

106TH CONGRESS
1ST SESSION

H. R. 2414

To amend the Internal Revenue Code of 1986 to eliminate certain particularly unfair tax provisions, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 1, 1999

Mr. TANCREDO (for himself, Mr. SCHAFER, Mr. BURTON of Indiana, and Mr. BARR of Georgia) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 to eliminate certain particularly unfair tax provisions, and for other purposes.

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 (a) SHORT TITLE.—This Act may be cited as the
5 “Top Ten Terrible Tax Act of 1999”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment

1 to, or repeal of, a section or other provision, the reference
 2 shall be considered to be made to a section or other provi-
 3 sion of the Internal Revenue Code of 1986.

4 (c) TABLE OF CONTENTS.—

- Sec. 1. Short title.
- Sec. 2. Repeal over 10 years of estate and gift taxes.
- Sec. 3. Repeal of universal service charge.
- Sec. 4. Repeal of excise tax on telephone and other communications services.
- Sec. 5. Repeal of marriage penalty in individual income tax rates and standard deduction.
- Sec. 6. Repeal over 10 years of capital gains tax on individuals.
- Sec. 7. Repeal of excise tax on vaccines.
- Sec. 8. Repeal of excise tax on sport fishing equipment.
- Sec. 9. Repeal of 1993 income tax increase on social security benefits.
- Sec. 10. Repeal of double taxation on interest and dividends.
- Sec. 11. Repeal of 1993 increases in motor fuel taxes.

5 **SEC. 2. REPEAL OVER 10 YEARS OF ESTATE AND GIFT**
 6 **TAXES.**

7 (a) REPEAL OF ESTATE AND GIFT TAXES.—Subtitle
 8 B (relating to estate and gift taxes) is repealed effective
 9 with respect to estates of decedents dying, and gifts made,
 10 after December 31, 2009.

11 (b) PHASEOUT OF TAX.—Subsection (c) of section
 12 2001 (relating to imposition and rate of tax) is amended
 13 by adding at the end the following new paragraph:

14 “(3) PHASEOUT OF TAX.—In the case of es-
 15 tates of decedents dying, and gifts made, during any
 16 calendar year after 1999 and before 2010—

17 “(A) IN GENERAL.—The tentative tax
 18 under this subsection shall be determined by
 19 using a table prescribed by the Secretary (in
 20 lieu of using the table contained in paragraph

1 (1)) which is the same as such table; except
 2 that—

3 “(i) each of the rates of tax shall be
 4 reduced (but not below zero) by the num-
 5 ber of percentage points determined under
 6 subparagraph (B), and

7 “(ii) the amounts setting forth the tax
 8 shall be adjusted to the extent necessary to
 9 reflect the adjustments under clause (i).

10 “(B) PERCENTAGE POINTS OF REDUC-
 11 TION.—

“For calendar year:	The number of percentage points is:
2000	5
2001	10
2002	15
2003	20
2004	25
2005	30
2006	35
2007	40
2008	45
2009	50.

12 “(C) COORDINATION WITH PARAGRAPH
 13 (2).—Paragraph (2) shall be applied by reduc-
 14 ing the 55 percent percentage contained therein
 15 by the number of percentage points determined
 16 for such calendar year under subparagraph (B).

17 “(D) COORDINATION WITH CREDIT FOR
 18 STATE DEATH TAXES.—Rules similar to the
 19 rules of subparagraph (A) shall apply to the
 20 table contained in section 2011(b) except that

1 the number of percentage points referred to in
 2 subparagraph (A)(i) shall be determined under
 3 the following table:

“For calendar year:	The number of percentage points is:
2000	1½
2001	3
2002	4½
2003	6
2004	7½
2005	9
2006	10½
2007	12
2008	13½
2009	15.”

4 (c) EFFECTIVE DATE.—The amendments made by
 5 this section shall apply to estates of decedents dying, and
 6 gifts made, after December 31, 1999.

7 **SEC. 3. REPEAL OF UNIVERSAL SERVICE CHARGE.**

8 (a) IN GENERAL.—Section 254(h) of the Commu-
 9 nications Act of 1934 (47 U.S.C. 254(h)) is amended—

10 (1) in paragraph (1), by striking subparagraph
 11 (B);

12 (2) in paragraph (2)—

13 (A) in subparagraph (A)—

14 (i) by striking “elementary and sec-
 15 ondary school classrooms,”; and

16 (ii) by striking “, and libraries”; and

17 (B) in subparagraph (B), by striking “pub-
 18 lic institutional telecommunications users” and
 19 inserting “health care providers”;

1 (3) in paragraph (3), by striking “public insti-
2 tutional telecommunications user” and inserting
3 “health care provider”;

4 (4) in paragraph (4), by striking “, is a school”
5 and all that follows through “Act”; and

6 (5) in paragraph (5)—

7 (A) by striking subparagraphs (A) and
8 (C); and

9 (B) by redesignating subparagraph (B) as
10 subparagraph (A).

11 (b) UNIVERSAL SERVICE PRINCIPLES.—Section
12 254(b)(6) of the Communications Act of 1934 (47 U.S.C.
13 254(b)(6)) is amended—

14 (1) in the paragraph heading, by striking
15 “SCHOOLS, HEALTH CARE, AND LIBRARIES” and in-
16 serting “HEALTH CARE”; and

17 (2) by striking “Elementary and secondary
18 schools and classrooms, health care providers, and li-
19 braries” and inserting “Health care providers”.

20 (c) SPECIAL SERVICES.—Section 254(c)(3) of the
21 Communications Act of 1934 (47 U.S.C. 254(c)(3)) is
22 amended by striking “schools, libraries, and”.

1 **SEC. 4. REPEAL OF EXCISE TAX ON TELEPHONE AND**
2 **OTHER COMMUNICATIONS SERVICES.**

3 (a) IN GENERAL.—Chapter 33 (relating to facilities
4 and services) is amended by striking subchapter B.

5 (b) CONFORMING AMENDMENTS.—

6 (1) Section 4293 is amended by striking “chap-
7 ter 32 (other than the taxes imposed by sections
8 4064 and 4121) and subchapter B of chapter 33,”
9 and inserting “and chapter 32 (other than the taxes
10 imposed by sections 4064 and 4121),”.

11 (2)(A) Paragraph (1) of section 6302(e) is
12 amended by striking “section 4251 or”.

13 (B) Paragraph (2) of section 6302(e) is
14 amended—

15 (i) by striking “imposed by—” and all that
16 follows through “with respect to” and inserting
17 “imposed by section 4261 or 4271 with respect
18 to”, and

19 (ii) by striking “bills rendered or”.

20 (C) The subsection heading for section 6302(e)
21 is amended by striking “COMMUNICATIONS SERV-
22 ICES AND”.

23 (3) Section 6415 is amended by striking “4251,
24 4261, or 4271” each place it appears and inserting
25 “4261 or 4271”.

1 (4) Paragraph (2) of section 7871(a) is amend-
 2 ed by inserting “or” at the end of subparagraph
 3 (B), by striking subparagraph (C), and by redesignig-
 4 nating subparagraph (D) as subparagraph (C).

5 (5) The table of subchapters for chapter 33 is
 6 amended by striking the item relating to subchapter
 7 B.

8 (c) EFFECTIVE DATE.—The amendments made by
 9 this section shall apply to amounts paid pursuant to bills
 10 first rendered more than 90 days after the date of the
 11 enactment of this Act.

12 **SEC. 5. REPEAL OF MARRIAGE PENALTY IN INDIVIDUAL IN-**
 13 **COME TAX RATES AND STANDARD DEDUC-**
 14 **TION.**

15 (a) RATES.—Section 1 (relating to tax imposed) is
 16 amended by striking subsections (a) through (e) and in-
 17 serting the following:

18 “(a) MARRIED INDIVIDUALS FILING JOINT RETURNS
 19 AND SURVIVING SPOUSES.—There is hereby imposed on
 20 the taxable income of—

21 “(1) every married individual (as defined in sec-
 22 tion 7703) who makes a single return jointly with
 23 his spouse under section 6013, and

24 “(2) every surviving spouse (as defined in sec-
 25 tion 2(a)),

1 a tax determined in accordance with the following table:

“If taxable income is:	The tax is:
Not over \$51,500	15% of taxable income.
Over \$51,500 but not over \$124,900.	\$7,725, plus 28% of the excess over \$51,500.
Over \$124,900 but not over \$260,500.	\$28,277, plus 31% of the excess over \$124,900.
Over \$260,500 but not over \$566,300.	\$70,313, plus 36% of the excess over \$260,500.
Over \$566,300.....	\$180,401, plus 39.6% of the excess over \$566,300.

2 “(b) HEADS OF HOUSEHOLDS.—There is hereby im-
3 posed on the taxable income of every head of a household
4 (as defined in section 2(b)) a tax determined in accordance
5 with the following table:

“If taxable income is:	The tax is:
Not over \$34,550	15% of taxable income.
Over \$34,550 but not over \$89,150.	\$5,182.50, plus 28% of the excess over \$34,550.
Over \$89,150 but not over \$144,400.	\$20,470.50, plus 31% of the excess over \$89,150.
Over \$144,400 but not over \$283,150.	\$37,598, plus 36% of the excess over \$144,400.
Over \$283,150	\$87,548, plus 39.6% of the excess over \$283,150.

6 “(c) OTHER INDIVIDUALS.—There is hereby imposed
7 on the taxable income of every individual (other than an
8 individual to whom subsection (a) or (b) applies) a tax
9 determined in accordance with the following table:

“If taxable income is:	The tax is:
Not over \$25,750	15% of taxable income.
Over \$25,750 but not over \$62,450.	\$3,862.50, plus 28% of the excess over \$25,750.
Over \$62,450 but not over \$130,250.	\$14,138.50, plus 31% of the excess over \$62,450.
Over \$130,250 but not over \$283,150.	\$35,156.50, plus 36% of the excess over \$130,250.
Over \$283,150	\$90,200.50, plus 39.6% of the excess over \$283,150.

1 “(d) ESTATES AND TRUSTS.—There is hereby im-
 2 posed on the taxable income of—

3 “(1) every estate, and

4 “(2) every trust,

5 taxable under this subsection a tax determined in accord-
 6 ance with the following table:

“If taxable income is:	The tax is:
Not over \$1,750	15% of taxable income.
Over \$1,750 but not over \$4,050 ..	\$262.50, plus 28% of the excess over \$1,750.
Over \$4,050 but not over \$6,200 ..	\$906.50, plus 31% of the excess over \$4,050.
Over \$6,200 but not over \$8,450 ..	\$1,573, plus 36% of the excess over \$6,200.
Over \$8,450	\$2,383, plus 39.6% of the excess over \$8,450.”.

7 (b) STANDARD DEDUCTION.—

8 (1) IN GENERAL.—Paragraph (2) of section
 9 63(c) (relating to standard deduction) is amended to
 10 read as follows:

11 “(2) BASIC STANDARD DEDUCTION.—For pur-
 12 poses of paragraph (1), the basic standard deduction
 13 is—

14 “(A) \$8,600 in the case of—

15 “(i) a joint return, or

16 “(ii) a surviving spouse (as defined in
 17 section 2(a)),

18 “(B) \$6,350 in the case of a head of
 19 household (as defined in section 2(b)), or

20 “(C) \$4,300 in any other case.”

1 (2) TECHNICAL AMENDMENTS.—

2 (A) Paragraph (4) of section 63(c) is
3 amended to read as follows:

4 “(4) ADJUSTMENTS FOR INFLATION.—In the
5 case of any taxable year beginning in a calendar
6 year after 1999, each dollar amount contained in
7 paragraph (2) or (5) or subsection (f) shall be in-
8 creased by an amount equal to—

9 “(A) such dollar amount, multiplied by

10 “(B) the cost-of-living adjustment deter-
11 mined under section 1(f)(3) for the calendar
12 year in which the taxable year begins.”

13 (B) Subparagraph (A) of section 63(c)(5)
14 is amended by striking “\$500” and inserting
15 “\$700”.

16 (C) Subsection (f) of section 63 is amend-
17 ed by striking “\$600” each place it appears and
18 inserting “\$850” and by striking “\$750” in
19 paragraph (3) and inserting “\$1,050”.

20 (D) Subparagraph (B) of section 1(f)(6) is
21 amended by striking “subsection (c)(4) of sec-
22 tion 63 (as it applies to subsections (c)(5)(A)
23 and (f) of such section)” and inserting “section
24 63(c)(4)”.

1 (c) CONFORMING AMENDMENTS RELATED TO INFLA-
2 TION ADJUSTMENT OF INCOME TAX BRACKETS.—

3 (1) Subsection (f) of section 1 is amended—

4 (A) by striking “1993” in paragraph (1)
5 and inserting “1999”,

6 (B) by striking “1992” in paragraph
7 (3)(B) and inserting “1998”, and

8 (C) by striking paragraph (7).

9 (2) The following provisions are each amended
10 by striking “1992” and inserting “1998” each place
11 it appears:

12 (A) Section 25A(h).

13 (B) Section 32(j)(1)(B).

14 (C) Section 41(e)(5)(C).

15 (D) Section 59(j)(2)(B).

16 (E) Section 63(c)(4)(B).

17 (F) Section 68(b)(2)(B).

18 (G) Section 135(b)(2)(B)(ii).

19 (H) Section 151(d)(4).

20 (I) Section 220(g)(2).

21 (J) Section 221(g)(1)(B).

22 (K) Section 512(d)(2)(B).

23 (L) Section 513(h)(2)(C)(ii).

24 (M) Section 685(c)(3)(B).

25 (N) Section 877(a)(2).

1 (O) Section 911(b)(2)(D)(ii)(II).

2 (P) Section 2032A(a)(3)(B).

3 (Q) Section 2503(b)(2)(B).

4 (R) Section 2631(c)(1)(B).

5 (S) Section 4001(e)(1)(B).

6 (T) Section 4261(e)(4)(A)(ii).

7 (U) Section 6039F(d).

8 (V) Section 6323(i)(4)(B).

9 (W) Section 6601(j)(3)(B).

10 (X) Section 7430(c)(1).

11 (3) Subclause (II) of section 42(h)(6)(G)(i) is
12 amended by striking “1987” and inserting “1998”.

13 (4) Subparagraph (B) of section 132(f)(6) is
14 amended by inserting before the period “, deter-
15 mined by substituting ‘calendar year 1992’ for ‘cal-
16 endar year 1998’ in subparagraph (B) thereof”.

17 (5) Sections 468B(b)(1), 511(b)(1), 641(a),
18 641(d)(2)(A), and 685(d) are each amended by
19 striking “section 1(e)” each place it appears and in-
20 serting “section 1(d)”.

21 (6) Sections 1(f)(2) and 904(b)(3)(E)(ii) are
22 each amended by striking “(d), or (e)” and inserting
23 “or (d)”.

24 (7) Paragraph (1) of section 1(f) is amended by
25 striking “(d), and (e)” and inserting “and (d)”.

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

(e) SECTION 15 NOT TO APPLY.—No amendment made by this section shall be treated as a change in a rate of tax for purposes of section 15 of the Internal Revenue Code of 1986.

SEC. 6. REPEAL OVER 10 YEARS OF CAPITAL GAINS TAX ON INDIVIDUALS.

(a) IN GENERAL.—Part I of subchapter P of chapter 1 (relating to treatment of capital gains) is amended by adding at the end the following new section:

“SEC. 1203. EXCLUSION OF CERTAIN AMOUNTS OF NET CAPITAL GAIN OF INDIVIDUALS.

“(a) GENERAL RULE.—In the case of an individual, gross income shall not include an amount equal to the applicable percentage of the net capital gain of the taxpayer for the taxable year.

“(b) APPLICABLE PERCENTAGE.—For purposes of subsection (a), the term ‘applicable percentage’ means the percentage determined under the following table:

For taxable years beginning in calendar year—	The applicable percentage is—
2000	10
2001	20
2002	30
2003	40
2004	50
2005	60
2006	70

“For taxable years beginning in calendar year—	The applicable percentage is—
2007	80
2009	90
2010 and thereafter	100.”

1 (b) CONFORMING AMENDMENTS.—

2 (1) Section 1222 is amended by adding at the
3 end the following new sentence:

4 “Determinations under this section shall be made before
5 the application of section 1203.”

6 (2) The table of sections for part I of sub-
7 chapter P of chapter 1 is amended by adding at the
8 end the following new item:

“Sec. 1203. Exclusion of certain amounts of net capital gain of
individuals.”

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

12 **SEC. 7. REPEAL OF EXCISE TAX ON VACCINES.**

13 (a) IN GENERAL.—Subchapter C of chapter 32 (re-
14 lating to certain vaccines) is hereby repealed.

15 (b) CONFORMING AMENDMENTS.—

16 (1) Subsection (a) of section 4121 is amended
17 by striking “In the case of the tax imposed by sec-
18 tion 4131, paragraphs (3), (4), and (5) shall not
19 apply and paragraph (2) shall apply only if the use
20 of the exported vaccine meets such requirements as
21 the Secretary may by regulations prescribe.”.

1 (2) Paragraph (2) of section 6416(b) is amend-
2 ed by striking the last sentence.

3 (3) The table of subchapters for chapter 32 is
4 amended by striking the item relating to subchapter
5 C.

6 (c) EFFECTIVE DATE.—The amendments made by
7 this section shall take effect on January 1, 2000.

8 **SEC. 8. REPEAL OF EXCISE TAX ON SPORT FISHING EQUIP-**
9 **MENT.**

10 (a) IN GENERAL.—Subchapter D of chapter 32 (re-
11 lating to recreational equipment) is amended to read as
12 follows:

13 **“Subchapter D—Bows and Arrows**

 “Sec. 4161. Imposition of tax.

14 **“SEC. 4161. IMPOSITION OF TAX.**

15 “(a) BOWS.—

16 “(1) IN GENERAL.—There is hereby imposed on
17 the sale by the manufacturer, producer, or importer
18 of any bow which has a draw weight of 10 pounds
19 or more, a tax equal to 11 percent of the price for
20 which so sold.

21 “(2) PARTS AND ACCESSORIES.—There is here-
22 by imposed upon the sale by the manufacturer, pro-
23 ducer, or importer—

1 “(A) of any part of accessory suitable for
2 inclusion in or attachment to a bow described
3 in paragraph (1), and

4 “(B) of any quiver suitable for use with ar-
5 rows described in subsection (b), a tax equiva-
6 lent to 11 percent of the price for which so sold.

7 “(b) ARROWS.—There is hereby imposed on the sale
8 by the manufacturer, producer, or importer of any shaft,
9 point,nock, or vane of a type used in the manufacture
10 of any arrow which after its assembly—

11 “(1) measures 18 inches overall or more in
12 length, or

13 “(2) measures less than 18 inches overall in
14 length but is suitable for use with a bow described
15 in subsection (a)(1), a tax equal to 12.4 percent of
16 the price for which so sold.

17 “(c) TREATMENT OF CERTAIN RESALES.—

18 “(1) IN GENERAL.—If—

19 “(A) the manufacturer, producer, or im-
20 porter sells any article taxable under section
21 4161(a) to any person,

22 “(B) the constructive sale price rules of
23 section 4216(b) do not apply to such sale, and

24 “(C) such person (or any other person)
25 sells such article to a related person with re-

1 spect to the manufacturer, producer, or im-
2 porter,
3 then such related person shall be liable for tax under
4 section 4161 in the same manner as if such related
5 person were the manufacturer of the article.

6 “(2) CREDIT FOR TAX PREVIOUSLY PAID.—If—

7 “(A) tax is imposed on the sale of any arti-
8 cle by reason of paragraph (1), and

9 “(B) the related person establishes the
10 amount of the tax which was paid on the sale
11 described in paragraph (1)(A), the amount of
12 the tax so paid shall be allowed as a credit
13 against the tax imposed by reason of paragraph
14 (1).

15 “(3) RELATED PERSON.—For purposes of this
16 subsection, the term ‘related person’ has the mean-
17 ing given such term by section 465(b)(3)(C).

18 “(4) REGULATIONS.—Except to the extent pro-
19 vided in regulations, rules similar to the rules of this
20 subsection shall also apply in cases (not described in
21 paragraph (1)) in which intermediaries or other de-
22 vices are used for purposes of reducing the amount
23 of the tax imposed by section 4161(a).”

1 (b) CLERICAL AMENDMENT.—The item relating to
 2 subchapter D in the table of subchapters for chapter 32
 3 is amended to read as follows:

“Subchapter D. Bows and arrows.”

4 (c) EFFECTIVE DATE.—The amendments made by
 5 this section shall take effect on January 1, 2000.

6 **SEC. 9. REPEAL OF 1993 INCOME TAX INCREASE ON SOCIAL**
 7 **SECURITY BENEFITS.**

8 (a) IN GENERAL.—Paragraph (2) of section 86(a)
 9 (relating to social security and tier 1 railroad retirement
 10 benefits) is amended by adding at the end the following
 11 new sentence:

12 “This paragraph shall not apply to any taxable year
 13 beginning after December 31, 1999.”

14 (b) CONFORMING AMENDMENTS.—

15 (1) Paragraph (3) of section 871(a) is amended
 16 by striking “85 percent” in subparagraph (A) and
 17 inserting “50 percent”.

18 (2)(A) Subparagraph (A) of section 121(e)(1)
 19 of the Social Security Amendments of 1983 (Public
 20 Law 98–21) is amended—

21 (i) by striking “(A) There” and inserting
 22 “There”;

23 (ii) by striking “(i)” immediately following
 24 “amounts equivalent to”; and

1 (iii) by striking “, less (ii)” and all that
 2 follows and inserting a period.

3 (B) Paragraph (1) of section 121(e) of such Act
 4 is amended by striking subparagraph (B).

5 (C) Paragraph (3) of section 121(e) of such Act
 6 is amended by striking subparagraph (B) and by re-
 7 designating subparagraph (C) as subparagraph (B).

8 (D) Paragraph (2) of section 121(e) of such
 9 Act is amended in the first sentence by striking
 10 “paragraph (1)(A)” and inserting “paragraph (1)”.

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

14 **SEC. 10. REPEAL OF DOUBLE TAXATION ON INTEREST AND**
 15 **DIVIDENDS.**

16 (a) IN GENERAL.—Part III of subchapter B of chap-
 17 ter 1 (relating to amounts specifically excluded from gross
 18 income) is amended by inserting after section 115 the fol-
 19 lowing new section:

20 **“SEC. 116. EXCLUSION OF DIVIDENDS AND INTEREST RE-**
 21 **CEIVED BY INDIVIDUALS.**

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

1 “(b) CERTAIN DIVIDENDS EXCLUDED.—Subsection
 2 (a) shall not apply to any dividend from a corporation
 3 which, for the taxable year of the corporation in which
 4 the distribution is made, or for the next preceding taxable
 5 year of the corporation, is a corporation exempt from tax
 6 under section 501 (relating to certain charitable, etc., or-
 7 ganization) or section 521 (relating to farmers’ coopera-
 8 tive associations).

9 “(c) SPECIAL RULES.—For purposes of this
 10 section—

11 “(1) EXCLUSION NOT TO APPLY TO CAPITAL
 12 GAIN DIVIDENDS FROM REGULATED INVESTMENT
 13 COMPANIES AND REAL ESTATE INVESTMENT
 14 TRUSTS.—

**“For treatment of capital gain dividends, see sec-
 tions 854(a) and 857(c).**

15 “(2) CERTAIN NONRESIDENT ALIENS INELI-
 16 GIBLE FOR EXCLUSION.—In the case of a non-
 17 resident alien individual, subsection (a) shall apply
 18 only—

19 “(A) in determining the tax imposed for
 20 the taxable year pursuant to section 871(b)(1)
 21 and only in respect of dividends and interest
 22 which are effectively connected with the conduct
 23 of a trade or business within the United States,
 24 or

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

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

6 (b) CONFORMING AMENDMENTS.—

7 (1)(A) Subparagraph (A) of section 135(c)(4) is
8 amended by inserting “116,” before “137”.

9 (B) Subsection (d) of section 135 is amended
10 by redesignating paragraph (4) as paragraph (5)
11 and by inserting after paragraph (3) the following
12 new paragraph:

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

15 (2) Paragraph (2) of section 265(a) is amended
16 by inserting before the period “, or to purchase or
17 carry obligations or shares, or to make deposits, to
18 the extent the interest thereon is excludable from
19 gross income under section 116”.

20 (3) Subsection (c) of section 584 is amended by
21 adding at the end thereof the following new flush
22 sentence:

23 “The proportionate share of each participant in the
24 amount of dividends or interest received by the common
25 trust fund and to which section 116 applies shall be con-

sidered for purposes of such section as having been received by such participant.”.

(4) Subsection (a) of section 643 is amended by redesignating paragraph (7) as paragraph (8) and by inserting after paragraph (6) the following new paragraph:

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

(5) Section 854(a) is amended by inserting “section 116 (relating to exclusion of dividends and interest received by individuals) and” after “For purposes of”.

(6) Section 857(c) is amended to read as follows:

“(c) RESTRICTIONS APPLICABLE TO DIVIDENDS RECEIVED FROM REAL ESTATE INVESTMENT TRUSTS.—

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

1 “(2) TREATMENT FOR SECTION 243.—For pur-
 2 poses of section 243 (relating to deductions for divi-
 3 dends received by corporations), a dividend received
 4 from a real estate investment trust which meets the
 5 requirements of this part shall not be considered as
 6 a dividend.”.

7 (7) The table of sections for part III of sub-
 8 chapter B of chapter 1 is amended by inserting after
 9 the item relating to section 115 the following new
 10 item:

“Sec. 116. Exclusion of dividends and interest received by individ-
 uals.”.

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

14 **SEC. 11. REPEAL OF 1993 INCREASES IN MOTOR FUEL**
 15 **TAXES.**

16 (a) HIGHWAY GASOLINE.—Clause (i) of section
 17 4081(a)(2)(A) is amended by striking “18.3 cents” and
 18 inserting “14 cents”.

19 (b) AVIATION GASOLINE.—Clause (ii) of section
 20 4081(a)(2)(A) is amended by striking “19.3 cents” and
 21 inserting “15 cents”.

22 (c) DIESEL FUEL AND KEROSENE.—Clause (iii) of
 23 section 4081(a)(2)(A) is amended by striking “24.3 cents”
 24 and inserting “20 cents”.

1 (d) AVIATION FUEL.—Paragraph (1) of section
 2 4091(b) is amended by striking “21.8 cents” and inserting
 3 “17.5 cents”.

4 (e) FUEL USED ON INLAND WATERWAYS.—

5 (1) Paragraph (1) of section 4042(b) is amend-
 6 ed by adding “and” at the end of subparagraph (A),
 7 by striking “, and” at the end of subparagraph (B)
 8 and inserting a period, and by striking subparagraph
 9 (C).

10 (2) Paragraph (2) of section 4042(b) is amend-
 11 ed by striking subparagraph (C).

12 (f) TECHNICAL AMENDMENTS.—

13 (1) Clause (ii) of section 4041(a)(1)(C) is
 14 amended by striking subclauses (I), (II), and (III)
 15 and inserting the following new subclauses:

16 “(I) 4.3 cents per gallon before
 17 the date of the enactment of the Top
 18 Ten Terrible Tax Act of 1999 and be-
 19 fore January 1, 2000, and

20 “(II) zero after December 31,
 21 1999.”

22 (2) Subclause (I) of section 4041(a)(1)(C)(iii)
 23 is amended by striking “7.3 cents” and inserting “3
 24 cents” and by striking “4.3 cents per gallon” and
 25 inserting “zero”.

1 (3) Subsection (a) of section 4041 is amended
2 by striking paragraph (3).

3 (4) Paragraph (3) of section 4041(c) is amend-
4 ed to read as follows:

5 “(3) TERMINATION.—The rate of the taxes im-
6 posed by paragraph (1) shall be zero after Sep-
7 tember 30, 2007.”

8 (5) Clauses (i) and (ii) of section
9 4041(m)(1)(A) are amended to read as follows:

10 “(i) 7 cents per gallon on and after
11 the date of the enactment of the Top Ten
12 Terrible Tax Act of 1999 and before Octo-
13 ber 1, 2005, and

14 “(ii) zero after September 30, 2005,
15 and”.

16 (6) Subsection (c) of section 4081 is amended
17 by striking paragraph (6) and by redesignating
18 paragraphs (7) and (8) as paragraphs (6) and (7),
19 respectively.

20 (7) Paragraphs (1) and (2) of section 4081(d)
21 are amended to read as follows:

22 “(1) IN GENERAL.—The rates of tax specified
23 in clauses (i) and (iii) of subsection (a)(2)(A) shall
24 be zero after September 30, 2005.

1 “(2) AVIATION GASOLINE.—The rate of tax
2 specified in subsection (a)(2)(A)(ii) shall be zero
3 after September 30, 2007.

4 (8) Subparagraph (A) of section 4091(b)(3) is
5 amended to read as follows:

6 “(A) The rate of tax specified in para-
7 graph (1) shall be zero after September 30,
8 2007.”

9 (9) Subsection (c) of section 4091 is
10 amended—

11 (A) by striking “13.4 cents” each place it
12 appears in paragraph (1) and inserting “9.1
13 cents”,

14 (B) by striking “14 cents” in paragraph
15 (1) and inserting “9.7 cents”,

16 (C) by striking paragraph (4), and

17 (D) by redesignating paragraph (5) as
18 paragraph (4).

19 (10) Subsection (b) of section 4092 is amended
20 by striking “attributable to” and all that follows
21 through “section 4041(c)(4)).” and inserting “at-
22 tributable to the Leaking Underground Storage
23 Tank Trust Fund financing rate imposed by such
24 section. For purposes of the preceding sentence, the
25 term ‘commercial aviation’ means any use of an air-

1 craft other than in noncommercial aviation (as de-
2 fined in section 4041(c)(4)).”

3 (11) Subparagraph (B) of section 6421(f)(2) is
4 amended by striking “and,” and all that follows to
5 the period.

6 (12) Subsection (f) of section 6421 is hereby
7 repealed.

8 (13) Subparagraph (A) of section 6427(b)(2) is
9 amended by striking “7.4 cents” and inserting “3.1
10 cents”.

11 (14) Paragraph (3) of section 6427(l) is amend-
12 ed to read as follows:

13 “(3) REFUND OF CERTAIN TAXES ON FUEL
14 USED IN DIESEL-POWERED TRAINS.—For purposes
15 of this subsection, the term ‘nontaxable use’ includes
16 fuel used in a diesel-powered train.”

17 (15) Paragraph (4) of section 6427(l) is amend-
18 ed by striking “attributable to” and all that follows
19 through the period and inserting “attributable to the
20 Leaking Underground Storage Tank Trust Fund fi-
21 nancing rate imposed by such section.”

22 (16) Paragraph (2) of section 9502(f) is
23 amended by striking “is the excess of” and all that
24 follows and inserting “is the rate of tax determined
25 under such section.”

1 (g) EFFECTIVE DATE.—The amendments made by
2 this section shall take effect on January 1, 2000.

3 (h) FLOOR STOCK REFUNDS.—

4 (1) IN GENERAL.—If—

5 (A) before January 1, 2000, tax has been
6 imposed under section 4081 or 4091 of the In-
7 ternal Revenue Code of 1986 on any liquid, and

8 (B) on such date such liquid is held by a
9 dealer and has not been used and is intended
10 for sale,

11 there shall be credited or refunded (without interest)
12 to the person who paid such tax (hereafter in this
13 subsection referred to as the “taxpayer”) an amount
14 equal to the excess of the tax paid by the taxpayer
15 over the amount of such tax which would be imposed
16 on such liquid had the taxable event occurred on
17 such date.

18 (2) TIME FOR FILING CLAIMS.—No credit or re-
19 fund shall be allowed or made under this subsection
20 unless—

21 (A) claim therefor is filed with the Sec-
22 retary of the Treasury before July 1, 2000,
23 based on a request submitted to the taxpayer
24 before April 1, 2000, by the dealer who held the
25 liquid on such date of enactment, and

1 (B) the taxpayer has repaid or agreed to
2 repay the amount so claimed to such dealer or
3 has obtained the written consent of such dealer
4 to the allowance of the credit or the making of
5 the refund.

6 (3) EXCEPTION FOR FUEL HELD IN RETAIL
7 STOCKS.—No credit or refund shall be allowed under
8 this subsection with respect to any liquid in retail
9 stocks held at the place where intended to be sold
10 at retail.

11 (4) DEFINITIONS.—For purposes of this sub-
12 section, the terms “dealer” and “held by a dealer”
13 have the respective meanings given to such terms by
14 section 6412 of such Code.

15 (5) CERTAIN RULES TO APPLY.—Rules similar
16 to the rules of subsections (b) and (c) of section
17 6412 of such Code shall apply for purposes of this
18 subsection.

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