

107TH CONGRESS
1ST SESSION

S. 1492

To amend the Internal Revenue Code of 1986 to repeal the tax relief sunset and to reduce the maximum capital gains rates for individual taxpayers, and for other purposes.

IN THE SENATE OF THE UNITED STATES

OCTOBER 3, 2001

Mr. GRAMM (for himself and Mr. MILLER) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to repeal the tax relief sunset and to reduce the maximum capital gains rates for individual taxpayers, 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 This Act may be cited as the “Economic Revitaliza-
5 tion Tax Cut Act”.

6 **SEC. 2. REPEAL OF SUNSET.**

7 (a) IN GENERAL.—Title IX of the Economic Growth
8 and Tax Relief Reconciliation Act of 2001 is repealed.

1 (b) EFFECTIVE DATE.—The repeal made by sub-
 2 section (a) shall take effect on and after the date of the
 3 enactment of this Act.

4 **SEC. 3. REDUCTION OF MAXIMUM CAPITAL GAINS RATES**
 5 **FOR INDIVIDUALS.**

6 (a) IN GENERAL.—Section 1(h) of the Internal Rev-
 7 enue Code of 1986 (relating to maximum capital gains
 8 rate) is amended to read as follows:

9 “(h) MAXIMUM CAPITAL GAINS RATE.—

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

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

18 “(B) 7.5 percent of so much of the tax-
 19 payer’s net capital gain (or, if less, taxable in-
 20 come) as does not exceed the excess (if any)
 21 of—

22 “(i) the amount of taxable income
 23 which would (without regard to this para-
 24 graph) be taxed at a rate of 15 percent or
 25 less, over

1 “(ii) the amount on which tax is de-
 2 termined under subparagraph (A), plus

3 “(C) 15 percent of the taxpayer’s net cap-
 4 ital gain (or, if less, taxable income) in excess
 5 of the amount of capital gain on which tax is
 6 determined under subparagraph (B).

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

14 (b) MINIMUM TAX.—

15 (1) IN GENERAL.—Subparagraph (A) of section
 16 55(b)(1) of the Internal Revenue Code of 1986 (re-
 17 lating to amount of tentative tax) is amended by re-
 18 designating clauses (ii) and (iii) as clauses (iii) and
 19 (iv), respectively, and by inserting after clause (i)
 20 the following new clause:

21 “(ii) MAXIMUM RATE OF TAX ON NET
 22 CAPITAL GAIN.—The amount determined
 23 under the first sentence of clause (i) shall
 24 not exceed the sum of—

1 “(I) the amount determined
 2 under such first sentence computed at
 3 the rates and in the same manner as
 4 if this clause had not been enacted on
 5 the taxable excess reduced by the net
 6 capital gain, plus

7 “(II) a tax of 15 percent of the
 8 lesser of the net capital gain or the
 9 taxable excess.”

10 (2) CONFORMING AMENDMENT.—Section 55(b)
 11 of such Code is amended by striking paragraph (3).

12 (c) CONFORMING AMENDMENTS.—

13 (1) Section 57(a)(7) of the Internal Revenue
 14 Code of 1986 is amended by striking the last sen-
 15 tence.

16 (2) Paragraph (1) of section 1445(e) of such
 17 Code is amended by striking “20 percent” and in-
 18 serting “15 percent”.

19 (3)(A) The second sentence of section
 20 7518(g)(6)(A) of such Code is amended by striking
 21 “20 percent” and inserting “15 percent”.

22 (B) The second sentence of section
 23 607(h)(6)(A) of the Merchant Marine Act, 1936 is
 24 amended by striking “20 percent” and inserting “15
 25 percent”.

1 (d) EFFECTIVE DATES.—

2 (1) IN GENERAL.—The amendments made by
3 this section shall apply to taxable years ending after
4 December 31, 2001.

5 (2) WITHHOLDING.—The amendment made by
6 subsection (c)(2) shall apply to amounts paid after
7 the date of the enactment of this Act.

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