

107TH CONGRESS  
1ST SESSION

# H. R. 168

To amend the Internal Revenue Code of 1986 to allow individuals an exclusion from gross income for certain amounts of capital gains distributions from regulated investment companies.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 3, 2001

Mr. SAXTON (for himself, Mr. ARMEY, Mr. DELAY, Mr. ANDREWS, Mr. COX, Mr. OXLEY, Mr. BALLENGER, Mrs. JOHNSON of Connecticut, Mr. JONES of North Carolina, Mr. KINGSTON, Mr. KOLBE, Mr. NETHERCUTT, Mr. SHAYS, Mr. WELDON of Florida, Mr. GILCHREST, Mr. SCHAFFER, and Mr. FOSSELLA) 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 allow individuals an exclusion from gross income for certain amounts of capital gains distributions from regulated investment companies.

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. PARTIAL EXCLUSION OF CAPITAL GAINS DIS-**  
2 **TRIBUTIONS FROM REGULATED INVESTMENT**  
3 **COMPANIES.**

4 (a) IN GENERAL.—Part III of subchapter B of chap-  
5 ter 1 of the Internal Revenue Code of 1986 (relating to  
6 items specifically excluded from gross income) is amended  
7 by inserting after section 115 the following new section:

8 **“SEC. 116. PARTIAL EXCLUSION OF CAPITAL GAINS DIS-**  
9 **TRIBUTIONS FROM REGULATED INVESTMENT**  
10 **COMPANIES.**

11 “(a) IN GENERAL.—In the case of an individual,  
12 gross income shall not include any capital gain dividend—

13 “(1) which is distributed by a regulated invest-  
14 ment company to which part I of subchapter M ap-  
15 plies, and

16 “(2) which is automatically reinvested by the  
17 company in the stock of such company with respect  
18 to which the dividend is distributed.

19 “(b) MAXIMUM EXCLUSION.—The amount excluded  
20 from gross income under subsection (a) for the taxable  
21 year shall not exceed—

22 “(1) \$3,000, or

23 “(2) in the case of a joint return, twice the  
24 amount applicable under paragraph (1).

25 “(c) CAPITAL GAIN DIVIDEND.—For purposes of this  
26 section, the term ‘capital gain dividend’ means—

1           “(1) any capital gain dividend (as defined by  
2 section 852(b)(3)(C)), and

3           “(2) the portion of any other dividend des-  
4 igned by the company (under rules similar to the  
5 rules of such section) as representing such dividend’s  
6 proportionate share of the net short-term capital  
7 gain of the company.

8           “(d) INFLATION ADJUSTMENT OF MAXIMUM EXCLU-  
9 SION.—

10           “(1) IN GENERAL.—In the case of any taxable  
11 year beginning in a calendar year after 2000, the  
12 \$3,000 amount in subsection (b)(1) shall be in-  
13 creased by an amount equal to—

14                   “(A) such dollar amount, multiplied by

15                   “(B) the cost-of-living adjustment deter-  
16 mined under section 1(f)(3) for the calendar  
17 year in which the taxable year begins, deter-  
18 mined by substituting ‘calendar year 1999’ for  
19 ‘calendar year 1992’ in subparagraph (B)  
20 thereof.

21           “(2) ROUNDING RULES.—If any amount after  
22 adjustment under paragraph (1) is not a multiple of  
23 \$100, such amount shall be rounded to the nearest  
24 multiple of \$100.

1       “(e) NO BASIS ADJUSTMENT.—No adjustment shall  
2 be made to the taxpayer’s basis in the shares of the regu-  
3 lated investment company by reason of any amount ex-  
4 cluded from gross income under this section.”

5       (b) CLERICAL AMENDMENT.—The table of sections  
6 for part III of subchapter B of chapter 1 of such Code  
7 is amended by inserting after the item relating to section  
8 115 the following new item:

“Sec. 116. Partial exclusion of capital gains distributions from  
regulated investment companies.”

9       (c) EFFECTIVE DATE.—The amendments made by  
10 this section shall apply to taxable years beginning after  
11 December 31, 1999.

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