

113TH CONGRESS
1ST SESSION

S. 1616

To amend the Internal Revenue Code of 1986 to provide for simplification,
to reduce the number of tax brackets, and for other purposes.

IN THE SENATE OF THE UNITED STATES

OCTOBER 30, 2013

Mr. LEE introduced the following bill; which was read twice and referred to
the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide
for simplification, to reduce the number of tax brackets,
and for other purposes.

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 “Family Fairness and
5 Opportunity Tax Reform Act”.

6 **SEC. 2. CONSOLIDATION OF TAX BRACKETS AND MODIFICA-**
7 **TIONS TO TAX RATES.**

8 (a) IN GENERAL.—Section 1 of the Internal Revenue
9 Code of 1986 is amended by striking subsections (a)
10 through (d) and inserting the following:

1 “(a) IN GENERAL.—There is hereby imposed on the
 2 taxable income of every individual a tax determined in ac-
 3 cordance with the following table:

“If taxable income is:	The tax is:
Not over the first bracket dollar limit.	15% of taxable income.
Over the first bracket dollar limit	An amount equal to 15% of the first bracket dollar limit, plus 35% of the excess over such first bracket dollar limit.

4 “(b) FIRST BRACKET DOLLAR LIMIT.—For purposes
 5 of this section, the first bracket dollar limit is—

6 “(1) in the case of—

7 “(A) a married individual (as defined in
 8 section 7703) who makes a single return jointly
 9 with the individual’s spouse under section 6013,
 10 or

11 “(B) a surviving spouse (as defined in sec-
 12 tion 2(a)),
 13 200 percent of the amount determined under para-
 14 graph (2), and

15 “(2) in the case of any other individual,
 16 \$87,850.

17 “(c) INFLATION ADJUSTMENT FOR RATES APPLICA-
 18 BLE TO INDIVIDUALS.—

19 “(1) IN GENERAL.—In the case of any taxable
 20 year beginning in a calendar year after 2013, the
 21 dollar amount in subsection (b)(2) shall be increased
 22 by an amount equal to—

1 “(A) such dollar amount, multiplied by

2 “(B) the cost-of-living adjustment deter-
 3 mined under subsection (f)(3) for the calendar
 4 year in which the taxable year begins, by sub-
 5 stituting ‘calendar year 2012’ for ‘calendar year
 6 1992’ in subparagraph (B) thereof.

7 “(2) ROUNDING.—If any increase determined
 8 under paragraph (1) is not a multiple of \$50, such
 9 amount shall be rounded to the next lowest multiple
 10 of \$50.”.

11 (b) TREATMENT OF CAPITAL GAINS RATE.—

12 (1) ZERO PERCENT RATE.—Clause (i) of sec-
 13 tion 1(h)(1)(B) of the Internal Revenue Code of
 14 1986 is amended to read as follows:

15 “(i) \$36,250 (200 percent of such
 16 amount in the case of a joint return or a
 17 surviving spouse (as defined in section
 18 2(a))), over”.

19 (2) 20 PERCENT RATE.—Subclause (I) of sec-
 20 tion 1(h)(1)(C)(ii) of such Code is amended to read
 21 as follows:

22 “(I) \$400,000 (\$450,000 in the
 23 case of a joint return or a surviving
 24 spouse (as defined in section 2(a))),
 25 over”.

(3) INFLATION ADJUSTMENT.—Subsection (h) of section 1 of such Code is amended by adding at the end the following new paragraph:

“(12) INFLATION ADJUSTMENT.—

“(A) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2013, each of the dollar amounts in subparagraphs (B)(i) and (C)(ii)(I) of paragraph (1) shall be increased by an amount equal to—

“(i) such dollar amount, multiplied by

“(ii) the cost-of-living adjustment determined under subsection (f)(3) for the calendar year in which the taxable year begins, by substituting ‘calendar year 2012’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(B) ROUNDING.—If any increase determined under paragraph (1) is not a multiple of \$50, such amount shall be rounded to the next lowest multiple of \$50.”.

(c) CONFORMING AMENDMENTS.—

(1) Subsection (f) of section 1 of such Code is amended—

1 (A) by striking the heading and inserting
 2 “INFLATION ADJUSTMENTS FOR ESTATES AND
 3 TRUSTS”,

4 (B) in paragraph (1), by striking “sub-
 5 sections (a), (b), (c), (d), and (e)” and inserting
 6 “subsection (e)”,

7 (C) in paragraph (2)—

8 (i) by striking “subsection (a), (b),
 9 (c), (d), and (e), as the case may be,” and
 10 inserting “subsection (e)”, and

11 (ii) by striking “except as provided in
 12 paragraph (8),”, and

13 (D) by striking paragraphs (6), (7), and
 14 (8) and inserting the following:

15 “(6) ROUNDING.—If any increase determined
 16 under paragraph (2)(A) is not a multiple of \$50,
 17 such increase shall be rounded to the next lowest
 18 multiple of \$50.”.

19 (2) Section 1 of such Code is amended by strik-
 20 ing subsection (i).

21 (3) Section 2 of such Code is amended by strik-
 22 ing subsection (b).

23 (4) Paragraph (2) of section 25B(b) of the In-
 24 ternal Revenue Code of 1986 is amended to read as
 25 follows:

1 “(2) OTHER RETURNS.—In the case of any tax-
 2 payer not described in paragraph (1), the applicable
 3 percentage shall be determined under paragraph (1)
 4 except that such paragraph shall be applied by sub-
 5 stituting for each dollar amount therein (as adjusted
 6 under paragraph (3)) a dollar amount equal to 50
 7 percent of such dollar amount.”.

8 (d) EFFECTIVE DATE.—The amendments made by
 9 this section shall apply to taxable years beginning after
 10 December 31, 2013.

11 **SEC. 3. REPEAL OF ALTERNATIVE MINIMUM TAX.**

12 (a) IN GENERAL.—Subsection (a) of section 55 of the
 13 Internal Revenue Code of 1986 is amended by adding at
 14 the end the following new flush sentence:

15 “No tax shall be imposed by this section for any taxable
 16 year beginning after December 31, 2013, and the tentative
 17 minimum tax of any taxpayer for any such taxable year
 18 shall be zero for purposes of this title.”.

19 (b) EFFECTIVE DATE.—The amendment made by
 20 this section shall apply to taxable years beginning after
 21 December 31, 2013.

22 **SEC. 4. ADDITIONAL CHILD TAX CREDIT.**

23 (a) IN GENERAL.—Section 24 of the Internal Rev-
 24 enue Code of 1986 is amended by adding at the end the
 25 following new subsection:

1 “(g) ADDITIONAL REFUNDABLE CREDIT.—

2 “(1) IN GENERAL.—In addition to the amount
3 allowed under subsection (a), there shall be allowed
4 as a credit against tax imposed by this chapter for
5 the taxable year with respect to each qualifying child
6 of the taxpayer an amount equal to \$2,500.

7 “(2) INFLATION ADJUSTMENT.—

8 “(A) IN GENERAL.—In the case of any
9 taxable year beginning in a calendar year after
10 2013, the dollar amount in paragraph (1) shall
11 be the greater of the amount in effect under
12 such paragraph for the preceding taxable year
13 or the amount determined under subparagraph
14 (B).

15 “(B) ADJUSTMENT.—

16 “(i) IN GENERAL.—Not later than
17 November 1 of 2013, and each subsequent
18 calendar year, the Secretary shall make
19 and publish the determination under this
20 subparagraph for the succeeding calendar
21 year.

22 “(ii) AMOUNT DETERMINED.—The
23 amount determined under this subpara-
24 graph for any calendar year is an amount
25 equal to—

1 “(I) \$2,500, multiplied by

2 “(II) the ratio of the national av-
 3 erage wage index (as defined in sec-
 4 tion 209(k)(1) of the Social Security
 5 Act) for the calendar year before the
 6 calendar year in which the determina-
 7 tion under this subparagraph is made
 8 to the national average wage index (as
 9 so defined) for 2012.

10 “(iii) ROUNDING.—If any increase de-
 11 termined under clause (i) is not a multiple
 12 of \$50, such amount shall be rounded to
 13 the next lowest multiple of \$50.

14 “(3) PORTION OF ADDITIONAL CREDIT RE-
 15 FUNDABLE.—

16 “(A) IN GENERAL.—The aggregate credits
 17 allowed to a taxpayer under subpart C shall be
 18 increased by the lesser of—

19 “(i) the credit which would be allowed
 20 under this section without regard to this
 21 subsection and the limitation under section
 22 26(a), or

23 “(ii) the amount by which the aggre-
 24 gate amount of credits allowed by this sub-
 25 part (determined without regard to this

subsection) would increase if the limitation imposed by section 26(a) were increased by the excess (if any) of—

“(I) the taxpayer’s social security taxes for the taxable year, over

“(II) the credit allowed under section 32 for the taxable year.

The amount of the credit allowed under this paragraph shall not be treated as a credit allowed under this subpart and shall reduce the amount of credit otherwise allowable under paragraph (1) without regard to section 26(a).

“(B) SOCIAL SECURITY TAXES.—For purposes of subparagraph (A), the term ‘social security taxes’ has the meaning given such term under subsection (d)(2), except that—

“(i) such term shall include the amount of taxes imposed by section 3111 and 3221(a) on amounts paid with respect to such taxpayer during the calendar year in which the taxable year begins, and

“(ii) in applying clauses (ii) and (iii) of subparagraph (A) thereof, ‘100 percent’

1 shall be substituted for ‘50 percent’ each
2 place it appears.

3 “(C) COORDINATION WITH SUBSECTION
4 (a).—For purposes of this title, the amount of
5 any refundable credit allowed by reason of sub-
6 section (d) shall be taken into account before
7 the application of this paragraph.”.

8 (b) CONFORMING AMENDMENTS.—

9 (1) Subsection (a) of section 24 of the Internal
10 Revenue Code of 1986 is amended by striking “for
11 which the taxpayer is allowed a deduction under sec-
12 tion 151”.

13 (2) Subparagraph (A) of section 24(d)(1) of
14 such Code is amended by striking “section” and in-
15 serting “subsection (a)”.

16 (c) EFFECTIVE DATE.—The amendment made by
17 this section shall apply to taxable years beginning after
18 December 31, 2013.

19 **SEC. 5. PERSONAL CREDIT.**

20 (a) IN GENERAL.—

21 (1) ALLOWANCE OF CREDIT.—Subpart A of
22 part IV of subchapter A of chapter 1 of the Internal
23 Revenue Code of 1986 is amended by inserting after
24 section 25D the following new section:

1 **“SEC. 25E. PERSONAL CREDIT.**

2 “(a) ALLOWANCE OF CREDIT.—In the case of an in-
3 dividual, there shall be allowed a credit against the tax
4 imposed by this chapter for the taxable year an amount
5 equal to—

6 “(1) in the case of an individual who does not
7 file a joint return, \$2,000, and

8 “(2) in the case of an individual who files a
9 joint return or a surviving spouse (as defined in sec-
10 tion 2(a)), 200 percent of the amount in effect
11 under paragraph (1).

12 “(b) LIMITATION.—No credit shall be allowed under
13 subsection (a) to any individual who is a qualifying child
14 (as defined in section 24(c)) with respect to whom a credit
15 is allowed under section 24 to another taxpayer for any
16 taxable year beginning in the same calendar year as such
17 taxable year.

18 “(c) INFLATION ADJUSTMENT.—

19 “(1) IN GENERAL.—In the case of any taxable
20 year beginning in a calendar year after 2013, the
21 dollar amount under subsection (a)(1) 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 the calendar
26 year in which the taxable year begins, by sub-

3 “(2) ROUNDING.—If any increase determined
4 under paragraph (1) is not a multiple of \$50, such
5 amount shall be rounded to the next lowest multiple
6 of \$50.”.

7 (2) CONFORMING AMENDMENT.—The table of
8 sections for subpart A of part IV of subchapter A
9 of chapter 1 of such Code is amended by inserting
10 after the item relating to section 25D the following
11 new item:

(b) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2013.

15 SEC. 6. REPEAL OF STANDARD DEDUCTION, CERTAIN PER-
16 SONAL EXEMPTIONS, AND ITEMIZED DEDUC-
17 TIONS OTHER THAN THE MORTGAGE INTER-
18 EST DEDUCTION AND CHARITABLE CON-
19 TRIBUTION DEDUCTION.

20 (a) REPEAL OF STANDARD DEDUCTION AND
21 ITEMIZED DEDUCTIONS.—

(1) IN GENERAL.—Section 63 of the Internal Revenue Code of 1986 is amended by striking subsections (b) through (g) and inserting the following:

1 “(b) ITEMIZED DEDUCTIONS NOT ALLOWED FOR IN-
2 DIVIDUALS.—

3 “(1) IN GENERAL.—In the case of an indi-
4 vidual, no deduction shall be allowed for any
5 itemized deduction.

6 “(2) ITEMIZED DEDUCTIONS.—For purposes of
7 this subtitle, the term ‘itemized deductions’ means
8 the deductions allowable under this chapter other
9 than—

10 “(A) the deduction for qualified residence
11 interest (as defined in section 163(h)(3)),

12 “(B) the deduction allowed under section
13 170, and

14 “(C) any other deductions allowable in ar-
15 riving at adjusted gross income.”.

16 (2) CONFORMING AMENDMENT.—Subsection (a)
17 of section 63 is amended by striking “(other than
18 the standard deduction)”.

19 (b) REPEAL OF PERSONAL EXEMPTIONS FOR TAX-
20 PAYER AND SPOUSE.—Section 151 of such Code is amend-
21 ed by striking subsection (b).

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to taxable years beginning after
24 December 31, 2013.

1 **SEC. 7. MODIFICATIONS TO MORTGAGE INTEREST DEDUC-**
 2 **TION.**

3 (a) IN GENERAL.—Clause (ii) of section
 4 163(h)(3)(B) of the Internal Revenue Code of 1986 is
 5 amended—

6 (1) by striking “\$1,000,000 (\$500,000 in the
 7 case of a married individual filing a separate return”
 8 and inserting “\$300,000”, and

9 (2) by striking “\$1,000,000” in the heading
 10 and inserting “\$300,000”.

11 (b) EFFECTIVE DATE.—The amendments made by
 12 this section shall apply to indebtedness incurred in taxable
 13 years beginning after December 31, 2013.

14 **SEC. 8. REPEAL OF ADDITIONAL HEALTH TAXES.**

15 (a) REPEAL OF ADDITIONAL HOSPITAL INSURANCE
 16 TAX ON HIGH-INCOME TAXPAYERS.—

17 (1) FICA.—

18 (A) IN GENERAL.—Section 3101(b) of the
 19 Internal Revenue Code of 1986 is amended to
 20 read as follows:

21 “(b) HOSPITAL INSURANCE.—In addition to the tax
 22 imposed by the preceding subsection, there is hereby im-
 23 posed on the income of every individual a tax equal to 1.45
 24 percent of the wages (as defined in section 3121(a)) re-
 25 ceived by him with respect to employment (as defined in
 26 section 3121(b)).”.

1 (B) CONFORMING AMENDMENTS.—

2 (i) Section 3102 of such Code is
3 amended by striking subsection (f).

4 (ii) Section 6654 of the Internal Rev-
5 enue Code of 1986 is amended by striking
6 subsection (m) and by redesignating sub-
7 sections (n) as subsection (m).

8 (2) SECA.—

9 (A) IN GENERAL.—Section 1401(b) of the
10 Internal Revenue Code of 1986 is amended to
11 read as follows:

12 “(b) HOSPITAL INSURANCE.—In addition to the tax
13 imposed by the preceding subsection, there is hereby im-
14 posed for each taxable year, on the self-employment in-
15 come of every individual, a tax equal to 2.90 percent of
16 the amount of the self-employment income for such tax-
17 able year.”.

18 (B) CONFORMING AMENDMENTS.—

19 (i) Section 164(f) of such Code is
20 amended by striking “(other than the taxes
21 imposed by section 1402(b)(2))”.

22 (ii) Section 1402(a)(12)(B) of such
23 Code is amended by striking “(determined
24 without regard to the rate imposed under
25 paragraph (2) of section 1401(b))”.

1 (3) EFFECTIVE DATE.—The amendments made
 2 by this subsection shall apply with respect to remuneration received, and taxable years beginning after,
 3 December 31, 2013.

5 (b) REPEAL OF UNEARNED INCOME MEDICARE CONTRIBUTION.—

7 (1) IN GENERAL.—Subtitle A of the Internal
 8 Revenue Code of 1986 is amended by striking chapter
 9 2A.

10 (2) CONFORMING AMENDMENTS.—

11 (A) Section 6654 of the Internal Revenue
 12 Code of 1986 is amended—

13 (i) in subsection (a), by striking “the
 14 tax under chapter 2, and the tax under
 15 chapter 2A” and inserting “and the tax
 16 imposed under chapter 2”, and

17 (ii) in subsection (f)—

18 (I) by striking paragraph (3) and
 19 redesignating paragraph (4) as paragraph (3), and
 20

21 (II) by striking “plus” at the end
 22 of paragraph (2) and inserting
 23 “minus”.

1 (B) The table of chapters for subchapter A
 2 of chapter 1 of such Code is amended by strik-
 3 ing the item relating to chapter 2A.

4 (3) EFFECTIVE DATE.—The amendments made
 5 by this subsection shall apply to taxable years begin-
 6 ning after December 31, 2013.

7 **SEC. 9. TECHNICAL AND CONFORMING AMENDMENTS.**

8 The Secretary of the Treasury or the Secretary's del-
 9 egate shall, not later than 90 days after the date of the
 10 enactment of this Act, submit to the Committee on Ways
 11 and Means of the House of Representatives and the Com-
 12 mittee on Finance of the Senate a draft of any technical
 13 and conforming changes in the Internal Revenue Code of
 14 1986 which are necessary to reflect throughout such Code
 15 the purposes of the provisions of, and amendments made
 16 by, this Act.

○