

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning on or
3 after the date of the enactment of this Act.

4 **SEC. 555. LIMITATION OF EMPLOYER DEDUCTION FOR CER-**
5 **TAIN ENTERTAINMENT EXPENSES.**

6 (a) IN GENERAL.—Paragraph (2) of section 274(e)
7 (relating to expenses treated as compensation) is amended
8 to read as follows:

9 “(2) EXPENSES TREATED AS COMPENSATION.—
10 Expenses for goods, services, and facilities, to the
11 extent that the expenses do not exceed the amount
12 of the expenses which are treated by the taxpayer,
13 with respect to the recipient of the entertainment,
14 amusement, or recreation, as compensation to an
15 employee on the taxpayer’s return of tax under this
16 chapter and as wages to such employee for purposes
17 of chapter 24 (relating to withholding of income tax
18 at source on wages).”.

19 (b) PERSONS NOT EMPLOYEES.—Paragraph (9) of
20 section 274(e) is amended by striking “to the extent that
21 the expenses are includible in the gross income” and in-
22 serting “to the extent that the expenses do not exceed the
23 amount of the expenses which are includible in the gross
24 income”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to expenses incurred after the date
3 of the enactment of this Act.

4 **SEC. 556. INCREASE IN AGE OF MINOR CHILDREN WHOSE**
5 **UNEARNED INCOME IS TAXED AS IF PAR-**
6 **ENT'S INCOME.**

7 (a) IN GENERAL.—Section 1(g)(2)(A) (relating to
8 child to whom subsection applies) is amended by striking
9 “age 14” and inserting “age 18”.

10 (b) TREATMENT OF DISTRIBUTIONS FROM QUALI-
11 FIED DISABILITY TRUSTS.—Section 1(g)(4) (relating to
12 net unearned income) is amended by adding at the end
13 the following new subparagraph:

14 “(C) TREATMENT OF DISTRIBUTIONS
15 FROM QUALIFIED DISABILITY TRUSTS.—For
16 purposes of this subsection, in the case of any
17 child who is a beneficiary of a qualified dis-
18 ability trust (as defined in section
19 642(b)(2)(C)(ii)), any amount included in the
20 income of such child under sections 652 and
21 662 during a taxable year shall be considered
22 earned income of such child for such taxable
23 year.”.