



Committee On Finance

Max Baucus, Chairman

NEWS RELEASE

<http://finance.senate.gov>

For Immediate Release
February 1, 2007

Contact: Carol Guthrie
(202) 224-4515

SENATE APPROVES MINIMUM WAGE INCREASE

Small business tax incentives from Finance Committee lift legislation to passage

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) today hailed the Senate’s passage of legislation increasing the minimum wage for American workers to \$7.25 per hour. The Minimum Wage Increase Act of 2007 garnered widespread bipartisan support after Baucus and the Senate Finance Committee provided a limited package of tax incentives targeted toward small businesses that employ minimum wage workers. Baucus said that he expects the Senate and House to reach final agreement soon on minimum wage legislation and send it to the White House for signature into law.

“Congress promised American workers a raise, and the Senate delivered today,” said Baucus. **“We worked together in the Senate to get results, and in the process helped both minimum-wage workers and the small businesses that employ them. Now it’s time to take the minimum wage increase the last mile, and harmonize the House and Senate bills to bring American workers a fairer wage. I’m confident that our dedication to a minimum wage increase is stronger than any differences between our two bills.”**

The Senate minimum wage legislation includes the language of H.R. 2, which increases minimum wage workers’ pay from \$5.15 per hour to \$7.25 per hour over a period of two years. The package of small business tax incentives that helped the wage increase to pass was paid for to make the bill fiscally responsible, and included:

- *Work Opportunity Tax Credit-* A five-year extension of the tax credit provided to employers who hire workers who have experienced barriers to entering the workforce. Also, a modification to the work opportunity tax credit to include a tax credit for employing veterans disabled after the September 11, 2001, attacks.
- *Expensing-* A one-year extension of a provision allowing small businesses to immediately deduct as much as \$112,000 in capital purchases.
- *Leasehold Improvements-* An extension through March 31, 2008, of a provision that allows business owners to more quickly deduct the cost of making improvements to a leased property. Also, modifies the provision to include retailers who make improvements to property they own and business that build new restaurant properties.
- *Cash Method of Accounting-* A permanent change to the tax code that will allow more businesses to simplify their bookkeeping by allowing them to use the cash method of accounting for tax purposes.

- *S Corp Reforms*- A modification to the standards that allow small businesses to qualify for or remain within the S Corp tax rules.
- *Certified Professional Employer Organizations* - Establishes a certificate program for companies that provide and oversee employees for other corporations. The certification would require these companies to meet certain standards set by the IRS. Businesses that contract with certified professional employer organizations would be assured that they would not be liable for those taxes already paid to the certified professional employer organization.

Revenue adjustments to offset the cost of the small business tax incentives addressed the following tax loopholes and tax laws:

- *Sale-In/Lease-Out (SILO) – Foreign properties.*
- *Corporate Inversions.*
- *Denial of Deduction for Punitive Damages.*
- *Denial of Deduction for Certain Fines, Penalties, and Other Amounts.*
- *Imposed Mark to Market on Individuals Who Expatriate.*
- *Deferred Compensation.*
- *Increase in Certain Criminal Penalties.*
- *Doubling of Certain Penalties, Fines, and Interest on Underpayments Related to Certain Offshore Financial Arrangements.*
- *Increase in Penalty for Bad Checks and Money Orders.*
- *Modification of the Tax Treatment of Contingent Payment Convertible Debt Instruments.*
- *Extension of IRS User Fees.*
- *Amendment of Collection Due Process Procedures for Employment Tax Liabilities.*
- *Whistleblower Reforms.*
- *Modify Definition of Covered Employee for Corporate Deductions of Employee Remuneration.*

Details are posted in a summary of the Small Business and Work Opportunity Act at <http://finance.senate.gov/press/Bpress/2007press/prb011807legb.pdf> .

A number of minor and non-tax-related provisions were added to the legislation on the Senate floor.

###