

105TH CONGRESS  
1ST SESSION

# H. R. 2403

To amend the Internal Revenue Code of 1986 to reduce the rate of tax on unrecaptured section 1250 gain from 25 percent to 20 percent.

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 4, 1997

Mr. ENGLISH of Pennsylvania (for himself, Mr. SHAW, Mr. BURR of North Carolina, Mr. COBLE, Mr. GEKAS, Mr. METCALF, Ms. STABENOW, and Mr. WELLER) 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 reduce the rate of tax on unrecaptured section 1250 gain from 25 percent to 20 percent.

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. MAXIMUM CAPITAL GAINS RATES FOR INDIVID-**  
4       **UALS.**

5       (a) REGULAR TAX.—Paragraph (1) of section 1(h)  
6       of the Internal Revenue Code of 1986 (relating to maxi-  
7       mum capital gains rate) is amended to read as follows:

8               “(1) IN GENERAL.—If a taxpayer has a net  
9       capital gain for any taxable year, the tax imposed by

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1       this section for such taxable year shall not exceed  
2       the sum of—

3               “(A) a tax computed at the rates and in  
4               the same manner as if this subsection had not  
5               been enacted on the greater of—

6                       “(i) taxable income reduced by the net  
7                       capital gain, or

8                       “(ii) the lesser of—

9                               “(I) the amount of taxable in-  
10                              come taxed at a rate below 28 per-  
11                              cent, or

12                             “(II) the taxable income reduced  
13                             by the adjusted net capital gain, plus

14               “(B) 28 percent of the amount of taxable  
15       income in excess of the sum of—

16                       “(i) the adjusted net capital gain, plus

17                       “(ii) the amount on which tax is de-  
18                       termined under subparagraph (A), plus

19               “(C) 10 percent of so much of the tax-  
20       payer’s adjusted net capital gain (or, if less,  
21       taxable income) as does not exceed the excess  
22       (if any) of—

23                       “(i) the amount of taxable income  
24                       which would (without regard to this para-

1 graph) be taxed at a rate below 28 per-  
 2 cent, over

3 “(ii) the taxable income reduced by  
 4 the adjusted net capital gain, plus

5 “(D) 20 percent of the taxpayer’s adjusted  
 6 net capital gain (or, if less, taxable income) in  
 7 excess of the amount on which a tax is deter-  
 8 mined under subparagraph (C).”.

9 (b) MINIMUM TAX.—Paragraph (3) of section 55(b)  
 10 of such Code is amended to read as follows:

11 “(3) MAXIMUM RATE OF TAX ON NET CAPITAL  
 12 GAIN OF NONCORPORATE TAXPAYERS.—The amount  
 13 determined under the first sentence of paragraph  
 14 (1)(A)(i) shall not exceed the sum of—

15 “(A) the amount determined under such  
 16 first sentence computed at the rates and in the  
 17 same manner as if this paragraph had not been  
 18 enacted on the taxable excess reduced by the  
 19 lesser of—

20 “(i) the net capital gain, or

21 “(ii) the adjusted net capital gain,  
 22 plus

23 “(B) 10 percent of so much of the tax-  
 24 payer’s adjusted net capital gain (or, if less,  
 25 taxable excess) as does not exceed the amount

1 on which a tax is determined under section  
 2 1(h)(1)(C), plus

3 “(C) 20 percent of the taxpayer’s adjusted  
 4 net capital gain (or, if less, taxable excess) in  
 5 excess of the amount on which tax is deter-  
 6 mined under subparagraph (B).

7 In the case of taxable years beginning after Decem-  
 8 ber 31, 2000, rules similar to the rules of section  
 9 1(h)(2) shall apply for purposes of subparagraphs  
 10 (B) and (C). Terms used in this paragraph which  
 11 are also used in section 1(h) shall have the respec-  
 12 tive meanings given such terms by section 1(h).”.

13 (c) CONFORMING AMENDMENTS.—

14 (1) Paragraph (2) of section 1(h) of such Code  
 15 is amended—

16 (A) by striking “paragraph (1)(D)” in sub-  
 17 paragraph (A) and inserting “paragraph  
 18 (1)(C)”, and

19 (B) by striking “paragraph (1)(E)” in sub-  
 20 paragraph (B) and inserting “paragraph  
 21 (1)(D)”.

22 (2) Paragraph (4) of section 1(h) of such Code  
 23 is amended by striking subparagraph (B) and by re-  
 24 designating subparagraphs (C) and (D) as subpara-  
 25 graph (B) and (C), respectively.

1           (3) Subsection (h) of section 1 of such Code is  
2           amended by striking paragraph (6) and by redesignating paragraphs (7) through (11) as paragraphs  
3           (6) through (10), respectively.

5           (4) Paragraph (8) of section 1(h) of such Code,  
6           as redesignated by paragraph (3), is amended by  
7           striking “unrecaptured section 1250 gain (determined without regard to subparagraph (B) of paragraph (6)),”.

10          (5) Subparagraph (A) of section 1(h)(9) of such  
11          Code, as redesignated by paragraph (3), is amended  
12          by striking “paragraph (8)(A)” and inserting “paragraph (7)(A)”.

14          (6) Paragraph (10) of section 1(h) of such  
15          Code, as redesignated by paragraph (3), is amended  
16          by striking “paragraph (10)(C)” and inserting  
17          “paragraph (9)(C)”.

18          (d) EFFECTIVE DATE.—The amendments made by  
19          this section shall take effect as if included in the amendments made by section 311 of the Taxpayer Relief Act  
20          of 1997.

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