

107TH CONGRESS
1ST SESSION

H. R. 3

IN THE SENATE OF THE UNITED STATES

MARCH 9, 2001

Received; read twice and referred to the Committee on Finance

AN ACT

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

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE; ETC.**

2 (a) SHORT TITLE.—This Act may be cited as the
3 “Economic Growth and Tax Relief Act of 2001”.

4 (b) AMENDMENT OF 1986 CODE.—Except as other-
5 wise expressly provided, whenever in this Act an amend-
6 ment or repeal is expressed in terms of an amendment
7 to, or repeal of, a section or other provision, the reference
8 shall be considered to be made to a section or other provi-
9 sion of the Internal Revenue Code of 1986.

10 (c) SECTION 15 NOT TO APPLY.—No amendment
11 made by section 2 shall be treated as a change in a rate
12 of tax for purposes of section 15 of the Internal Revenue
13 Code of 1986.

14 **SEC. 2. REDUCTION IN INCOME TAX RATES FOR INDIVID-**
15 **UALS.**

16 (a) IN GENERAL.—Section 1 is amended by adding
17 at the end the following new subsection:

18 “(i) RATE REDUCTIONS AFTER 2000.—

19 “(1) NEW LOWEST RATE BRACKET.—

20 “(A) IN GENERAL.—In the case of taxable
21 years beginning after December 31, 2000—

22 “(i) the rate of tax under subsections
23 (a), (b), (c), and (d) on taxable income not
24 over the initial bracket amount shall be 12
25 percent (as modified by paragraph (2)),
26 and

1 “(ii) the 15 percent rate of tax shall
2 apply only to taxable income over the ini-
3 tial bracket amount.

4 “(B) INITIAL BRACKET AMOUNT.—For
5 purposes of this subsection, the initial bracket
6 amount is—

7 “(i) \$12,000 in the case of subsection
8 (a),

9 “(ii) \$10,000 in the case of subsection
10 (b), and

11 “(iii) $\frac{1}{2}$ the amount applicable under
12 clause (i) in the case of subsections (c) and
13 (d).

14 “(C) INFLATION ADJUSTMENT.—In pre-
15 scribing the tables under subsection (f) which
16 apply with respect to taxable years beginning in
17 calendar years after 2001—

18 “(i) the Secretary shall make no ad-
19 justment to the initial bracket amount for
20 any taxable year beginning before January
21 1, 2007,

22 “(ii) the cost-of-living adjustment
23 used in making adjustments to the initial
24 bracket amount for any taxable year begin-
25 ning after December 31, 2006, shall be de-

1 terminated under subsection (f)(3) by sub-
 2 stituting ‘2005’ for ‘1992’ in subparagraph
 3 (B) thereof, and

4 “(iii) such adjustment shall not apply
 5 to the amount referred to in subparagraph
 6 (B)(iii).

7 If any amount after adjustment under the pre-
 8 ceding sentence is not a multiple of \$50, such
 9 amount shall be rounded to the next lowest
 10 multiple of \$50.

11 “(2) REDUCTIONS IN RATES AFTER 2001.—In
 12 the case of taxable years beginning in a calendar
 13 year after 2001, the corresponding percentage speci-
 14 fied for such calendar year in the following table
 15 shall be substituted for the otherwise applicable tax
 16 rate in the tables under subsections (a), (b), (c), (d),
 17 and, to the extent applicable, (e).

“In the case of taxable years beginning during calendar year:	The corresponding percentages shall be substituted for the following percentages:				
	12%	28%	31%	36%	39.6%
2002	12%	27%	30%	35%	38%
2003	11%	27%	29%	35%	37%
2004	11%	26%	28%	34%	36%
2005	11%	26%	27%	34%	35%
2006 and thereafter	10%	25%	25%	33%	33%

18 “(3) ADJUSTMENT OF TABLES.—The Secretary
 19 shall adjust the tables prescribed under subsection
 20 (f) to carry out this subsection.”.

1 (b) REPEAL OF REDUCTION OF REFUNDABLE TAX
2 CREDITS.—

3 (1) Subsection (d) of section 24 is amended by
4 striking paragraph (2) and redesignating paragraph
5 (3) as paragraph (2).

6 (2) Section 32 is amended by striking sub-
7 section (h).

8 (c) CONFORMING AMENDMENTS.—

9 (1) Subparagraph (B) of section 1(g)(7) is
10 amended—

11 (A) by striking “15 percent” in clause
12 (ii)(II) and inserting “the first bracket percent-
13 age”, and

14 (B) by adding at the end the following
15 flush sentence:

16 “For purposes of clause (ii), the first bracket
17 percentage is the percentage applicable to the
18 lowest income bracket in the table under sub-
19 section (c).”

20 (2) Section 1(h) is amended—

21 (A) by striking “28 percent” both places it
22 appears in paragraphs (1)(A)(ii)(I) and
23 (1)(B)(i) and inserting “25 percent”, and

24 (B) by striking paragraph (13).

1 (3) Section 15 is amended by adding at the end
2 the following new subsection:

3 “(f) RATE REDUCTIONS ENACTED BY ECONOMIC
4 GROWTH AND TAX RELIEF ACT OF 2001.—This section
5 shall not apply to any change in rates under subsection
6 (i) of section 1 (relating to rate reductions after 2000).”.

7 (4) Section 531 is amended by striking “equal
8 to” and all that follows and inserting “equal to the
9 product of the highest rate of tax under section 1(c)
10 and the accumulated taxable income.”.

11 (5) Section 541 is amended by striking “equal
12 to” and all that follows and inserting “equal to the
13 product of the highest rate of tax under section 1(c)
14 and the undistributed personal holding company in-
15 come.”.

16 (6) Section 3402(p)(1)(B) is amended by strik-
17 ing “7, 15, 28, or 31 percent” and inserting “7 per-
18 cent, any percentage applicable to any of the 3 low-
19 est income brackets in the table under section
20 1(c),”.

21 (7) Section 3402(p)(2) is amended by striking
22 “equal to 15 percent of such payment” and inserting
23 “equal to the product of the lowest rate of tax under
24 section 1(c) and such payment”.

1 (8) Section 3402(q)(1) is amended by striking
2 “equal to 28 percent of such payment” and inserting
3 “equal to the product of the third to the lowest rate
4 of tax under section 1(c) and such payment”.

5 (9) Section 3402(r)(3) is amended by striking
6 “31 percent” and inserting “the third to the lowest
7 rate of tax under section 1(c)”.

8 (10) Section 3406(a)(1) is amended by striking
9 “equal to 31 percent of such payment” and inserting
10 “equal to the product of the third to the lowest rate
11 of tax under section 1(c) and such payment”.

12 (11) Section 13273 of the Revenue Reconcili-
13 ation Act of 1993 is amended by striking “28 per-
14 cent” and inserting “the third to the lowest rate of
15 tax under section 1(c) of the Internal Revenue Code
16 of 1986”.

17 (d) EFFECTIVE DATES.—

18 (1) IN GENERAL.—Except as provided in para-
19 graph (2), the amendments made by this section
20 shall apply to taxable years beginning after Decem-
21 ber 31, 2000.

22 (2) AMENDMENTS TO WITHHOLDING PROVI-
23 SIONS.—The amendments made by paragraphs (6),
24 (7), (8), (9), (10), and (11) of subsection (c) shall

4 The amounts transferred to any trust fund under the
5 Social Security Act shall be determined as if this Act had
6 not been enacted.

Passed the House of Representatives March 8,
2001.

Attest: **JEFF TRANDAH**,
Clerk.