

104<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 430

To establish The National Dividend Plan by reforming the budget process, and by amending the Internal Revenue Code of 1986 to eliminate the double tax on dividends, to allocate corporate income tax revenues for payments to qualified registered voters, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 5, 1995

Mr. TAUZIN introduced the following bill; which was referred to the Committee on Ways and Means and, in addition, to the Committee on Rules, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To establish The National Dividend Plan by reforming the budget process, and by amending the Internal Revenue Code of 1986 to eliminate the double tax on dividends, to allocate corporate income tax revenues for payments to qualified registered voters, 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 “National Dividend  
5       Act of 1995”.

1 **SEC. 2. NATIONAL DIVIDEND PAYMENT TO REGISTERED**  
2 **VOTERS.**

3 (a) PAYMENTS FOR DISBURSEMENTS TO REG-  
4 ISTERED VOTERS OF EACH STATE.—

5 (1) IN GENERAL.—The Secretary shall pay dur-  
6 ing each calendar year after the Base Year to the  
7 chief financial officer of each State an amount equal  
8 to the National Dividend Payment for the imme-  
9 diately preceding calendar year multiplied by the  
10 number (provided to the Secretary by such officer)  
11 of individuals who are qualified registered voters of  
12 such State for such preceding year.

13 (2) SEMIANNUAL INSTALLMENTS.—One-half of  
14 the amount payable under paragraph (1) to the chief  
15 financial officer of any State during the 3 calendar  
16 years immediately following the Base Year shall be  
17 paid to such officer at the beginning of the second  
18 and fourth calendar quarters of such year.

19 (3) QUARTERLY INSTALLMENTS.—One-fourth  
20 of the amount payable under paragraph (1) to the  
21 chief financial officer of any State during any cal-  
22 endar year subsequent to the third calendar year im-  
23 mediately following the Base Year shall be paid to  
24 such officer at the beginning of each calendar quar-  
25 ter of such year.

1 (b) AMOUNT OF NATIONAL DIVIDEND PAYMENT.—

2 The National Dividend Payment for any calendar year  
3 shall be an amount equal to—

4 (1) the excess of—

5 (A) the sum of—

6 (i) the aggregate amount transferred  
7 under section 3(b)(3) to the National Divi-  
8 dend Payment Trust Fund during the fis-  
9 cal year ending during such calendar year,  
10 plus

11 (ii) any interest credited during such  
12 fiscal year to the Trust Fund under section  
13 3(c)(2)(B)(iii), over

14 (B) the sum of—

15 (i) the amount transferred out of the  
16 Trust Fund during such fiscal year under  
17 section 3(b)(4), plus

18 (ii) the deficit adjustment amount for  
19 such fiscal year calculated pursuant to sec-  
20 tion 6 of this Act,

21 divided by

22 (2) the number of individuals who are qualified  
23 registered voters for such calendar year as deter-  
24 mined on the basis of reports submitted not later  
25 than November 30 of such calendar year by the

1 chief financial officer of each State to the Secretary  
2 (in such manner as the Secretary may by regulations  
3 prescribe).

4 (c) METHOD OF DISBURSEMENTS TO QUALIFIED  
5 REGISTERED VOTERS.—

6 (1) IN GENERAL.—The National Dividend Pay-  
7 ment for any calendar year shall be paid to each  
8 qualified registered voter of a State by an incor-  
9 porated bank which is selected (in accordance with  
10 paragraph (2)) for such year by the chief financial  
11 officer of such State as the disbursing agent of such  
12 State.

13 (2) SELECTION OF DISBURSING AGENT.—Any  
14 incorporated bank may be selected as the disbursing  
15 agent of any State under paragraph (1) by the chief  
16 financial officer of such State if—

17 (A) such bank is determined by such offi-  
18 cer to be operating within such State,

19 (B) such bank submits a sealed bid to such  
20 officer in which such bank—

21 (i) specifies an amount which it  
22 agrees to pay such State as consideration  
23 for each year for which it pays National  
24 Dividend Payments to qualified registered  
25 voters of such State,

1 (ii) specifies procedures which it  
2 agrees to follow in making such payments,  
3 and

4 (iii) agrees to limit the investment of  
5 any funds received for the purpose of mak-  
6 ing such payments to interest-bearing obli-  
7 gations of the United States or to obliga-  
8 tions guaranteed as to both principal and  
9 interest by the United States,

10 and

11 (C) such officer approves such bid, taking  
12 into account with respect to all such bids—

13 (i) the amount of such consideration,

14 (ii) any previous experience of such  
15 bank in making such payments, and

16 (iii) the ability and reliability of such  
17 bank to make such payments.

18 (3) TRANSFER OF FUNDS TO DISBURSING  
19 AGENT.—Funds received under subsection (a) by the  
20 chief financial officer of any State shall be trans-  
21 ferred by such officer to the disbursing agent for  
22 such State not less than 10 days after the date such  
23 officer receives such funds.

24 (4) PAYMENT BY DISBURSING AGENT.—A Na-  
25 tional Dividend Payment shall be paid by the dis-

1       bursing agent of each State to each qualified reg-  
2       istered voter of such State who is included on a list  
3       provided to such agent by the chief financial officer  
4       of such State. Such payment shall be in the form of  
5       a negotiable instrument—

6               (A) which is drawn on an account of such  
7       agent,

8               (B) which is made payable to such voter,  
9       and

10              (C) which states, on the endorsement side  
11       of such instrument, that—

12                   (i) such instrument must be nego-  
13                   tiated within the 90-day period which be-  
14                   gins on the date such instrument is drawn,

15                   (ii) each qualified registered voter is  
16                   entitled to only 1 National Dividend Pay-  
17                   ment for each calendar year, and

18                   (iii) any individual who negotiates any  
19                   such instrument and who is not entitled to  
20                   the payment made by such instrument is  
21                   subject under Federal law to fine, or im-  
22                   prisonment, or both.

23              (5) NATIONAL DIVIDEND PAYMENT INSTALL-  
24       MENTS.—

1           (A) SEMIANNUAL INSTALLMENTS.—One-  
2 half of the amount of the National Dividend  
3 Payment payable during the 3 calendar years  
4 immediately following the Base Year to any  
5 qualified registered voter shall be paid to such  
6 voter at the close of the second and fourth cal-  
7 endar quarters of such year.

8           (B) QUARTERLY INSTALLMENTS.—One-  
9 fourth of the National Dividend Payment pay-  
10 able to any qualified registered voter during any  
11 calendar year subsequent to the third calendar  
12 year following the Base Year shall be paid to  
13 such voter at the close of each calendar quarter  
14 of such year.

15 (d) QUALIFIED REGISTERED VOTER.—

16           (1) IN GENERAL.—For purposes of this section,  
17 an individual is a qualified registered voter for any  
18 calendar year if—

19           (A) such individual was entitled to vote in  
20 the most recent Federal election before such  
21 calendar year, and

22           (B) such individual certifies to the State or  
23 local authority which supervises the voting of  
24 such individual that, during such calendar year,

1           he complies with all conditions of his entitle-  
2           ment to vote.

3           (2) REGISTERED VOTERS.—In the case of any  
4           individual who in any calendar year registers to vote  
5           under State or local law, such registration shall be  
6           treated as complying with the certification under  
7           paragraph (1)(B) for such year.

8           (e) APPLICATIONS PERMITTED.—

9           (1) IN GENERAL.—The chief financial officer of  
10          each State may require individuals to apply to re-  
11          ceive any National Dividend Payment under this  
12          Act.

13          (2) CRIMINAL PENALTY.—Any person who  
14          knowingly makes any false statement or false rep-  
15          resentation of a material fact in any application sub-  
16          mitted pursuant to paragraph (1) or any certifi-  
17          cation under subsection (d) shall be fined not more  
18          than \$10,000, or imprisoned not more than 10  
19          years, or both for each such false statement or false  
20          representation.

21          (f) PAYMENTS TO BE MADE FROM NATIONAL DIVI-  
22          DEND PAYMENT TRUST FUND.—Amounts in the National  
23          Dividend Payment Trust Fund shall be available, to such  
24          extent and in such amounts as are provided in appropria-  
25          tion Acts, for making the payments under this section.



1 **SEC. 3. ESTABLISHMENT OF NATIONAL DIVIDEND PAY-**  
2 **MENT TRUST FUND.**

3 (a) CREATION OF TRUST FUND.—There is hereby es-  
4 tablished in the Treasury of the United States a trust fund  
5 to be known as the National Dividend Payment Trust  
6 Fund.

7 (b) TRANSFER OF AMOUNTS EQUIVALENT TO COR-  
8 PORATE INCOME TAXES TO THE TRUST FUND.—

9 (1) IN GENERAL.—There are hereby authorized  
10 to be appropriated to the Trust Fund amounts de-  
11 termined by the Secretary to be equivalent to  
12 amounts received in the Treasury in fiscal years  
13 ending after the Base Year from the following taxes:

14 (A) the taxes imposed by sections 11,  
15 511(a) and 1201(a) of the Code;

16 (B) the taxes imposed by subchapter L of  
17 chapter 1 of the Code; and

18 (C) the tax imposed on a corporation by  
19 section 55(a) of the Code.

20 (2) TRANSITION RULE.—In the case of the first  
21 four fiscal years ending after the Base Year, the  
22 amounts authorized to be appropriated to the Trust  
23 Fund for such years shall be the following percent-  
24 age of the amount determined under paragraph (1):

25 (A) 20 percent in the case of the first such  
26 fiscal year;

1 (B) 40 percent in the case of the second  
2 such fiscal year;

3 (C) 60 percent in the case of the third  
4 such fiscal year; and

5 (D) 80 percent in the case of the fourth  
6 such fiscal year.

7 (3) METHOD OF TRANSFER.—The amounts ap-  
8 propriated pursuant to paragraphs (1) and (2) shall  
9 be transferred at least quarterly from the general  
10 fund of the Treasury to the Trust Fund on the basis  
11 of estimates made by the Secretary of the amounts  
12 derived from the taxes described in paragraph (1).  
13 Proper adjustments shall be made in the amounts  
14 subsequently transferred to the extent such esti-  
15 mates are in excess of or less than the amounts re-  
16 quired to be transferred.

17 (4) TRANSFER FROM TRUST FUND FOR ADMIN-  
18 ISTRATIVE EXPENSES.—The Secretary may from  
19 time to time transfer from the Trust Fund—

20 (A) to the general fund of the Treasury  
21 the amount estimated as the costs incurred by  
22 the Department of the Treasury in the adminis-  
23 tration of section 2, and

1 (B) to the Board the amount estimated by  
2 the Board as its costs in carrying out its duties  
3 under this Act.

4 Proper adjustments shall be made in the amounts  
5 subsequently transferred to the extent such esti-  
6 mates are in excess of or less than the amounts re-  
7 quired to be transferred.

8 (c) TRUST FUND BOARD.—

9 (1) IN GENERAL.—There is hereby established  
10 a review board to be known as the National Divi-  
11 dend Review Board which shall consist of 5 members  
12 appointed by the President, by and with the advice  
13 and consent of the Senate, from among individuals  
14 who are not officers or employees of the Federal  
15 Government.

16 (2) DUTIES.—

17 (A) REPORT.—It shall be the duty of the  
18 Board to review the manner in which payments  
19 under section 2 are made, to hold the Trust  
20 Fund, and to report to the Congress each year  
21 on such review and on the financial condition  
22 and the results of the operations of the Trust  
23 Fund during the preceding fiscal year and on  
24 its expected condition and operation during the  
25 next 5 fiscal years. Such report shall be printed

1 as a House document of the session of the Con-  
2 gress to which the report is made.

3 (B) INVESTMENT.—

4 (i) IN GENERAL.—The Board may in-  
5 vest any amount of the Trust Fund which  
6 the Board determines is not required to  
7 meet current payments. Such investments  
8 shall be made only in interest-bearing obli-  
9 gations of the United States or in obliga-  
10 tions guaranteed as to both principal and  
11 interest by the United States. Such obliga-  
12 tions may be acquired—

13 (I) on original issue at the issue  
14 price, or

15 (II) by purchase of outstanding  
16 obligations at the market price.

17 The purposes for which obligations of the  
18 United States may be issued under the  
19 Second Liberty Bond Act are hereby ex-  
20 tended to authorize the issuance at par of  
21 special obligations exclusively to the Trust  
22 Fund. Such special obligations shall bear  
23 interest at a rate equal to the average rate  
24 of interest, computed as to the end of the  
25 calendar month next preceding the date of

1 such issue, borne by all marketable inter-  
2 est-bearing obligations of the United  
3 States then forming a part of the public  
4 debt; except that if such average rate is  
5 not a multiple of one-eighth of 1 percent,  
6 the rate of interest of such special obliga-  
7 tions shall be the multiple of one-eighth of  
8 1 percent next lower than such average  
9 rate. Such special obligations shall be is-  
10 sued only if the Board determines that the  
11 purchase of other interest-bearing obliga-  
12 tions guaranteed as to both principal and  
13 interest by the United States on original  
14 issue or at the market price, is not in the  
15 public interest.

16 (ii) SALE OF OBLIGATIONS.—Any ob-  
17 ligations acquired by the Trust Fund (ex-  
18 cept special obligations issued exclusively  
19 to the Trust Fund) may be sold by the  
20 Board at the market price, and such spe-  
21 cial obligations may be redeemed at par  
22 plus accrued interest.

23 (iii) INTEREST ON CERTAIN PRO-  
24 CEEDS.—The interest on, and the proceeds  
25 from the sale or redemption of, any obliga-

1           tions held in the Trust Fund shall be cred-  
2           ited to and form a part of the Trust Fund.

3           (3) TERM, PAY, AND TRAVEL EXPENSES OF  
4 MEMBERS.—

5           (A) TERM.—Each member of the Board  
6 shall be appointed for a term of 2 years; except  
7 that any member appointed to fill a vacancy oc-  
8 ccurring before the expiration of the term for  
9 which his predecessor was appointed shall be  
10 appointed only for the remainder of such term.

11           (B) PAY.—Members of the Board shall re-  
12 ceive compensation at the rate of \$100 for each  
13 day they are engaged in the performance of  
14 their duties as members of the Board.

15           (C) TRAVEL EXPENSES.—While away from  
16 their homes or regular places of business in  
17 performance of services for the Board, members  
18 of the Board shall be allowed travel expenses,  
19 including a per diem in lieu of subsistence, in  
20 the same manner as persons employed intermit-  
21 tently in the Government service are allowed ex-  
22 penses under section 5703 of title 5 of the  
23 United States Code.

24           (d) RESTRICTION ON THE USE OF THE TRUST  
25 FUND.—Except as provided in subsection (b)(4), amounts

1 in the Trust Fund shall be available only for purposes of  
2 making payments under section 2.

3 **SEC. 4. ELIMINATION OF DOUBLE TAX ON DIVIDENDS.**

4 (a) DIVIDENDS RECEIVED BY INDIVIDUALS.—

5 (1) IN GENERAL.—Part III of subchapter B of  
6 chapter 1 of the Code (relating to items specifically  
7 excluded from gross income) is amended by inserting  
8 after section 115 the following new section:

9 **“SEC. 116. EXCLUSION OF DIVIDENDS RECEIVED BY INDI-**  
10 **VIDUALS.**

11 “(a) EXCLUSION.—Gross income does not include  
12 amounts received by an individual as dividends from do-  
13 mestic corporations.

14 “(b) NATIONAL DIVIDEND PAYMENT.—For purposes  
15 of subsection (a), amounts received by an individual as  
16 national dividend payments under the National Dividend  
17 Act of 1993 shall be treated as dividends from domestic  
18 corporations.”

19 (2) TECHNICAL, CONFORMING, AND CLERICAL  
20 AMENDMENTS.—

21 (A) The table of sections for part III of  
22 subchapter B of chapter 1 of the Code is  
23 amended by inserting after the item relating to  
24 section 115 the following new item:

“Sec. 116. Exclusion of dividends received by individuals.”

1           (B) Subsection (g) of section 301 of the  
2 Code (relating to special rules for distributions  
3 of property by corporations) is amended by in-  
4 serting after paragraph (3) the following new  
5 paragraph (4):

6           “(4) For exclusion from gross income of divi-  
7 dends received by individuals, see section 116.”

8           (C) Subsection (a) of section 643 of the  
9 Code (relating to certain definitions with re-  
10 spect to the taxation of estates, trusts and  
11 beneficiaries) is amended by inserting after  
12 paragraph (6) the following new paragraph (7):

13           “(7) DIVIDENDS.—There shall be included the  
14 amount of any dividends excluded from gross income  
15 pursuant to section 116 (relating to exclusion of  
16 dividends).”

17           (b) DIVIDENDS RECEIVED BY CORPORATIONS.—

18           (1) IN GENERAL.—Subsection (a) of section  
19 243 of the Code (relating to dividends received by  
20 corporations) is amended to read as follows:

21           “(a) GENERAL RULE.—In the case of a corporation,  
22 there shall be allowed as a deduction an amount equal to  
23 100 percent of the amount received as dividends from a  
24 domestic corporation which is subject to taxation under  
25 this chapter.”



1           (2) DIVIDENDS ON CERTAIN PREFERRED  
2           STOCK.—Section 244 of the Code (relating to divi-  
3           dends received on certain preferred stock) is amend-  
4           ed to read as follows:

5   **“SEC. 244. DIVIDENDS RECEIVED ON CERTAIN PREFERRED**  
6                                   **STOCK.**

7           “In the case of a corporation, there shall be allowed  
8           as a deduction an amount computed as follows:

9                   “(1) First determine the amount received as  
10                  dividends on the preferred stock of a public utility  
11                  which is subject to taxation under this chapter and  
12                  with respect to which the deduction provided in sec-  
13                  tion 247 for dividends paid is allowable.

14                  “(2) Then multiply the amount determined  
15                  under paragraph (1) by the fraction—

16                          “(A) the numerator of which is 14 percent,  
17                          and

18                          “(B) the denominator of which is that per-  
19                          centage which equals the highest rate of tax  
20                          specified in section 11(b).

21                  “(3) Finally ascertain the amount which is 100  
22                  percent of the excess of—

23                          “(A) the amount determined under para-  
24                          graph (1), over

1           “(B) the amount determined under para-  
2           graph (2).”

3           (3) TECHNICAL, CONFORMING AND CLERICAL  
4           AMENDMENTS.—

5           (A) Section 243 of the Code (relating to  
6           dividends received by corporations) is amended  
7           by striking out subsections (b) and (c) and by  
8           redesignating subsections (d) and (e) as sub-  
9           sections (b) and (c), respectively.

10          (B) Subsection (b) of section 246 of the  
11          Code (relating to rules applying to deductions  
12          for dividends received) is amended—

13                 (i) in paragraph (1) by striking out  
14                 “243(a)(1), 244(a)” each time it appears  
15                 and inserting in lieu thereof “243, 244”  
16                 and by striking out “the percentage deter-  
17                 mined under paragraph (3) of”, and

18                 (ii) by striking out paragraph (3).

19          (C)(i) Subparagraph (A) of section  
20          805(a)(4) of the Code (relating to dividends re-  
21          ceived by life insurance companies) is amended  
22          by striking out all that follows “subparagraph  
23          (B))” and insert in lieu thereof a period.

24                 (ii) Subparagraph (B) of section 805(a)(4)  
25          of the Code is amended—

1 (I) by striking out “243(a)(1),  
2 244(a)” each place it appears and insert-  
3 ing in lieu thereof “243, 244”,

4 (II) by striking out “the percentage  
5 determined under section 246(b)(3) of”,  
6 and

7 (III) by striking out “(and such limi-  
8 tation shall be applied as provided in sec-  
9 tion 246(b)(3))”.

10 (iii) Paragraph (4) of section 805(a) of the  
11 Code is amended by striking out subparagraphs  
12 (C), (D), and (E) and inserting in lieu thereof  
13 the following:

14 “(C) DISTRIBUTIONS OUT OF TAX EXEMPT  
15 INTEREST.—No deduction shall be allowed by  
16 reason of this paragraph with respect to any  
17 dividend to the extent the dividend is a distribu-  
18 tion out of tax-exempt interest.”

19 (D) Subparagraph (C) of section 861(a)(2)  
20 of the Code (relating to income from sources  
21 within the United States) is amended by strik-  
22 ing out “243(e)” and inserting in lieu thereof  
23 “243(c)”.

24 (E) Subparagraph (B) of section  
25 1504(c)(2) of the Code (relating to definition of

1 includible insurance companies) is amended by  
2 striking out clause (i) and by redesignating  
3 clauses (ii) and (iii) as clauses (i) and (ii), re-  
4 spectively.

5 (c) EFFECTIVE DATE.—The amendments made by  
6 this section shall apply to taxable years ending after the  
7 date of the enactment of this Act.

8 **SEC. 5. LIMITATION ON CORPORATE INCOME TAXES AND**  
9 **ON NEW FEDERAL SPENDING.**

10 (a) LIMITATION ON CORPORATE INCOME TAXES.—  
11 Notwithstanding any other provision of law, the maximum  
12 rate of tax imposed by section 11 of the Code shall not  
13 be increased above 34 percent.

14 (b) LIMITATION ON FEDERAL SPENDING.—Section  
15 301 of the Congressional Budget and Impoundment Con-  
16 trol Act of 1974 is amended by inserting after subsection  
17 (i) the following new subsection (j):

18 “(j) LIMITATION ON FEDERAL SPENDING.—

19 “(1) BUDGET RESOLUTIONS, ETC.—It shall not be  
20 in order in either the House of Representatives or  
21 the Senate to consider any concurrent resolution on  
22 the budget for a fiscal year beginning after Septem-  
23 ber 30, 1995 under this section or to consider any  
24 amendment to such concurrent resolution or to con-  
25 sider a conference report on such concurrent resolu-

1       tion if the level of total budget outlays for such fis-  
2       cal year in such concurrent resolution or amendment  
3       or conference report exceeds the recommended level  
4       of total budget outlays in the concurrent resolution  
5       under this section for the fiscal year beginning Octo-  
6       ber 1, 1995.

7               “(2) CONTINUING RESOLUTION.—For purposes  
8       of paragraph (1), a joint resolution making appro-  
9       priations of money out of the Treasury not otherwise  
10      appropriated and out of other applicable revenues,  
11      receipts and funds shall be treated as a concurrent  
12      resolution on the budget.”

13 **SEC. 6. CALCULATION OF DEFICIT ADJUSTMENT AMOUNT.**

14      The amount to be deducted under section  
15      2(b)(1)(B)(ii) of this Act as the deficit adjustment in any  
16      calendar year shall be the amount, if any, by which total  
17      budget outlays exceed Federal revenues for the fiscal year  
18      ending in such calendar year.

19 **SEC. 7. DEFINITIONS.**

20      For purposes of this Act—

21              (1) **BASE YEAR.**—The term “Base Year” means  
22      the first calendar year after 1994 in which ends a  
23      fiscal year in which total budget outlays do not ex-  
24      ceed Federal revenues.

1           (2) BOARD.—The term “Board” means the Na-  
2           tional Dividend Review Board established by  
3           section 3(c).

4           (3) FEDERAL ELECTION.—The term “Federal  
5           election” means any general election in which Mem-  
6           bers of (including any Delegate or Resident Commis-  
7           sioner to) Congress are elected or in which the  
8           President and Vice President are elected.

9           (4) CODE.—The term “Code” means the Inter-  
10          nal Revenue Code of 1986.

11          (5) NATIONAL DIVIDEND PAYMENT.—The term  
12          “National Dividend Payment” means the amount  
13          determined under section 2(b).

14          (6) SECRETARY.—The term “Secretary” means  
15          the Secretary of the Treasury or his delegate.

16          (7) STATE.—The term “State” includes the  
17          District of Columbia, the Commonwealth of Puerto  
18          Rico, and any territory or possession of the United  
19          States.

20          (8) TRUST FUND.—The term “Trust Fund”  
21          means the National Dividend Payment Trust Fund  
22          established by section 3(a).

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