

111TH CONGRESS
2D SESSION

H. R. 5029

To amend the Internal Revenue Code of 1986 to allow the private sector
to create robust levels of economic growth.

IN THE HOUSE OF REPRESENTATIVES

APRIL 15, 2010

Mr. JORDAN of Ohio (for himself and Mr. CHAFFETZ) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Financial Services and Appropriations, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 to allow the
private sector to create robust levels of economic growth.

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 “Economic Freedom
5 Act of 2010”.

1 **SEC. 2. ZERO PERCENT CAPITAL GAINS RATE FOR INDIVID-**
2 **UALS AND CORPORATIONS.**

3 (a) ZERO PERCENT CAPITAL GAINS RATE FOR INDIV-
4 IDUALS.—

5 (1) IN GENERAL.—Paragraph (1) of section
6 1(h) of the Internal Revenue Code of 1986 is
7 amended by striking subparagraph (C), by redesignig-
8 nating subparagraphs (D) and (E) and subpara-
9 graphs (C) and (D), respectively, and by amending
10 subparagraph (B) to read as follows:

11 “(B) 0 percent of the adjusted net capital
12 gain (or, if less, taxable income);”.

13 (2) ALTERNATIVE MINIMUM TAX.—Paragraph
14 (3) of section 55(b) is amended by striking subpara-
15 graph (C), by redesignating subparagraph (D) as
16 subparagraph (C), and by amending subparagraph
17 (B) to read as follows:

18 “(B) 0 percent of the adjusted net capital
19 gain (or, if less, taxable excess), plus”.

20 (3) REPEAL OF SUNSET OF REDUCTION IN CAP-
21 ITAL GAINS RATES FOR INDIVIDUALS.—Section 303
22 of the Jobs and Growth Tax Relief Reconciliation
23 Act of 2003 shall not apply to section 301 of such
24 Act.

25 (b) ZERO PERCENT CAPITAL GAINS RATE FOR COR-
26 PORATIONS.—

1 (1) IN GENERAL.—Section 1201 of the Internal
2 Revenue Code of 1986 is amended by redesignating
3 subsection (b) as subsection (c), and by striking sub-
4 section (a) and inserting the following new sub-
5 sections:

6 “(a) GENERAL RULE.—If for any taxable year a cor-
7 poration has a net capital gain, then, in lieu of the tax
8 imposed by sections 11, 511, 821(a) or (c), and 831(a),
9 there is hereby imposed a tax (if such tax is less than
10 the tax imposed by such sections) which shall consist of
11 the sum of—

12 “(1) a tax computed on the taxable income re-
13 duced by the amount of the net capital gain, at the
14 rates and in the manner as if this subsection had
15 not been enacted,

16 “(2) 0 percent of the adjusted net capital gain
17 (or, if less, taxable income),

18 “(3) 25 percent of the excess (if any) of—

19 “(A) the unrecaptured section 1250 gain
20 (or, if less, the net capital gain (determined
21 without regard to subsection (b)(2)), over

22 “(B) the excess (if any) of—

23 “(i) the sum of the amount on which
24 tax is determined under paragraph (1)
25 plus the net capital gain, over

1 “(ii) taxable income, plus

2 “(4) 28 percent of the amount of taxable in-
3 come in excess of the sum of the amounts on which
4 tax is determined under the preceding paragraphs of
5 this subsection.

6 “(b) DEFINITIONS AND SPECIAL RULES.—For pur-
7 poses of this section—

8 “(1) IN GENERAL.—The terms ‘adjusted net
9 capital gain’ and ‘unrecaptured section 1250 gain’
10 shall have the respective meanings given such terms
11 in section 1(h).

12 “(2) DIVIDENDS TAXED AT NET CAPITAL
13 GAIN.—Except as otherwise provided in this section,
14 the term ‘net capital gain’ has the meaning given
15 such term in section 1(h)(11).”.

16 (2) ALTERNATIVE MINIMUM TAX.—Section
17 55(b) of such Code is amended by adding at the end
18 the following new paragraph:

19 “(4) MAXIMUM RATE OF TAX ON NET CAPITAL
20 GAIN OF CORPORATIONS.—The amount determined
21 under paragraph (1)(B)(i) shall not exceed the sum
22 of—

23 “(A) the amount determined under such
24 paragraph computed at the rates and in the
25 same manner as if this paragraph had not been

1 enacted on the taxable excess reduced by the
2 net capital gain, plus

3 “(B) the amount determined under section
4 1201.”.

5 (3) TECHNICAL AMENDMENTS.—

6 (A) Section 1202(a) of such Code is
7 amended by striking “50 percent” and inserting
8 “100 percent”.

9 (B) Section 1445(e)(1) of such Code is
10 amended by striking “35 percent (or, to the ex-
11 tent provided in regulations, 15 percent)” and
12 inserting “0 percent”.

13 (C) Section 1445(e)(2) of such Code is
14 amended by striking “35 percent” and inserting
15 “0 percent”.

16 (D) Section 7518(g)(6)(A) of such Code is
17 amended by striking “15 percent (34 percent in
18 the case of a corporation)” and inserting “0
19 percent”.

20 (E) Section 607(h)(6)(A) of the Merchant
21 Marine Act, 1936 is amended by striking “15
22 percent (34 percent in the case of a corpora-
23 tion)” and inserting “0 percent”.

24 (c) EFFECTIVE DATE.—

1 (1) IN GENERAL.—Except as provided in para-
 2 graph (2), the amendments made by this section
 3 shall apply to taxable years beginning after Decem-
 4 ber 31, 2009.

5 (2) WITHHOLDING.—The amendments made by
 6 subparagraphs (A) and (B) of subsection (b)(3)
 7 shall take apply to dispositions and distributions
 8 after the date of the enactment of this Act.

9 **SEC. 3. REDUCTION IN CORPORATE INCOME TAX RATES.**

10 (a) IN GENERAL.—Subsection (b) of section 11 of the
 11 Internal Revenue Code of 1986 is amended to read as fol-
 12 lows:

13 “(b) AMOUNT OF TAX.—The amount of the tax im-
 14 posed by subsection (a) shall be 12.5 percent of taxable
 15 income.”.

16 (b) CONFORMING AMENDMENTS.—

17 (1) Section 55(b)(1)(B)(i) of such Code is
 18 amended by striking “20 percent” and inserting
 19 “12.5 percent”.

20 (2) Section 280C(c)(3)(B)(ii)(II) of such Code
 21 is amended by striking “maximum rate of tax under
 22 section 11(b)(1)” and inserting “rate of tax under
 23 section 11(b)”.

1 (3) Section 832(b)(1) of such Code is amended
2 by striking “rates provided in section 11(b)” and in-
3 serting “rate provided in section 11(b)”.

4 (4) Sections 244(a)(2)(B), 247(a)(2)(B),
5 527(b)(1), 835(e), 852(b)(1), 857(b)(4)(A),
6 860G(c)(1), 904(b)(3)(E)(ii)(II), and 1375(a) of
7 such Code is amended by striking “highest rate of
8 tax” and inserting “rate of tax”.

9 (5) Sections 860E(e)(2)(B), 860E(e)(6)(A)(ii),
10 860K(d)(2)(A)(ii), 860K(e)(1)(B)(ii),
11 1446(b)(2)(B), and 7874(e)(1)(B) of such Code are
12 each amended by striking “highest rate of tax speci-
13 fied in section 11(b)(1)” and inserting “rate of tax
14 specified in section 11(b)”.

15 (6) Section 904(b)(3)(D)(ii) of such Code is
16 amended by striking “(determined without regard to
17 the last sentence of section 11(b)(1))”.

18 (7) Section 962 of such Code is amended by
19 striking subsection (c) and by redesignating sub-
20 section (d) as subsection (c).

21 (8) Section 1201(a) of such Code is amended—

22 (A) by striking “35 percent (determined
23 without regard to the last 2 sentences of section
24 11(b)(1))” and inserting “15 percent”, and

1 (B) by striking “35 percent” in paragraph
2 (2) and inserting “15 percent”.

3 (9) Section 1561(a) of such Code is amended—

4 (A) by striking paragraph (1) and by re-
5 designating paragraphs (2), (3), and (4) as
6 paragraphs (1), (2), and (3), respectively,

7 (B) by striking “The amounts specified in
8 paragraph (1), the” and inserting “The”,

9 (C) by striking “paragraph (2)” and in-
10 sserting “paragraph (1)”,

11 (D) by striking “paragraph (3)” both
12 places it appears and inserting “paragraph
13 (2)”,

14 (E) by striking “paragraph (4)” and in-
15 sserting “paragraph (3)”, and

16 (F) by striking the fourth sentence.

17 (10) Subsection (b) of section 1561 of such
18 Code is amended to read as follows:

19 “(b) CERTAIN SHORT TAXABLE YEARS.—If a cor-
20 poration has a short taxable year which does not include
21 a December 31 and is a component member of a controlled
22 group of corporations with respect to such taxable year,
23 then for purposes of this subtitle, the amount to be used
24 in computing the accumulated earnings credit under sec-
25 tion 535(c)(2) and (3) of such corporation for such taxable

1 year shall be the amount specified in subsection (a)(1) di-
 2 vided by the number of corporations which are component
 3 members of such group on the last day of such taxable
 4 year. For purposes of the preceding sentence, section
 5 1563(b) shall be applied as if such last day were sub-
 6 stituted for December 31.”.

7 (c) EFFECTIVE DATE.—The amendments made by
 8 this section shall apply to taxable years beginning after
 9 December 31, 2009.

10 **SEC. 4. ESTATE TAX REPEAL MADE PERMANENT.**

11 Section 901 of the Economic Growth and Tax Relief
 12 Reconciliation Act of 2001 shall not apply to title V of
 13 such Act.

14 **SEC. 5. ELECTION TO EXPENSE BUSINESS ASSETS.**

15 (a) IN GENERAL.—Section 179 of the Internal Rev-
 16 enue Code of 1986 is amended to read as follows:

17 **“SEC. 179. ELECTION TO EXPENSE CERTAIN DEPRECIABLE**
 18 **BUSINESS ASSETS.**

19 “(a) TREATMENT AS EXPENSES.—A taxpayer may
 20 elect to treat the cost of any property to which this section
 21 applies as an expense which is not chargeable to capital
 22 account. Any cost so treated shall be allowed as a deduc-
 23 tion for the taxable year in which such property is placed
 24 in service.

25 “(b) PROPERTY TO WHICH SECTION APPLIES.—

1 “(1) IN GENERAL.—This section shall apply to
2 property—

3 “(A) which is—

4 “(i) tangible property (to which sec-
5 tion 168 applies), or

6 “(ii) computer software (as defined in
7 section 197(e)(3)(B)) which is described in
8 section 197(e)(3)(A)(i), to which section
9 167 applies,

10 “(B) which is section 1245 property (as
11 defined in section 1245(a)(3)) or 1250 property
12 (as defined in section 1250(c)), and

13 “(C) which is acquired by purchase for use
14 in the active conduct of a trade or business.

15 Such term shall not include any property described
16 in section 50(b) and shall not include air condi-
17 tioning or heating units.

18 “(2) PURCHASE DEFINED.—For purposes of
19 paragraph (1), the term ‘purchase’ means any acqui-
20 sition of property, but only if—

21 “(A) the property is not acquired from a
22 person whose relationship to the person acquir-
23 ing it would result in the disallowance of losses
24 under section 267 or 707(b) (but, in applying
25 section 267(b) and (c) for purposes of this sec-

1 tion, paragraph (4) of section 267(c) shall be
2 treated as providing that the family of an indi-
3 vidual shall include only his spouse, ancestors,
4 and lineal descendants),

5 “(B) the property is not acquired by one
6 component member of a controlled group from
7 another component member of the same con-
8 trolled group, and

9 “(C) the basis of the property in the hands
10 of the person acquiring it is not determined—

11 “(i) in whole or in part by reference
12 to the adjusted basis of such property in
13 the hands of the person from whom ac-
14 quired, or

15 “(ii) under section 1014(a) (relating
16 to property acquired from a decedent).

17 “(3) COST.—For purposes of this section, the
18 cost of property does not include so much of the
19 basis of such property as is determined by reference
20 to the basis of other property held at any time by
21 the person acquiring such property.

22 “(4) CONTROLLED GROUP DEFINED.—For pur-
23 poses of this section, the term ‘controlled group’ has
24 the meaning assigned to it by section 1563(a), ex-
25 cept that, for such purposes, the phrase ‘more than

1 50 percent’ shall be substituted for the phrase ‘at
 2 least 80 percent’ each place it appears in section
 3 1563(a)(1).

4 “(5) COORDINATION WITH SECTION 38.—No
 5 credit shall be allowed under section 38 with respect
 6 to any amount for which a deduction is allowed
 7 under subsection (a).

8 “(6) RECAPTURE IN CERTAIN CASES.—The
 9 Secretary shall, by regulations, provide for recap-
 10 turing the benefit under any deduction allowable
 11 under subsection (a) with respect to any property
 12 which is not used predominantly in a trade or busi-
 13 ness at any time.

14 “(c) ELECTION.—

15 “(1) IN GENERAL.—An election under this sec-
 16 tion for any taxable year shall—

17 “(A) specify the items of property to which
 18 the election applies, and

19 “(B) be made on the taxpayer’s return of
 20 the tax imposed by this chapter for the taxable
 21 year.

22 Such election shall be made in such manner as the
 23 Secretary may by regulations prescribe.

24 “(2) ELECTION IRREVOCABLE.—Any election
 25 made under this section, and any specification con-

1 tained in any such election, may not be revoked ex-
 2 cept with the consent of the Secretary.”.

3 (b) **EFFECTIVE DATE.**—The amendment made by
 4 this section shall apply to property placed in service after
 5 the date of the enactment of this Act.

6 **SEC. 6. PAYROLL TAX DECREASE FOR 2010.**

7 (a) **EMPLOYEES.**—Section 3101 of the Internal Rev-
 8 enue Code of 1986 is amended by adding at the end the
 9 following new subsection:

10 “(d) **REDUCTION IN TAX RATE FOR 2010.**—In the
 11 case of wages received during calendar year 2010—

12 “(1) subsection (a) shall be applied by sub-
 13 stituting ‘3.1 percent’ for ‘6.2 percent’ in the table
 14 contained therein, and

15 “(2) subsection (b) shall be applied by sub-
 16 stituting ‘0.725 percent’ for ‘1.45 percent’ in para-
 17 graph (6) thereof.”.

18 (b) **EMPLOYERS.**—Section 3111 of such Code is
 19 amended by adding at the end the following new sub-
 20 section:

21 “(d) **REDUCTION IN TAX RATE FOR 2010.**—In the
 22 case of wages paid during calendar year 2010—

23 “(1) subsection (a) shall be applied by sub-
 24 stituting ‘3.1 percent’ for ‘6.2 percent’ in the table
 25 contained therein, and

1 “(2) subsection (b) shall be applied by sub-
 2 stituting ‘0.725 percent’ for ‘1.45 percent’ in para-
 3 graph (6) thereof.”.

4 (c) SELF-EMPLOYMENT.—Section 1401 of such Code
 5 is amended by adding at the end the following new sub-
 6 section:

7 “(d) REDUCTION IN TAX RATE FOR 2010.—In the
 8 case of a taxable year beginning in 2010—

9 “(1) subsection (a) shall be applied by sub-
 10 stituting ‘6.2 percent’ for ‘12.4 percent’ in the table
 11 contained therein, and

12 “(2) subsection (b) shall be applied by sub-
 13 stituting ‘1.45 percent’ for ‘2.90 percent’ in para-
 14 graph (6) thereof.”.

15 (d) EFFECTIVE DATE.—

16 (1) IN GENERAL.—Except as provided by para-
 17 graph (2), the amendments made by this section
 18 shall apply with respect to remuneration paid after
 19 December 31, 2009.

20 (2) SELF-EMPLOYMENT.—The amendment
 21 made by subsection (c) shall apply to taxable years
 22 beginning after December 31, 2009.

23 **SEC. 7. RESCISSION AND REPEAL IN ARRA.**

24 (a) RESCISSION.—Of the discretionary appropria-
 25 tions made available in division A of the American Recov-

1 ery and Reinvestment Act of 2009 (Public Law 111–5),
 2 all unobligated balances are rescinded.

3 (b) REPEAL.—Subtitles B and C of title II and titles
 4 III through VII of division B of the American Recovery
 5 and Reinvestment Act of 2009 (Public Law 111–5) are
 6 repealed.

7 **SEC. 8. TERMINATION OF TARP AUTHORITY.**

8 Section 120 of the Emergency Economic Stabilization
 9 Act of 2008 (12 U.S.C. 5230) is amended to read as fol-
 10 lows:

11 **“SEC. 120. TERMINATION OF AUTHORITY.**

12 “The authorities provided under sections 101(a), ex-
 13 cluding section 101(a)(3), and 102 shall terminate on the
 14 date of the enactment of the Economic Freedom Act of
 15 2010.”.

16 **SEC. 9. REQUIRING THE SALE OF STOCK AND WARRANTS**
 17 **RECEIVED UNDER TARP.**

18 Not later than the end of the 1-year period beginning
 19 on the date of the enactment of this Act, the Secretary
 20 of the Treasury shall sell all stock and warrants acquired
 21 by the Secretary under the Troubled Asset Relief Program
 22 under title I of the Emergency Economic Stabilization Act
 23 of 2008 (12 U.S.C. 5211 et seq.).

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