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Calendar No. 365

112TH CONGRESS
2D SESSION

S. 2343

To amend the Higher Education Act of 1965 to extend the reduced interest rate for Federal Direct Stafford Loans, and for other purposes.

IN THE SENATE OF THE UNITED STATES

APRIL 24 (legislative day, APRIL 23), 2012

Mr. REID introduced the following bill; which was read twice and ordered placed on the calendar

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A BILL

To amend the Higher Education Act of 1965 to extend the reduced interest rate for Federal Direct Stafford Loans, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Stop the Student Loan Interest Rate Hike Act of 2012''.

SEC. 2. INTEREST RATE EXTENSION.

Section 455(b)(7)(D) of the Higher Education Act of 1965 (20 U.S.C. 1087e(b)(7)(D)) is amended—

(1) in the matter preceding clause (i), by striking ''and before July 1, 2012,'' and inserting ''and before July 1, 2013,''; and

(2) in clause (v), by striking ''and before July 1, 2012,'' and inserting ''and before July 1, 2013,''.

SEC. 3. EMPLOYMENT TAX TREATMENT OF PROFESSIONAL SERVICE BUSINESSES.

(a) IN GENERAL.—Section 1402 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

''(m) SPECIAL RULES FOR PROFESSIONAL SERVICE BUSINESSES.—

''(1) SHAREHOLDERS PROVIDING SERVICES TO SPECIFIED S CORPORATIONS.—

''(A) IN GENERAL.—In the case of an applicable shareholder who provides substantial services with respect to a professional service business referred to in subparagraph (C) of a specified S corporation—

''(i) such shareholder shall be treated as engaged in the trade or business of such professional service business with respect to items of income or loss described in section 1366 which are attributable to such business, and

"(ii) such shareholder's net earnings from self-employment shall include such shareholder's pro rata share of such items of income or loss, except that in computing such pro rata share of such items the exceptions provided in subsection (a) shall apply.

"(B) TREATMENT OF FAMILY MEMBERS.—Except as otherwise provided by the Secretary, the applicable shareholder's pro rata share of items referred to in subparagraph (A) shall be increased by the pro rata share of such items of each member of such applicable shareholder's family (within the meaning of section 318(a)(1)) who does not provide substantial services with respect to such professional service business.

"(C) SPECIFIED S CORPORATION.—For purposes of this subsection, the term 'specified S corporation' means—

"(i) any S corporation which is a partner in a partnership which is engaged in a professional service business if substantially all of the activities of such S cor-

poration are performed in connection with such partnership, and

"(ii) any other S corporation which is engaged in a professional service business if 75 percent or more of the gross income of such business is attributable to service of 3 or fewer shareholders of such corporation.

"(D) APPLICABLE SHAREHOLDER.—For purposes of this paragraph, the term 'applicable shareholder' means any shareholder whose modified adjusted gross income for the taxable year exceeds—

"(i) in the case of a shareholder making a joint return under section 6013 or a surviving spouse (as defined in section 2(a)), $250,000,

"(ii) in the case of a married shareholder (as defined in section 7703) filing a separate return, half of the dollar amount determined under clause (i), and

"(iii) in any other case, $200,000.

"(2) PARTNERS.—

"(A) IN GENERAL.—In the case of any partnership which is engaged in a professional

service business, subsection (a)(13) shall not apply to any applicable partner who provides substantial services with respect to such professional service business.

"(B) APPLICABLE PARTNER.—For purposes of this paragraph, the term 'applicable partner' means any partner whose modified adjusted gross income for the taxable year exceeds—

"(i) in the case of a partner making a joint return under section 6013 or a surviving spouse (as defined in section 2(a)), $250,000,

"(ii) in the case of a married partner (as defined in section 7703) filing a separate return, half of the dollar amount determined under clause (i), and

"(iii) in any other case, $200,000.

"(3) PROFESSIONAL SERVICE BUSINESS.—For purposes of this subsection, the term 'professional service business' means any trade or business (or portion thereof) providing services in the fields of health, law, lobbying, engineering, architecture, accounting, actuarial science, performing arts, con-

sulting, athletics, investment advice or management, or brokerage services.

"(4) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this subsection, the term 'modified adjusted gross income' means adjusted gross income—

"(A) determined without regard to any deduction allowed under section 164(f), and

"(B) increased by the amount excluded from gross income under section 911(a)(1).

"(5) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection, including regulations which prevent the avoidance of the purposes of this subsection through tiered entities or otherwise.

"(6) CROSS REFERENCE.—For employment tax treatment of wages paid to shareholders of S corporations, see subtitle C.".

(b) CONFORMING AMENDMENT.—Section 211 of the Social Security Act is amended by adding at the end the following new subsection:

"(l) SPECIAL RULES FOR PROFESSIONAL SERVICE BUSINESSES.—

"(1) SHAREHOLDERS PROVIDING SERVICES TO SPECIFIED S CORPORATIONS.—

"(A) IN GENERAL.—In the case of an applicable shareholder who provides substantial services with respect to a professional service business referred to in subparagraph (C) of a specified S corporation—

"(i) such shareholder shall be treated as engaged in the trade or business of such professional service business with respect to items of income or loss described in section 1366 of the Internal Revenue Code of 1986 which are attributable to such business, and

"(ii) such shareholder's net earnings from self-employment shall include such shareholder's pro rata share of such items of income or loss, except that in computing such pro rata share of such items the exceptions provided in subsection (a) shall apply.

"(B) TREATMENT OF FAMILY MEMBERS.—Except as otherwise provided by the Secretary of the Treasury, the applicable shareholder's pro rata share of items referred to in subpara-

graph (A) shall be increased by the pro rata share of such items of each member of such applicable shareholder's family (within the meaning of section 318(a)(1) of the Internal Revenue Code of 1986) who does not provide substantial services with respect to such professional service business.

"(C) SPECIFIED S CORPORATION.—For purposes of this subsection, the term 'specified S corporation' means—

"(i) any S corporation (as defined in section 1361(a) of the Internal Revenue Code of 1986) which is a partner in a partnership which is engaged in a professional service business if substantially all of the activities of such S corporation are performed in connection with such partnership, and

"(ii) any other S corporation (as so defined) which is engaged in a professional service business if 75 percent or more of the gross income of such business is attributable to service of 3 or fewer shareholders of such corporation.

"(D) APPLICABLE SHAREHOLDER.—For purposes of this paragraph, the term 'applicable shareholder' means any shareholder whose modified adjusted gross income for the taxable year exceeds—

"(i) in the case of a shareholder making a joint return under section 6013 of the Internal Revenue Code of 1986 or a surviving spouse (as defined in section 2(a) of such Code), $250,000,

"(ii) in the case of a married shareholder (as defined in section 7703 of such Code) filing a separate return, half of the dollar amount determined under clause (i), and

"(iii) in any other case, $200,000.

"(2) PARTNERS.—

"(A) IN GENERAL.—In the case of any partnership which is engaged in a professional service business, subsection (a)(12) shall not apply to any applicable partner who provides substantial services with respect to such professional service business.

"(B) APPLICABLE PARTNER.—For purposes of this paragraph, the term 'applicable

partner' means any partner whose modified adjusted gross income for the taxable year exceeds—

"(i) in the case of a partner making a joint return under section 6013 of the Internal Revenue Code of 1986 or a surviving spouse (as defined in section 2(a) of such Code), $250,000,

"(ii) in the case of a married partner (as defined in section 7703 of such Code) filing a separate return, half of the dollar amount determined under clause (i), and

"(iii) in any other case, $200,000.

"(3) PROFESSIONAL SERVICE BUSINESS.—For purposes of this subsection, the term 'professional service business' means any trade or business (or portion thereof) providing services in the fields of health, law, lobbying, engineering, architecture, accounting, actuarial science, performing arts, consulting, athletics, investment advice or management, or brokerage services.

"(4) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this subsection, the term 'modified adjusted gross income' means adjusted gross income

as determined under section 62 of the Internal Revenue Code of 1986—

"(A) determined without regard to any deduction allowed under section 164(f) of such Code, and

"(B) increased by the amount excluded from gross income under section 911(a)(1) of such Code.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2012.

SEC. 4. COMPLIANCE PROVISION.

The budgetary effects of this Act, for the purpose of complying with the Statutory Pay-As-You-Go-Act of 2010, shall be determined by reference to the latest statement titled "Budgetary Effects of PAYGO Legislation" for this Act, submitted for printing in the Congressional Record by the Chairman of the Senate Budget Committee, provided that such statement has been submitted prior to the vote on passage.

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112th CONGRESS
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A BILL

To amend the Higher Education Act of 1965 to extend the reduced interest rate for Federal Direct Stafford Loans, and for other purposes.

April 24, 2012

Read twice and ordered placed on the calendar