

108TH CONGRESS
1ST SESSION

H. R. 311

To amend the Internal Revenue Code of 1986 to provide a 10 percent maximum capital gains tax for individuals.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 8, 2003

Mr. PENCE (for himself, Mr. TOOMEY, Mrs. MYRICK, Mrs. JO ANN DAVIS of Virginia, Mr. GOODE, Mr. PITTS, Mr. KING of Iowa, Mr. CHOCOLA, Mr. RYUN of Kansas, Mr. TANCREDO, Mr. AKIN, Mr. WILSON of South Carolina, Mr. PEARCE, Mr. HOSTETTLER, Mr. HOEKSTRA, Mr. FEENEY, Mr. SOUDER, Mr. FLAKE, Mr. BURTON of Indiana, Mr. TERRY, Mr. TIAHRT, Mr. SHADEGG, Mr. SESSIONS, Mr. OTTER, Mr. ADERHOLT, Mr. WELDON of Florida, Mr. RYAN of Wisconsin, Mr. BARRETT of South Carolina, Mr. DEMINT, Mr. CULBERSON, Mr. DOOLITTLE, Mr. GARRETT of New Jersey, and Mr. SULLIVAN) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide a 10 percent maximum capital gains tax for 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. SHORT TITLE.**

4 This Act may be cited as the “American Dream Tax
5 Relief Act of 2003”.

1 **SEC. 2. 10 PERCENT MAXIMUM CAPITAL GAINS RATE FOR**
2 **INDIVIDUALS.**

3 (a) IN GENERAL.—Subsection (h) of section 1 of the
4 Internal Revenue Code of 1986 (relating to maximum cap-
5 ital gains rate) is amended to read as follows:

6 “(h) MAXIMUM CAPITAL GAINS RATE.—

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

11 “(A) a tax computed at the rates and in
12 the same manner as if this subsection had not
13 been enacted on taxable income reduced by the
14 net capital gain, and

15 “(B) 10 percent of the net capital gain.

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

22 (b) MINIMUM TAX.—

23 (1) IN GENERAL.—Paragraph (3) of section
24 55(b) of such Code is amended to read as follows:

25 “(3) MAXIMUM RATE OF TAX ON NET CAPITAL
26 GAIN OF NONCORPORATE TAXPAYERS.—The amount

1 determined under the first sentence of paragraph
2 (1)(A)(i) shall not exceed the sum of—

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

8 “(B) 10 percent of the lesser of the net
9 capital gain or the taxable excess.”

10 (2) EXCLUSION OF SECTION 1202 GAIN NOT
11 TREATED AS AN ITEM OF TAX PREFERENCE.—Sub-
12 section (a) of section 57 of such Code is amended
13 by striking paragraph (7).

14 (c) CONFORMING AMENDMENTS.—

15 (1) Subclause (II) of section 53(d)(1)(B)(ii) of
16 such Code is amended by striking “, (5), and (7)”
17 and inserting “and (5)”.

18 (2) Paragraph (1) of section 1445(e) of such
19 Code is amended by striking “20 percent” and in-
20 serting “10 percent”.

21 (3) The second sentence of section
22 7518(g)(6)(A) of such Code is amended by striking
23 “20 percent” and inserting “10 percent”.

1 (4) The second sentence of section 607(h)(6)(A)
2 of the Merchant Marine Act, 1936 is amended by
3 striking “20 percent” and inserting “10 percent”.

4 (d) TRANSITIONAL RULES.—

5 (1) IN GENERAL.—For purposes of applying
6 subsection (h) of section 1 of such Code in the case
7 of a taxable year which includes the date of the en-
8 actment of this Act, the amount of tax determined
9 under such subsection shall be the sum of—

10 (A) the amount determined under such
11 subsection (as in effect on the day before the
12 date of the enactment of this Act) taking into
13 account only gain or loss properly taken into
14 account for the portion of the taxable year be-
15 fore the date of the enactment of this Act, and

16 (B) the amount determined under such
17 subsection (as amended by this Act) taking into
18 account only gain or loss properly taken into
19 account for the portion of the taxable year on
20 or after such date.

21 (2) ALTERNATIVE MINIMUM TAX.—For pur-
22 poses of applying section 55(b)(3) of such Code in
23 the case of such a taxable year, rules similar to the
24 rules of paragraph (1) shall apply.

1 (3) PASS-THRU ENTITIES.—In applying this
2 subsection with respect to any pass-thru entity, the
3 determination of when gains and losses are properly
4 taken into account shall be made at the entity level.

5 (e) EFFECTIVE DATES.—

6 (1) IN GENERAL.—Except as provided in this
7 subsection, the amendments made by this section
8 shall apply to taxable years ending after the date of
9 the enactment of this Act.

10 (2) SMALL BUSINESS STOCK.—The amendment
11 made by subsection (b)(2) shall apply to dispositions
12 on or after the date of the enactment of this Act.

13 (3) WITHHOLDING.—The amendment made by
14 subsection (c)(2) shall apply to amounts paid after
15 the date of the enactment of this Act.

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