

110TH CONGRESS  
1ST SESSION

# H. R. 3591

To amend the Internal Revenue Code of 1986 to provide that the net capital gain of certain individuals shall not be subject to tax.

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 19, 2007

Mr. LAMPSON 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 provide that the net capital gain of certain individuals shall not be subject to 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.**

4       This Act may be cited as the “Middle Class Investor  
5       Tax Relief Act of 2007”.

6       **SEC. 2. DEDUCTION FOR NET CAPITAL GAIN OF CERTAIN**  
7       **INDIVIDUALS.**

8       (a) IN GENERAL.—Part I of subchapter P of chapter  
9       1 of the Internal Revenue Code of 1986 is amended by  
10      adding at the end the following new section:

1 **“SEC. 1203. DEDUCTION FOR NET CAPITAL GAIN OF CER-**  
 2 **TAIN INDIVIDUALS.**

3 “(a) IN GENERAL.—In the case of an individual,  
 4 there shall be allowed a deduction against gross income  
 5 the amount equal to the taxpayer’s net capital gain for  
 6 such year.

7 “(b) LIMITATION BASED ON ADJUSTED GROSS IN-  
 8 COME.—

9 “(1) IN GENERAL.—The amount which would  
 10 (but for this paragraph) be allowed as a deduction  
 11 under subsection (a) shall be reduced (but not below  
 12 zero) by the amount which bears the same ratio to  
 13 such amount as—

14 “(A) the excess (if any) of—

15 “(i) the taxpayer’s modified adjusted  
 16 gross income for the taxable year, over

17 “(ii) the threshold amount bears to

18 “(B) \$10,000 (\$20,000 in the case of a  
 19 joint return).

20 “(2) THRESHOLD AMOUNT.—For purposes of  
 21 paragraph (1), the threshold amount is \$100,000  
 22 (twice such amount in the case of a joint return).

23 “(3) INFLATION ADJUSTMENT.—In the case of  
 24 any taxable year beginning in a calendar year after  
 25 2008, the \$100,000 amount contained in paragraph  
 26 (1)(B) shall be increased by an amount equal to—

1 “(A) such dollar amount, multiplied by

2 “(B) the cost-of-living adjustment deter-  
3 mined under section 1(f)(3) for the calendar  
4 year in which the taxable year begins, deter-  
5 mined by substituting ‘calendar year 2007’ for  
6 ‘calendar year 1992’ in subparagraph (B)  
7 thereof.

8 Any increase determined under the preceding sen-  
9 tence shall be rounded to the nearest multiple of  
10 \$1,000.

11 “(c) MODIFIED ADJUSTED GROSS INCOME.—For  
12 purposes of this section, the term ‘modified adjusted gross  
13 income’ means adjusted gross income determined—

14 “(1) without regard to this section and sections  
15 199, 911, 931, and 933, and

16 “(2) after application of sections 86, 135, 137,  
17 219, 221, 222, and 469.”.

18 (b) COORDINATION WITH MAXIMUM CAPITAL GAINS  
19 RATES.—Paragraph (2) of section 1(h) of such Code is  
20 amended to read as follows:

21 “(2) REDUCTION OF NET CAPITAL GAIN.—For  
22 purposes of this subsection, the net capital gain for  
23 any taxable year shall be reduced (but not below  
24 zero) by the sum of—

1           “(A) the amount which the taxpayer takes  
2           into account as investment income under sec-  
3           tion 163(d)(4)(B)(iii), and

4           “(B) the deduction allowed by section  
5           1203.”.

6           (c) DEDUCTION ALLOWED WHETHER OR NOT INDIV-  
7           VIDUAL ITEMIZES OTHER DEDUCTIONS.—Subsection (a)  
8           of section 62 of such Code is amended by inserting before  
9           the last sentence the following new paragraph:

10           “(22) NET CAPITAL GAIN OF CERTAIN INDIVID-  
11           UALS.—The deduction allowed by section 1203.”.

12           (d) CONFORMING AMENDMENTS.—

13           (1)     Sections     86(b)(2)(A),     135(c)(4)(A),  
14           137(b)(3)(A), and 221(b)(2)(C)(i) of such Code are  
15           each amended by striking “and 933” and inserting  
16           “933, and 1203”.

17           (2)     Subparagraph (B) of section 172(d)(2) of  
18           such Code is amended to read as follows:

19           “(B) the exclusion under section 1202, and  
20           the deduction under section 1203, shall not be  
21           allowed.”.

22           (3)     Section 219(g)(3)(A)(ii) of such Code is  
23           amended by striking “and 911” and inserting “911,  
24           and 1203”.

1           (4) Section 469(i)(3)(F)(ii) of such Code is  
2           amended by striking “and 137” and inserting “137,  
3           and 1203”.

4           (5) Paragraph (4) of section 691(c) of such  
5           Code is amended by inserting “1203,” after  
6           “1202,”.

7           (6) Paragraph (2) of section 871(a) of such  
8           Code is amended by inserting “or 1203,” after  
9           “1202,”.

10          (7) The table of sections for part I of sub-  
11          chapter P of chapter 1 of such Code is amended by  
12          adding at the end the following new item:

“Sec. 1203. Deduction for net capital gain of certain individuals.”.

13          (e) EFFECTIVE DATE.—The amendments made by  
14          this section shall apply to taxable years beginning after  
15          the date of the enactment of this Act.

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