

107TH CONGRESS
1ST SESSION

S. 492

To amend the Internal Revenue Code of 1986 to repeal the alternative minimum tax on individuals.

IN THE SENATE OF THE UNITED STATES

MARCH 8, 2001

Mr. THOMPSON (for himself, Mr. MURKOWSKI, Mr. KYL, and Mr. HATCH) 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 alternative minimum tax on individuals.

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. REPEAL OF ALTERNATIVE MINIMUM TAX ON**
4 **INDIVIDUALS.**

5 (a) IN GENERAL.—Subsection (a) of section 55 of the
6 Internal Revenue Code of 1986 (relating to alternative
7 minimum tax imposed) is amended by adding at the end
8 the following new flush sentence:

9 “Except in the case of a corporation, no tax shall be im-
10 posed by this section for any taxable year beginning after

1 December 31, 2001, and the tentative minimum tax of any
2 taxpayer other than a corporation shall be zero for pur-
3 poses of this title.”.

4 (b) CONFORMING AMENDMENTS.—

5 (1) Subparagraph (B) of section 1(g)(7) of the
6 Internal Revenue Code of 1986 is amended by add-
7 ing “and” at the end of clause (i), by striking “,
8 and” at the end of clause (ii) and inserting a period,
9 and by striking clause (iii).

10 (2) Section 2(d) of such Code is amended by
11 striking “sections 1 and 55” and inserting “section
12 1”.

13 (3) Section 5(a) of such Code is amended by
14 striking paragraph (4).

15 (4) Subsection (c) of section 26 of such Code
16 is amended by inserting before the period “; except
17 that such amount shall be treated as being zero in
18 the case of a taxpayer other than a corporation.”

19 (5) Paragraph (6) of section 29(b) of such Code
20 is amended to read as follows:

21 “(6) APPLICATION WITH OTHER CREDITS.—

22 The credit allowed by subsection (a) for any taxable
23 year shall not exceed the regular tax for the taxable
24 year reduced by the sum of the credits allowable
25 under subpart A and section 27. In the case of a

1 corporation, the limitation under the preceding sen-
2 tence shall be reduced (but not below zero) by the
3 tentative minimum tax for the taxable year.”.

4 (6) Paragraph (3) of section 30(b) of such Code
5 is amended to read as follows:

6 “(3) APPLICATION WITH OTHER CREDITS.—
7 The credit allowed by subsection (a) for any taxable
8 year shall not exceed the regular tax for the taxable
9 year reduced by the sum of the credits allowable
10 under subpart A and sections 27 and 29. In the case
11 of a corporation, the limitation under the preceding
12 sentence shall be reduced (but not below zero) by the
13 tentative minimum tax for the taxable year.”.

14 (7) Section 32 of such Code is amended by
15 striking subsection (h).

16 (8) Subsection (d) of section 53 of such Code
17 is amended to read as follows:

18 “(d) DEFINITIONS.—For purposes of this section—

19 “(1) NET MINIMUM TAX.—The term ‘net min-
20 imum tax’ means the tax imposed by section 55 in-
21 creased by the amount of the credit not allowed
22 under section 29 (relating to credit for producing
23 fuel from a nonconventional source) solely by reason
24 of the application of the last sentence of section
25 29(b)(6), or not allowed under section 30 solely by

1 reason of the application of the last sentence of sec-
 2 tion 30(b)(3).

3 “(2) TENTATIVE MINIMUM TAX.—The term
 4 ‘tentative minimum tax’ has the meaning given to
 5 such term by section 55(b); except that such tax
 6 shall be treated as being zero in the case of a tax-
 7 payer other than a corporation.”.

8 (9)(A) Subsection (b) of section 55 of such
 9 Code (relating to alternative minimum tax imposed)
 10 is amended to read as follows:

11 “(b) TENTATIVE MINIMUM TAX.—For purposes of
 12 this part—

13 “(1) AMOUNT OF TENTATIVE TAX.—The ten-
 14 tative minimum tax for the taxable year is—

15 “(A) 20 percent of so much of the alter-
 16 native minimum taxable income for the taxable
 17 year as exceeds the exemption amount, reduced
 18 by

19 “(B) the alternative minimum tax foreign
 20 tax credit for the taxable year.

21 “(2) ALTERNATIVE MINIMUM TAXABLE IN-
 22 COME.—The term ‘alternative minimum taxable in-
 23 come’ means the taxable income of the taxpayer for
 24 the taxable year—

1 “(A) determined with the adjustments pro-
2 vided in section 56, and

3 “(B) increased by the amount of the items
4 of tax preference described in section 57.

5 If a taxpayer is subject to the regular tax, such tax-
6 payer shall be subject to the tax imposed by this sec-
7 tion (and, if the regular tax is determined by ref-
8 erence to an amount other than taxable income, such
9 amount shall be treated as the taxable income of
10 such taxpayer for purposes of the preceding sen-
11 tence).”.

12 (B) Subsection (d) of section 55 of such Code
13 is amended to read as follows:

14 “(d) EXEMPTION AMOUNT.—For purposes of this
15 section—

16 “(1) IN GENERAL.—The term ‘exemption
17 amount’ means \$40,000.

18 “(2) PHASE-OUT OF EXEMPTION AMOUNT.—
19 The exemption amount of any taxpayer shall be re-
20 duced (but not below zero) by an amount equal to
21 25 percent of the amount by which the alternative
22 minimum taxable income of the taxpayer exceeds
23 \$150,000.”.

24 (10)(A) Paragraph (6) of section 56(a) of such
25 Code is amended to read as follows:

1 “(6) ADJUSTED BASIS.—The adjusted basis of
2 any property to which paragraph (1) or (5) applies
3 (or with respect to which there are any expenditures
4 to which paragraph (2) applies) shall be determined
5 on the basis of the treatment prescribed in para-
6 graph (1), (2), or (5), whichever applies.”.

7 (B) Section 56 of such Code is amended by
8 striking subsection (b).

9 (C) Subsection (c) of section 56 of such Code
10 is amended by striking so much of the subsection as
11 precedes paragraph (1), by redesignating paragraphs
12 (1), (2), and (3) as paragraphs (8), (9), and (10),
13 respectively, and moving them to the end of sub-
14 section (a).

15 (D) Paragraph (8) of section 56(a) of such
16 Code, as redesignating by subparagraph (C), is
17 amended by striking “subsection (g)” and inserting
18 “subsection (c)”.

19 (E) Section 56 of such Code is amended by
20 striking subsection (e) and by redesignating sub-
21 sections (d) and (g) as subsections (b) and (c), re-
22 spectively.

23 (11)(A) Section 58 of such Code is repealed.

24 (B) Clause (i) of section 56(b)(2)(A) of such
25 Code (as redesignated by paragraph (10)(E)), is

1 amended by inserting “, in the case of taxable years
2 beginning before January 1, 2002,” before “section
3 58”.

4 (C) Subsection (h) of section 59 of such Code
5 is amended—

6 (i) by striking “, 465, and 1366(d)” and
7 inserting “and 465”, and

8 (ii) by striking “56, 57, and 58” and in-
9 serting “56 and 57”.

10 (12)(A) Subparagraph (C) of section 59(a)(1)
11 of such Code is amended by striking “subparagraph
12 (A)(i) or (B)(i) of section 55(b)(1) (whichever ap-
13 plies)” and inserting “section 55(b)(1)(A)”.

14 (B) Paragraph (3) of section 59(a) of such
15 Code is amended to read as follows:

16 “(3) PRE-CREDIT TENTATIVE MINIMUM TAX.—
17 For purposes of this subsection, the term ‘pre-credit
18 tentative minimum tax’ means the amount deter-
19 mined under section 55(b)(1)(A).”.

20 (C) Section 59 of such Code is amended by
21 striking subsection (c).

22 (D) Section 59 of such Code is amended by
23 striking subsection (j).

1 (13) Paragraph (7) of section 382(l) of such
2 Code is amended by striking “section 56(d)” and in-
3 serting “section 56(b)”.

4 (14) Paragraph (2) of section 641(c) of such
5 Code is amended by striking subparagraph (B) and
6 by redesignating subparagraphs (C) and (D) as sub-
7 paragraphs (B) and (C), respectively.

8 (15) Subsections (b) and (c) of section 666 of
9 such Code are each amended by striking “(other
10 than the tax imposed by section 55)”.

11 (16) Subsections (c)(5) and (d)(3)(B) of section
12 772 of such Code are each amended by striking “56,
13 57, and 58” and inserting “56 and 57”.

14 (17) Sections 847 and 848(i) of such Code are
15 each amended by striking “section 56(g)” and in-
16 serting “section 56(c)”.

17 (18) Sections 871(b)(1) and 877(b) of such
18 Code are each amended by striking “or 55”.

19 (19) Subsection (a) of section 897 of such Code
20 is amended to read as follows:

21 “(a) GENERAL RULE.—For purposes of this title,
22 gain or loss of a nonresident alien individual or a foreign
23 corporation from the disposition of a United States real
24 property interest shall be taken into account—

1 “(1) in the case of a nonresident alien indi-
2 vidual, under section 871(b)(1), or

3 “(2) in the case of a foreign corporation, under
4 section 882(a)(1),

5 as if the taxpayer were engaged in a trade or business
6 within the United States during the taxable year and as
7 if such gain or loss were effectively connected with such
8 trade or business.”.

9 (20) Paragraph (1) of section 962(a) of such
10 Code is amended by striking “sections 1 and 55”
11 and inserting “section 1”.

12 (21) Paragraph (1) of section 1397E(c) of such
13 Code is amended to read as follows:

14 “(1) the regular tax liability (as defined in sec-
15 tion 26(b), over”

16 (22) The last sentence of section 1563(a) of
17 such Code is amended by striking “section 55(d)(3)”
18 and inserting “section 55(d)(2)”.

19 (23) Subparagraph (B) of section 6015(d)(2) of
20 such Code is amended by striking “or 55”.

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

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