

105TH CONGRESS
2D SESSION

S. 2214

To amend the Internal Revenue Code of 1986 to reduce individual capital gains tax rates.

IN THE SENATE OF THE UNITED STATES

JUNE 24, 1998

Mr. LOTT (for himself, Mr. COVERDELL, Mr. CRAIG, Mr. THURMOND, Mr. COATS, Mr. INHOFE, Mr. STEVENS, Mr. GRAMM, Mr. McCONNELL, Mr. THOMAS, Mr. KEMPTHORNE, Mr. BURNS, Mr. CAMPBELL, Mr. HUTCHINSON, Mr. KYL, Mr. ABRAHAM, Mr. ALLARD, Mr. COCHRAN, Mr. GREGG, Mr. SMITH of New Hampshire, Mr. GRAMS, Mr. ROBERTS, Mr. THOMPSON, Mr. ASHCROFT, Mr. MACK, Mr. HAGEL, Mr. D'AMATO, Mr. MCCAIN, Mr. BENNETT, Mr. FRIST, Mr. HATCH, Mr. GRASSLEY, Mr. MURKOWSKI, and Mr. SESSIONS) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to reduce individual capital gains tax rates.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Economic Growth Act
5 of 1998”.

1 **SEC. 2. REDUCTION IN INDIVIDUAL CAPITAL GAINS TAX**
2 **RATES.**

3 (a) IN GENERAL.—Subsection (h) of section 1 of the
4 Internal Revenue Code of 1986 is amended to read as fol-
5 lows:

6 “(h) MAXIMUM CAPITAL GAINS RATE.—

7 “(1) IN GENERAL.—If a taxpayer has a net
8 capital gain for any taxable year, the tax imposed by
9 this section for such taxable year shall not exceed
10 the sum of—

11 “(A) a tax computed at the rates and in
12 the same manner as if this subsection had not
13 been enacted on taxable income reduced by the
14 net capital gain,

15 “(B) 7.5 percent of so much of the net
16 capital gain (or, if less, taxable income) as does
17 not exceed the excess (if any) of—

18 “(i) the amount of taxable income
19 which would (without regard to this para-
20 graph) be taxed at a rate below 28 per-
21 cent, over

22 “(ii) the taxable income reduced by
23 the net capital gain, and

24 “(C) 15 percent of the amount of taxable
25 income in excess of the sum of the amounts on

1 which tax is determined under subparagraphs
2 (A) and (B).

3 “(2) NET CAPITAL GAIN TAKEN INTO ACCOUNT
4 AS INVESTMENT INCOME.—For purposes of this sub-
5 section, the net capital gain for any taxable year
6 shall be reduced (but not below zero) by the amount
7 which the taxpayer takes into account as investment
8 income under section 163(d)(4)(B)(iii).”.

9 (b) ALTERNATIVE MINIMUM TAX.—Paragraph (3) of
10 section 55(b) of such Code is amended to read as follows:

11 “(3) MAXIMUM RATE OF TAX ON NET CAPITAL
12 GAIN OF NONCORPORATE TAXPAYERS.—The amount
13 determined under the first sentence of paragraph
14 (1)(A)(i) shall not exceed the sum of—

15 “(A) the amount determined under such
16 first sentence computed at the rates and in the
17 same manner as if this paragraph had not been
18 enacted on the taxable excess reduced by the
19 net capital gain,

20 “(B) 7.5 percent of so much of the net
21 capital gain (or, if less, taxable excess) as does
22 not exceed the amount on which a tax is deter-
23 mined under section 1(h)(1)(B), and

24 “(C) 15 percent of the amount of taxable
25 excess in excess of the sum of the amounts on

1 which tax is determined under subparagraphs
2 (A) and (B).”.

3 (c) CONFORMING AMENDMENTS.—

4 (1) Paragraph (1) of section 1445(e) of such
5 Code is amended by striking “20 percent” and in-
6 serting “15 percent”.

7 (2) The second sentence of section
8 7518(g)(6)(A) of such Code, and the second sen-
9 tence of section 607(h)(6)(A) of the Merchant Ma-
10 rine Act, 1936, are each amended by striking “20
11 percent” and inserting “15 percent”.

12 (3) Section 311 of the Taxpayer Relief Act of
13 1997 is amended by striking subsection (e).

14 (4) Paragraph (7) of section 57(a) of such Code
15 (as amended by the Internal Revenue Service Re-
16 structuring and Reform Act of 1998) is amended by
17 striking the last sentence.

18 (5) Paragraphs (11) and (12) of section 1223,
19 and section 1235(a), of such Code (as amended by
20 the Internal Revenue Service Restructuring and Re-
21 form Act of 1998) are each amended by striking “18
22 months” each place it appears and inserting “1
23 year”.

24 (d) TRANSITIONAL RULES FOR TAXABLE YEARS
25 WHICH INCLUDE JUNE 24, 1998.—

1 (1) IN GENERAL.—Subsection (h) of section 1
2 of such Code (as amended by the Internal Revenue
3 Service Restructuring and Reform Act of 1998) is
4 amended by adding at the end the following new
5 paragraph:

6 “(14) SPECIAL RULES FOR TAXABLE YEARS
7 WHICH INCLUDE JUNE 24, 1998.—For purposes of
8 applying this subsection in the case of a taxable year
9 which includes June 24, 1998—

10 “(A) Gains or losses properly taken into
11 account for the period on or after such date
12 shall be disregarded in applying paragraph
13 (5)(A)(i), subclauses (I) and (II) of paragraph
14 (5)(A)(ii), paragraph (5)(B), paragraph (6),
15 and paragraph (7)(A).

16 “(B) The amount determined under sub-
17 paragraph (B) of paragraph (1) shall be the
18 sum of—

19 “(i) 7.5 percent of the amount which
20 would be determined under such subpara-
21 graph if the amount of gain taken into ac-
22 count under such subparagraph did not ex-
23 ceed the net capital gain taking into ac-
24 count only gain or loss properly taken into

1 account for the portion of the taxable year
2 on or after such date, plus

3 “(ii) 10 percent of the excess of the
4 amount determined under such subpara-
5 graph (determined without regard to this
6 paragraph) over the amount determined
7 under clause (i).

8 “(C) The amount determined under sub-
9 paragraph (C) of paragraph (1) shall be the
10 sum of—

11 “(i) 15 percent of the amount which
12 would be determined under such subpara-
13 graph if the adjusted net capital gain did
14 not exceed the net capital gain taking into
15 account only gain or loss properly taken
16 into account for the portion of the taxable
17 year on or after such date, plus

18 “(ii) 20 percent of the excess of the
19 amount determined under such subpara-
20 graph (determined without regard to this
21 paragraph) over the amount determined
22 under clause (i).

23 “(D) Rules similar to the rules of para-
24 graph (13)(C) shall apply.”.

1 (2) ALTERNATIVE MINIMUM TAX.—Paragraph
 2 (3) of section 55(b) of such Code (as amended by
 3 the Internal Revenue Service Restructuring and Re-
 4 form Act of 1998) is amended by adding at the end
 5 the following new sentence: “For purposes of apply-
 6 ing this paragraph for a taxable year which includes
 7 June 24, 1998, rules similar to the rules of section
 8 1(h)(14) shall apply.”.

9 (e) EFFECTIVE DATES.—

10 (1) IN GENERAL.—Except as otherwise pro-
 11 vided in this subsection, the amendments made by
 12 this section shall apply to taxable years beginning on
 13 or after June 24, 1998.

14 (2) TRANSITIONAL RULES FOR TAXABLE YEARS
 15 WHICH INCLUDE JUNE 24, 1998.—The amendments
 16 made by subsection (d) shall apply to taxable years
 17 beginning before such date and ending on or after
 18 June 24, 1998.

19 (3) WITHHOLDING.—The amendment made by
 20 subsection (c)(1) shall apply only to amounts paid
 21 after the date of the enactment of this Act.

22 (4) CERTAIN CONFORMING AMENDMENTS.—The
 23 amendments made by subsection (c)(5) shall take ef-
 24 fect on June 24, 1998.

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