subsection (a) shall not apply
16 with respect to any taxable year beginning after December
17 31, 2026.”.

18 (b) CREDIT MADE PART OF GENERAL BUSINESS
19 CREDIT.—Subsection (b) of section 38 of such Code is
20 amended by striking “plus” at the end of paragraph (32),
21 by striking the period at the end of paragraph (33) and
22 inserting “, plus”, and by adding at the end the following
23 new paragraph:

1 “(34) in the case of an eligible small business
2 (as defined in section 45U), the State and local gen-
3 eral sales tax credit determined under section 45U.”.

4 (c) CLERICAL AMENDMENT.—The table of sections
5 for subpart D of part IV of subchapter A of chapter 1
6 of such Code is amended by adding at the end the fol-
7 lowing new item:

“Sec. 45U. State and local general sales tax credit for small businesses.”.

8 (d) PUBLIC AWARENESS CAMPAIGN.—

9 (1) REQUIREMENT.—The Administrator of the
10 Small Business Administration, in consultation with
11 the Internal Revenue Service, shall conduct a public
12 awareness campaign to inform relevant small busi-
13 ness concerns of the tax credit under section 45U of
14 the Internal Revenue Code of 1986, as added by
15 subsection (a).

16 (2) PLAN.—Not later than 180 days after the
17 date of the enactment of this Act, the Administrator
18 shall submit to Congress a plan to implement the
19 public awareness campaign under paragraph (1), in-
20 cluding—

21 (A) a description of the objectives and
22 goals for the campaign; and

23 (B) a description of how the Administrator
24 will work with other departments and agencies
25 of the Federal Government and with nongovern-

1 mental entities to inform relevant small busi-
2 ness concerns of the tax credit described in
3 paragraph (1).

4 (3) AUTHORIZATION OF APPROPRIATIONS.—

5 There is authorized to be appropriated to the Ad-
6 ministrator \$500,000 for fiscal year 2022 to carry
7 out the public awareness campaign under paragraph
8 (1).

9 (e) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to taxable years beginning after
11 December 31, 2019.