

106TH CONGRESS
1ST SESSION

H. R. 157

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

IN THE HOUSE OF REPRESENTATIVES

JANUARY 6, 1999

Mr. HEFLEY introduced the following bill; which was referred to the Committee on Ways and Means

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 1999”.

6 **SEC. 2. REDUCTION IN INDIVIDUAL CAPITAL GAINS TAX**

7 **RATES.**

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

1 “(h) MAXIMUM CAPITAL GAINS RATE.—

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

6 “(A) a tax computed at the rates and in
7 the same manner as if this subsection had not
8 been enacted on taxable income reduced by the
9 net capital gain,

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

13 “(i) the amount of taxable income
14 which would (without regard to this para-
15 graph) be taxed at a rate below 28 per-
16 cent, over

17 “(ii) the taxable income reduced by
18 the net capital gain, and

19 “(C) 15 percent of the amount of taxable
20 income in excess of the sum of the amounts on
21 which tax is determined under subparagraphs
22 (A) and (B).

23 “(2) NET CAPITAL GAIN TAKEN INTO ACCOUNT
24 AS INVESTMENT INCOME.—For purposes of this sub-
25 section, the net capital gain for any taxable year

1 shall be reduced (but not below zero) by the amount
2 which the taxpayer takes into account as investment
3 income under section 163(d)(4)(B)(iii).”.

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

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

10 “(A) the amount determined under such
11 first sentence computed at the rates and in the
12 same manner as if this paragraph had not been
13 enacted on the taxable excess 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 excess) as does
17 not exceed the amount on which a tax is deter-
18 mined under section 1(h)(1)(B), and

19 “(C) 15 percent of the amount of taxable
20 excess in excess of the sum of the amounts on
21 which tax is determined under subparagraphs
22 (A) and (B).”.

23 (c) CONFORMING AMENDMENTS.—

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

4 (2) The second sentence of section
5 7518(g)(6)(A) of such Code, and the second sen-
6 tence of section 607(h)(6)(A) of the Merchant Ma-
7 rine Act, 1936, are each amended by striking “20
8 percent” and inserting “15 percent”.

9 (3) Section 311 of the Taxpayer Relief Act of
10 1997 is amended by striking subsection (e).

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

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

21 (d) TRANSITIONAL RULES FOR TAXABLE YEARS
22 WHICH INCLUDE JANUARY 6, 1999.—

23 (1) IN GENERAL.—Subsection (h) of section 1
24 of such Code (as amended by the Internal Revenue
25 Service Restructuring and Reform Act of 1998) is

1 amended by adding at the end the following new
2 paragraph:

3 “(14) SPECIAL RULES FOR TAXABLE YEARS
4 WHICH INCLUDE JANUARY 6, 1999.—For purposes of
5 applying this subsection in the case of a taxable year
6 which includes January 6, 1999—

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

13 “(B) The amount determined under sub-
14 paragraph (B) of paragraph (1) shall be the
15 sum of—

16 “(i) 7.5 percent of the amount which
17 would be determined under such subpara-
18 graph if the amount of gain taken into ac-
19 count under such subparagraph did not ex-
20 ceed the net capital gain taking into ac-
21 count only gain or loss properly taken into
22 account for the portion of the taxable year
23 on or after such date, plus

24 “(ii) 10 percent of the excess of the
25 amount determined under such subpara-

1 graph (determined without regard to this
2 paragraph) over the amount determined
3 under clause (i).

4 “(C) The amount determined under sub-
5 paragraph (C) of paragraph (1) shall be the
6 sum of—

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

14 “(ii) 20 percent of the excess of the
15 amount determined under such subpara-
16 graph (determined without regard to this
17 paragraph) over the amount determined
18 under clause (i).

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

21 (2) ALTERNATIVE MINIMUM TAX.—Paragraph
22 (3) of section 55(b) of such Code (as amended by
23 the Internal Revenue Service Restructuring and Re-
24 form Act of 1998) is amended by adding at the end
25 the following new sentence: “For purposes of apply-

1 ing this paragraph for a taxable year which includes
2 January 6, 1999, rules similar to the rules of section
3 1(h)(14) shall apply.”.

4 (e) EFFECTIVE DATES.—

5 (1) IN GENERAL.—Except as otherwise pro-
6 vided in this subsection, the amendments made by
7 this section shall apply to taxable years beginning on
8 or after January 6, 1999.

9 (2) TRANSITIONAL RULES FOR TAXABLE YEARS
10 WHICH INCLUDE JANUARY 6, 1999.—The amend-
11 ments made by subsection (d) shall apply to taxable
12 years beginning before such date and ending on or
13 after January 6, 1999.

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

17 (4) CERTAIN CONFORMING AMENDMENTS.—The
18 amendments made by subsection (c)(5) shall take ef-
19 fect on January 6, 1999.

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