

107TH CONGRESS
2D SESSION

S. 3

To repeal the sunset of the provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001, and for other purposes.

IN THE SENATE OF THE UNITED STATES

NOVEMBER 19, 2002

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

A BILL

To repeal the sunset of the provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001, 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 “Contract With Inves-
5 tors”.

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

7 Title IX of the Economic Growth and Tax Relief Rec-
8 onciliation Act of 2001 (Public Law 107–16) is repealed.

1 **SEC. 3. ACCELERATION OF INDIVIDUAL INCOME TAX RATE**2 **REDUCTIONS.**

3 (a) IN GENERAL.—The table contained in section
4 1(i)(2) of the Internal Revenue Code of 1986 (relating to
5 reductions in rates after June 30, 2001) is amended—

6 (1) by striking “and 2003”,

7 (2) by striking “2004 and 2005” and inserting
8 “2003”, and

9 (3) by striking “2006” and inserting “2004”.

10 (b) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to taxable years beginning after
12 December 31, 2002.

13 **SEC. 4. REPEAL OF ESTATE AND GENERATION-SKIPPING
14 TRANSFER TAXES ACCELERATED TO 2005.**

15 (a) ESTATE TAX REPEAL.—Section 2210 of the In-
16 ternal Revenue Code of 1986 (relating to termination) is
17 amended—

18 (1) by striking “December 31, 2009” and in-
19 serting “December 31, 2004” both places it appears,

20 (2) by striking “January 1, 2010” in subsection

21 (b) and inserting “January 1, 2005”, and

22 (3) by striking “December 31, 2020” in sub-
23 section (b)(1) and inserting “December 31, 2014”.

24 (b) GENERATION-SKIPPING TRANSFER TAX RE-
25 PEAL.—Section 2664 of such Code (relating to termi-

1 nation) is amended by striking “December 31, 2009” and
2 inserting “December 31, 2004”.

3 (c) CONFORMING AMENDMENTS.—

4 (1) The table contained in section 2010(c) of
5 such Code is amended—

6 (A) by striking “and 2005”,

7 (B) by inserting a period after
8 “\$1,500,000”, and

9 (C) by striking the last 2 items.

10 (2) Section 1014(f) of such Code is amended by
11 striking “December 31, 2009” and inserting
12 “December 31, 2004”.

13 (3) Section 1022 of such Code is amended—

14 (A) by striking “December 31, 2009” in
15 the heading and in subsection (a)(1) and insert-
16 ing “December 31, 2004”, and

17 (B) in subsection (d)(4)(A)—

18 (i) by striking “2010” and inserting
19 “2005”,

20 (ii) by striking “2009” in clause (ii)
21 and inserting “2004”.

22 (4) The table contained in section
23 2001(c)(2)(B) of such Code is amended—

24 (A) by inserting a period after “48 per-
25 cent”, and

1 (B) by striking the last 3 items.

18 (9) Paragraph (2) of section 521(e) of the Eco-
19 nomic Growth and Tax Relief Reconciliation Act of
20 2001 (Public Law 107-16) is amended by striking
21 “December 31, 2009” and inserting “December 31,
22 2004”.

23 (10) Subsection (f) of section 542 of the Eco-
24 nomic Growth and Tax Relief Reconciliation Act of
25 2001 (Public Law 107-16) is amended by striking

1 “December 31, 2009” each place it appears and in-
2 serting “December 31, 2004”.

3 (d) EFFECTIVE DATE.—The amendments made by
4 this section shall take effect on the date of the enactment
5 of this Act.

6 **SEC. 5. REDUCTION OF MAXIMUM CAPITAL GAINS RATES**

7 **FOR INDIVIDUALS.**

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

11 “(h) MAXIMUM CAPITAL GAINS RATE.—

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

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

20 “(B) 10 percent of the taxpayer’s net cap-
21 ital gain (or, if less, taxable income).

22 “(2) NET CAPITAL GAIN TAKEN INTO ACCOUNT
23 AS INVESTMENT INCOME.—For purposes of this sub-
24 section, the net capital gain for any taxable year
25 shall be reduced (but not below zero) by the amount

1 which the taxpayer elects to take into account as in-
2 vestment income for the taxable year under section
3 163(d)(4)(B)(iii).”.

4 (b) MINIMUM TAX.—

5 (1) IN GENERAL.—Subparagraph (A) of section
6 55(b)(1) of the Internal Revenue Code of 1986
7 (relating to amount of tentative tax) is amended by
8 redesignating clauses (ii) and (iii) as clauses (iii)
9 and (iv), respectively, and by inserting after clause
10 (i) the following new clause:

11 “(ii) MAXIMUM RATE OF TAX ON NET
12 CAPITAL GAIN.—The amount determined
13 under the first sentence of clause (i) shall
14 not exceed the sum of—

15 “(I) the amount determined
16 under such first sentence computed at
17 the rates and in the same manner as
18 if this clause had not been enacted on
19 the taxable excess reduced by the net
20 capital gain, plus

21 “(II) a tax of 10 percent of the
22 lesser of the net capital gain or the
23 taxable excess.”

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

1 (c) CONFORMING AMENDMENTS.—

15 (d) EFFECTIVE DATES.—

16 (1) IN GENERAL.—The amendments made by
17 this section shall apply to taxable years beginning
18 after December 31, 2002.

19 (2) WITHHOLDING.—The amendment made by
20 subsection (c)(2) shall apply to amounts paid after
21 December 31, 2002.

22 SEC. 6. INCREASE IN LIMITATION ON CAPITAL LOSSES AP-
23 PLICABLE TO INDIVIDUALS

24 (a) IN GENERAL.—Paragraph (1) of section 1211(b)
25 of the Internal Revenue Code of 1986 (relating to limita-

1 tion on capital losses for taxpayers other than corpora-
2 tions) is amended by striking “\$3,000 (\$1,500” and in-
3 serting “\$10,000 (\$5,000”.

4 (b) ADJUSTMENT FOR INFLATION.—Section 1211 of
5 the Internal Revenue Code of 1986 (relating to limitation
6 on capital losses) is amended by adding at the end the
7 following new subsection:

8 “(c) ADJUSTMENT FOR INFLATION.—

9 “(1) IN GENERAL.—In the case of any taxable
10 year beginning in a calendar year after 2003, the
11 \$10,000 and \$5,000 amounts contained in sub-
12 section (b)(1) shall each be increased by an amount
13 equal to—

14 “(A)(i) such amount, multiplied by
15 “(ii) the cost-of-living adjustment deter-
16 mined under section 1(f)(3) for the calendar
17 year in which the taxable year begins by sub-
18 stituting ‘calendar year 2002’ for ‘calendar year
19 1992’ in subparagraph (B) thereof.

20 “(B) ROUNDING.—If any increase deter-
21 mined under paragraph (1) is not a multiple of
22 \$5, such increase shall be rounded to the next
23 highest multiple of \$5.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2002.

4 SEC. 7. ACCELERATION OF INCREASE IN CONTRIBUTIONS
5 TO CERTAIN RETIREMENT PLANS.

6 (a) IRAs.—
7 (1) IN GENERAL.—Subparagraph (A) of section
8 219(b)(5) of the Internal Revenue Code of 1986
9 (defining deductible amount) is amended to read as
10 follows:

11 “(A) The deductible amount shall be
12 \$5,000.”.

13 (2) INFLATION ADJUSTMENT.—Section
14 219(b)(5)(C) of such Code is amended—

15 (A) by striking "2008" and inserting
16 "2003", and

17 (B) by striking "2007" and inserting
18 "2002".

19 (b) 401(k) PLANS.—

20 (1) IN GENERAL.—Paragraph (1) of section
21 402(g) of such Code is amended—

22 (A) by striking subparagraph (B),

23 (B) by striking “(A) LIMITATION.—” and
24 moving the text 2 ems to the left, and

(C) in such text by striking “the applicable dollar amount” and inserting “\$15,000”.

5 (A) by striking “2006” and inserting
6 “2003”, and

7 (B) by striking “2005” and inserting
8 “2002”.

13 (c) 457 PLANS.—

14 (1) IN GENERAL.—Subparagraph (A) of section
15 457(b)(2) of such Code is amended by striking “the
16 applicable dollar amount” and inserting “\$15,000”.

20 “(15) COST-OF-LIVING ADJUSTMENT.—In the
21 case of taxable years beginning after December 31,
22 2003, the Secretary shall adjust the \$15,000
23 amount under subsection (b)(2)(A) at the same time
24 and in the same manner as under section 415(d),
25 except that the base period shall be the calendar

1 quarter beginning July 1, 2002, and any increase
2 under this paragraph which is not a multiple of
3 \$500 shall be rounded to the next lowest multiple of
4 \$500.”.

5 (d) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to taxable years beginning after
7 December 31, 2002.

8 SEC. 8. AGE FOR BEGINNING MANDATORY DISTRIBUTIONS

9 INCREASED TO 75.

10 (a) QUALIFIED PENSION PLANS.—Subparagraphs
11 (B)(iv) and (C) of section 401(a)(9) of the Internal Rev-
12 enue Code of 1986 (relating to required distributions) are
13 each amended by striking “70½” each place it appears
14 and inserting “75”.

15 (b) INDIVIDUAL RETIREMENT PLANS.—

18 (A) by striking "70½" in the text and in-
19 serting "75" and

20 (B) by striking "70½" in the heading and
21 inserting "75"

24 (c) ROTH IRA's.—Paragraph (4) of section 408A(c)
25 of such Code is amended.

1 (1) by striking "70½" in the text and inserting
2 "75", and

3 (2) by striking "70½" in the heading and in-
4 serting "75".

5 (d) SECTION 457 PLANS.—Clause (i) of section
6 457(d)(1)(A) of such Code is amended by striking “70½”
7 and inserting “75”.

8 (e) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to distributions after December 31,
10 2002.

11 SEC. 9. EXCLUSION OF DIVIDEND INCOME FROM TAX.

12 (a) IN GENERAL.—Part III of subchapter B of chap-
13 ter 1 of the Internal Revenue Code of 1986 (relating to
14 amounts specifically excluded from gross income) is
15 amended by inserting after section 115 the following new
16 section:

17 "SEC. 116. EXCLUSION OF DIVIDENDS RECEIVED BY INDIVIDUALS.
18

19 “(a) EXCLUSION FROM GROSS INCOME.—Gross in-
20 come does not include 100 percent of the amounts received
21 during the taxable year by an individual as dividends from
22 domestic, publicly traded, C corporations (within the
23 meaning of section 1297(f)(3)).

24 "(b) CERTAIN DIVIDENDS EXCLUDED.—Subsection
25 (a) shall not apply to any dividend from a corporation

1 which, for the taxable year of the corporation in which
2 the distribution is made, or for the next preceding taxable
3 year of the corporation, is a corporation exempt from tax
4 under section 501 (relating to certain charitable, etc., or-
5 ganization) or section 521 (relating to farmers' coopera-
6 tive associations).

7 “(c) SPECIAL RULES.—For purposes of this sec-
8 tion—

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

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

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

17 “(A) in determining the tax imposed for
18 the taxable year pursuant to section 871(b)(1)
19 and only in respect of dividends which are effec-
20 tively connected with the conduct of a trade or
21 business within the United States, or

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

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

4 (b) CONFORMING AMENDMENTS.—

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

8 (B) Subsection (d) of section 135 of such Code
9 is amended by redesignating paragraph (4) as para-
10 graph (5) and by inserting after paragraph (3) the
11 following new paragraph:

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

14 (2) Subsection (c) of section 584 of such Code
15 is amended by adding at the end thereof the fol-
16 lowing new flush sentence:

17 “The proportionate share of each participant in the
18 amount of dividends received by the common trust fund
19 and to which section 116 applies shall be considered for
20 purposes of such section as having been received by such
21 participant.”

22 (3) Subsection (a) of section 643 of such Code
23 is amended by redesignating paragraph (7) as para-
24 graph (8) and by inserting after paragraph (6) the
25 following new paragraph:

1 “(7) DIVIDENDS.—There shall be included the
2 amount of any dividends excluded from gross income
3 pursuant to section 116.”

4 (4) Section 854(a) of such Code is amended by
5 inserting “section 116 (relating to exclusion of divi-
6 dends received by individuals) and” after “For pur-
7 poses of”.

8 (5) Section 857(c) of such Code is amended to
9 read as follows:

10 “(c) RESTRICTIONS APPLICABLE TO DIVIDENDS RE-
11 CEIVED FROM REAL ESTATE INVESTMENT TRUSTS.—

12 “(1) TREATMENT FOR SECTION 116.—For pur-
13 poses of section 116 (relating to exclusion of divi-
14 dends received by individuals), a capital gain divi-
15 dend (as defined in subsection (b)(3)(C)) received
16 from a real estate investment trust which meets the
17 requirements of this part shall not be considered as
18 a dividend.

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

“Sec. 116. Exclusion of dividends received by individuals.”

5 (c) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to taxable years beginning after
7 December 31, 2002.

8 SEC. 10. SENSE OF THE SENATE REGARDING A CONTRACT
9 WITH INVESTORS.

10 It is the sense of the Senate that—

11 (1) Congress should pass legislation to safe-
12 guard American workers' pension and retirement ac-
13 counts,

18 (3) Congress should repeal redundant, out-
19 dated, and unscientific regulatory burdens on inves-
20 tors and United States companies and perform a
21 cost benefit analysis before enacting new burdens on
22 United States businesses and investors,

23 (4) Congress should enact meaningful tort re-
24 form, and

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