

109TH CONGRESS  
1ST SESSION

# H. R. 1186

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

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 9, 2005

Mr. ENGLISH of Pennsylvania (for himself, Mr. McCRERY, Mr. HULSHOF, Mr. CULBERSON, Mr. SIMMONS, Mr. McCAUL of Texas, Mr. SHAW, Mr. GILLMOR, Mr. KING of New York, Mr. FOSSELLA, Mr. HOSTETTLER, Mr. BAKER, Mr. PAUL, Mr. BEAUPREZ, Mr. NORWOOD, Ms. HART, Mr. SENSENBRENNER, and Mr. SAM JOHNSON of Texas) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

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

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; AMENDMENT OF 1986 CODE.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Alternative Minimum Tax Repeal Act of 2005”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-  
7 wise expressly provided, whenever in this Act an amend-  
8 ment or repeal is expressed in terms of an amendment

1 to, or repeal of, a section or other provision, the reference  
 2 shall be considered to be made to a section or other provi-  
 3 sion of the Internal Revenue Code of 1986.

4 **SEC. 2. ALTERNATIVE MINIMUM TAX.**

5 (a) IN GENERAL.—Part VI of subchapter A of chap-  
 6 ter 1 (relating to alternative minimum tax) is hereby re-  
 7 pealed.

8 (b) USE OF CREDIT FOR PRIOR YEAR MINIMUM TAX  
 9 LIABILITY.—Subsection (c) of section 53 is amended to  
 10 read as follows:

11 “(c) LIMITATIONS.—The credit allowable under sub-  
 12 section (a) for any taxable year shall not exceed 90 percent  
 13 of the regular tax liability of the taxpayer for such taxable  
 14 year reduced by the sum of the credits allowable under  
 15 subparts A, B, D, E, and F of this part.”.

16 (c) CONFORMING AMENDMENTS.—

17 (1) Subparagraph (B) of section 1(g)(7) (relat-  
 18 ing to election to claim certain unearned income of  
 19 child on parent’s return) is amended—

20 (A) by inserting “and” at the end of clause

21 (i),

22 (B) by striking “and” at the end of clause

23 (ii) and inserting a period, and

24 (C) by striking clause (iii).

1           (2) Subsection (d) of section 2 (relating to  
2           taxes imposed on nonresident aliens) is amended by  
3           striking “sections 1 and 55” and inserting “section  
4           1”.

5           (3) Subsection (a) of section 5 (relating to cross  
6           references relating to tax on individuals) is amended  
7           by striking paragraph (4).

8           (4) Subsection (d) of section 11 (relating to  
9           taxes imposed on foreign corporations) is amended  
10          by striking “the taxes imposed by subsection (a) and  
11          section 55” and inserting “the tax imposed by sub-  
12          section (a)”.

13          (5) Section 12 (relating to cross references re-  
14          lating to tax on corporations) is amended by striking  
15          paragraph (7).

16          (6) Subsection (b)(4) of section 23 (relating to  
17          adoption expenses) is amended by striking “plus the  
18          tax imposed by section 55”.

19          (7) Subsection (b)(3) of section 24 (relating to  
20          child tax credit) is amended by striking “plus the  
21          tax imposed by section 55”.

22          (8) Section 25(g)(1) (relating to limitation  
23          based on amount of tax) is amended by striking  
24          “plus the tax imposed by section 55”.

1           (9) Section 26 (relating to limitation based on  
2           tax liability; definition of tax liability) is amended—

3                   (A) by amending subsection (a) to read as  
4           follows:

5           “(a) LIMITATION BASED ON AMOUNT OF TAX.—The  
6           aggregate amount of credits allowed by this subpart (other  
7           than sections 23, 24, and 25B) for the taxable year shall  
8           not exceed the taxpayer’s regular tax liability for the tax-  
9           able year.”,

10                   (B) in subsection (b)(2), by striking sub-  
11           paragraph (A) and by redesignating subpara-  
12           graphs (B) through (S) as subparagraphs (A)  
13           through (R), respectively, and

14                   (C) by striking subsection (c).

15           (10) Paragraph (6) of section 29(b) (relating to  
16           credit for producing fuel from a nonconventional  
17           source) is amended striking “the excess” and all  
18           that follows and inserting “the regular tax for the  
19           taxable year reduced by the sum of the credits allow-  
20           able under subpart A and section 27.”

21           (11) Paragraph (3) of section 30(b) (relating to  
22           credit for qualified electric vehicles) is amended by  
23           striking “the excess” and all that follows and insert-  
24           ing “the regular tax for the taxable year reduced by

1 the sum of the credits allowable under subpart A  
2 and sections 27 and 29.”

3 (12) Subsection (c) of section 38 (relating to  
4 general business credit) is amended—

5 (A) by amending paragraph (1) to read as  
6 follows:

7 “(1) IN GENERAL.—The credit allowed under  
8 subsection (a) for any taxable year shall not exceed  
9 the excess (if any) of—

10 “(A) the taxpayer’s net regular tax liabil-  
11 ity, over

12 “(B) 25 percent of so much of the tax-  
13 payer’s net regular tax liability as exceeds  
14 \$25,000.

15 For purposes of the preceding sentence, the term  
16 ‘net regular tax liability’ means the regular tax li-  
17 ability reduced by the sum of the credits allowable  
18 under subparts A and B of this part.”,

19 (B) in paragraph (2)(A)(ii) by striking  
20 “credit—” and all that follows and inserting  
21 “credit, the limitation under paragraph (1)  
22 shall be reduced by the credit allowed under  
23 subsection (a) for the taxable year (other than  
24 the empowerment zone employment credit or

1 the New York Liberty Zone business employee  
2 credit).”,

3 (C) in paragraph (3)(A)(ii) by striking  
4 “credit—” and all that follows and inserting  
5 “credit, the limitation under paragraph (1)  
6 shall be reduced by the credit allowed under  
7 subsection (a) for the taxable year (other than  
8 the New York Liberty Zone business employee  
9 credit).”,

10 (D) in paragraph (4)(A)(ii) by striking  
11 “credits—” and all that follows and inserting  
12 “credits, the limitation under paragraph (1) (as  
13 modified by subclause (I)) shall be reduced by  
14 the credit allowed under subsection (a) for the  
15 taxable year (other than the specified credits).”.

16 (13) Section 40(g)(6)(B)(iii)(II) is amended by  
17 striking “ or for purposes of section 55”.

18 (14) Paragraph (4) of section 45A(d) (relating  
19 to Indian employment credit) is amended by striking  
20 “for purposes” and all that follows and inserting  
21 “for purposes of determining the amount of any  
22 credit allowable under this chapter.”.

23 (15) Subparagraph (B) of section 45D(g)(4)  
24 (relating to new markets tax credit) is amended by  
25 striking “or for purposes of section 55”.

1           (16) Subparagraph (B) of section 45F(d)(4)  
 2           (relating to employer-provided child care credit) is  
 3           amended by striking “or for purposes of section 55”.

4           (17) Subparagraph (B) of section 45H(g)(3)  
 5           (relating to credit for production of low sulfur diesel  
 6           fuel) is amended by striking “or for purposes of sec-  
 7           tion 55”.

8           (18) Subsection (d) of section 53 (relating to  
 9           credit for prior year minimum tax liability) is  
 10          amended to read as follows:

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

12               “(1) NET MINIMUM TAX.—The term ‘net min-  
 13               imum tax’ means the tax imposed by section 55.

14               “(2) CREDIT NOT ALLOWED FOR EXCLUSION  
 15               PREFERENCES.—

16                       “(A) ADJUSTED NET MINIMUM TAX.—Ex-  
 17                       cept as provided in subparagraph (C), the ad-  
 18                       justed net minimum tax for any taxable year  
 19                       is—

20                               “(i) the amount of the net minimum  
 21                               tax for such taxable year, reduced by

22                               “(ii) the amount which would be the  
 23                               net minimum tax for such taxable year if  
 24                               the only adjustments and items of tax  
 25                               preference taken into account were those

1 specified in subparagraph (B) and if sec-  
 2 tion 59(a)(2) did not apply.

3 “(B) SPECIFIED ITEMS.—The following  
 4 are specified in this subparagraph—

5 “(i) the adjustments provided for in  
 6 subsection (b)(1) of section 56, and

7 “(ii) the items of tax preference de-  
 8 scribed in paragraphs (1), (5) and (7) of  
 9 section 57(a).

10 “(C) CREDIT ALLOWABLE FOR EXCLUSION  
 11 PREFERENCES OF CORPORATIONS.—In the case  
 12 of a corporation, the adjusted net minimum tax  
 13 for any taxable year is the amount of the net  
 14 minimum tax for such year.

15 “(3) TREATMENT OF REFERENCES.—For pur-  
 16 poses of this subsection, references to sections 55,  
 17 56, 57, and 59 shall be treated as references to such  
 18 sections as in effect on the day before the date of  
 19 the enactment of the Alternative Minimum Tax Re-  
 20 peal Act of 2005.”.

21 (19) Subsection (b) of section 59A (relating to  
 22 environmental tax) is amended by adding at the end  
 23 the following:

24 “For purposes of this subsection, references to sections  
 25 55 and 56 shall be treated as references to such sections



1 as in effect on the day before the date of the enactment  
2 of the Alternative Minimum Tax Repeal Act of 2005.”.

3 (20)(A) Paragraph (2) of section 148(b) (relat-  
4 ing to higher yield investments) is amended by add-  
5 ing at the end the following new flush sentence:

6 “Such term shall not include any tax-exempt bond.”

7 (B) Paragraph (3) of section 148(b) is hereby  
8 repealed.

9 (21) Subparagraph (B) of section 149(g)(3)  
10 (relating to hedge bonds) is amended—

11 (A) in the heading, by striking “bonds not  
12 subject to minimum tax.—” and inserting  
13 “bonds.—”, and

14 (B) by striking all that follows “invested in  
15 bonds” and inserting “the interest on which is  
16 not includible in gross income under section  
17 103.”

18 (22) Subsection (j) of section 168 (relating to  
19 accelerated cost recovery system) is amended by  
20 striking paragraph (3).

21 (23) Paragraph (2) of section 168(k) (relating  
22 to special allowance for certain property acquired  
23 after September 10, 2001, and before January 1,  
24 2005) is amended by striking subparagraph (G).

1           (24) Section 173 (relating to circulation ex-  
2           penditures) is amended by striking “(a) General  
3           Rule.—” and by striking subsection (b).

4           (25) Subsection (f) of section 174 (relating to  
5           research and experimental expenditures) is amended  
6           to read as follows:

7           “(f) CROSS REFERENCE.—For adjustments to basis  
8           of property for amounts allowed as deductions as deferred  
9           expenses under subsection (b), see section 1016(a)(14).”.

10          (26) Section 199(d) (relating to income attrib-  
11          utable to domestic production activities) is amended  
12          by striking paragraph (6) and redesignating para-  
13          graph (7) as paragraph (6).

14          (27) Subsection (c) of section 263 (relating to  
15          capital expenditures) is amended by striking “59(e)  
16          or”.

17          (28) Subsection (c) of section 263A (relating to  
18          capitalization and inclusion in inventory costs of cer-  
19          tain expenses) is amended by striking paragraph (6).

20          (29) Section 382(l) (relating to limitation on  
21          net operating loss carryforwards and certain built-in  
22          losses following ownership change) is amended by  
23          striking paragraph (7) and by redesignating para-  
24          graph (8) as paragraph (7).

1           (30) Section 443 (relating to returns for a pe-  
2           riod of less than 12 months) is amended by striking  
3           subsection (d) and by redesignating subsection (e) as  
4           subsection (d).

5           (31) Section 616 (relating to development ex-  
6           penditures) is amended by striking subsection (e).

7           (32) Section 617 (relating to deduction and re-  
8           capture of certain mining exploration expenditures)  
9           is amended by striking subsection (i).

10          (33) Subsection (c) of section 641 (relating to  
11          imposition of tax) is amended—

12                 (A) in paragraph (2) by striking subpara-  
13                 graph (B) and redesignating subparagraphs (C)  
14                 and (D) as subparagraphs (B) and (C), respec-  
15                 tively, and

16                 (B) in paragraph (3), by striking “para-  
17                 graph (2)(C)” and inserting “paragraph  
18                 (2)(B)”.

19          (34) Subsections (b) and (c) of section 666 (re-  
20          lating to accumulation distribution allocated to pre-  
21          ceding years) are each amended by striking “(other  
22          than the tax imposed by section 55)”.

23          (35)(A) Subsection (a) of section 772 (relating  
24          to simplified flow-through) is amended by striking  
25          paragraph (5) and redesignating paragraphs (6),

1 (7), (8), (9), (10), and (11) as paragraphs (5), (6),  
2 (7), (8), (9), and (10), respectively.

3 (B) Subsection (c) of section 772 is amended—

4 (i) in paragraph (2), by striking “para-  
5 graphs (3)(A) and (5)(A)” and inserting “para-  
6 graph (3)(A)”,

7 (ii) by striking paragraph (5), and

8 (iii) by redesignating paragraph (6) as  
9 paragraph (5), and in that paragraph by strik-  
10 ing “paragraph (6) of subsection (a)” and in-  
11 serting “paragraph (5) of subsection (a)”.

12 (C) Subsection (d) of section 772 is amended—

13 (i) by striking paragraph (3) and redesign-  
14 ating paragraphs (4), (5), and (6) as para-  
15 graphs (3), (4), and (5), respectively, and

16 (ii) in subparagraph (A) of paragraph (3),  
17 as so redesignated, by striking “subsection  
18 (a)(11)” and inserting “subsection (a)(10)”.

19 (36) Paragraph (2) of section 815(c) (relating  
20 to distributions to shareholders from pre-1984 pol-  
21 icyholders surplus account) is amended by striking  
22 the last sentence.

23 (37) Section 847 (relating to special estimated  
24 tax payments) is amended—

1 (A) in paragraph (9), by striking the last  
2 sentence;

3 (B) in paragraph (10), by inserting “and”  
4 at the end of subparagraph (A), by striking  
5 subparagraph (B), and by redesignating sub-  
6 paragraph (C) as subparagraph (B).

7 (38) Section 848 (relating to capitalization of  
8 certain policy acquisition expenses) is amended by  
9 striking subsection (i) and by redesignating sub-  
10 section (j) as subsection (i).

11 (39) Subsection (a) of section 860E (relating to  
12 treatment of income in excess of daily accruals on  
13 residual interests) is amended by striking paragraph  
14 (4).

15 (40) Section 860J (relating to non-FASIT  
16 losses not to offset certain FASIT inclusions) is  
17 amended by striking subsection (c) and redesign-  
18 ating subsection (d) as subsection (c).

19 (41) Paragraph (1) of section 871(b) (relating  
20 to tax on nonresident alien individuals) is amended  
21 by striking “or 55”.

22 (42) Subsection (b) of section 877 (relating to  
23 expatriation to avoid tax) is amended by striking “or  
24 55”.

1           (43) Paragraph (1) of section 882(a) (relating  
2       to tax on income of foreign corporations connected  
3       with United States business) is amended by striking  
4       “55,”.

5           (44) Subsection (a) of section 897 (relating to  
6       disposition of investment in United States real prop-  
7       erty) is amended to read as follows:

8       “(a) TREATMENT AS EFFECTIVELY CONNECTED  
9       WITH UNITED STATES TRADE OR BUSINESS.—For pur-  
10      poses of this title, gain or loss of a nonresident alien indi-  
11      vidual or a foreign corporation from the disposition of a  
12      United States real property interest shall be taken into  
13      account—

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

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

18      as if the taxpayer were engaged in a trade or business  
19      within the United States during the taxable year and as  
20      if such gain or loss were effectively connected with such  
21      trade or business.”.

22           (45) Subsection (k) of section 904 (relating to  
23      limitation on credit) is amended to read as follows:

24       “(k) CROSS REFERENCE.—For increase of limitation  
25      under subsection (a) for taxes paid with respect to

1 amounts received which were included in the gross income  
2 of the taxpayer for a prior taxable year as a United States  
3 shareholder with respect to a controlled foreign corpora-  
4 tion, see section 960(b).”.

5 (46) Paragraph (1) of section 962(a) (relating  
6 to election by individuals to be subject to tax at cor-  
7 porate rates) is amended—

8 (A) by striking “sections 1 and 55” and  
9 inserting “section 1”, and

10 (B) by striking “sections 11 and 55” and  
11 inserting “section 11”.

12 (47) Paragraph (1) of section 965(e) (relating  
13 to temporary dividends received deduction) is  
14 amended by striking “determining—” and all that  
15 follows and inserting “determining the amount of  
16 any credit allowable under this chapter.”.

17 (48) Paragraph (20) of section 1016(a) (relat-  
18 ing to adjustments to basis) is amended by inserting  
19 “, as in effect on the day before the date of the en-  
20 actment of the Alternative Minimum Tax Repeal Act  
21 of 2005” after “preferences”).

22 (49) Paragraph (4) of section 1260(b) (relating  
23 to gains from constructive ownership transactions) is  
24 amended by striking “for purposes” and all that fol-

1        lows and inserting “for purposes of determining the  
2        amount of any credit allowable under this chapter.”

3            (50) Paragraph (1) of section 1397E(c) (relat-  
4        ing to credit to holders of qualified zone academy  
5        bonds) is amended by striking “plus the tax imposed  
6        by section 55”.

7            (51) Subsection (f) of section 1400I (relating to  
8        commercial revitalization deduction) is amended by  
9        striking paragraph (4).

10          (52) Paragraph (2) of section 1400L(b) (relat-  
11        ing to tax benefits for New York Liberty Zone) is  
12        amended by striking subparagraph (E).

13          (53) Subsection (a) of section 1561 (relating to  
14        limitations on certain multiple tax benefits in the  
15        case of certain controlled corporations) is amended  
16        by striking the last sentence.

17          (54) Subparagraph (B) of section 6015(d)(2)  
18        (relating to relief from joint and several liability on  
19        joint return) is amended by striking “or 55”.

20          (55) Subparagraph (A) of section 6425(c)(1)  
21        (defining income tax liability) is amended—

22            (A) by inserting “plus” at the end of  
23        clause (i), and

24            (B) by striking clause (ii) and redesign-  
25        nating clause (iii) as clause (ii).



1           (56) Section 6654(d)(2) (relating to failure by  
2 individual to pay estimated income tax) is amend-  
3 ed—

4           (A) in clause (i) of subparagraph (B), by  
5 striking “, alternative minimum taxable in-  
6 come,” and

7           (B) in clause (i) of subparagraph (C), by  
8 striking “, alternative minimum taxable in-  
9 come,”.

10          (57) Subparagraph (A) of section 6655(g)(1)  
11 (relating to failure by corporation to pay estimated  
12 income tax) is amended—

13           (A) by striking clause (ii), and

14           (B) by redesignating clauses (iii) and (iv)  
15 as clauses (ii) and (iii), respectively.

16          (58) Subparagraph (C) of section 6662(e)(3)  
17 (relating to imposition of accuracy-related penalty)  
18 is amended by inserting “, as in effect on the day  
19 before the date of the enactment of the Alternative  
20 Minimum Tax Repeal Act of 2005” after “55(c)”.

21          (59) Paragraph (3) of section 7874(e) (relating  
22 to rules relating to expatriated entities and their for-  
23 eign parents) is amended to read as follows:

1           “(3) COORDINATION WITH SECTION 172.—Rules  
2           similar to the rules of section 860E(a)(3) shall apply  
3           for purposes of subsection (a). ”.

4           (d) CLERICAL AMENDMENT.—The table of parts for  
5           subchapter A of chapter 1 is amended by striking the item  
6           relating to part VI.

7           (e) EFFECTIVE DATE.—The amendments made by  
8           this section shall apply to taxable years beginning after  
9           December 31, 2005.

○