

105TH CONGRESS  
2D SESSION

# H. R. 4125

To amend the Internal Revenue Code of 1986 to reduce individual capital gains tax rates.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 24, 1998

Mr. GINGRICH (for himself, Mr. ISTOOK, Mr. BOEHNER, Mr. HEFLEY, Mr. BLILEY, Mr. EVERETT, Mr. COLLINS, Mr. WICKER, Mr. SHAYS, Mr. JENKINS, Mr. WAMP, Mr. LEWIS of Kentucky, Mr. CALVERT, Mr. SHAW, Mr. GALLEGLY, Mr. HERGER, Mr. NETHERCUTT, Mr. CHABOT, Mr. GILCHREST, Mr. BONILLA, Mr. GOSS, Mr. TIAHRT, Mr. UPTON, Mr. THORNBERRY, Mr. SKEEN, Mr. HILL, Mr. COOKSEY, Mr. PETERSON of Pennsylvania, Mr. RILEY, Mr. SALMON, Mr. WATKINS, Mr. FOX of Pennsylvania, Mr. SUNUNU, Mr. PORTER, Mr. SENSENBRENNER, Mr. STUMP, Mr. GILMAN, Mr. HANSEN, Mrs. KELLY, Mr. BUNNING, Mr. ROYCE, Mr. MCCRERY, Mr. BILIRAKIS, Mr. ROGERS, Mr. SMITH of Michigan, Mr. HASTINGS of Washington, Mrs. FOWLER, Mr. CAMP, Mr. BOB SCHAFER of Colorado, Ms. DUNN, Mr. FORBES, Mr. MCINNIS, Mr. DICKEY, Mrs. MYRICK, Mr. MICA, Mr. FRANKS of New Jersey, Mr. FRELINGHUYSEN, Mr. RADANOVICH, Mr. WOLF, Mr. WELDON of Florida, Mr. NORWOOD, Mr. DELAY, Mr. PACKARD, Mr. REDMOND, Mr. METCALF, Mr. HASTERT, Mr. EWING, Mr. PAPPAS, Mr. LATHAM, Mr. HUTCHINSON, Mr. ENGLISH of Pennsylvania, Mr. COBLE, Mr. BARR of Georgia, Mr. SHADEGG, Mr. FOSSELLA, Mr. LEWIS of California, Mr. HAYWORTH, Mr. RYUN, Mr. KOLBE, Mr. MCCOLLUM, Mr. DEAL of Georgia, Mr. SOUDER, Mr. HOEKSTRA, Mr. SNOWBARGER, Mr. EHRLICH, Mr. GILLMOR, Mr. BLUNT, Mr. MANZULLO, Mrs. ROUKEMA, Mr. REGULA, Mr. RIGGS, Mr. PEASE, Mr. WATTS of Oklahoma, Mr. GIBBONS, Mr. CAMPBELL, Mr. ARMEY, Mr. LINDER, Mr. FOLEY, and Mr. LOBIONDO) introduced the following bill; which was referred to the Committee on Ways and Means

# A BILL

To amend the Internal Revenue Code of 1986 to reduce individual capital gains tax rates.

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 “Economic Growth Act  
5 of 1998”.

## 6 **SEC. 2. REDUCTION IN INDIVIDUAL CAPITAL GAINS TAX** 7 **RATES.**

8 (a) IN GENERAL.—Subsection (h) of section 1 of the  
9 Internal Revenue Code of 1986 is amended to read as fol-  
10 lows:

11 “(h) MAXIMUM CAPITAL GAINS RATE.—

12 “(1) IN GENERAL.—If a taxpayer has a net  
13 capital gain for any taxable year, the tax imposed by  
14 this section for such taxable year shall not exceed  
15 the sum of—

16 “(A) a tax computed at the rates and in  
17 the same manner as if this subsection had not  
18 been enacted on taxable income reduced by the  
19 net capital gain,

20 “(B) 7.5 percent of so much of the net  
21 capital gain (or, if less, taxable income) as does  
22 not exceed the excess (if any) of—

1 “(i) the amount of taxable income  
2 which would (without regard to this para-  
3 graph) be taxed at a rate below 28 per-  
4 cent, over

5 “(ii) the taxable income reduced by  
6 the net capital gain, and

7 “(C) 15 percent of the amount of taxable  
8 income in excess of the sum of the amounts on  
9 which tax is determined under subparagraphs  
10 (A) and (B).

11 “(2) NET CAPITAL GAIN TAKEN INTO ACCOUNT  
12 AS INVESTMENT INCOME.—For purposes of this sub-  
13 section, the net capital gain for any taxable year  
14 shall be reduced (but not below zero) by the amount  
15 which the taxpayer takes into account as investment  
16 income under section 163(d)(4)(B)(iii).”.

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

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

23 “(A) the amount determined under such  
24 first sentence computed at the rates and in the  
25 same manner as if this paragraph had not been

1 enacted on the taxable excess reduced by the  
2 net capital gain,

3 “(B) 7.5 percent of so much of the net  
4 capital gain (or, if less, taxable excess) as does  
5 not exceed the amount on which a tax is deter-  
6 mined under section 1(h)(1)(B), and

7 “(C) 15 percent of the amount of taxable  
8 excess in excess of the sum of the amounts on  
9 which tax is determined under subparagraphs  
10 (A) and (B).”.

11 (c) CONFORMING AMENDMENTS.—

12 (1) Paragraph (1) of section 1445(e) of such  
13 Code is amended by striking “20 percent” and in-  
14 serting “15 percent”.

15 (2) The second sentence of section  
16 7518(g)(6)(A) of such Code, and the second sen-  
17 tence of section 607(h)(6)(A) of the Merchant Ma-  
18 rine Act, 1936, are each amended by striking “20  
19 percent” and inserting “15 percent”.

20 (3) Section 311 of the Taxpayer Relief Act of  
21 1997 is amended by striking subsection (e).

22 (4) Paragraph (7) of section 57(a) of such Code  
23 (as amended by the Internal Revenue Service Re-  
24 structuring and Reform Act of 1998) is amended by  
25 striking the last sentence.

1           (5) Paragraphs (11) and (12) of section 1223,  
2           and section 1235(a), of such Code (as amended by  
3           the Internal Revenue Service Restructuring and Re-  
4           form Act of 1998) are each amended by striking “18  
5           months” each place it appears and inserting “1  
6           year”.

7           (d) TRANSITIONAL RULES FOR TAXABLE YEARS  
8           WHICH INCLUDE JUNE 24, 1998.—

9           (1) IN GENERAL.—Subsection (h) of section 1  
10          of such Code (as amended by the Internal Revenue  
11          Service Restructuring and Reform Act of 1998) is  
12          amended by adding at the end the following new  
13          paragraph:

14          “(14) SPECIAL RULES FOR TAXABLE YEARS  
15          WHICH INCLUDE JUNE 24, 1998.—For purposes of  
16          applying this subsection in the case of a taxable year  
17          which includes June 24, 1998—

18                 “(A) Gains or losses properly taken into  
19                 account for the period on or after such date  
20                 shall be disregarded in applying paragraph  
21                 (5)(A)(i), subclauses (I) and (II) of paragraph  
22                 (5)(A)(ii), paragraph (5)(B), paragraph (6),  
23                 and paragraph (7)(A).

1           “(B) The amount determined under sub-  
2 paragraph (B) of paragraph (1) shall be the  
3 sum of—

4           “(i) 7.5 percent of the amount which  
5 would be determined under such subpara-  
6 graph if the amount of gain taken into ac-  
7 count under such subparagraph did not ex-  
8 ceed the net capital gain taking into ac-  
9 count only gain or loss properly taken into  
10 account for the portion of the taxable year  
11 on or after such date, plus

12           “(ii) 10 percent of the excess of the  
13 amount determined under such subpara-  
14 graph (determined without regard to this  
15 paragraph) over the amount determined  
16 under clause (i).

17           “(C) The amount determined under sub-  
18 paragraph (C) of paragraph (1) shall be the  
19 sum of—

20           “(i) 15 percent of the amount which  
21 would be determined under such subpara-  
22 graph if the adjusted net capital gain did  
23 not exceed the net capital gain taking into  
24 account only gain or loss properly taken

into account for the portion of the taxable year on or after such date, plus

“(ii) 20 percent of the excess of the amount determined under such subparagraph (determined without regard to this paragraph) over the amount determined under clause (i).

“(D) Rules similar to the rules of paragraph (13)(C) shall apply.”.

(2) ALTERNATIVE MINIMUM TAX.—Paragraph (3) of section 55(b) of such Code (as amended by the Internal Revenue Service Restructuring and Reform Act of 1998) is amended by adding at the end the following new sentence: “For purposes of applying this paragraph for a taxable year which includes June 24, 1998, rules similar to the rules of section 1(h)(14) shall apply.”.

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable years beginning on or after June 24, 1998.

(2) TRANSITIONAL RULES FOR TAXABLE YEARS WHICH INCLUDE JUNE 24, 1998.—The amendments made by subsection (d) shall apply to taxable years

1       beginning before such date and ending on or after  
2       June 24, 1998.

3               (3) WITHHOLDING.—The amendment made by  
4       subsection (c)(1) shall apply only to amounts paid  
5       after the date of the enactment of this Act.

6               (4) CERTAIN CONFORMING AMENDMENTS.—The  
7       amendments made by subsection (c)(5) shall take ef-  
8       fect on June 24, 1998.

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