

109TH CONGRESS  
1ST SESSION

# H. R. 221

To amend the Internal Revenue Code of 1986 to exclude from gross income certain interest amounts received by individuals.

---

## IN THE HOUSE OF REPRESENTATIVES

JANUARY 4, 2005

Mr. STEARNS 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 from gross income certain interest amounts received by 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 “Simple Savings Tax  
5 Relief Act of 2005”.

6 **SEC. 2. EXEMPTION OF CERTAIN INTEREST INCOME FROM**  
7 **TAX.**

8 (a) IN GENERAL.—Part III of subchapter B of chap-  
9 ter 1 of the Internal Revenue Code of 1986 (relating to  
10 amounts specifically excluded from gross income) is

1 amended by inserting after section 115 the following new  
2 section:

3 **“SEC. 116. PARTIAL EXCLUSION OF INTEREST RECEIVED BY**  
4 **INDIVIDUALS.**

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

9 “(b) LIMITATIONS.—

10 “(1) MAXIMUM AMOUNT.—The aggregate  
11 amount excluded under subsection (a) for any tax-  
12 able year shall not exceed—

13 “(A) in the case of any taxable year begin-  
14 ning in 2005, \$200 (\$400 in the case of a joint  
15 return), and

16 “(B) in the case of any taxable year begin-  
17 ning after 2005, \$400 (twice such amount in  
18 the case of a joint return).

19 “(2) INFLATION ADJUSTMENT.—In the case of  
20 any taxable year beginning after 2006, the \$400  
21 amount contained in paragraph (1)(B) shall be in-  
22 creased by an amount equal to—

23 “(A) such dollar amount, multiplied by

24 “(B) the cost-of-living adjustment deter-  
25 mined under section 1(f)(3) for such calendar

1 year by substituting ‘calendar year 2005’ for  
2 ‘calendar year 1992’ in subparagraph (B)  
3 thereof.

4 If any increase under the preceding sentence is  
5 not a multiple of \$10, such increase shall be  
6 rounded to the nearest multiple of \$10.

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

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

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

14 “(A) a mutual savings bank, cooperative  
15 bank, domestic building and loan association,  
16 industrial loan association or bank, or credit  
17 union, or

18 “(B) any other savings or thrift institution  
19 which is chartered and supervised under Fed-  
20 eral or State law,

21 the deposits or accounts in which are insured under  
22 Federal or State law or which are protected and  
23 guaranteed under State law.

24 “(d) CERTAIN NONRESIDENT ALIENS INELIGIBLE  
25 FOR EXCLUSION.—For purposes of this section, in the

1 case of a nonresident alien individual, subsection (a) shall  
2 apply only in determining the taxes imposed for the tax-  
3 able year pursuant to sections 871(b)(1) and 877(b).”.

4 (b) CONFORMING AMENDMENTS.—

5 (1) Subparagraph (A) of section 32(i)(2) of  
6 such Code is amended by inserting “(determined  
7 without regard to section 116)” before the comma.

8 (2) Subparagraph (B) of section 86(b)(2) of  
9 such Code is amended to read as follows:

10 “(B) increased by the sum of—

11 “(i) the amount of interest received or  
12 accrued by the taxpayer during the taxable  
13 year which is exempt from tax, and

14 “(ii) the amount of interest received  
15 during the taxable year which is excluded  
16 from gross income under section 116.”.

17 (3) Subsection (d) of section 135 of such Code  
18 is amended by redesignating paragraph (4) as para-  
19 graph (5) and by inserting after paragraph (3) the  
20 following new paragraph:

21 “(4) COORDINATION WITH SECTION 116.—This  
22 section shall be applied before section 116.”.

23 (4) Paragraph (2) of section 265(a) of such  
24 Code is amended by inserting before the period “, or  
25 to purchase or carry obligations or shares, or to

1 make deposits, to the extent the interest thereon is  
2 excludable from gross income under section 116”.

3 (5) Subsection (c) of section 584 of such Code  
4 is amended by adding at the end the following new  
5 flush sentence:

6 “The proportionate share of each participant in the  
7 amount of interest received by the common trust fund and  
8 to which section 116 applies shall be considered for pur-  
9 poses of such section as having been received by such par-  
10 ticipant.”.

11 (6) Subsection (a) of section 643 of such Code  
12 is amended by redesignating paragraph (7) as para-  
13 graph (8) and by inserting after paragraph (6) the  
14 following new paragraph:

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

18 (7) The table of sections for part III of sub-  
19 chapter B of chapter 1 of such Code is amended by  
20 inserting after the item relating to section 115 the  
21 following new item:

“Sec. 116. Partial exclusion of dividends and interest received by individuals.”.

22 (c) EFFECTIVE DATE.—The amendments made by  
23 this section shall apply to taxable years beginning after  
24 December 31, 2004.

○