

Calendar No. 524

110TH CONGRESS
1ST SESSION**S. 2416**

To amend the Internal Revenue Code of 1986 to repeal the alternative minimum tax on individuals and replace it with an alternative tax individuals may choose.

IN THE SENATE OF THE UNITED STATES

DECEMBER 5, 2007

Mr. DEMINT introduced the following bill; which was read the first time

DECEMBER 6, 2007

Read the second time and placed on the calendar

A BILL

To amend the Internal Revenue Code of 1986 to repeal the alternative minimum tax on individuals and replace it with an alternative tax individuals may choose.

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 “Taxpayer Choice Act
5 of 2007”.

1 **SEC. 2. REPEAL OF ALTERNATIVE MINIMUM TAX FOR NON-**
2 **CORPORATE TAXPAYERS.**

3 (a) IN GENERAL.—Section 55(a) of the Internal Rev-
4 enue Code of 1986 (relating to alternative minimum tax
5 imposed) is amended by adding at the end the following
6 new flush sentence:
7 “In the case of a taxpayer other than a corporation, no
8 tax shall be imposed by this section for any taxable year
9 beginning after December 31, 2006, and the tentative
10 minimum tax of any taxpayer other than a corporation
11 for any such taxable year shall be zero for purposes of
12 this title.”.

13 (b) CONFORMING AMENDMENTS.—

14 (1) Section 26(c) of such Code is amended by
15 striking “the term ‘tentative minimum tax’ means
16 the amount determined under section 55(b)(1)” and
17 inserting “the tentative minimum tax is zero.”.

18 (2) Section 911(f)(2) of such Code is amended
19 to read as follows:

20 “(2) the tentative minimum tax under section
21 55 for the taxable year shall be zero.”.

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to taxable years beginning after
24 December 31, 2006.

1 **SEC. 3. SIMPLIFIED INDIVIDUAL INCOME TAX SYSTEM.**

2 (a) IN GENERAL.—Part I of subchapter A of chapter
3 1 of the Internal Revenue Code of 1986 (relating to tax
4 on individuals) is amended by redesignating section 5 as
5 section 6 and by inserting after section 4 the following
6 new section:

7 **“SEC. 5. SIMPLIFIED INDIVIDUAL INCOME TAX SYSTEM.**

8 “(a) ELECTION.—

9 “(1) IN GENERAL.—A taxpayer other than a
10 corporation may elect in accordance with this sub-
11 section to be subject to the tax imposed by this sec-
12 tion in lieu of the tax imposed by section 1 for a tax-
13 able year and all subsequent taxable years.

14 “(2) EFFECT OF ELECTION.—For purposes of
15 this title, if an election is in effect under paragraph
16 (1) for any taxable year, the tax imposed by this sec-
17 tion shall be treated as the tax imposed by section
18 1 for the taxable year.

19 “(3) ELECTION.—

20 “(A) IN GENERAL.—

21 “(i) IN GENERAL.—Except as pro-
22 vided in clause (ii) of this subparagraph
23 and clauses (ii) and (iii) of subparagraph
24 (B), the election under paragraph (1) may
25 only be made with respect to any taxable
26 year beginning before January 1, 2017, on

1 a timely filed return for the first taxable
2 year for which the election applies.

3 “(ii) NEW TAXPAYERS.—In the case
4 of an individual with no tax liability under
5 this title before January 1, 2017, the elec-
6 tion under paragraph (1) may only be
7 made for the first taxable year beginning
8 after December 31, 2016, for which such
9 individual has tax liability under this title.

10 “(B) EFFECT OF ELECTION.—

11 “(i) IN GENERAL.—Except as pro-
12 vided in clauses (ii) and (iii), the election
13 under paragraph (1), once made, shall be
14 irrevocable.

15 “(ii) ONE-TIME REVOCATION OF
16 ELECTION.—A taxpayer may revoke an
17 election under paragraph (1) for a taxable
18 year and all subsequent taxable years. The
19 preceding sentence shall not apply if the
20 taxpayer has made a revocation under such
21 sentence for any prior taxable year.

22 “(iii) FILING STATUS CHANGES DUE
23 TO MAJOR LIFE EVENTS.—In the case of
24 any major life event described in clause
25 (iv), a taxpayer may make an election

under paragraph (1) or revoke such an election under clause (ii). Any such election or revocation shall apply for the taxable year for which made and all subsequent taxable years until the taxpayer makes an election under the preceding sentence for any subsequent (and all succeeding) taxable year.

“(iv) MAJOR LIFE EVENT.—For purposes of clause (iii), a major life event described in this clause is marriage, divorce, and death.

“(b) TAX IMPOSED.—

“(1) MARRIED INDIVIDUALS AND SURVIVING SPOUSES.—In the case of a taxpayer for whom an election under subsection (a) is in effect and who is a married individual (as defined in section 7703) who makes a single return jointly with his spouse under section 6013 or a surviving spouse (as defined in section 2(a)), there is hereby imposed on the alternative taxable income of such individual a tax determined in accordance with the following table:

“If taxable income is:	The tax is:
Not over \$100,000	10% of alternative taxable income.
Over \$100,000	\$10,000, plus 25% of the excess over \$100,000.

1 “(2) UNMARRIED INDIVIDUALS (OTHER THAN
 2 SURVIVING SPOUSES).—In the case of a taxpayer for
 3 whom an election under subsection (a) is in effect
 4 and who is not described in paragraph (1), there is
 5 hereby imposed on the alternative taxable income of
 6 such individual a tax determined in accordance with
 7 the following table:

“If taxable income is:	The tax is:
Not over \$50,000	10% of alternative taxable income.
Over \$50,000	\$5,000, plus 25% of the excess over \$50,000.

8 “(c) MAXIMUM OF TAX ON NET CAPITAL GAIN OF
 9 NONCORPORATE TAXPAYERS.—If a taxpayer has a net
 10 capital gain for the taxable year, the tax imposed by sub-
 11 section (b) for such taxable year shall not exceed the sum
 12 of—

13 “(1) the amount determined under subsection
 14 (b) computed at the rate and in the same manner
 15 as if this paragraph had not been enacted on modi-
 16 fied taxable income reduced by the lesser of—

17 “(A) the net capital gain, or

18 “(B) the adjusted net capital gain, plus

19 “(2) 5 percent (0 percent in the case of taxable
 20 years beginning after 2007) of so much of the ad-
 21 justed net capital gain (or, if less, modified taxable
 22 income) as does not exceed an amount equal to the
 23 excess described in section 1(h)(1)(B), plus

1 “(3) 15 percent of the adjusted net capital gain
 2 (or, if less, modified taxable income) in excess of the
 3 amount on which tax is determined under paragraph
 4 (2).

5 Terms used in this paragraph which are also used in sec-
 6 tion 1(h) shall have the respective meanings given such
 7 terms by section 1(h) but computed with the adjustments
 8 under this section.

9 “(d) ALTERNATIVE TAXABLE INCOME.—For pur-
 10 poses of this section—

11 “(1) IN GENERAL.—The term ‘alternative tax-
 12 able income’ means—

13 “(A) gross income, minus

14 “(B) the sum of—

15 “(i) the personal exemption,

16 “(ii) the dependent allowance, plus

17 “(iii) the alternative standard deduc-
 18 tion.

19 “(2) PERSONAL EXEMPTION.—The personal ex-
 20 emption is—

21 “(A) 200 percent of the dollar amount in
 22 effect under subparagraph (B) in the case of—

23 “(i) a joint return, or

24 “(ii) a surviving spouse (as defined in
 25 section 2(a)), and

1 “(B) \$3,500 in the case of an individual—

2 “(i) who is not married and is not a
3 surviving spouse, or

4 “(ii) who is a married individual filing
5 a separate return.

6 “(3) DEPENDENT ALLOWANCE.—The depend-
7 ent allowance is \$3,500 for each dependent (as de-
8 fined in section 152).

9 “(4) ALTERNATIVE STANDARD DEDUCTION.—
10 The alternative standard deduction means—

11 “(A) \$25,000 in the case of—

12 “(i) a joint return, or

13 “(ii) a surviving spouse (as defined in
14 section 2(a)), and

15 “(B) \$12,500 in the case of an indi-
16 vidual—

17 “(i) who is not married and is not a
18 surviving spouse, or

19 “(ii) who is a married individual filing
20 a separate return.

21 “(e) INFLATION ADJUSTMENTS.—

22 “(1) IN GENERAL.—In the case of any taxable
23 year beginning in a calendar year after 2007, each
24 of the dollar amounts for the rate brackets in sub-
25 section (b) and each of the dollar amounts in sub-

1 section (d)(2)(B), (d)(3), and (d)(4) shall be in-
 2 creased by an amount equal to—

3 “(A) such dollar amount, multiplied by

4 “(B) the cost-of-living adjustment deter-
 5 mined under section 1(f)(3) for the calendar
 6 year in which the taxable year begins, by sub-
 7 stituting ‘calendar year 2006’ for ‘calendar year
 8 1992’ in subparagraph (B) thereof.

9 “(2) ROUNDING.—If any amount as adjusted
 10 under clause (i) is not a multiple of \$100, such
 11 amount shall be rounded to the nearest multiple of
 12 \$100.”.

13 (b) CONFORMING AMENDMENT.—The table of sec-
 14 tions for part I of subchapter A of chapter 1 of such Code
 15 is amended by striking the item relating to section 5 and
 16 inserting after the item relating to section 4 the following:

“Sec. 5. Simplified Individual Income Tax System.

“Sec. 6. Cross references relating to tax on individuals.”.

17 (c) CAPITAL GAINS AND DIVIDENDS RATE MADE
 18 PERMANENT.—The Jobs and Growth Tax Relief Rec-
 19 onciliation Act of 2003 is amended by striking section
 20 303.

21 (d) EFFECTIVE DATE.—The amendments made by
 22 this section shall apply to taxable years beginning after
 23 December 31, 2006.

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