

106TH CONGRESS  
1ST SESSION

# S. 799

To amend the Internal Revenue Code of 1986 to modify the tax brackets, eliminate the marriage penalty, allow individuals a deduction for amounts paid for insurance for medical care, increase contribution limits for individual retirement plans and pensions, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

APRIL 14, 1999

Mr. CAMPBELL introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to modify the tax brackets, eliminate the marriage penalty, allow individuals a deduction for amounts paid for insurance for medical care, increase contribution limits for individual retirement plans and pensions, 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. 5 PERCENTAGE POINT REDUCTION IN GEN-**  
4 **ERAL TAX RATE.**

5 (a) GENERAL RULE.—Section 1 of the Internal Rev-  
6 enue Code of 1986 (relating to tax imposed) is amended

1 by striking subsections (a) through (e) and inserting the  
2 following:

3 “(a) MARRIED INDIVIDUALS FILING JOINT RETURNS  
4 AND SURVIVING SPOUSES.—There is hereby imposed on  
5 the taxable income of—

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

9 “(2) every surviving spouse (as defined in sec-  
10 tion 2(a)),

11 a tax determined in accordance with the following table:

<b>“If taxable income is:</b>	<b>The tax is:</b>
Not over \$43,050 .....	10.0% of taxable income.
Over \$43,050 but not over \$104,050.	\$4,305, plus 23.0% of the excess over \$43,050.
Over \$104,050 but not over \$158,550.	\$18,335, plus 26.0% of the excess over \$104,050.
Over \$158,550 but not over \$283,150.	\$32,505, plus 31.0% of the excess over \$158,550.
Over \$283,150 .....	\$71,131, plus 34.6% of the excess over \$283,150.

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

<b>“If taxable income is:</b>	<b>The tax is:</b>
Not over \$34,550 .....	10.0% of taxable income.
Over \$34,550 but not over \$89,150.	\$3,455, plus 23.0% of the excess over \$34,550.
Over \$89,150 but not over \$144,400.	\$16,013, plus 26.0% of the excess over \$89,150.
Over \$144,400 but not over \$283,150.	\$30,378, plus 31.0% of the excess over \$144,400.
Over \$283,150 .....	\$73,390.50, plus 34.6% of the excess over \$283,150.

1       “(c) UNMARRIED INDIVIDUALS (OTHER THAN SUR-  
 2 VIVING SPOUSES AND HEADS OF HOUSEHOLDS).—There  
 3 is hereby imposed on the taxable income of every indi-  
 4 vidual (other than a married individual (as defined in sec-  
 5 tion 7703) filing a joint return or a separate return, a  
 6 surviving spouse as defined in section 2(a), or a head of  
 7 household as defined in section 2(b)) a tax determined in  
 8 accordance with the following table:

<b>“If taxable income is:</b>	<b>The tax is:</b>
Not over \$25,750 .....	10.0% of taxable income.
Over \$25,750 but not over \$62,450.	\$2,575, plus 23.0% of the excess over \$25,750.
Over \$62,450 but not over \$130,250.	\$11,016, plus 26.0% of the excess over \$62,450.
Over \$130,250 but not over \$283,150.	\$28,644, plus 31.0% of the excess over \$130,250.
Over \$283,150 .....	\$76,043, plus 34.6% of the excess over \$283,150.

9       “(d) MARRIED INDIVIDUALS FILING SEPARATE RE-  
 10 TURNS.—There is hereby imposed on the taxable income  
 11 of every married individual (as defined in section 7703)  
 12 who does not make a single return jointly with his spouse  
 13 under section 6013, a tax determined in accordance with  
 14 the following table:

<b>“If taxable income is:</b>	<b>The tax is:</b>
Not over \$21,525 .....	10.0% of taxable income.
Over \$21,525 but not over \$52,025.	\$2,152.50, plus 23.0% of the excess over \$21,525.
Over \$52,025 but not over \$79,275.	\$9,167.50, plus 26.0% of the excess over \$52,025.
Over \$79,275 but not over \$141,575.	\$16,252.50, plus 31.0% of the excess over \$79,275.
Over \$141,575 .....	\$35,565.50, plus 34.6% of the excess over \$141,575.

1       “(e) 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:

<b>“If taxable income is:</b>	<b>The tax is:</b>
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) REDUCTION IN ALTERNATIVE MINIMUM TAX  
8 RATE.—Section 55(b)(1)(A)(i) of the Internal Revenue  
9 Code of 1986 (relating to tentative minimum tax for non-  
10 corporate taxpayers) is amended—

11               (1) by striking “26 percent” in subclause (I)  
12               and inserting “21 percent”, and

13               (2) by striking “28 percent” in subclause (II)  
14               and inserting “23 percent”.

15       (c) INFLATION ADJUSTMENT TO APPLY IN DETER-  
16 MINING RATES FOR 2000.—Section 1(f) of the Internal  
17 Revenue Code of 1986 is amended—

18               (1) by striking “1993” in paragraph (1) and in-  
19               serting “1999”,

1           (2) by striking “1992” in paragraph (3)(B) and  
 2           inserting “1998”, and

3           (3) by striking paragraph (7).

4           (d) CONFORMING AMENDMENTS.—

5           (1) The following provisions of the Internal  
 6           Revenue Code of 1986 are each amended by striking  
 7           “1992” and inserting “1998” each place it appears:

8                   (A) Section 25A(h).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 (U) Section 6039F(d).

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

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

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

7 (2) Subclause (II) of section 42(h)(6)(G)(i) of  
8 such Code is amended by striking “1987” and in-  
9 serting “1998”.

10 (3) Clause (ii) of section 132(f)(6)(A) of such  
11 Code, as amended by section 9010(b)(1) of the  
12 Transportation Equity Act for the 21st Century, is  
13 amended by striking “, by substituting ‘calendar  
14 year 1998’ for ‘calendar year 1992’.” and by insert-  
15 ing a period.

16 (4) Subparagraph (A) of section 132(f)(6) of  
17 such Code, as amended by section 9010(c)(2) of the  
18 Transportation Equity Act for the 21st Century, is  
19 amended by striking clause (ii) and all that follows  
20 through “paragraph (2)(A).” and inserting:

21 “(ii) the cost-of-living adjustment de-  
22 termined under section 1(f)(3) for the cal-  
23 endar year in which the taxable year be-  
24 gins. In the case of any taxable year begin-  
25 ning in a calendar year after 2002, section

1                   1(f)(3) shall be applied by substituting  
 2                   ‘calendar year 2001’ for ‘calendar year  
 3                   1998’ for purposes of adjusting the dollar  
 4                   amount contained in paragraph (2)(A).”

5                   (5) Subparagraph (B) of section 6334(g)(1) of  
 6                   such Code is amended by striking “, by substituting  
 7                   ‘calendar year 1998’ for ‘calendar year 1992’ in sub-  
 8                   paragraph (B) thereof”.

9                   (e) ADDITIONAL CONFORMING AMENDMENTS.—

10                  (1) Section 1(g)(7)(B)(ii)(II) of the Internal  
 11                  Revenue Code of 1986 is amended by striking “15  
 12                  percent” and inserting “10 percent”.

13                  (2) Section 1(h) of such Code is amended by  
 14                  striking “28 percent” and inserting “23 percent”  
 15                  each place it appears.

16                  (3) Section 1(h) of such Code is amended by  
 17                  striking “28-percent” and inserting “23-percent”  
 18                  each place it appears.

19                  (4) Sections 531 and 541 of such Code are each  
 20                  amended by striking “39.6 percent” and inserting  
 21                  “34.6 percent”.

22                  (5) Section 3402(p)(1)(B) of such Code is  
 23                  amended by striking “15, 28, or 31” and inserting  
 24                  “10, 23, or 26”.

1           (6) Section 3402(p)(2) of such Code is amend-  
2       ed by striking “15 percent” and inserting “10 per-  
3       cent”.

4           (7) Section 3402(q)(1) of such Code is amend-  
5       ed by striking “28 percent” and inserting “23 per-  
6       cent”.

7           (8) Section 3402(r)(3) of such Code is amended  
8       by striking “31 percent” and inserting “26 per-  
9       cent”.

10          (9) Section 3406(a)(1) of such Code is amended  
11       by striking “31 percent” and inserting “26 per-  
12       cent”.

13       (f) EFFECTIVE DATES.—

14           (1) IN GENERAL.—Except as provided in para-  
15       graphs (2) and (3), the amendments made by this  
16       section shall apply to taxable years beginning after  
17       December 31, 1999.

18           (2) WITHHOLDING.—The amendments made by  
19       paragraphs (5) through (9) of subsection (e) shall  
20       apply to amounts paid after December 31, 1999.

21           (3) CONFORMING AMENDMENT.—The amend-  
22       ment made by subsection (d)(4) shall apply to tax-  
23       able years beginning after December 31, 2001.



1 **SEC. 2. INCREASE IN MAXIMUM TAXABLE INCOME FOR 10**  
 2 **PERCENT RATE BRACKET.**

3 Section 1(f) of the Internal Revenue Code of 1986  
 4 (relating to adjustments in tax tables so that inflation will  
 5 not result in tax increases), as amended by section 1(c),  
 6 is amended—

7 (1) in paragraph (2)—

8 (A) by redesignating subparagraphs (B)  
 9 and (C) as subparagraphs (C) and (D),

10 (B) by inserting after subparagraph (A)  
 11 the following:

12 “(B) in the case of the tables contained in  
 13 subsections (a), (b), (c), and (d), by increasing  
 14 the maximum taxable income level for the 10  
 15 percent rate bracket and the minimum taxable  
 16 income level for the 23 percent rate bracket  
 17 otherwise determined under subparagraph (A)  
 18 for taxable years beginning in any calendar year  
 19 after 1999, by the applicable dollar amount for  
 20 such calendar year,” and

21 (C) by striking “subparagraph (A)” in  
 22 subparagraph (C) (as so redesignated) and in-  
 23 serting “subparagraphs (A) and (B)”, and

24 (2) by adding at the end the following:

25 “(7) APPLICABLE DOLLAR AMOUNT.—For pur-  
 26 poses of paragraph (2)(B), the applicable dollar

1 amount for any calendar year shall be determined as  
2 follows:

3 “(A) JOINT RETURNS AND SURVIVING  
4 SPOUSES.—In the case of the table contained in  
5 subsection (a)—

<b>“Calendar year:</b>	<b>Applicable Dollar Amount:</b>
2000 .....	\$10,000
2001 .....	\$10,000
2002 and thereafter .....	\$20,000.

6 “(B) OTHER TABLES.—In the case of the  
7 table contained in subsection (b), (c), or (d)—

<b>“Calendar year:</b>	<b>Applicable Dollar Amount:</b>
2000 .....	\$5,000
2001 .....	\$5,000
2002 and thereafter .....	\$10,000.”

8 **SEC. 3. ELIMINATION OF MARRIAGE PENALTY IN STAND-**  
9 **ARD DEDUCTION.**

10 (a) IN GENERAL.—Paragraph (2) of section 63(c) of  
11 the Internal Revenue Code of 1986 (relating to standard  
12 deduction) is amended to read as follows:

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

16 “(A) \$8,500 in the case of—

17 “(i) a joint return, or

18 “(ii) a surviving spouse (as defined in  
19 section 2(a)),

20 “(B) \$6,250 in the case of a head of  
21 household (as defined in section 2(b)), or

1 “(C) \$4,250 in any other case.”

2 (b) TECHNICAL AMENDMENTS.—

3 (1) Paragraph (4) of section 63(c) of the Inter-  
4 nal Revenue Code of 1986, as amended by section  
5 1(d)(1)(E), is amended to read as follows:

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

11 “(A) such dollar amount, multiplied by

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

15 (2) Subparagraph (A) of section 63(c)(5) of  
16 such Code is amended by striking “\$500” and in-  
17 serting “\$700”.

18 (3) Subsection (f) of section 63 of such Code is  
19 amended by striking “\$600” each place it appears  
20 and inserting “\$850” and by striking “\$750” in  
21 paragraph (3) and inserting “\$1,050”.

22 (4) Subparagraph (B) of section 1(f)(6) of such  
23 Code is amended by striking “subsection (c)(4) of  
24 section 63 (as it applies to subsections (c)(5)(A) and

1 (f) of such section)” and inserting “section  
2 63(c)(4)”.

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

6 **SEC. 4. DEDUCTION FOR AMOUNTS PAID FOR INSURANCE**  
7 **FOR MEDICAL CARE.**

8 (a) IN GENERAL.—Part VII of subchapter B of chap-  
9 ter 1 of the Internal Revenue Code of 1986 (relating to  
10 additional itemized deductions for individuals) is amended  
11 by redesignating section 222 as section 223 and by insert-  
12 ing after section 221 the following new section:

13 **“SEC. 222. INSURANCE FOR MEDICAL CARE.**

14 **“(a) DEDUCTION ALLOWED.—**

15 **“(1) IN GENERAL.—**In the case of an indi-  
16 vidual, there shall be allowed as a deduction for any  
17 taxable year an amount equal to the amount paid  
18 during the taxable year for insurance covering med-  
19 ical care or for any qualified long-term care insur-  
20 ance contract for the taxpayer, and the taxpayer’s  
21 spouse and dependents.

22 **“(2) DEFINITIONS.—**For purposes of paragraph  
23 (1)—

24 **“(A) INSURANCE.—**The term ‘insurance’  
25 includes amounts paid as premiums under part

1           B of title XVIII of the Social Security Act (re-  
 2           lating to supplementary medical insurance for  
 3           the aged).

4           “(B) MEDICAL CARE.—The term ‘medical  
 5           care’ has the meaning given to such term by  
 6           paragraphs (A), (B), and (C) of section  
 7           213(d)(1).

8           “(C) QUALIFIED LONG-TERM CARE INSUR-  
 9           ANCE CONTRACT.—The term ‘qualified long-  
 10          term care insurance contract’ has the meaning  
 11          given to such term by section 7702B(b).

12          “(b) COORDINATION OF DEDUCTION.—No amount  
 13          taken into account under subsection (a) shall be taken into  
 14          account in computing the amount allowable to the tax-  
 15          payer as a deduction under section 162(l) or 213(a).

16          “(c) COORDINATION WITH EXCLUSION.—No amount  
 17          excluded from income under section 125 shall be taken  
 18          into account under subsection (a).”

19          (b) DEDUCTION ALLOWED IF INDIVIDUAL DOES NOT  
 20          ITEMIZE.—Subsection (a) of section 62 of the Internal  
 21          Revenue Code of 1986 (relating to general rule for ad-  
 22          justed gross income defined) is amended by inserting after  
 23          paragraph (17) the following:

24               “(18) INSURANCE FOR MEDICAL CARE.—The  
 25          deduction allowed by section 222.”

1 (c) CLERICAL AMENDMENT.—The table of sections  
 2 for part VII of subchapter B of chapter 1 of the Internal  
 3 Revenue Code of 1986 is amended by striking the item  
 4 relating to section 222 and inserting the following:

“Sec. 222. Insurance for medical care.

“Sec. 223. Cross reference.”

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

8 **SEC. 5. MODIFICATION OF DEDUCTION LIMITS FOR IRA**  
 9 **CONTRIBUTIONS.**

10 (a) INCREASE IN CONTRIBUTION LIMIT.—Paragraph  
 11 (1)(A) of section 219(b) of the Internal Revenue Code of  
 12 1986 (relating to maximum amount of deduction) is  
 13 amended by striking “\$2,000” and inserting “\$3,500”.

14 (b) CONFORMING AMENDMENTS.—

15 (1) Section 408(a)(1) of Internal Revenue Code  
 16 of 1986 is amended by striking “\$2,000” and insert-  
 17 ing “\$3,500”.

18 (2) Section 408(b)(2)(B) of such Code is  
 19 amended by striking “\$2,000” and inserting  
 20 “\$3,500”.

21 (3) Section 408(b) of such Code is amended by  
 22 striking “\$2,000” in the matter following paragraph  
 23 (4) and inserting “\$3,500”.

1 (4) Section 408(j) of such Code is amended by  
 2 striking “\$2,000” and inserting “\$3,500”.

3 (5) Section 408(p)(8) of such Code is amended  
 4 by striking “\$2,000” and inserting “\$3,500”

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

8 **SEC. 6. INCREASE IN LIMIT ON EXCLUSION AMOUNT FOR**  
 9 **ELECTIVE DEFERRALS.**

10 (a) INCREASE IN ELECTIVE DEFERRAL LIMIT.—  
 11 Paragraph (1) of section 402(g) of the Internal Revenue  
 12 Code of 1986 (relating to limitation on exclusion for elec-  
 13 tive deferrals) is amended by striking “\$7,000” and in-  
 14 serting “\$15,000”.

15 (b) CONFORMING AMENDMENTS.—

16 (1)(A) Section 402(g) of the Internal Revenue  
 17 Code of 1986 is amended by striking paragraph (4)  
 18 and by redesignating paragraphs (5), (6), (7), (8),  
 19 and (9) as paragraphs (4), (5), (6), (7), and (8), re-  
 20 spectively.

21 (B) Section 457(c)(2) of such Code is amended  
 22 by striking “section 402(g)(8)(A)(iii)” and inserting  
 23 “section 402(g)(7)(A)(iii)”.

1           (C) Section 501(c)(18)(D)(iii) of such Code is  
2       amended by striking “(other than paragraph (4)  
3       thereof)”.

4           (2) Section 402(g)(4) of such Code, as redesign-  
5       nated by paragraph (1)(A), is amended by striking  
6       “\$7,000” and inserting “\$15,000”.

7           (3) Section 402(g)(4) of such Code, as so redes-  
8       ignated, is amended by inserting “the base period  
9       taken into account shall be the calendar quarter  
10      ending September 30, 1999, and” after “except  
11      that”.

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

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