

107TH CONGRESS  
1ST SESSION

# S. 302

To amend the Internal Revenue Code of 1986 to reduce the maximum capital gain tax rate for gains from property held for more than 5 or 10 years.

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## IN THE SENATE OF THE UNITED STATES

FEBRUARY 13, 2001

Mr. SHELBY 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 reduce the maximum capital gain tax rate for gains from property held for more than 5 or 10 years.

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. REDUCTION IN MAXIMUM CAPITAL GAIN RATES**

#### 4 **FOR 5-YEAR AND 10-YEAR GAINS.**

5 (a) IN GENERAL.—Paragraph (2) of section 1(h) of  
6 the Internal Revenue Code of 1986 (relating to maximum  
7 capital gains rate) is amended to read as follows:

8 “(2) REDUCED CAPITAL GAIN RATES FOR  
9 QUALIFIED 5-YEAR AND 10-YEAR GAIN.—

1 “(A) REDUCTION IN 10-PERCENT RATE.—

2 In the case of any taxable year beginning after  
3 December 31, 2001, the rate under paragraph  
4 (1)(B) shall be—

5 “(i) 8 percent with respect to so much  
6 of the amount to which the 10-percent rate  
7 would otherwise apply as does not exceed  
8 qualified 5-year gain,

9 “(ii) 5 percent with respect to so  
10 much of the amount to which the 10-per-  
11 cent rate would otherwise apply as does  
12 not exceed qualified 10-year gain, and

13 “(iii) 10 percent with respect to the  
14 remainder of such amount.

15 “(B) REDUCTION IN 20-PERCENT RATE.—

16 The rate under paragraph (1)(C) shall be—

17 “(i) 10 percent with respect to so  
18 much of the amount to which the 20-per-  
19 cent rate would otherwise apply as does  
20 not exceed the lesser of—

21 “(I) the excess of qualified 5-year  
22 gain over the amount of such gain  
23 taken into account under subpara-  
24 graph (A) of this paragraph, or

1 “(II) the amount of qualified 5-  
2 year gain (determined by taking into  
3 account only property the holding pe-  
4 riod for which begins after December  
5 31, 2001),

6 “(ii) 5 percent with respect to so  
7 much of the amount to which the 20-per-  
8 cent rate would otherwise apply as does  
9 not exceed the lesser of—

10 “(I) the excess of qualified 10-  
11 year gain over the amount of such  
12 gain taken into account under sub-  
13 paragraph (A) of this paragraph, or

14 “(II) the amount of qualified 10-  
15 year gain (determined by taking into  
16 account only property the holding pe-  
17 riod for which begins after December  
18 31, 2001), and

19 “(iii) 20 percent with respect to the  
20 remainder of such amount.

21 For purposes of determining under the pre-  
22 ceding sentence whether the holding period of  
23 property begins after December 31, 2001, the  
24 holding period of property acquired pursuant to  
25 the exercise of an option (or other right or obli-

1           gation to acquire property) shall include the pe-  
 2           riod such option (or other right or obligation)  
 3           was held.”.

4           (b) QUALIFIED 5-YEAR AND 10-YEAR GAIN.—Para-  
 5           graph (9) of section 1(h) of the Internal Revenue Code  
 6           of 1986 is amended to read as follows:

7           “(9) QUALIFIED 5-YEAR AND 10-YEAR GAIN.—  
 8           For purposes of this subsection—

9           “(A) QUALIFIED 5-YEAR GAIN.—The term  
 10          ‘qualified 5-year gain’ means the aggregate  
 11          long-term capital gain from property held for  
 12          more than 5 years but not more than 10 years.

13          “(B) QUALIFIED 10-YEAR GAIN.—The term  
 14          ‘qualified 10-year gain’ means the aggregate  
 15          long-term capital gain from property held for  
 16          more than 10 years.

17          “(C) DETERMINATION OF GAIN.—The de-  
 18          termination under subparagraph (A) or (B)  
 19          shall be made without regard to collectibles  
 20          gain, gain described in paragraph (7)(A)(i), and  
 21          section 1202 gain.”.

22          (c) EFFECTIVE DATE.—The amendments made by  
 23          this section shall apply to taxable years beginning after  
 24          December 31, 2001.

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