

108TH CONGRESS
1ST SESSION

H. R. 496

To amend the Internal Revenue Code of 1986 to allow individuals to defer recognition of reinvested capital gains distributions from regulated investment companies.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 29, 2003

Mr. SAXTON (for himself, Mr. ABERCROMBIE, Mr. AKIN, Mr. ANDREWS, Mrs. CUBIN, Ms. DUNN, Mr. ENGLISH, Mr. FERGUSON, Mr. FOSSELLA, Mrs. JOHNSON of Connecticut, Mr. KOLBE, Mr. LUCAS of Kentucky, Mr. PAUL, Mr. ROHRABACHER, Mr. SHAYS, and Mr. WILSON of South Carolina) 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 allow individuals to defer recognition of reinvested capital gains distributions from regulated investment companies.

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. DEFERRAL OF CERTAIN REINVESTED CAPITAL**

4 **GAIN DIVIDENDS OF REGULATED INVEST-**

5 **MENT COMPANIES.**

6 (a) IN GENERAL.—Part III of subchapter O of chap-

7 ter 1 of the Internal Revenue Code of 1986 (relating to

1 common nontaxable exchanges) is amended by inserting
2 after section 1045 the following new section:

3 **“SEC. 1046. CERTAIN REINVESTED CAPITAL GAIN DIVI-**
4 **DENDS OF REGULATED INVESTMENT COMPA-**
5 **NIES.**

6 “(a) NONRECOGNITION OF GAIN.—In the case of an
7 individual electing the application of this section, no gain
8 shall be recognized on the receipt of a capital gain divi-
9 dend distributed by a regulated investment company to
10 which part I of subchapter M applies if such capital gain
11 dividend is automatically reinvested in additional shares
12 of the company pursuant to a dividend reinvestment plan.

13 “(b) LIMITATION.—

14 “(1) IN GENERAL.—The amount of gain that
15 may be deferred under subsection (a) for any taxable
16 year shall not exceed—

17 “(A) \$3,000, or

18 “(B) in the case of a joint return, twice
19 the amount in subparagraph (A).

20 “(2) INFLATION ADJUSTMENT OF MAXIMUM EX-
21 CLUSION.—

22 “(A) IN GENERAL.—In the case of any
23 taxable year beginning in a calendar year after
24 2003, the amount in paragraph (1)(A) shall be
25 increased by an amount equal to—

1 “(i) such dollar amount, multiplied by

2 “(ii) the cost-of-living adjustment de-
3 termined under section 1(f)(3) for the cal-
4 endar year in which the taxable year be-
5 gins, determined by substituting ‘calendar
6 year 2002’ for ‘calendar year 1992’ in sub-
7 paragraph (B) thereof.

8 “(B) ROUNDING RULES.—The amount in
9 paragraph (1)(A), after adjustment under para-
10 graph (2)(A), shall be rounded to the nearest
11 multiple of \$100.

12 “(c) CAPITAL GAIN DIVIDEND.—For purposes of this
13 section, the term ‘capital gain dividend’ has the meaning
14 given to such term by section 852(b)(3)(C).

15 “(d) RECAPTURE OF PREVIOUSLY DEFERRED CAP-
16 ITAL GAIN DIVIDENDS.—Amounts deferred pursuant to
17 subsection (a) (and not previously recognized under this
18 subsection) shall be recognized upon the subsequent sale
19 or redemption of shares in the distributing company to
20 the extent of the taxpayer’s adjusted basis in the shares
21 so sold or redeemed.

22 “(e) SECTION NOT TO APPLY TO CERTAIN TAX-
23 PAYERS.—No deduction shall be allowed under this section
24 to—

