

106TH CONGRESS
1ST SESSION

H. R. 1891

To amend the Internal Revenue Code of 1986 to provide a partial exclusion from gross income for dividends and interest received by individuals.

IN THE HOUSE OF REPRESENTATIVES

MAY 20, 1999

Mr. HULSHOF (for himself, Mr. NEAL of Massachusetts, Mrs. JOHNSON of Connecticut, Mr. HERGER, Mr. WATKINS, Mr. ENGLISH, Mr. WELLER, Mr. PRICE of North Carolina, Mr. TALENT, Mr. KOLBE, and Mr. FORBES) 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 provide a partial exclusion from gross income for dividends and interest received by individuals.

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 “Savings Advancement
5 and Enhancement (SAVE) Act of 1999”.

1 **SEC. 2. EXEMPTION OF CERTAIN INTEREST AND DIVIDEND**
2 **INCOME FROM TAX.**

3 (a) IN GENERAL.—Part III of subchapter B of chap-
4 ter 1 of the Internal Revenue Code of 1986 (relating to
5 amounts specifically excluded from gross income) is
6 amended by inserting after section 115 the following new
7 section:

8 **“SEC. 116. PARTIAL EXCLUSION OF DIVIDENDS AND INTER-**
9 **EST RECEIVED BY INDIVIDUALS.**

10 “(a) EXCLUSION FROM GROSS INCOME.—Gross in-
11 come does not include dividends and interest received dur-
12 ing the taxable year by an individual.

13 “(b) LIMITATIONS.—

14 “(1) MAXIMUM AMOUNT.—The aggregate
15 amount excluded under subsection (a) for any tax-
16 able year shall not exceed \$200 (\$400 in the case of
17 a joint return).

18 “(2) CERTAIN DIVIDENDS EXCLUDED.—Sub-
19 section (a) shall not apply to any dividend from a
20 corporation which, for the taxable year of the cor-
21 poration in which the distribution is made, or for the
22 next preceding taxable year of the corporation, is a
23 corporation exempt from tax under section 501 (re-
24 lating to certain charitable, etc., organization) or
25 section 521 (relating to farmers’ cooperative associa-
26 tions).

1 “(c) SPECIAL RULES.—For purposes of this
2 section—

3 “(1) EXCLUSION NOT TO APPLY TO CAPITAL
4 GAIN DIVIDENDS FROM REGULATED INVESTMENT
5 COMPANIES AND REAL ESTATE INVESTMENT
6 TRUSTS.—

“For treatment of capital gain dividends, see sections 854(a) and 857(c).

7 “(2) CERTAIN NONRESIDENT ALIENS INELI-
8 GIBLE FOR EXCLUSION.—In the case of a non-
9 resident alien individual, subsection (a) shall apply
10 only—

11 “(A) in determining the tax imposed for
12 the taxable year pursuant to section 871(b)(1)
13 and only in respect of dividends and interest
14 which are effectively connected with the conduct
15 of a trade or business within the United States,
16 or

17 “(B) in determining the tax imposed for
18 the taxable year pursuant to section 877(b).

19 “(3) DIVIDENDS FROM EMPLOYEE STOCK OWN-
20 ERSHIP PLANS.—Subsection (a) shall not apply to
21 any dividend described in section 404(k).”.

22 (b) CONFORMING AMENDMENTS.—

1 (1)(A) Subparagraph (A) of section 135(c)(4)
2 of such Code is amended by inserting “116,” before
3 “137”.

4 (B) Subsection (d) of section 135 of such Code
5 is amended by redesignating paragraph (4) as para-
6 graph (5) and by inserting after paragraph (3) the
7 following new paragraph:

8 “(4) COORDINATION WITH SECTION 116.—This
9 section shall be applied before section 116.”.

10 (2) Paragraph (2) of section 265(a) of such
11 Code is amended by inserting before the period “, or
12 to purchase or carry obligations or shares, or to
13 make deposits, to the extent the interest thereon is
14 excludable from gross income under section 116”.

15 (3) Subsection (c) of section 584 of such Code
16 is amended by adding at the end thereof the fol-
17 lowing new flush sentence:

18 “The proportionate share of each participant in the
19 amount of dividends or interest received by the common
20 trust fund and to which section 116 applies shall be con-
21 sidered for purposes of such section as having been re-
22 ceived by such participant.”.

23 (4) Subsection (a) of section 643 of such Code
24 is amended by redesignating paragraph (7) as para-

1 graph (8) and by inserting after paragraph (6) the
2 following new paragraph:

3 “(7) DIVIDENDS OR INTEREST.—There shall be
4 included the amount of any dividends or interest ex-
5 cluded from gross income pursuant to section 116.”.

6 (5) Section 854(a) of such Code is amended by
7 inserting “section 116 (relating to partial exclusion
8 of dividends and interest received by individuals)
9 and” after “For purposes of”.

10 (6) Section 857(c) of such Code is amended to
11 read as follows:

12 “(c) RESTRICTIONS APPLICABLE TO DIVIDENDS RE-
13 CEIVED FROM REAL ESTATE INVESTMENT TRUSTS.—

14 “(1) TREATMENT FOR SECTION 116.—For pur-
15 poses of section 116 (relating to partial exclusion of
16 dividends and interest received by individuals), a
17 capital gain dividend (as defined in subsection
18 (b)(3)(C)) received from a real estate investment
19 trust which meets the requirements of this part shall
20 not be considered as a dividend.

21 “(2) TREATMENT FOR SECTION 243.—For pur-
22 poses of section 243 (relating to deductions for divi-
23 dends received by corporations), a dividend received
24 from a real estate investment trust which meets the

1 requirements of this part shall not be considered as
2 a dividend.”.

3 (7) The table of sections for part III of sub-
4 chapter B of chapter 1 of such Code is amended by
5 inserting after the item relating to section 115 the
6 following new item:

“Sec. 116. Partial exclusion of dividends and interest received by
individuals.”.

7 (c) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to taxable years beginning after
9 December 31, 1999.

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