

105TH CONGRESS
1ST SESSION

S. 306

To amend the Internal Revenue Code of 1986 to provide a decrease in the maximum rate of tax on capital gains which is based on the length of time the taxpayer held the capital asset.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 12, 1997

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

A BILL

To amend the Internal Revenue Code of 1986 to provide a decrease in the maximum rate of tax on capital gains which is based on the length of time the taxpayer held the capital asset.

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. DECREASE IN MAXIMUM CAPITAL GAINS RATE**

4 **BASED ON TAXPAYER'S HOLDING PERIOD.**

5 (a) IN GENERAL.—Section 1(h) of the Internal Reve-
6 nue Code of 1986 (relating to maximum capital gains
7 rate) is amended to read as follows:

8 “(h) MAXIMUM CAPITAL GAINS RATE.—

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

4 “(A) a tax computed at the rates and in
5 the same manner as if this subsection had not
6 been enacted on the greater of—

7 “(i) taxable income reduced by the
8 amount of the net capital gain, or

9 “(ii) the 15-percent bracket amount,
10 plus

11 “(B) a tax equal to the sum of the
12 amounts determined by applying the applicable
13 percentage to long-term capital gain taken into
14 account in computing net capital gain.

15 “(2) 15-PERCENT BRACKET AMOUNT.—For
16 purposes of this subsection—

17 “(A) IN GENERAL.—The term ‘15-percent
18 bracket amount’ means the amount of taxable
19 income taxed at a rate below 28 percent, deter-
20 mined without taking into account long-term
21 capital gain attributable to a capital asset for
22 which the taxpayers’ holding period exceeds 8
23 years.

1 “(B) LIFO ORDERING RULE.—For pur-
2 poses of applying paragraph (1)(B), the deter-
3 mination as to which long-term capital gain (if
4 any) was taken into account in determining the
5 15-percent bracket amount shall be made on
6 the basis of the holding period of the capital as-
7 sets to which such gain is attributable, begin-
8 ning with assets with the shortest holding pe-
9 riod.

10 “(3) APPLICABLE PERCENTAGE.—For purposes
11 of paragraph (1)—

12 “(A) IN GENERAL.—The term ‘applicable
13 percentage’ means, with respect to any long-
14 term capital gain, 28 percent reduced (but not
15 below 14 percent) by 2 percentage points for
16 each year (or fraction thereof) by which the
17 taxpayer’s holding period for the capital asset
18 to which the gain is attributable exceeds 2
19 years.

20 “(B) LIMITATION ON GAIN TO WHICH PER-
21 CENTAGE APPLIES.—Subparagraph (A) shall
22 not apply to long-term capital gain on any sale
23 or exchange to the extent the gain exceeds the
24 excess (if any) of—

1 “(i) net capital gain for the taxable
2 year, over

3 “(ii) the sum of—

4 “(I) that portion of the 15-per-
5 cent bracket amount which is attrib-
6 utable to net capital gain, plus

7 “(II) other long-term capital gain
8 to which paragraph (1)(B) applies
9 and which is attributable to capital
10 assets for which the taxpayer’s hold-
11 ing period is longer.

12 “(C) APPLICATION TO CLASSES OF
13 GAIN.—Subject to such rules as the Secretary
14 may prescribe, all long-term capital gain from
15 the sale or exchange of capital assets with the
16 same holding period (determined on the basis of
17 the number of years or fractions thereof) shall
18 be treated as gain from the sale or exchange of
19 a single capital asset.

20 “(4) INVESTMENT INCOME.—For purposes of
21 this subsection, the net capital gain for any taxable
22 year shall be reduced (but not below zero) by the
23 amount which the taxpayer elects to take into ac-
24 count as investment income for the taxable year
25 under section 163(d)(4)(B)(iii).”

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

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