

115TH CONGRESS  
1ST SESSION

# H. R. 4473

To amend the Internal Revenue Code of 1986 to allow tax credits to veterans for the establishment of franchises.

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## IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 28, 2017

Ms. TENNEY (for herself and Ms. BROWNLEY of California) 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 allow tax credits to veterans for the establishment of franchises.

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 “Veteran Entrepreneurs  
5 Act of 2017”.

6       **SEC. 2. VETERANS FRANCHISING CREDIT.**

7       (a) IN GENERAL.—Subpart D of part IV of sub-  
8 chapter A of chapter 1 of the Internal Revenue Code of  
9 1986 (relating to business related credits) is amended by  
10 adding at the end the following new section:

1 **“SEC. 45S. VETERANS FRANCHISING CREDIT.**

2 “(a) VETERANS FRANCHISE FEE CREDIT.—

3 “(1) IN GENERAL.—For purposes of section 38  
4 and subject to the limitation set forth in paragraph  
5 (2), in the case of an eligible veteran or business  
6 owned by an eligible veteran, the veterans franchise  
7 fee credit determined under this section for the tax-  
8 able year is an amount equal to 25 percent of the  
9 qualified franchise fee paid or incurred by an eligible  
10 veteran in connection with the purchase of a fran-  
11 chise.

12 “(2) LIMITATION.—The amount of qualified  
13 franchise fee taken into account under paragraph  
14 (1) shall not exceed \$400,000.

15 “(b) REDUCTION WHERE FRANCHISE NOT 100-PER-  
16 CENT VETERAN OWNED.—In the case of any franchise in  
17 which veterans do not own 100 percent of the stock or  
18 the capital or profits interests of the franchisee, the vet-  
19 erans franchise fee credit under subsection (a) shall be the  
20 amount which bears the same ratio to the amount deter-  
21 mined under subsection (a) (without regard to this sub-  
22 section) as—

23 “(1) the stock or capital or profits interests of  
24 the franchise held by veterans, bears to

25 “(2) the total stock or capital or profits inter-  
26 ests of the franchisee.

1 For purposes of this subsection, the spouse of a veteran  
2 shall be treated as a veteran.

3 “(c) QUALIFIED FRANCHISE FEE.—For purposes of  
4 this section, the term ‘qualified franchise fee’ means any  
5 one-time fee required by the franchisor when entering into  
6 a franchise agreement with a veteran as the franchisee.

7 “(d) OTHER DEFINITIONS.—For purposes of this  
8 section, the terms ‘franchise’, ‘franchisee’, ‘franchisor’,  
9 and ‘franchise fee’ have the meanings given such terms  
10 in part 436 of title 16, Code of Federal Regulations.

11 “(e) ELIGIBLE VETERAN.—For purposes of this sec-  
12 tion, the term ‘eligible veteran’ means a person who served  
13 in the active military, naval, or air service, and who was  
14 discharged or released therefrom under conditions other  
15 than dishonorable who pays or incurs a ‘qualified franchise  
16 fee’ in connection with a franchise agreement with a  
17 franchisor.

18 “(f) TRANSFER OF CREDIT.—With respect to the  
19 credit under subsection (a) for any taxable year, an eligi-  
20 ble veteran may elect to transfer the credit to an eligible  
21 franchisor in exchange for a discount in the franchise fee  
22 commensurate with the value of the credit. In such case,  
23 the franchisor specified in such election shall be treated  
24 as the taxpayer for purposes of this title with respect to  
25 such credit (or such portion thereof).

1 For purposes of this subsection, the term ‘eligible  
2 franchisor’ means the person who grants a franchise to  
3 the eligible veteran and participates in the franchise agree-  
4 ment.

5 “(g) ELECTION.—This section shall not apply to a  
6 taxpayer for any taxable year if such taxpayer elects to  
7 have this section not apply for such taxable year.”.

8 (b) CREDIT TO BE PART OF GENERAL BUSINESS  
9 CREDIT.—Section 38(b) of such Code is amended by strik-  
10 ing “plus” at the end of paragraph (35), by striking the  
11 period at the end of paragraph (36) and inserting “, plus”,  
12 and by adding at the end the following new paragraph:

13 “(37) the veterans franchise fee credit deter-  
14 mined under section 45S(a).”.

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

“Sec. 45S. Veterans franchising credit.”.

19 (d) EFFECTIVE DATE.—The amendments made by  
20 this section shall apply to taxable years beginning after  
21 December 31, 2017.

1 **SEC. 3. PUBLICATION OF INFORMATION BY DEPARTMENT**  
2 **OF VETERANS AFFAIRS AND SMALL BUSI-**  
3 **NESS ADMINISTRATION.**

4 The Administrator of the Small Business Administra-  
5 tion and the Secretary of Veterans Affairs shall publicize  
6 in mailings and brochures sent to veterans service organi-  
7 zations and veteran advocacy groups information regard-  
8 ing discounted franchise fees under section 45S of the In-  
9 ternal Revenue Code of 1986 and other information about  
10 the program established under amendments made by this  
11 Act.

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