

103D CONGRESS  
1ST SESSION

# H. R. 567

To amend the Internal Revenue Code of 1986 to increase the dollar limitation on the 1-time exclusion of gain from sale of a principal residence by individuals who have attained age 55, to increase the amount of the unified estate and gift tax credits, and to reduce the tax on capital gains.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 25, 1993

Mr. ROHRABACHER (for himself, Mr. HERGER, Mr. SOLOMON, Mr. EMERSON, Mr. PORTER, Mr. RAMSTAD, Mr. DOOLITTLE, Mr. SMITH of Oregon, Mr. MCCOLLUM, Mr. SCHIFF, Mr. KYL, Mr. BAKER of Louisiana, Mr. MOORHEAD, Mr. RAVENEL, Mr. BURTON, Mr. GALLEGLY, Mr. GOSS, Mr. COX, Mr. GILLMOR, Mr. DORNAN, Mr. MCHUGH, Mr. BAKER of California, Mr. SMITH of New Jersey, Mr. SPENCE, Mr. TAYLOR of North Carolina, Mrs. BENTLEY, Mr. SENSENBRENNER, Mr. LEVY, Mr. LINDER, Mr. MYERS, Mr. BLUTE, Mr. POMBO, Mr. GINGRICH, Mr. HANCOCK, Mr. SAM JOHNSON of Texas, Mr. ROYCE, and Mr. UPTON) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to increase the dollar limitation on the 1-time exclusion of gain from sale of a principal residence by individuals who have attained age 55, to increase the amount of the unified estate and gift tax credits, and to reduce the tax on capital gains.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

1 **SECTION 1. INCREASE IN LIMITATION ON 1-TIME EXCLU-**  
2 **SION OF GAIN FROM SALE OF PRINCIPAL**  
3 **RESIDENCE.**

4 (a) GENERAL RULE.—Paragraph (1) of section  
5 121(b) of the Internal Revenue Code of 1986 (relating to  
6 dollar limitation) is amended by striking “\$125,000  
7 (\$62,500” and inserting “\$186,000 (\$93,000”.

8 (b) COST-OF-LIVING ADJUSTMENTS.—Subsection (b)  
9 of section 121 of such Code is amended by adding at the  
10 end thereof the following new paragraph:

11 “(4) COST-OF-LIVING ADJUSTMENTS.—In the  
12 case of any taxable year beginning in a calendar  
13 year after 1993, each dollar amount set forth in  
14 paragraph (1) shall be increased by an amount equal  
15 to—

16 “(A) such dollar amount, multiplied by

17 “(B) the cost-of-living adjustment deter-  
18 mined under section 1(f)(3) for the calendar  
19 year in which the taxable year begins, by sub-  
20 stituting ‘calendar year 1992’ for ‘calendar year  
21 1989’ in subparagraph (B) thereof.

22 Any increase determined under the preceding sen-  
23 tence shall be rounded to the nearest multiple of  
24 \$1,000.”

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to any sale or exchange after De-  
3 cember 31, 1992.

4 **SEC. 2. INCREASE IN UNIFIED ESTATE AND GIFT TAX CRED-**  
5 **ITS.**

6 (a) ESTATE TAX CREDIT.—

7 (1) Subsection (a) of section 2010 of the Inter-  
8 nal Revenue Code of 1986 (relating to unified credit  
9 against estate tax) is amended by striking  
10 “\$193,500” and inserting “the applicable credit  
11 amount”.

12 (2) Section 2010 of such Code is amended by  
13 redesignating subsection (c) as subsection (d) and by  
14 inserting after subsection (b) the following new sub-  
15 section:

16 “(c) APPLICABLE CREDIT AMOUNT.—For purposes  
17 of this section—

18 “(1) IN GENERAL.—The applicable credit  
19 amount is the amount of the tentative tax which  
20 would be determined under the rate schedule set  
21 forth in section 2001(c) if the amount with respect  
22 to which such tentative tax is to be computed were  
23 \$770,000.

24 “(2) COST-OF-LIVING ADJUSTMENTS.—In the  
25 case of any decedent dying in a calendar year after

1 1993, the \$770,000 amount set forth in paragraph  
2 (1) shall be increased by an amount equal to—

3 “(A) \$770,000, multiplied by

4 “(B) the cost-of-living adjustment deter-  
5 mined under section 1(f)(3) for such calendar  
6 year by substituting ‘calendar year 1992’ for  
7 ‘calendar year 1989’ in subparagraph (B)  
8 thereof.

9 Any increase determined under the preceding sen-  
10 tence shall be rounded to the nearest multiple of  
11 \$1,000.”

12 (3) Paragraph (1) of section 6018(a) of such  
13 Code is amended by striking “\$600,000” and insert-  
14 ing “\$770,000 (adjusted as provided in section  
15 2010(c)(2))”.

16 (b) UNIFIED GIFT TAX CREDIT.—Paragraph (1) of  
17 section 2505(a) of such Code is amended by striking  
18 “\$193,500” and inserting “the applicable credit amount  
19 in effect under section 2010(c) for such calendar year”.

20 (c) EFFECTIVE DATE.—The amendments made by  
21 this section shall apply to the estates of decedents dying,  
22 and gifts made, after December 31, 1992.

1 **SEC. 3. REDUCTION IN CAPITAL GAINS TAX FOR INDIVID-**  
2 **UALS.**

3 (a) GENERAL RULE.—Part I of subchapter P of  
4 chapter 1 of the Internal Revenue Code of 1986 is amend-  
5 ed by adding at the end thereof the following new section:

6 **“SEC. 1202. DEDUCTION FOR CAPITAL GAINS.**

7 “(a) GENERAL RULE.—If, for any taxable year, a  
8 taxpayer other than a corporation has a net capital gain,  
9 an amount equal to 50 percent of the net capital gain shall  
10 be allowed as a deduction.

11 “(b) ESTATES AND TRUSTS.—In the case of an es-  
12 tate or trust, the deduction under subsection (a) shall be  
13 computed by excluding the portion (if any) of the gains  
14 for the taxable year from sales or exchanges of capital as-  
15 sets which, under sections 652 and 662 (relating to inclu-  
16 sions of amounts in gross income of beneficiaries of  
17 trusts), is includible by the income beneficiaries as gain  
18 derived from the sale or exchange of capital assets.”

19 (b) MINIMUM TAX.—Section 56(b) of such Code is  
20 amended by adding at the end thereof the following new  
21 paragraph:

22 “(4) CAPITAL GAINS DEDUCTION DISALLOW-  
23 ANCE.—The deduction under section 1202 shall not  
24 be allowed.”

25 (c) CONFORMING AMENDMENTS.—

1           (1) Subsection (h) of section 1 of such Code is  
2 hereby repealed.

3           (2) Section 62(a) of such Code is amended by  
4 inserting after paragraph (13) the following new  
5 paragraph:

6           “(14) CAPITAL GAINS DEDUCTION.—The deduc-  
7 tion allowed by section 1202.”

8           (3) Clause (ii) of section 163(d)(4)(B) of such  
9 Code is amended by inserting “, reduced by the  
10 amount of any deduction allowable under section  
11 1202 attributable to gain from such property” after  
12 “investment”.

13           (4) Section 170(e)(1)(B) of such Code is  
14 amended by inserting “(or, in the case of a taxpayer  
15 other than a corporation, 50 percent of the amount  
16 of gain)” after “the amount of gain”.

17           (5)(A) Section 172(d)(2) of such Code is  
18 amended to read as follows:

19           “(2) CAPITAL GAINS AND LOSSES OF TAX-  
20 PAYERS OTHER THAN CORPORATIONS.—In the case  
21 of a taxpayer other than a corporation—

22           “(A) the amount deductible on account of  
23 losses from sales or exchanges of capital assets  
24 shall not exceed the amount includible on ac-

1 count of gains from sales or exchanges of cap-  
 2 ital assets; and

3 “(B) the deduction provided by section  
 4 1202 shall not be allowed.”

5 (B) Subparagraph (B) of section 172(d)(4) of  
 6 such Code is amended by inserting “, (2)(B),” after  
 7 “paragraph (1)”.

8 (6)(A) Section 221 of such Code is amended to  
 9 read as follows:

10 **“SEC. 221. CROSS REFERENCES.**

**“(1) For deduction for net capital gain, see section 1202.**

**“(2) For deductions in respect of a decedent, see section 691.”**

11 (B) The table of sections for part VII of sub-  
 12 chapter B of chapter 1 is amended by striking “ref-  
 13 erence” in the item relating to section 221 and in-  
 14 serting “references”.

15 (7) Paragraph (4) of section 642(c) of such  
 16 Code is amended to read as follows:

17 “(4) ADJUSTMENTS.—To the extent that the  
 18 amount otherwise allowable as a deduction under  
 19 this subsection consists of gain from the sale or ex-  
 20 change of capital assets held for more than 1 year,  
 21 proper adjustment shall be made for any deduction  
 22 allowable to the estate or trust under section 1202  
 23 (relating to deduction for net capital gain). In the

1 case of a trust, the deduction allowed by this sub-  
2 section shall be subject to section 681 (relating to  
3 unrelated business income).”

4 (8) Paragraph (3) of section 643(a) of such  
5 Code is amended by adding at the end thereof the  
6 following new sentence: “The deduction under sec-  
7 tion 1202 (relating to deduction for net capital gain)  
8 shall not be taken into account.”.

9 (9) Paragraph (6)(C) of section 643(a) of such  
10 Code is amended—

11 (A) by inserting “(i)” before “there”, and

12 (B) by inserting “, and (ii) the deduction  
13 under section 1202 (relating to deduction for  
14 excess of capital gains over capital losses)” be-  
15 fore the period at the end thereof.

16 (10) Paragraph (4) of section 691(c) of such  
17 Code is amended by striking “1(h), 1201” and in-  
18 serting “1201, 1202,”.

19 (11) The second sentence of paragraph (2) of  
20 section 871(a) of such Code is amended by inserting  
21 “such gains and losses shall be determined without  
22 regard to section 1202 (relating to deduction for net  
23 capital gain) and” after “except that”.

24 (12)(A) Subparagraph (B) of section 904(b)(2)  
25 of such Code is amended by striking so much of

1 such subparagraph as precedes clause (i) and insert-  
2 ing the following:

3 “(B) SPECIAL RULES WHERE CORPORATE  
4 CAPITAL RATE GAIN DIFFERENTIAL.—In the  
5 case of a corporation, for any taxable year for  
6 which there is a capital gain rate differen-  
7 tial—”.

8 (B) Subparagraphs (D) and (E) of section  
9 904(b)(3) of such Code are amended to read as fol-  
10 lows:

11 “(D) CAPITAL GAIN RATE DIFFEREN-  
12 TIAL.—There is a capital gain rate differential  
13 for any taxable year if any rate of tax imposed  
14 by section 11, 511, or 831(a) or (b) (whichever  
15 applies) exceeds the alternative rate of tax  
16 under section 1201(a) (determined without re-  
17 gard to the last sentence of section 11(b)(1)).

18 “(E) RATE DIFFERENTIAL PORTION.—The  
19 rate differential portion of foreign source net  
20 capital gain, net capital, or the excess of net  
21 capital gain from sources within the United  
22 States over net capital gain, as the case maybe,  
23 is the same proportion of such amount as—

24 “(i) the excess of the highest rate of  
25 tax specified in section 11(b)(1) over the

1 alternative rate of tax under section  
2 1201(a), bears to

3 “(ii) the highest rate of tax specified  
4 in section 11(b)(1).”

5 (13) Section 1402(i)(1) of such Code is amend-  
6 ed to read as follows:

7 “(1) IN GENERAL.—In determining the net  
8 earnings from self-employment of any options dealer  
9 or commodities dealer—

10 “(A) notwithstanding subsection (a)(3)(A),  
11 there shall not be excluded any gain or loss (in  
12 the normal course of the taxpayer’s activity of  
13 dealing in or trading section 1256 contracts)  
14 from section 1256 contracts or property related  
15 to such contracts, and

16 “(B) the deduction provided by section  
17 1202 shall not apply.”

18 (d) CLERICAL AMENDMENT.—The table of sections  
19 for part I of subchapter P of chapter 1 of such Code is  
20 amended by adding at the end thereof the following new  
21 item:

“Sec. 1202. Deduction for capital gains.”

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