

108TH CONGRESS
1ST SESSION

H. R. 971

To amend the Internal Revenue Code of 1986 to exclude \$100 of interest from gross income and to raise the threshold for reporting interest paid to \$100.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 27, 2003

Mr. BACHUS 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 exclude \$100 of interest from gross income and to raise the threshold for reporting interest paid to \$100.

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 “Small Savers Relief
5 Act of 2003”.

6 **SEC. 2. EXCLUSION OF INTEREST RECEIVED BY INDIVID-**
7 **UALS.**

8 (a) IN GENERAL.—Part III of subchapter B of chap-
9 ter 1 of the Internal Revenue Code of 1986 (relating to

1 amounts specifically excluded from gross income) is
2 amended by inserting after section 115 the following new
3 section:

4 **“SEC. 116. EXCLUSION OF INTEREST RECEIVED BY INDIVID-**
5 **UALS.**

6 “(a) EXCLUSION FROM GROSS INCOME.—Gross in-
7 come does not include interest received during the taxable
8 year by an individual.

9 “(b) LIMITATION.—The aggregate amount excluded
10 under subsection (a) for any taxable year shall not exceed
11 \$100 (\$200 in the case of a joint return).

12 “(c) INTEREST.—For purposes of this section, the
13 term ‘interest’ means—

14 “(1) interest on deposits with a bank (as de-
15 fined in section 581),

16 “(2) amounts (whether or not designated as in-
17 terest) paid in respect of deposits, investment certifi-
18 cates, or withdrawable or repurchasable shares, by—

19 “(A) a mutual savings bank, cooperative
20 bank, domestic building and loan association,
21 industrial loan association or bank, or credit
22 union, or

23 “(B) any other savings or thrift institution
24 which is chartered and supervised under Fed-
25 eral or State law,

1 the deposits or accounts in which are insured under
2 Federal or State law or which are protected and
3 guaranteed under State law,

4 “(3) interest on—

5 “(A) evidences of indebtedness (including
6 bonds, debentures, notes, and certificates)
7 issued by a domestic corporation in registered
8 form, and

9 “(B) to the extent provided in regulations
10 prescribed by the Secretary, other evidences of
11 indebtedness issued by a domestic corporation
12 of a type offered by corporations to the public,

13 “(4) interest on obligations of the United
14 States, a State, or a political subdivision of a State
15 (not excluded from gross income of the taxpayer
16 under any other provision of law), and

17 “(5) interest attributable to participation shares
18 in a trust established and maintained by a corpora-
19 tion established pursuant to Federal law.

20 “(d) SPECIAL RULES.—For purposes of this sec-
21 tion—

22 “(1) DISTRIBUTIONS FROM REGULATED IN-
23 VESTMENT COMPANIES AND REAL ESTATE INVEST-
24 MENT TRUSTS.—Subsection (a) shall apply with re-
25 spect to distributions by—

1 “(A) regulated investment companies to
2 the extent provided in section 854(c), and

3 “(B) real estate investment trusts to the
4 extent provided in section 857(c).

5 “(2) DISTRIBUTIONS BY A TRUST.—For pur-
6 poses of subsection (a), the amount of interest prop-
7 erly allocable to a beneficiary under section 652 or
8 662 shall be deemed to have been received by the
9 beneficiary ratably on the same date that the inter-
10 est was received by the estate or trust.

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

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

20 “(B) in determining the tax imposed for
21 the taxable year pursuant to section 877(b).”

22 (b) CLERICAL AND CONFORMING AMENDMENTS.—

23 (1) The table of sections for part III of sub-
24 chapter B of chapter 1 of such Code is amended by

1 inserting after the item relating to section 115 the
2 following new item:

“Sec. 116. Exclusion of interest received by individuals who have
attained age 65.”

3 (2) Paragraph (2) of section 265(a) of such
4 Code is amended by inserting before the period at
5 the end thereof the following: “, or to purchase or
6 carry obligations or shares, or to make deposits, to
7 the extent the interest thereon is excludable from
8 gross income under section 116”.

9 (3) Subsection (e) of section 584 of such Code
10 is amended by adding at the end thereof the fol-
11 lowing new sentence:

12 “The proportionate share of each participant in the
13 amount of interest received by the common trust fund and
14 to which section 116 applies shall be considered for pur-
15 poses of such section as having been received by such par-
16 ticipant.”

17 (4) Subsection (a) of section 643 of such Code
18 is amended by redesignating paragraph (7) as para-
19 graph (8) and by inserting after paragraph (6) the
20 following new paragraph:

21 “(7) INTEREST.—There shall be included the
22 amount of any interest excluded from gross income
23 pursuant to section 116.”

1 (5) Section 854 of such Code is amended by
2 adding at the end thereof the following new sub-
3 section:

4 “(c) TREATMENT UNDER SECTION 116.—

5 “(1) IN GENERAL.—For purposes of section
6 116, in the case of any dividend (other than a divi-
7 dend described in subsection (a)) received from a
8 regulated investment company which meets the re-
9 quirements of section 852 for the taxable year in
10 which it paid the dividend—

11 “(A) the entire amount of such dividend
12 shall be treated as interest if the aggregate in-
13 terest received by such company during the tax-
14 able year equals or exceeds 75 percent of its
15 gross income, or

16 “(B) if subparagraph (A) does not apply,
17 a portion of such dividend shall be treated as
18 interest based on the portion of the company’s
19 gross income which consists of aggregate inter-
20 est.

21 For purposes of the preceding sentence, gross in-
22 come and aggregate interest received shall each be
23 reduced by so much of the deduction allowable by
24 section 163 for the taxable year as does not exceed
25 aggregate interest received for the taxable year.

1 “(2) NOTICE TO SHAREHOLDERS.—The amount
2 of any distribution by a regulated investment com-
3 pany which may be taken into account as interest
4 for purposes of the exclusion under section 116 shall
5 not exceed the amount so designated by the com-
6 pany in a written notice to its shareholders mailed
7 not later than 45 days after the close of its taxable
8 year.

9 “(3) DEFINITIONS.—For purposes of this sub-
10 section—

11 “(A) The term ‘gross income’ does not in-
12 clude gain from the sale or other disposition of
13 stock or securities.

14 “(B) The term ‘aggregate interest re-
15 ceived’ includes only interest described in sec-
16 tion 116(e).”

17 (6) Subsection (e) of section 857 of such Code
18 is amended to read as follows:

19 “(c) LIMITATIONS APPLICABLE TO DIVIDENDS RE-
20 CEIVED FROM REAL ESTATE INVESTMENT TRUSTS.—

21 “(1) DENIAL OF DIVIDENDS RECEIVED DEDUC-
22 TION.—For purposes of section 243 (relating to de-
23 ductions for dividends received by corporations), a
24 dividend received from a real estate investment trust

1 which meets the requirements of this part shall not
2 be considered as a dividend.

3 “(2) TREATMENT AS INTEREST.—For purposes
4 of section 116, in the case of a dividend (other than
5 a capital gain dividend, as defined in subsection
6 (b)(3)(C)) received from a real estate investment
7 trust which meets the requirements of this part for
8 the taxable year in which it paid the dividend—

9 “(A) such dividend shall be treated as in-
10 terest if the aggregate interest received by the
11 real estate investment trust for the taxable year
12 equals or exceeds 75 percent of its gross in-
13 come, or

14 “(B) if subparagraph (A) does not apply,
15 the portion of such dividend which bears the
16 same ratio to the amount of such dividend as
17 the aggregate interest received bears to gross
18 income shall be treated as interest.

19 “(3) ADJUSTMENTS TO GROSS INCOME AND AG-
20 GREGATE INTEREST RECEIVED.—For purposes of
21 paragraph (2)—

22 “(A) gross income does not include the net
23 capital gain,

24 “(B) gross income and aggregate interest
25 received shall each be reduced by so much of

1 the deduction allowable by section 163 for the
2 taxable year (other than for interest on mort-
3 gages on real property owned by the real estate
4 investment trust) as does not exceed aggregate
5 interest received by the taxable year, and

6 “(C) gross income shall be reduced by the
7 sum of the taxes imposed by paragraphs (4),
8 (5), and (6) of section 857(b).

9 “(4) AGGREGATE INTEREST RECEIVED.—The
10 term ‘aggregate interest received’ includes only in-
11 terest described in section 116(b).

12 “(5) NOTICE TO SHAREHOLDERS.—The amount
13 of any distribution by a real estate investment trust
14 which may be taken into account as interest for pur-
15 poses of the exclusion under section 116 shall not
16 exceed the amount so designated by the trust in a
17 written notice to its shareholders mailed not later
18 than 45 days after the close of its taxable year.”

19 (c) EFFECTIVE DATE.—The amendments made by
20 this section shall apply with respect to taxable years begin-
21 ning after December 31, 2002.

22 **SEC. 3. INCREASE IN MINIMUM AMOUNT OF INTEREST RE-**
23 **QUIRED TO BE REPORTED.**

24 (a) IN GENERAL.—Subsection (a) of section 6049 of
25 the Internal Revenue Code of 1986 (relating to require-

1 ments for reporting) is amended by striking “\$10” each
2 place it appears and inserting “\$100”.

3 (b) CONFORMING AMENDMENT.—Section
4 6049(d)(5)(C) of such Code is amended—

5 (1) in the text by striking “\$10” and inserting
6 “\$100”, and

7 (2) in the heading by striking “\$10” and insert-
8 ing “\$100”.

9 (c) EFFECTIVE DATE.—The amendments made by
10 this section shall apply with respect to taxable years begin-
11 ning after December 31, 2002.

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