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H.R. 4840, Tax Simplification for America's Job Creators Act of 2004, and H.R. 4841, Tax Simplification for Americans Act of 2004

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Summary

The House of Representatives is expected to consider two tax simplification bills that were introduced on July 15, 2004: H.R. 4840 (Crane) and H.R. 4841 (Burns). H.R. 4840, the Tax Simplification for America's Job Creators Act of 2004, contains provisions that are intended to assist business taxpayers. H.R. 4841, the Tax Simplification for Americans Act of 2004, includes provisions aimed at simplifying tax laws that apply to individuals. This report summarizes the provisions in each bill.

During the week of July 19, 2004, the House of Representatives is expected to consider two bills that are intended to simplify the Internal Revenue Code (IRC). H.R. 4840, the Tax Simplification for America's Job Creators Act of 2004, was introduced by Representative Crane on July 15, 2004. The bill's provisions address tax simplification for business taxpayers. H.R. 4841, the Tax Simplification for Americans Act of 2004, was introduced by Representative Burns on July 15, 2004. Its provisions are intended to simplify various tax laws that affect individuals. This report summarizes the provisions in each bill.[1]

H.R. 4840. The provisions in H.R. 4840 are intended to assist business taxpayers. First, the bill would amend the expensing provisions in IRC § 179. Under current law, certain business assets that would otherwise be depreciable are allowed to be deducted in the year the property is placed in service (i.e., expensed). Special provisions apply for taxable years 2002 to 2006 that allow taxpayers to claim larger deductions and increase the number of taxpayers who qualify for the deduction. The bill would extend the expiration date of these special provisions from 2006 to 2008.

Second, the bill would change the accounting rules in IRC § 448. Under current law, taxpayers may use the cash method of accounting if they meet certain criteria. Eligible

[1] The summaries are of the bill versions that were provided by the House of Representatives Bill Clerk. The versions published by the Government Printing Office were not yet available.

taxpayers include businesses with average gross receipts over a three-year period of less than $5,000,000. The bill would adjust the $5,000,000 limit for inflation.

Finally, the bill would remove various corporate tax provisions that are no longer operative. This would include deleting references to repealed programs or acts, eliminating transitional rules that are no longer applicable, and removing references to dates that are sufficiently in the past that their inclusion in the statues would no longer appear to be relevant. The bill would include a savings provision so that any amendment removing a provision would generally be disregarded if it would affect the business's future tax liability as it relates to events that occurred before the bill's enactment (e.g., liability relating to property acquired or transactions that occurred before the bill's enactment).

H.R. 4841. The provisions in H.R. 4841 are intended to simplify various tax laws that apply to individual taxpayers. First, the bill would codify a rule for determining when an individual attains his or her next age. Numerous provisions in the IRC use an individual's age as a criterion for eligibility or to determine whether the provision applies to the taxpayer. In some situations, the Internal Revenue Service (IRS) determines that an individual has attained an age according to his or her birthday;[2] however, in other situations, the IRS uses the common law rule that an individual attains an age on the day before his or her birthday. The bill would generally require that the individual's actual birthday be used.

The bill would also rename the filing status of "head of household" to "single head of household." Another provision would allow more taxpayers to file tax returns using the shorter versions of Form 1040 — Forms 1040EZ and 1040A. Currently, one reason that a taxpayer will not qualify to file either short form is if he or she has more than $50,000 in taxable income. The bill would increase the threshold to $100,000, and adjust this amount for inflation.

Like H.R. 4840, H.R. 4841 includes numerous amendments that would delete obsolete language in the IRC. H.R. 4841 would amend various IRC sections that affect individual taxpayers by deleting references to repealed acts, eliminating inoperative transitional rules, and removing references to dates that are no longer necessary. H.R. 4841 also includes a savings provision that is identical to that in H.R. 4840.

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[2] *See* Revenue Ruling 2003-72.