

103D CONGRESS
1ST SESSION

H. R. 3645

To provide a tax credit for families, to provide certain tax incentives to encourage investment and increase savings, and to place limitations on the growth of spending.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 22, 1993

Mr. GRAMS (for himself, Mr. HUTCHINSON, Mr. HASTERT, Mr. GINGRICH, Mr. ARMEY, Mr. MCCOLLUM, Mr. DELAY, Mr. HYDE, Mr. HUNTER, Mr. PAXON, Mr. SOLOMON, Mr. KASICH, Mr. ISTOOK, Mr. KNOLLENBERG, Mr. TALENT, Mr. CRAPO, Mr. MANZULLO, Ms. DUNN, Mr. BACHUS of Alabama, Mr. BARTLETT of Maryland, Mr. DICKEY, Mr. KINGSTON, Mr. KIM, Ms. PRYCE of Ohio, Mr. HOEKSTRA, Mr. LEVY, Mr. POMBO, Mr. McKEON, Mr. BAKER of California, Mr. COLLINS of Georgia, Mr. INGLIS of South Carolina, Mr. QUINN, Mr. CANADY, Mr. HOKE, Mr. TORKILDSEN, Mr. LINDER, Mr. BLUTE, Mr. McINNIS, Mr. KING, Mr. SMITH of Michigan, Mrs. FOWLER, Mr. MCHUGH, Mr. ROYCE, Mr. DOOLITTLE, Mr. BARTON of Texas, Mr. BURTON of Indiana, Mr. RAMSTAD, Mr. COX, Mr. SMITH of Oregon, Mr. DORNAN, Mr. HERGER, Mr. HEFLEY, Mr. GOSS, Mr. KYL, Mr. ZIMMER, Mr. STEARNS, Mr. ROHRABACHER, Mr. BAKER of Louisiana, Mr. INHOFE, Mrs. VUCANOVICH, Mr. BOEHNER, Mr. EWING, Mr. STUMP, Mr. SAM JOHNSON of Texas, Mr. MOORHEAD, Ms. MOLINARI, Mr. SANTORUM, Mr. PACKARD, Mr. SHAYS, Mr. SPENCE, Mr. HANCOCK, Mr. EMERSON, Mr. SMITH of Texas, Mr. SAXTON, Mr. RAVENEL, Mr. HOBSON, and Mr. GALLEGLY) introduced the following bill; which was referred jointly to the Committees on Ways and Means, Government Operations, and Rules

A BILL

To provide a tax credit for families, to provide certain tax incentives to encourage investment and increase savings, and to place limitations on the growth of spending.

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; AMENDMENT OF 1986 CODE;**

4 **TABLE OF CONTENTS.**

5 (a) SHORT TITLE.—This Act may be cited as the
 6 “Family, Investment, Retirement, Savings, and Tax Fair-
 7 ness Act of 1993”.

8 (b) AMENDMENT OF 1986 CODE.—Except as other-
 9 wise expressly provided, whenever in this Act an amend-
 10 ment or repeal is expressed in terms of an amendment
 11 to, or repeal of, a section or other provision, the reference
 12 shall be considered to be made to a section or other provi-
 13 sion of the Internal Revenue Code of 1986.

14 (c) TABLE OF CONTENTS.—

Sec. 1. Short title; amendment of 1986 Code; table of contents.

TITLE I—FAMILY TAX CREDIT

Sec. 101. Family tax credit.

TITLE II—REDUCING THE COST OF CAPITAL BY REDUCING CAP- ITAL GAINS TAX RATES AND INDEXING THE BASIS OF CER- TAIN ASSETS

- Sec. 201. Reduction in individual capital gains rate.
- Sec. 202. Reduction in corporate capital gains rate.
- Sec. 203. Reduction of minimum tax rate on capital gains.
- Sec. 204. Indexing of certain assets for purposes of determining gain or loss.
- Sec. 205. Indexing of limitation on capital losses of individuals.
- Sec. 206. Effective dates.

TITLE III—NEUTRAL COST RECOVERY

- Sec. 301. Depreciation adjustment for certain property placed in service in tax-
able years beginning after December 31, 1993.
- Sec. 302. Special depreciation rules applicable under the adjusted current earn-
ings provisions of the minimum tax.

TITLE IV—INCREASING NATIONAL SAVINGS THROUGH INDIVIDUAL RETIREMENT PLUS ACCOUNTS, INDEXING FOR INFLATION THE INCOME THRESHOLDS FOR TAXING SOCIAL SECURITY BENEFITS, ETC.

- Sec. 401. Establishment of individual retirement plus accounts.
 Sec. 402. Inflation adjustment of income thresholds for taxation of social security benefits; income from individual retirement plans excluded.
 Sec. 403. Inflation adjustment of maximum amount of IRA deduction.

TITLE V—CAP ON FEDERAL SPENDING AND ESTABLISHMENT OF COMMISSION TO REDUCE FEDERAL SPENDING

- Sec. 501. Establishment.
 Sec. 502. Duties of Commission.
 Sec. 503. Membership.
 Sec. 504. Director and staff of Commission.
 Sec. 505. Powers of Commission.
 Sec. 506. Termination.
 Sec. 507. Payment of expenses.
 Sec. 508. Consideration of Commission's proposal.
 Sec. 509. Advisory council.
 Sec. 510. Amendments to the Balanced Budget and Emergency Deficit Control Act of 1985 to limit Federal spending.

TITLE VI—ELIMINATION OF SOCIAL SECURITY EARNINGS TEST

- Sec. 601. Elimination of social security earnings test.

1 TITLE I—FAMILY TAX CREDIT

2 SEC. 101. FAMILY TAX CREDIT.

3 (a) IN GENERAL.—Subpart C of part IV of sub-
4 chapter A of chapter 1 is amended by redesignating sec-
5 tion 35 as section 36 and by inserting after section 34
6 the following new section:

7 “SEC. 35. FAMILY TAX CREDIT.

8 “(a) GENERAL RULE.—In the case of an eligible indi-
9 vidual, there shall be allowed as a credit against the tax
10 imposed by this subtitle for the taxable year an amount
11 equal to \$500 multiplied by the number of qualifying chil-
12 dren of the taxpayer who have not attained the age of 18

1 as of the close of the calendar year in which the taxable
2 year of the taxpayer begins.

3 “(b) LIMITATION BASED ON AMOUNT OF TAX.—The
4 credit allowed by subsection (a) for a taxable year shall
5 not exceed the excess (if any) of—

6 “(1) the sum of—

7 “(A) the tax imposed by this subtitle for
8 the taxable year (reduced by the credits allow-
9 able against such tax other than the credits al-
10 lowable under this subpart), and

11 “(B) the taxes imposed by sections 3101
12 and 3111 on wages received by the taxpayer
13 during such taxable year, over

14 “(2) the credit allowable for the taxable year
15 under section 32.

16 “(c) INFLATION ADJUSTMENTS.—

17 “(1) IN GENERAL.—In the case of a taxable
18 year beginning in a calendar year after 1993, the
19 \$500 amount contained in subsection (a) shall be in-
20 creased by an amount equal to—

21 “(A) \$500, multiplied by

22 “(B) the cost-of-living adjustment deter-
23 mined under section 1(f)(3) for the calendar
24 year in which the taxable year begins.

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

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

7 “(1) ELIGIBLE INDIVIDUAL.—The term ‘eligible
8 individual’ has the meaning given to such term by
9 section 32(c)(1) (determined without regard to sub-
10 paragraph (B) thereof).

11 “(2) QUALIFYING CHILD.—The term ‘qualifying
12 child’ has the meaning given to such term by section
13 32(c)(3) (determined without regard to subpara-
14 graphs (C) and (E) thereof).

15 “(3) CERTAIN OTHER RULES APPLY.—Sub-
16 sections (d) and (e) of section 32 shall apply.”

17 (b) DENIAL OF DOUBLE BENEFIT.—Subparagraph
18 (A) of section 21(b)(1) (defining qualifying individual) is
19 amended by inserting “(other than an individual described
20 in section 35(a))” after “taxpayer”.

21 (c) CONFORMING AMENDMENT.—The table of sec-
22 tions for such subpart C is amended by striking the item
23 relating to section 35 and inserting the following new
24 items:

“Sec. 35. Family tax credit.

“Sec. 36. Overpayments of tax.”

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 1993.

4 **TITLE II—REDUCING THE COST**
5 **OF CAPITAL BY REDUCING**
6 **CAPITAL GAINS TAX RATES**
7 **AND INDEXING THE BASIS OF**
8 **CERTAIN ASSETS**

9 **SEC. 201. REDUCTION IN INDIVIDUAL CAPITAL GAINS**
10 **RATE.**

11 (a) GENERAL RULE.—Subsection (h) of section 1 (re-
12 lating to maximum capital gains rate) is amended to read
13 as follows:

14 “(h) MAXIMUM CAPITAL GAINS RATE.—

15 “(1) IN GENERAL.—If a taxpayer has a net
16 capital gain for any taxable year, then the tax im-
17 posed by this section shall not exceed the sum of—

18 “(A) a tax computed at the rates and in
19 the same manner as if this subsection had not
20 been enacted on the taxable income reduced by
21 the net capital gain, plus

22 “(B) a tax equal to the sum of—

23 “(i) 7.5 percent of so much of the net
24 capital gain as does not exceed—

1 “(I) the maximum amount of
2 taxable income to which the 15-per-
3 cent rate applies under the table ap-
4 plicable to the taxpayer, reduced by

5 “(II) the taxable income to which
6 subparagraph (A) applies, plus

7 “(ii) 15 percent of the net capital gain
8 in excess of the net capital gain to which
9 clause (i) applies.

10 For purposes of the preceding sentence, the net cap-
11 ital gain for any taxable year shall be reduced (but
12 not below zero) by the amount which the taxpayer
13 elects to take into account as investment income for
14 the taxable year under section 163(d)(4)(B)(iii).

15 “(2) TRANSITIONAL RULE.—In the case of a
16 taxable year which includes January 1, 1994, the
17 amount of the net capital gain for purposes of para-
18 graph (1) shall not exceed the net capital gain deter-
19 mined by only taking into account gains and losses
20 properly taken into account for the portion of the
21 taxable year on or after such date.”

22 (b) PHASE-OUT OF PERSONAL EXEMPTIONS AND
23 LIMITATION ON DEDUCTION OF ITEMIZED DEDUCTIONS
24 NOT TO RESULT FROM NET CAPITAL GAIN.—

1 (1)(A) Subparagraphs (A) and (B) of section
2 151(d)(3) (relating to phaseout of exemption
3 amount) are each amended by inserting “modified”
4 before “adjusted gross income”.

5 (B) Paragraph (3) of section 151(d) is amend-
6 ed by redesignating subparagraph (D) as subpara-
7 graph (E) and by inserting after subparagraph (C)
8 the following new subparagraph:

9 “(D) MODIFIED ADJUSTED GROSS IN-
10 COME.—For purposes of this paragraph—

11 “(i) IN GENERAL.—The term ‘modi-
12 fied adjusted gross income’ means adjusted
13 gross income reduced by net capital gain.

14 “(ii) TRANSITIONAL RULE.—In the
15 case of a taxable year which includes
16 January 1, 1994, the amount of the net
17 capital gain for purposes of clause (i) shall
18 not exceed the net capital gain determined
19 by only taking into account gains and
20 losses properly taken into account for the
21 portion of the taxable year on or after such
22 date.”

23 (2) Subsection (a) of section 68 (relating to
24 overall limitation on itemized deductions) is amend-
25 ed by adding at the end the following new sentence:

1 “For purposes of paragraph (1), adjusted gross income
2 shall be computed without regard to net capital gain (de-
3 termined after application of the rule of section
4 151(d)(3)(D)(ii).”

5 (c) TECHNICAL AMENDMENTS.—

6 (1) Paragraph (1) of section 170(e) is amended
7 by striking “the amount of gain” in the material
8 following subparagraph (B)(ii) and inserting
9 “24.6/39.6 (20/35 in the case of a corporation) of
10 the amount of gain”.

11 (2)(A) The second sentence of section
12 7518(g)(6)(A) is amended by striking “28 percent
13 (34 percent in the case of a corporation)” and in-
14 serting “15 percent”.

15 (B) The second sentence of section
16 607(h)(6)(A) of the Merchant Marine Act, 1936, is
17 amended by striking “28 percent (34 percent in the
18 case of a corporation)” and inserting “15 percent”.

19 **SEC. 202. REDUCTION IN CORPORATE CAPITAL GAINS**
20 **RATE.**

21 (a) GENERAL RULE.—Section 1201 (relating to al-
22 ternative tax for corporations) is amended by redesignat-
23 ing subsection (b) as subsection (c), and by striking sub-
24 section (a) and inserting the following:

1 “(a) GENERAL RULE.—If for any taxable year a cor-
2 poration has a net capital gain, then, in lieu of the tax
3 imposed by section 11, 511, or 831(a) (whichever applies),
4 there is hereby imposed a tax (if such tax is less than
5 the tax imposed by such section) which shall consist of
6 the sum of—

7 “(1) a tax computed on the taxable income re-
8 duced by the net capital gain, at the same rates and
9 in the same manner as if this subsection had not
10 been enacted, plus

11 “(2) a tax of 15 percent of the net capital gain.

12 “(b) TRANSITIONAL RULE.—In the case of a taxable
13 year which includes January 1, 1994, the amount of the
14 net capital gain for purposes of subsection (a) shall not
15 exceed the net capital gain determined by only taking into
16 account gains and losses properly taken into account for
17 the portion of the taxable year on or after such date.”

18 (b) TECHNICAL AMENDMENTS.—

19 (1) Clause (iii) of section 852(b)(3)(D) is
20 amended by striking “65 percent” and inserting “85
21 percent”.

22 (2) Paragraphs (1) and (2) of section 1445(e)
23 are each amended by striking “35 percent” and in-
24 serting “15 percent”.

1 (3) Paragraph (1) of section 1445(e) is amend-
2 ed by striking “(or, to the extent provided in regula-
3 tions, 28 percent)”.

4 **SEC. 203. REDUCTION OF MINIMUM TAX RATE ON CAPITAL**
5 **GAINS.**

6 Section 55(b)(1) (relating to tentative minimum tax)
7 is amended by adding at the end the following new sub-
8 paragraph:

9 “(C) SPECIAL RULE FOR CAPITAL
10 GAINS.—If a taxpayer has a net capital gain for
11 any taxable year, the tentative minimum tax for
12 the taxable year is the sum of—

13 “(i) 15 percent of the lesser of—

14 “(I) the net capital gain (deter-
15 mined with the adjustments provided
16 in this part and (to the extent appli-
17 cable) the limitations of sections
18 1(h)(2) and 1201(b)), or

19 “(II) so much of the alternative
20 minimum taxable income for the tax-
21 able year as exceeds the exemption
22 amount, plus

23 “(ii) a tax computed on the amount
24 (if any) by which the excess referred to in
25 clause (i)(II) exceeds the net capital gain

1 (as so determined), at the same rates and
2 in the same manner as if this subpara-
3 graph had not been enacted.”

4 **SEC. 204. INDEXING OF CERTAIN ASSETS FOR PURPOSES**
5 **OF DETERMINING GAIN OR LOSS.**

6 (a) IN GENERAL.—Part II of subchapter O of chap-
7 ter 1 (relating to basis rules of general application) is
8 amended by inserting after section 1021 the following new
9 section:

10 **“SEC. 1022. INDEXING OF CERTAIN ASSETS FOR PURPOSES**
11 **OF DETERMINING GAIN OR LOSS.**

12 “(a) GENERAL RULE.—

13 “(1) INDEXED BASIS SUBSTITUTED FOR AD-
14 JUSTED BASIS.—Except as provided in paragraph
15 (2), if an indexed asset which has been held for
16 more than 1 year is sold or otherwise disposed of,
17 then, for purposes of this title, the indexed basis of
18 the asset shall be substituted for its adjusted basis.

19 “(2) EXCEPTION FOR DEPRECIATION, ETC.—
20 The deduction for depreciation, depletion, and amor-
21 tization shall be determined without regard to the
22 application of paragraph (1) to the taxpayer or any
23 other person.

24 “(b) INDEXED ASSET.—

1 “(1) IN GENERAL.—For purposes of this sec-
2 tion, the term ‘indexed asset’ means—

3 “(A) stock in a corporation, and

4 “(B) tangible property (or any interest
5 therein), which is a capital asset or property
6 used in the trade or business (as defined in sec-
7 tion 1231(b)).

8 “(2) CERTAIN PROPERTY EXCLUDED.—For
9 purposes of this section, the term ‘indexed asset’
10 does not include—

11 “(A) CREDITOR’S INTEREST.—Any interest
12 in property which is in the nature of a credi-
13 tor’s interest.

14 “(B) OPTIONS.—Any option or other right
15 to acquire an interest in property.

16 “(C) NET LEASE PROPERTY.—In the case
17 of a lessor, net lease property (within the mean-
18 ing of subsection (h)(1)).

19 “(D) CERTAIN PREFERRED STOCK.—Stock
20 which is preferred as to dividends and does not
21 participate in corporate growth to any signifi-
22 cant extent.

23 “(E) STOCK IN CERTAIN CORPORATIONS.—
24 Stock in—

1 “(i) an S corporation (within the
2 meaning of section 1361),

3 “(ii) a personal holding company (as
4 defined in section 542), and

5 “(iii) a foreign corporation.

6 “(3) EXCEPTION FOR STOCK IN FOREIGN COR-
7 PORATION WHICH IS REGULARLY TRADED ON NA-
8 TIONAL OR REGIONAL EXCHANGE.—Clause (iii) of
9 paragraph (2)(E) shall not apply to stock in a for-
10 eign corporation the stock of which is listed on the
11 New York Stock Exchange, the American Stock Ex-
12 change, or any domestic regional exchange for which
13 quotations are published on a regular basis other
14 than—

15 “(A) stock of a foreign investment com-
16 pany (within the meaning of section 1246(b)),
17 and

18 “(B) stock in a foreign corporation held by
19 a United States person who meets the require-
20 ments of section 1248(a)(2).

21 “(c) INDEXED BASIS.—For purposes of this sec-
22 tion—

23 “(1) INDEXED BASIS.—The indexed basis for
24 any asset is—

1 “(A) the adjusted basis of the asset, multi-
2 plied by

3 “(B) the applicable inflation ratio.

4 “(2) APPLICABLE INFLATION RATIO.—The ap-
5 plicable inflation ratio for any asset is the percent-
6 age arrived at by dividing—

7 “(A) the gross national product deflator
8 for the calendar quarter in which the disposi-
9 tion takes place, by

10 “(B) the gross national product deflator
11 for the calendar quarter in which the asset was
12 acquired by the taxpayer (or, if later, the cal-
13 endar quarter ending December 31, 1993).

14 The applicable inflation ratio shall not be taken into
15 account unless it is greater than 1. The applicable
16 inflation ratio for any asset shall be rounded to the
17 nearest one-tenth of 1 percent.

18 “(3) GROSS NATIONAL PRODUCT DEFLATOR.—
19 The gross national product deflator for any calendar
20 quarter is the implicit price deflator for the gross
21 national product for such quarter (as shown in the
22 first revision thereof).

23 “(4) SECRETARY TO PUBLISH TABLES.—The
24 Secretary shall publish tables specifying the applica-
25 ble inflation ratios for each calendar quarter.

1 “(d) SPECIAL RULES.—For purposes of this sec-
2 tion—

3 “(1) TREATMENT AS SEPARATE ASSET.—In the
4 case of any asset, the following shall be treated as
5 a separate asset:

6 “(A) a substantial improvement to prop-
7 erty,

8 “(B) in the case of stock of a corporation,
9 a substantial contribution to capital, and

10 “(C) any other portion of an asset to the
11 extent that separate treatment of such portion
12 is appropriate to carry out the purposes of this
13 section.

14 “(2) ASSETS WHICH ARE NOT INDEXED ASSETS
15 THROUGHOUT HOLDING PERIOD.—

16 “(A) IN GENERAL.—The applicable infla-
17 tion ratio shall be appropriately reduced for cal-
18 endar months at any time during which the
19 asset was not an indexed asset.

20 “(B) CERTAIN SHORT SALES.—For pur-
21 poses of applying subparagraph (A), an asset
22 shall be treated as not an indexed asset for any
23 short sale period during which the taxpayer or
24 the taxpayer’s spouse sells short property sub-
25 stantially identical to the asset. For purposes of

1 the preceding sentence, the short sale period be-
2 gins on the day after the substantially identical
3 property is sold and ends on the closing date
4 for the sale.

5 “(3) TREATMENT OF CERTAIN DISTRIBUTIONS.—A distribution with respect to stock in a
6 corporation which is not a dividend shall be treated
7 as a disposition.
8

9 “(4) SECTION CANNOT INCREASE ORDINARY
10 LOSS.—To the extent that (but for this paragraph)
11 this section would create or increase a net ordinary
12 loss to which section 1231(a)(2) applies or an ordi-
13 nary loss to which any other provision of this title
14 applies, such provision shall not apply. The taxpayer
15 shall be treated as having a long-term capital loss in
16 an amount equal to the amount of the ordinary loss
17 to which the preceding sentence applies.

18 “(5) ACQUISITION DATE WHERE THERE HAS
19 BEEN PRIOR APPLICATION OF SUBSECTION (a)(1)
20 WITH RESPECT TO THE TAXPAYER.—If there has
21 been a prior application of subsection (a)(1) to an
22 asset while such asset was held by the taxpayer, the
23 date of acquisition of such asset by the taxpayer
24 shall be treated as not earlier than the date of the
25 most recent such prior application.

1 “(6) COLLAPSIBLE CORPORATIONS.—The appli-
2 cation of section 341(a) (relating to collapsible
3 corporations) shall be determined without regard to
4 this section.

5 “(e) CERTAIN CONDUIT ENTITIES.—

6 “(1) REGULATED INVESTMENT COMPANIES;
7 REAL ESTATE INVESTMENT TRUSTS; COMMON TRUST
8 FUNDS.—

9 “(A) IN GENERAL.—Stock in a qualified
10 investment entity shall be an indexed asset for
11 any calendar month in the same ratio as the
12 fair market value of the assets held by such en-
13 tity at the close of such month which are in-
14 dexed assets bears to the fair market value of
15 all assets of such entity at the close of such
16 month.

17 “(B) RATIO OF 90 PERCENT OR MORE.—If
18 the ratio for any calendar month determined
19 under subparagraph (A) would (but for this
20 subparagraph) be 90 percent or more, such
21 ratio for such month shall be 100 percent.

22 “(C) RATIO OF 10 PERCENT OR LESS.—If
23 the ratio for any calendar month determined
24 under subparagraph (A) would (but for this

1 subparagraph) be 10 percent or less, such ratio
2 for such month shall be zero.

3 “(D) VALUATION OF ASSETS IN CASE OF
4 REAL ESTATE INVESTMENT TRUSTS.—Nothing
5 in this paragraph shall require a real estate in-
6 vestment trust to value its assets more fre-
7 quently than once each 36 months (except
8 where such trust ceases to exist). The ratio
9 under subparagraph (A) for any calendar
10 month for which there is no valuation shall be
11 the trustee’s good faith judgment as to such
12 valuation.

13 “(E) QUALIFIED INVESTMENT ENTITY.—
14 For purposes of this paragraph, the term
15 ‘qualified investment entity’ means—

16 “(i) a regulated investment company
17 (within the meaning of section 851),

18 “(ii) a real estate investment trust
19 (within the meaning of section 856), and

20 “(iii) a common trust fund (within the
21 meaning of section 584).

22 “(2) PARTNERSHIPS.—In the case of a partner-
23 ship, the adjustment made under subsection (a) at
24 the partnership level shall be passed through to the
25 partners.

1 “(3) SUBCHAPTER S CORPORATIONS.—In the
2 case of an electing small business corporation, the
3 adjustment under subsection (a) at the corporate
4 level shall be passed through to the shareholders.

5 “(f) DISPOSITIONS BETWEEN RELATED PERSONS.—

6 “(1) IN GENERAL.—This section shall not apply
7 to any sale or other disposition of property between
8 related persons except to the extent that the basis
9 of such property in the hands of the transferee is a
10 substituted basis.

11 “(2) RELATED PERSONS DEFINED.—For pur-
12 poses of this section, the term ‘related persons’
13 means—

14 “(A) persons bearing a relationship set
15 forth in section 267(b), and

16 “(B) persons treated as single employer
17 under subsection (b) or (c) of section 414.

18 “(g) TRANSFERS TO INCREASE INDEXING ADJUST-
19 MENT OR DEPRECIATION ALLOWANCE.—If any person
20 transfers cash, debt, or any other property to another per-
21 son and the principal purpose of such transfer is—

22 “(1) to secure or increase an adjustment under
23 subsection (a), or

1 “(2) to increase (by reason of an adjustment
2 under subsection (a)) a deduction for depreciation,
3 depletion, or amortization,
4 the Secretary may disallow part or all of such adjustment
5 or increase.

6 “(h) DEFINITIONS.—For purposes of this section—

7 “(1) NET LEASE PROPERTY DEFINED.—The
8 term ‘net lease property’ means leased real property
9 where—

10 “(A) the term of the lease (taking into ac-
11 count options to renew) was 50 percent or more
12 of the useful life of the property, and

13 “(B) for the period of the lease, the sum
14 of the deductions with respect to such property
15 which are allowable to the lessor solely by rea-
16 son of section 162 (other than rents and reim-
17 bursed amounts with respect to such property)
18 is 15 percent or less of the rental income pro-
19 duced by such property.

20 “(2) STOCK INCLUDES INTEREST IN COMMON
21 TRUST FUND.—The term ‘stock in a corporation’ in-
22 cludes any interest in a common trust fund (as de-
23 fined in section 584(a)).

1 “(i) REGULATIONS.—The Secretary shall prescribe
2 such regulations as may be necessary or appropriate to
3 carry out the purposes of this section.”

4 (b) CLERICAL AMENDMENT.—The table of sections
5 for part II of subchapter O of such chapter 1 is amended
6 by inserting after the item relating to section 1021 the
7 following new item:

“Sec. 1022. Indexing of certain assets for purposes of determin-
ing gain or loss.”

8 (c) ADJUSTMENT TO APPLY FOR PURPOSES OF DE-
9 TERMINING EARNINGS AND PROFITS.—Subsection (f) of
10 section 312 (relating to effect on earnings and profits of
11 gain or loss and of receipt of tax-free distributions) is
12 amended by adding at the end thereof the following new
13 paragraph:

14 “(3) EFFECT ON EARNINGS AND PROFITS OF
15 INDEXED BASIS.—

**For substitution of indexed basis for adjusted
basis in the case of the disposition of certain assets
after December 31, 1993, see section 1022(a)(1).”**

16 **SEC. 205. INDEXING OF LIMITATION ON CAPITAL LOSSES**
17 **OF INDIVIDUALS.**

18 Section 1211 (relating to limitation on capital losses)
19 is amended by adding at the end thereof the following new
20 subsection:

21 “(c) INDEXATION OF LIMITATION ON
22 NONCORPORATE TAXPAYERS.—

1 “(1) IN GENERAL.—In the case of any taxable
2 year beginning in a calendar year after 1993, the
3 \$3,000 and \$1,500 amounts under subsection (b)(1)
4 shall be increased by an amount equal to—

5 “(A) such dollar amount, multiplied by

6 “(B) the applicable inflation adjustment
7 for the calendar year in which the taxable year
8 begins.

9 “(2) APPLICABLE INFLATION ADJUSTMENT.—
10 For purposes of paragraph (1), the applicable infla-
11 tion adjustment for any calendar year is the percent-
12 age (if any) by which—

13 “(A) the gross national product deflator
14 for the last calendar quarter of the preceding
15 calendar year, exceeds

16 “(B) the gross national product deflator
17 for the last calendar quarter of 1992.

18 For purposes of this paragraph, the term ‘gross na-
19 tional product deflator’ has the meaning given such
20 term by section 1022(c)(3).”

21 **SEC. 206. EFFECTIVE DATES.**

22 (a) IN GENERAL.—Except as provided in subsection
23 (b), the amendments made by this title shall apply to sales
24 or exchanges occurring after December 31, 1993, in tax-
25 able years ending after such date.

1 (b) INDEXING OF LOSS LIMITATION.—The amend-
2 ments made by section 205 shall apply to taxable years
3 beginning after December 31, 1993.

4 **TITLE III—NEUTRAL COST**
5 **RECOVERY**

6 **SEC. 301. DEPRECIATION ADJUSTMENT FOR CERTAIN**
7 **PROPERTY PLACED IN SERVICE IN TAXABLE**
8 **YEARS BEGINNING AFTER DECEMBER 31,**
9 **1993.**

10 (a) IN GENERAL.—Section 168 (relating to acceler-
11 ated cost recovery system) is amended by adding at the
12 end the following new subsection:

13 “(k) DEDUCTION ADJUSTMENT TO ALLOW EQUIVA-
14 LENT OF EXPENSING FOR CERTAIN PROPERTY PLACED
15 IN SERVICE IN TAXABLE YEARS BEGINNING AFTER
16 DECEMBER 31, 1993.—

17 “(1) IN GENERAL.—In the case of tangible
18 property placed in service in a taxable year begin-
19 ning after December 31, 1993, the deduction allow-
20 able under this section with respect to such property
21 for any taxable year (after the taxable year during
22 which the property is placed in service) shall be—

23 “(A) the amount so allowable for such tax-
24 able year without regard to this subsection,
25 multiplied by

1 “(B) the applicable neutral cost recovery
2 ratio for such taxable year.

3 For purposes of subparagraph (A), paragraphs (1)
4 and (2) of subsection (b) shall be applied by sub-
5 stituting ‘150 percent’ for ‘200 percent’.

6 “(2) APPLICABLE NEUTRAL COST RECOVERY
7 RATIO.—For purposes of paragraph (1), the applica-
8 ble neutral cost recovery ratio for any taxable year
9 is the number determined by—

10 “(A) dividing—

11 “(i) the gross national product
12 deflator for the calendar quarter ending in
13 such taxable year which corresponds to the
14 calendar quarter during which the property
15 was placed in service by the taxpayer, by

16 “(ii) the gross national product
17 deflator for the calendar quarter during
18 which the property was placed in service by
19 the taxpayer, and

20 “(B) then multiplying the number deter-
21 mined under subparagraph (A) by the number
22 equal to 1.035 to the nth power where ‘n’ is the
23 number of full years in the period beginning on
24 the 1st day of the calendar quarter during
25 which the property was placed in service by the

1 taxpayer and ending on the day before the be-
2 ginning of the corresponding calendar quarter
3 ending during such taxable year.

4 The applicable neutral cost recovery ratio shall not
5 be taken into account unless it is greater than 1.

6 The applicable neutral cost recovery ratio shall be
7 rounded to the nearest one-tenth of 1 percent.

8 “(3) GROSS NATIONAL PRODUCT DEFLATOR.—
9 For purposes of paragraph (2), the gross national
10 product deflator for any calendar quarter is the im-
11 plicit price deflator for the gross national product
12 for such quarter (as shown in the first revision
13 thereof).

14 “(4) ELECTION NOT TO HAVE SUBSECTION
15 APPLY.—This subsection shall not apply to any
16 property if the taxpayer elects not to have this sub-
17 section apply to such property. Such an election,
18 once made, shall be irrevocable.”

19 (b) MINIMUM TAX TREATMENT.—Paragraph (1) of
20 section 56(a) is amended by adding at the end the follow-
21 ing new subparagraph:

22 “(E) USE OF NEUTRAL COST RECOVERY
23 RATIO.—In the case of tangible property placed
24 in service in a taxable year beginning after De-
25 cember 31, 1993, the deduction allowable under

1 this paragraph with respect to such property
2 for any taxable year (after the taxable year dur-
3 ing which the property is placed in service)
4 shall be—

5 “(i) the amount so allowable for such
6 taxable year without regard to this sub-
7 paragraph, multiplied by

8 “(ii) the applicable neutral cost recov-
9 ery ratio for such taxable year (as deter-
10 mined under section 168(k)).

11 This subparagraph shall not apply to any prop-
12 erty with respect to which there is an election
13 in effect not to have section 168(k) apply.”

14 (c) DISALLOWANCE OF INTEREST DEDUCTION TO
15 ENSURE EQUITY FINANCING RECEIVES SAME TREAT-
16 MENT AS DEBT FINANCING.—Section 163 (relating to de-
17 duction for interest) is amended by redesignating sub-
18 section (k) as subsection (l) and by inserting after sub-
19 section (j) the following new subsection:

20 “(k) DISALLOWANCE OF DEDUCTION FOR PROPERTY
21 SUBJECT TO NEUTRAL COST RECOVERY.—No deduction
22 shall be allowed for any amount otherwise allowable as a
23 deduction for interest on indebtedness incurred or contin-
24 ued to purchase or carry tangible property with respect

1 to which an election is made under section 168(k) (relat-
2 ing to neutral cost recovery).”

3 (d) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to taxable years beginning after
5 December 31, 1993.

6 **SEC. 302. SPECIAL DEPRECIATION RULES APPLICABLE**
7 **UNDER THE ADJUSTED CURRENT EARNINGS**
8 **PROVISIONS OF THE MINIMUM TAX.**

9 (a) IN GENERAL.—Subparagraph (A) of section
10 56(g)(4) (relating to adjustments) is amended by adding
11 at the end the following new clauses:

12 “(vi) SPECIAL BASIS RULES FOR
13 1994.—

14 “(I) IN GENERAL.—Notwith-
15 standing clause (i), the adjusted basis
16 of any depreciable property held by
17 the taxpayer as of the beginning of
18 the taxpayer’s first taxable year be-
19 ginning after December 31, 1993,
20 shall be determined as if the provi-
21 sions of the last sentence of clause (i)
22 had also applied to taxable years be-
23 ginning in 1990, 1991, 1992, or
24 1993.

1 “(II) LOST BASIS RECOVERED
2 OVER 5 YEARS.—The amount deter-
3 mined under clause (vii) shall be al-
4 lowed as a deduction ratably over the
5 60-month period beginning with the
6 first month of the taxpayer’s first tax-
7 able year beginning after December
8 31, 1993.

9 “(vii) AMOUNT OF LOST BASIS.—For
10 purposes of clause (vi)(II), the amount de-
11 termined under this clause is the excess
12 of—

13 “(I) the aggregate adjusted bases
14 of depreciable property held by the
15 taxpayer as of the beginning of the
16 taxpayer’s first taxable year beginning
17 after December 31, 1993, which
18 would have been determined (as of
19 such time) under clause (i) without
20 regard to clause (vi), over

21 “(II) the aggregate adjusted
22 bases of such property (as of such
23 time) as determined under the rules of
24 clause (vi).”

1 (b) EFFECTIVE DATE.—The amendment made by
2 subsection (a) shall apply to taxable years beginning after
3 December 31, 1993.

4 **TITLE IV—INCREASING NA-**
5 **TIONAL SAVINGS THROUGH**
6 **INDIVIDUAL RETIREMENT**
7 **PLUS ACCOUNTS, INDEXING**
8 **FOR INFLATION THE INCOME**
9 **THRESHOLDS FOR TAXING**
10 **SOCIAL SECURITY BENEFITS,**
11 **ETC.**

12 **SEC. 401. ESTABLISHMENT OF INDIVIDUAL RETIREMENT**
13 **PLUS ACCOUNTS.**

14 (a) IN GENERAL.—Subpart A of part I of subchapter
15 D of chapter 1 (relating to pension, profit-sharing, stock
16 bonus plans, etc.) is amended by inserting after section
17 408 the following new section:

18 **“SEC. 408A. INDIVIDUAL RETIREMENT PLUS ACCOUNTS.**

19 “(a) GENERAL RULE.—Except as provided in this
20 section, an individual retirement plus account shall be
21 treated for purposes of this title in the same manner as
22 an individual retirement plan.

23 “(b) INDIVIDUAL RETIREMENT PLUS ACCOUNT.—
24 For purposes of this title, the term ‘individual retirement
25 plus account’ means an individual retirement plan which

1 is designated at the time of the establishment of the plan
2 as an individual retirement plus account. Such designation
3 shall be made in such manner as the Secretary may pre-
4 scribe.

5 “(c) CONTRIBUTION RULES.—

6 “(1) NO DEDUCTION ALLOWED.—No deduction
7 shall be allowed under section 219 for a contribution
8 to an individual retirement plus account.

9 “(2) CONTRIBUTION LIMIT.—

10 “(A) IN GENERAL.—Except in the case of
11 rollover contributions, the aggregate amount
12 which may be accepted as contributions to an
13 individual retirement plus account shall not be
14 greater than the excess (if any) of—

15 “(i) the nondeductible limit with re-
16 spect to the individual for the taxable year
17 under section 408(o) (after application of
18 subparagraph (B)(ii) thereof), over

19 “(ii) the designated nondeductible
20 contributions made by the individual for
21 such taxable year to 1 or more individual
22 retirement plans.

23 “(B) \$1,000 INCREASE AFTER 1995.—

24 “(i) IN GENERAL.—In the case of any
25 taxable year beginning after December 31,

1 1995, the amount determined under sub-
2 paragraph (A)(i) (without regard to this
3 subparagraph) shall be increased by
4 \$1,000.

5 “(ii) ADJUSTMENT FOR INFLATION.—

6 In the case of any taxable year beginning
7 in a calendar year after 1997, the \$1,000
8 amount in clause (i) shall be increased by
9 an amount equal to—

10 “(I) such dollar amount, multi-
11 plied by

12 “(II) the cost-of-living adjust-
13 ment under section 1(f)(3) for the cal-
14 endar year in which the taxable year
15 begins, determined by substituting
16 ‘calendar year 1996’ for ‘calendar
17 year 1992’ in subparagraph (B) there-
18 of.

19 “(iii) ROUNDING.—If any amount as
20 adjusted under clause (ii) is not a multiple
21 of \$50, such amount shall be rounded to
22 the nearest multiple of \$50 (or, if such
23 amount is a multiple of \$25, such amount
24 shall be rounded to the next highest mul-
25 tiple of \$50).

1 “(C) SPECIAL RULE FOR MARRIED INDI-
2 VIDUALS.—The nondeductible limits under sub-
3 paragraph (A) for an individual or for such in-
4 dividual’s spouse shall be an amount equal to
5 the excess (if any) of—

6 “(i) the amount determined under
7 subparagraph (A)(i) (after application of
8 subparagraph (B)), over

9 “(ii) the sum of the amount allowed
10 as a deduction under section 219 for con-
11 tributions on behalf of such individual or
12 such spouse, plus the amount determined
13 under subparagraph (A)(ii) with respect to
14 each.

15 In no event shall the sum of such limits exceed
16 an amount equal to the sum of the compensa-
17 tion includible in the individual’s and spouse’s
18 gross income for the taxable year, reduced by
19 the sum of the amounts determined under
20 clause (ii).

21 “(3) CONTRIBUTIONS AFTER AGE 70¹/₂.—Con-
22 tributions may be made by an individual to an indi-
23 vidual retirement plus account after such individual
24 has attained the age of 70¹/₂.

1 “(4) LIMITATIONS ON ROLLOVER CONTRIBU-
2 TIONS.—No rollover contributions may be made to
3 an individual retirement plus account unless such
4 rollover contribution is a contribution of a distribu-
5 tion or payment out of—

6 “(A) another individual retirement plus ac-
7 count, or

8 “(B) an individual retirement plan which is
9 not allocable to any amount transferred to such
10 plan which represented any portion of the bal-
11 ance to the credit of an employee in a qualified
12 trust (or any income allocable to such portion).

13 “(d) DISTRIBUTION RULES.—For purposes of this
14 title—

15 “(1) IN GENERAL.—Except in the case of a
16 qualified distribution, the rules of paragraphs (1)
17 and (2) of section 408(d) shall apply to any distribu-
18 tion from an individual retirement plus account.

19 “(2) TREATMENT OF QUALIFIED DISTRIBUTION.—In the case of a qualified distribution from
20 an individual retirement plus account—

21 “(A) the amount of such distribution shall
22 not be includible in gross income, and

23 “(B) section 72(t) shall not apply.
24

1 “(3) QUALIFIED DISTRIBUTION.—For purposes
2 of this subsection—

3 “(A) IN GENERAL.—The term ‘qualified
4 distribution’ means any distribution—

5 “(i) made on or after the date on
6 which the individual attains age 59½,

7 “(ii) made to a beneficiary (or to the
8 estate of an individual) on or after the
9 death of the individual,

10 “(iii) attributable to the employee’s
11 being disabled (within the meaning of sec-
12 tion 72(m)(7)), or

13 “(iv) which is a qualified special pur-
14 pose distribution (within the meaning of
15 subsection (e)).

16 “(B) DISTRIBUTIONS WITHIN 5 YEARS.—
17 No distribution shall be treated as a qualified
18 distribution if—

19 “(i) it is made within the 5-taxable
20 year period beginning with the 1st taxable
21 year in which the individual made a con-
22 tribution to an individual retirement plus
23 account, or

24 “(ii) in the case of a distribution
25 properly allocable to a rollover contribution

1 (or income allocable thereto), it is made
2 within 5 years of the date on which such
3 rollover contribution was made.

4 “(4) SPECIAL RULES RELATING TO ROLLOVERS
5 FROM REGULAR INDIVIDUAL RETIREMENT AC-
6 COUNTS.—

7 “(A) IN GENERAL.—Except as provided in
8 this paragraph, any amount paid or distributed
9 out of an individual retirement plan on or be-
10 fore the earlier of—

11 “(i) the date on which the individual
12 attains age 55, or

13 “(ii) January 1, 1995,
14 shall not be included in gross income (and sec-
15 tion 72(t) shall not apply to such amount) if
16 the individual receiving such amount transfers,
17 within 60 days of receipt, the entire amount re-
18 ceived to an individual retirement plus account.

19 “(B) TREATMENT OF TAX-FAVORED
20 AMOUNTS.—

21 “(i) IN GENERAL.—Notwithstanding
22 subparagraph (A), there shall be included
23 in gross income (but section 72(t) shall not
24 apply to) the portion of any amount trans-

1 ferred which bears the same ratio to such
2 amount as—

3 “(I) the aggregate amount of
4 contributions to individual retirement
5 plans with respect to which a deduc-
6 tion was allowable under section 219,
7 bears to

8 “(II) the aggregate balance of
9 such plans.

10 “(ii) TIME FOR INCLUSION.—Any
11 amount described in clause (i) shall be in-
12 cluded in gross income ratably over the 4-
13 taxable year period beginning with the tax-
14 able year in which the amount was paid or
15 distributed out of the individual retirement
16 plan.

17 “(e) QUALIFIED SPECIAL PURPOSE DISTRIBUTION.—For purposes of this section—

18 “(1) IN GENERAL.—The term ‘qualified special
19 purpose distribution’ means—

20 “(A) a qualified first-time homebuyer dis-
21 tribution, or
22 “(B) an applicable medical or educational

23 distribution.
24

1 “(2) 25 PERCENT ACCOUNT LIMIT.—A distribu-
2 tion shall not be treated as a qualified special pur-
3 pose distribution to the extent it exceeds the amount
4 (if any) by which—

5 “(A) 25 percent of the sum of—

6 “(i) the aggregate balance of individ-
7 ual retirement plus accounts established on
8 behalf of an individual, plus

9 “(ii) the aggregate amounts previously
10 treated as qualified special purpose dis-
11 tributions, exceeds

12 “(B) the amount determined under sub-
13 paragraph (A)(ii).

14 “(3) DISTRIBUTIONS USED TO PURCHASE A
15 HOME BY FIRST-TIME HOMEBUYER.—For purposes
16 of paragraph (1)—

17 “(A) IN GENERAL.—The term ‘qualified
18 first-time homebuyer distribution’ means any
19 payment or distribution received by a first-time
20 homebuyer from an individual retirement plan
21 to the extent such payment or distribution is
22 used by the individual before the close of the
23 60th day after the day on which such payment
24 or distribution is received to pay qualified ac-

1 quisition costs with respect to a principal resi-
2 dence for such individual.

3 “(B) BASIS REDUCTION.—The basis of any
4 principal residence described in subparagraph
5 (A) shall be reduced by any amount excluded
6 from the gross income of such first-time home-
7 buyer by reason of this section.

8 “(C) RECOGNITION OF GAIN AS ORDINARY
9 INCOME.—

10 “(i) IN GENERAL.—Notwithstanding
11 any other provision of this subtitle, except
12 as provided in clause (ii)—

13 “(I) gain (if any) on the sale or
14 exchange of a principal residence to
15 which subparagraph (A) applies shall,
16 to the extent of the amount excluded
17 from gross income under this section,
18 be treated as ordinary income by such
19 individual, and

20 “(II) section 72(t) shall apply to
21 such amount.

22 “(ii) EXCEPTION.—Clause (i) shall
23 not apply to any taxable year to the extent
24 of any amount which, before the due date
25 (without extensions) for filing the return

1 for such year, the taxpayer contributes to
2 an individual retirement plus account.
3 Such amount shall not be taken into ac-
4 count for purposes of any provision of this
5 title relating to excess contributions.

6 “(iii) COORDINATION WITH OTHER
7 PROVISIONS.—In the event all or part of
8 the gain referred to in clause (i) is treated
9 as ordinary income under any other provi-
10 sion of this subtitle, such provision shall be
11 applied before clause (i).

12 “(D) SPECIAL RULE WHERE DELAY IN AC-
13 QUISSION.—If—

14 “(i) any amount is paid or distributed
15 from an individual retirement plus account
16 to an individual for purposes of being used
17 as provided in subparagraph (A), and

18 “(ii) by reason of a delay in the acqui-
19 sition of the residence, such amount cannot
20 be so used,

21 the amount so paid or distributed may be paid
22 into an individual retirement plus account as
23 provided in section 408(d)(3)(A)(i) without re-
24 gard to section 408(d)(3)(B), and, if so paid
25 into such other plan, such amount shall not be

1 taken into account in determining whether sec-
2 tion 408(d)(3)(A)(i) applies to any other
3 amount.

4 “(E) DEFINITIONS.—For purposes of this
5 paragraph—

6 “(i) QUALIFIED ACQUISITION
7 COSTS.—The term ‘qualified acquisition
8 costs’ means the costs of acquiring, con-
9 structing, or reconstructing a residence.
10 Such term includes any usual or reason-
11 able settlement, financing, or other closing
12 costs.

13 “(ii) FIRST-TIME HOMEBUYER.—The
14 term ‘first-time homebuyer’ means any in-
15 dividual if such individual (and if married,
16 such individual’s spouse) had no present
17 ownership interest in a principal residence
18 during the 3-year period ending on the
19 date of acquisition of the principal resi-
20 dence to which this paragraph applies.

21 “(iii) PRINCIPAL RESIDENCE.—The
22 term ‘principal residence’ has the same
23 meaning as when used in section 1034.

24 “(iv) DATE OF ACQUISITION.—The
25 term ‘date of acquisition’ means the date—

1 “(I) on which a binding contract
2 to acquire the principal residence to
3 which subparagraph (A) applies is en-
4 tered into, or

5 “(II) on which construction or re-
6 construction of such a principal resi-
7 dence is commenced.

8 “(4) APPLICABLE MEDICAL DISTRIBUTIONS.—
9 For purposes of paragraph (1), the term ‘applicable
10 medical distributions’ means any distributions made
11 to an individual (not otherwise taken into account
12 under this subsection) to the extent such distribu-
13 tions do not exceed the amount allowable as a de-
14 duction under section 213 for amounts paid during
15 the taxable year for medical care (without regard to
16 whether the individual itemized deductions for the
17 taxable year).

18 “(5) DISTRIBUTIONS FROM INDIVIDUAL RE-
19 TIREMENT PLUS ACCOUNTS FOR EDUCATIONAL EX-
20 PENSES.—

21 “(A) IN GENERAL.—For purposes of para-
22 graph (1), the term ‘applicable educational dis-
23 tributions’ means distributions to an individual
24 to the extent that the amount of such distribu-
25 tions (not otherwise treated as qualified special

1 purpose distributions, determined after applica-
2 tion of paragraph (4)) does not exceed the
3 qualified higher education expenses of the indi-
4 vidual for the taxable year.

5 “(B) QUALIFIED HIGHER EDUCATION EX-
6 PENSES.—For purposes of subparagraph (A)—

7 “(i) IN GENERAL.—The term ‘quali-
8 fied higher education expenses’ means tui-
9 tion, fees, books, supplies, and equipment
10 required for the enrollment or attendance
11 of—

12 “(I) the taxpayer,

13 “(II) the taxpayer’s spouse, or

14 “(III) the taxpayer’s child (as de-
15 fined in section 151(c)(3)) or grand-
16 child,

17 at an eligible educational institution (as
18 defined in section 135(c)(3)).

19 “(ii) COORDINATION WITH SAVINGS
20 BOND PROVISIONS.—The amount of quali-
21 fied higher education expenses for any tax-
22 able year shall be reduced by any amount
23 excludable from gross income under section
24 135.

1 “(f) ROLLOVER CONTRIBUTIONS.—For purposes of
 2 this section, the term ‘rollover contributions’ means con-
 3 tributions described in sections 402(a)(5), 402(a)(7),
 4 403(a)(4), 403(b)(8), and 408(d)(3).

5 “(g) DETERMINATIONS.—For purposes of this sec-
 6 tion, any determinations with respect to aggregate con-
 7 tributions to, or the balance of, individual retirement plus
 8 accounts shall be made as of the close of the calendar year
 9 preceding the calendar year in which the taxable year
 10 begins.”

11 (b) CONFORMING AMENDMENT.—The table of sec-
 12 tions for subpart A of part I of subchapter D of chapter
 13 1 is amended by inserting after the item relating to section
 14 408 the following new item:

“Sec. 408A. Individual retirement plus accounts.”

15 (c) EFFECTIVE DATE.—The amendments made by
 16 this section shall apply to taxable years beginning after
 17 December 31, 1993.

18 **SEC. 402. INFLATION ADJUSTMENT OF INCOME THRESH-**
 19 **OLDS FOR TAXATION OF SOCIAL SECURITY**
 20 **BENEFITS; INCOME FROM INDIVIDUAL RE-**
 21 **TIREMENT PLANS EXCLUDED.**

22 (a) ADJUSTMENT OF INCOME THRESHOLDS FOR IN-
 23 FLATION.—Subsection (c) of section 86 (relating to social
 24 security and tier 1 railroad retirement benefits) is amend-
 25 ed by adding at the end the following new paragraph:

1 “(3) ADJUSTMENT OF INCOME THRESHOLDS
2 FOR INFLATION.—

3 “(A) IN GENERAL.—In the case of any
4 taxable year beginning in a calendar year after
5 1996, each dollar amount contained in para-
6 graphs (1) and (2) shall be increased by an
7 amount equal to—

8 “(i) such dollar amount, multiplied by

9 “(ii) the cost-of-living adjustment
10 under section 1(f)(3) for the calendar year
11 in which the taxable year begins, deter-
12 mined by substituting ‘calendar year 1995’
13 for ‘calendar year 1992’ in subparagraph
14 (B) thereof.

15 “(B) ROUNDING.—If any amount as ad-
16 justed under subparagraph (A) is not a multiple
17 of \$50, such amount shall be rounded to the
18 nearest multiple of \$50 (or, if such amount is
19 a multiple of \$25, such amount shall be round-
20 ed to the next highest multiple of \$50).”

21 (b) INCOME FROM INDIVIDUAL RETIREMENT PLANS
22 EXCLUDED.—Paragraph (2) of section 86(b) is amended
23 by striking “and” at the end of subparagraph (A), by
24 striking the period at the end of subparagraph (B) and

1 inserting “, and”, and by adding at the end thereof the
2 following new subparagraph:

3 “(C) decreased by the portion of such in-
4 come which is attributable to a distribution or
5 payment from an individual retirement plan.”

6 (c) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to taxable years beginning after
8 December 31, 1996.

9 **SEC. 403. INFLATION ADJUSTMENT OF MAXIMUM AMOUNT**
10 **OF IRA DEDUCTION.**

11 (a) IN GENERAL.—Section 219 (relating to retire-
12 ment savings) is amended by redesignating subsection (h)
13 as subsection (i) and by inserting after subsection (g) the
14 following new subsection:

15 “(h) ADJUSTMENT OF MAXIMUM DEDUCTION FOR
16 INFLATION.—

17 “(1) IN GENERAL.—In the case of any taxable
18 year beginning in a calendar year after 1996, each
19 applicable dollar amount shall be increased by an
20 amount equal to—

21 “(A) such dollar amount, multiplied by

22 “(B) the cost-of-living adjustment under
23 section 1(f)(3) for the calendar year in which
24 the taxable year begins, determined by sub-

1 stituting ‘calendar year 1995’ for ‘calendar year
2 1992’ in subparagraph (B) thereof.

3 “(2) APPLICABLE DOLLAR AMOUNT.—For pur-
4 poses of paragraph (1), the term ‘applicable dollar
5 amount’ means—

6 “(A) the \$2,000 amount in subsections
7 (b)(1)(A) and (c)(2) of this section, in sub-
8 sections (a)(1), (b), and (j) of section 408, and
9 in section 408A(c)(2)(C), and

10 “(B) the \$2,250 amount in subsection
11 (c)(2) of this section and in section 408(d)(5).

12 “(3) ROUNDING.—If any amount as adjusted
13 under paragraph (1) is not a multiple of \$50, such
14 amount shall be rounded to the nearest multiple of
15 \$50 (or, if such amount is a multiple of \$25, such
16 amount shall be rounded to the next highest multiple
17 of \$50).”

18 (b) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to taxable years beginning after
20 December 31, 1996.

1 **TITLE V—CAP ON FEDERAL**
2 **SPENDING AND ESTABLISH-**
3 **MENT OF COMMISSION TO RE-**
4 **DUCE FEDERAL SPENDING**

5 **SEC. 501. ESTABLISHMENT.**

6 There is established a commission to be known as the
7 “Commission on Reduction of Federal Spending” (herein-
8 after referred to as the “Commission”).

9 **SEC. 502. DUTIES OF COMMISSION.**

10 The Commission is authorized and directed to—

11 (1) review all Federal spending, including enti-
12 tlement programs, in order to identify and rec-
13 ommend specific reductions in any Federal project,
14 program, or activity to assure that aggregate Fed-
15 eral spending does not grow at a rate in excess of
16 2 percent per annum through fiscal year 1998; and

17 (2)(A) not later than 6 months after the adop-
18 tion of this resolution, report to the House of Rep-
19 resentatives and to the Senate, by bill, any changes
20 in law necessary to carry out paragraph (1); and

21 (B) if either House of Congress rejects the bill
22 referred to in paragraph (2), report to the House of
23 Representatives and the Senate within 10 legislative
24 days of that rejection another bill containing any
25 changes in law necessary to carry out paragraph (1).

1 **SEC. 503. MEMBERSHIP.**

2 (a) NUMBER AND APPOINTMENT.—The Commission
3 shall be composed of 20 Members of the House of Rep-
4 resentatives appointed by the Speaker, of whom 10 shall
5 be members of the minority party appointed after con-
6 sultation with the minority leader of the House and 20
7 Senators appointed by the President pro tempore of the
8 Senate, of whom 10 shall be members of the minority
9 party, appointed after consultation with the minority lead-
10 er of the Senate. The appointments shall be made within
11 30 days after the adoption of this resolution and shall be
12 for the duration of the One Hundred Third Congress.

13 (b) QUORUM.—Twenty-one members of the Commis-
14 sion shall constitute a quorum but a lesser number may
15 hold hearings.

16 (c) CHAIRPERSON; VICE CHAIRPERSON.—The Chair-
17 person and Vice Chairperson of the Commission shall be
18 elected by the members.

19 (d) MEETINGS.—The Commission shall meet at the
20 call of the Chairperson or a majority of its members.

21 **SEC. 504. DIRECTOR AND STAFF OF COMMISSION.**

22 (a) DIRECTOR.—The Commission shall have a Direc-
23 tor who shall be appointed by the Chairperson. The Direc-
24 tor shall be paid at the rate of basic pay payable for level
25 V of the Executive Schedule.

1 (b) STAFF.—The Commission may appoint and fix
2 the pay of additional personnel as it considers appropriate.

3 **SEC. 505. POWERS OF COMMISSION.**

4 The Commission may, for the purpose of carrying out
5 this resolution, hold hearings, sit and act at times and
6 places, take testimony, and receive evidence as the Com-
7 mission considers appropriate.

8 **SEC. 506. TERMINATION.**

9 The Commission shall terminate at the close of the
10 One Hundred Fourth Congress.

11 **SEC. 507. PAYMENT OF EXPENSES.**

12 One-half of the expenses of the Commission shall be
13 paid from the contingent fund of the House of Representa-
14 tives and one-half from the contingent fund of the Senate.

15 **SEC. 508. CONSIDERATION OF COMMISSION'S PROPOSAL.**

16 (a) Upon the reporting of a bill by the Commission
17 in either House of Congress, the bill shall be placed on
18 the appropriate calendar of that House.

19 (b) A vote on final passage of the bill shall be taken
20 in that House on or before the close of the 7th legislative
21 day of that House after the date the bill is reported to
22 that House. If the bill is agreed to, the Clerk of the House
23 of Representatives (in the case of a bill agreed to in the
24 House of Representatives) or the Secretary of the Senate
25 (in the case of a bill agreed to in the Senate) shall cause

1 the bill to be engrossed, certified, and transmitted to the
2 other House of Congress within one calendar day after the
3 bill is agreed to.

4 (c)(1) A bill transmitted to the House of Representa-
5 tives or the Senate pursuant to subsection (b) shall be
6 placed upon the appropriate calendar.

7 (2) A vote on final passage of a bill transmitted to
8 that House shall be taken on or before the close of the
9 7th legislative day in that House after the date on which
10 the bill is transmitted. If the bill is agreed to in that
11 House, the Clerk of the House of Representatives (in the
12 case of a bill agreed to in the House of Representatives)
13 or the Secretary of the Senate (in the case of a bill agreed
14 to in the Senate) shall cause the engrossed bill to be re-
15 turned to the House.

16 (d)(1) A motion in the House of Representatives to
17 proceed to the consideration of a bill under this section
18 shall be highly privileged and not debatable. An amend-
19 ment to the motion shall not be in order, nor shall it be
20 in order to move to reconsider the vote by which the mo-
21 tion is agreed to or disagreed to.

22 (2) Debate in the House of Representatives on a bill
23 under this section shall not exceed 4 hours, which shall
24 be divided equally between those favoring and those oppos-
25 ing the bill. A motion further to limit debate shall not be

1 debatable. It shall not be in order to move to recommit
2 a bill under this section or to move to reconsider the vote
3 by which the bill is agreed to or disagreed to.

4 (3) Appeals from decisions of the Chair relating to
5 the application of the Rules of the House of Representa-
6 tives to the procedure relating to a bill under this section
7 shall be decided without debate.

8 (4) Except to the extent specifically provided in the
9 preceding provisions of this section, consideration of a bill
10 under this section shall be governed by the Rules of the
11 House of Representatives.

12 (e)(1) A motion in the Senate to proceed to the con-
13 sideration of a bill under this section shall be privileged
14 and not debatable. An amendment to the motion shall not
15 be in order, nor shall it be in order to move to reconsider
16 the vote by which the motion is agreed to or disagreed
17 to.

18 (2) Debate in the Senate on a bill under this section,
19 and all debatable motions and appeals in connection there-
20 with, shall not exceed 10 hours. The time shall be equally
21 divided between, and controlled by, the majority leader
22 and the minority leader or their designees.

23 (3) Debate in the Senate on any debatable motion
24 or appeal in connection with a bill under this section shall
25 be limited to not more than 1 hour, to be equally divided

1 between, and controlled by, the mover and the manager
2 of the bill, except that in the event the manager of the
3 bill is in favor of any such motion or appeal, the time in
4 opposition thereto, shall be controlled by the minority
5 leader or his designee. Such leaders, or either of them,
6 may, from time under their control on the passage of a
7 bill, allot additional time to any Senator during the consid-
8 eration of any debatable motion or appeal.

9 (4) A motion in the Senate to further limit debate
10 on a bill under this section is not debatable. A motion to
11 recommit a bill under this section is not in order.

12 (f) No amendment to a bill considered under this sec-
13 tion shall be in order in either the House of Representa-
14 tives or the Senate. No motion to suspend the application
15 of this subsection shall be in order in either House, nor
16 shall it be in order in either House to suspend the applica-
17 tion of this subsection by unanimous consent.

18 (g) For purposes of this resolution, the term “legisla-
19 tive day” means, with respect to either House of Congress,
20 any calendar day during which that House is in session.

21 **SEC. 509. ADVISORY COUNCIL.**

22 (a) There is established an advisory council to assist
23 the Commission in carrying out its duties.

24 (b) The advisory council shall be composed of 150
25 private citizens appointed as follows:

1 (1) Twenty individuals shall be selected ran-
2 domly by the Director of the Internal Revenue Serv-
3 ice from among individual taxpayers who are willing
4 to serve.

5 (2) Thirty-four individuals shall be appointed
6 by the Speaker of the House of Representatives.

7 (3) Thirty-two individuals shall be appointed by
8 the minority party leader of the House of Represent-
9 atives.

10 (4) Thirty-two individuals shall be appointed by
11 the majority party leader of the Senate.

12 (5) Thirty-two individuals shall be appointed by
13 the minority party leader of the Senate.

14 (c) Members of the advisory council shall receive trav-
15 el expenses, including per diem in lieu of subsistence, in
16 accordance with sections 5702 and 5703 of title 5, United
17 States Code.

18 (d) The advisory council shall terminate at the close
19 of the One Hundred Fourth Congress.

20 **SEC. 510. AMENDMENTS TO THE BALANCED BUDGET AND**
21 **EMERGENCY DEFICIT CONTROL ACT OF 1985**
22 **TO LIMIT FEDERAL SPENDING.**

23 The Balanced Budget and Emergency Deficit Control
24 Act of 1985 is amended by adding after section 252 the
25 following new section:

1 **“SEC. 252A. LIMITATIONS ON DIRECT SPENDING.**

2 “(a) ENFORCEMENT.—The purpose of this section is
3 to assure that any increase in the annual amount of total
4 Federal spending exceeding the amount resulting from an
5 annual rate of inflation of 2 percent will trigger an offset-
6 ting sequestration.

7 “(b) SEQUESTRATION.—Within 15 calendar days
8 after Congress adjourns to end a session and on the same
9 day as a sequestration (if any) under sections 251 and
10 252, and prior to any sequestration under section 253,
11 there shall be a sequestration to offset the amount of any
12 excess Federal spending in that fiscal year. The amount
13 of excess Federal spending for a fiscal year shall be the
14 amount by which OMB projects total Federal spending for
15 that year to exceed the direct spending limit for that year
16 set forth in the following table:

Fiscal Year	Outlay limits (in billions of dollars)
1995	1512.66
1996	1542.91
1997	1573.77
1998	1605.25
1999	1637.35

17 “(c) ELIMINATING EXCESS FEDERAL SPENDING.—
18 The amount required to be sequestered in a fiscal year
19 under subsection (b) shall be obtained from all non-exempt
20 accounts. Each non-exempt account shall be reduced by

1 the uniform percentage necessary to make the required re-
2 duction in Federal spending. The uniform reduction re-
3 quired shall be made without application of the exemp-
4 tions, except for the following: interest on the debt, (with
5 respect to social security benefits), and prior legal obliga-
6 tions of the Government.

7 “(d) REPORTS.—The requirements of section 254 for
8 reports and orders that are applicable to section 252 shall
9 also apply to this section except that such reports and or-
10 ders for this section shall refer to and apply the require-
11 ments, calculations and sequestrations of this section.

12 “(e) RECONCILIATION PROCESS TO AVOID SEQUES-
13 TRATION.—Whenever an update report for this section in-
14 dicates that a sequester would be necessary to eliminate
15 excess Federal spending, the special reconciliation process
16 set forth in section 258C shall apply for consideration of
17 alternatives to the order envisioned by such report.

18 “(f) TRIGGER.—This section shall only be effective
19 if the recommendations of the Commission on Reduction
20 of Federal Spending are not enacted into law.”

1 **TITLE VI—ELIMINATION OF SO-**
2 **CIAL SECURITY EARNINGS**
3 **TEST**

4 **SEC. 601. ELIMINATION OF SOCIAL SECURITY EARNINGS**
5 **TEST.**

6 (a) IN GENERAL.—Section 203 of the Social Security
7 Act is amended—

8 (1) in paragraph (1) of subsection (c) and para-
9 graphs (1)(A) and (2) of subsection (d), by striking
10 “the age of seventy” and inserting “retirement age
11 (as defined in section 216(l))”;

12 (2) in subsection (f)(1)(B), by striking “was
13 age seventy or over” and inserting “was at or above
14 retirement age (as defined in section 216(l))”;

15 (3) in subsection (f)(3), by striking “33 $\frac{1}{3}$ per-
16 cent” and all that follows through “any other indi-
17 vidual,” and inserting “50 percent of such individ-
18 ual’s earnings for such year in excess of the product
19 of the exempt amount as determined under para-
20 graph (8),” and by striking “age 70” and inserting
21 “retirement age (as defined in section 216(l))”;

22 (4) in subsection (h)(1)(A), by striking “age
23 70” each place it appears and inserting “retirement
24 age (as defined in section 216(l))”; and

1 (5) in subsection (j), by striking “Age Seventy”
2 in the heading and inserting “Retirement Age”, and
3 by striking “seventy years of age” and inserting
4 “having attained retirement age (as defined in sec-
5 tion 216(l))”.

6 (b) CONFORMING AMENDMENTS ELIMINATING THE
7 SPECIAL EXEMPT AMOUNT FOR INDIVIDUALS WHO HAVE
8 ATTAINED RETIREMENT AGE.—

9 (1) UNIFORM EXEMPT AMOUNT.—Section
10 203(f)(8)(A) of such Act is amended by striking
11 “the new exempt amounts (separately stated for in-
12 dividuals described in subparagraph (D) and for
13 other individuals) which are to be applicable” and
14 inserting “a new exempt amount which shall be ap-
15 plicable”.

16 (2) CONFORMING AMENDMENTS.—Section
17 203(f)(8)(B) of such Act is amended—

18 (A) in the matter preceding clause (i), by
19 striking “Except” and all that follows through
20 “whichever” and inserting “The exempt amount
21 which is applicable for each month of a particu-
22 lar taxable year shall be whichever”;

23 (B) in clause (i), by striking “correspond-
24 ing”; and

1 (C) in the last sentence, by striking “an
2 exempt amount” and inserting “the exempt
3 amount”.

4 (3) REPEAL OF BASIS FOR COMPUTATION OF
5 SPECIAL EXEMPT AMOUNT.—Section 203(f)(8)(D) of
6 such Act is repealed.

7 (c) ELIMINATION OF REDUNDANT REFERENCES TO
8 RETIREMENT AGE.—Section 203 of such Act is amend-
9 ed—

10 (1) in the last sentence of subsection (c), by
11 striking “nor shall any deduction” and all that fol-
12 lows and inserting “nor shall any deduction be made
13 under this subsection from any widow’s or widower’s
14 insurance benefit if the widow, surviving divorced
15 wife, widower, or surviving divorced husband in-
16 volved became entitled to such benefit prior to at-
17 taining age 60.”; and

18 (2) in subsection (f)(1), by striking clause (D)
19 and inserting the following: “(D) for which such in-
20 dividual is entitled to widow’s or widower’s insurance
21 benefits if such individual became so entitled prior
22 to attaining age 60, or”.

23 (d) CONFORMING AMENDMENT TO PROVISIONS FOR
24 DETERMINING AMOUNT OF INCREASE ON ACCOUNT OF

1 DELAYED RETIREMENT.—Section 202(w)(2)(B)(ii) of
2 such Act is amended—

3 (1) by striking “either”; and

4 (2) by striking “or suffered deductions under
5 section 203(b) or 203(c) in amounts equal to the
6 amount of such benefit”.

7 (e) CONTINUED APPLICATION OF RULE GOVERNING
8 ENTITLEMENT OF BLIND BENEFICIARIES.—The second
9 sentence of section 223(d)(4) of such Act is amended by
10 inserting after “subparagraph (D) thereof” where it first
11 appears the following: “(or would be applicable to such
12 individuals but for the amendments made by the Revenue
13 Reconciliation Act of 1993)”.

14 (f) EFFECTIVE DATE.—The amendments made by
15 this section shall apply with respect to taxable years begin-
16 ning after December 31, 1993.

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