

109TH CONGRESS
1ST SESSION

H. R. 1186

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

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

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).

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

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”.

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".

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).

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”.

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—

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).

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).”.

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).

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

12 (A) in paragraph (2) by striking subparagraph
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 redesi-
14 gnating 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).

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 nating 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.”.

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 ating 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

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

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.

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