

107TH CONGRESS  
1ST SESSION

# S. 784

To amend the Internal Revenue Code of 1986 to increase the limitation on capital losses an individual may deduct against ordinary income, and to allow individuals a 3-year capital loss carryback and unlimited carryovers.

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## IN THE SENATE OF THE UNITED STATES

APRIL 26, 2001

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

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## A BILL

To amend the Internal Revenue Code of 1986 to increase the limitation on capital losses an individual may deduct against ordinary income, and to allow individuals a 3-year capital loss carryback and unlimited carryovers.

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. TREATMENT OF CAPITAL LOSSES OF TAX-**  
4 **PAYERS OTHER THAN CORPORATIONS.**

5 (a) INCREASE IN LIMITATION ON LOSSES ALLOW-  
6 ABLE AGAINST ORDINARY INCOME.—Section 1211(b)(1)  
7 of the Internal Revenue Code of 1986 (relating to limita-

1 tion on capital losses of taxpayers other than corporations)  
2 is amended—

3 (1) by striking “\$3,000” and inserting  
4 “\$20,000”, and

5 (2) by striking “\$1,500” and inserting  
6 “\$10,000”.

7 (b) CARRYBACK AND CARRYOVERS OF CAPITAL  
8 LOSSES.—Section 1212(b)(1) of the Internal Revenue  
9 Code of 1986 (relating to capital loss carrybacks and  
10 carryovers of taxpayers other than corporations) is amend-  
11 ed to read as follows:

12 “(1) CARRYBACKS AND CARRYOVERS.—

13 “(A) IN GENERAL.—If a taxpayer other  
14 than a corporation has a net capital loss for  
15 any taxable year (the ‘loss year’)—

16 “(i) the excess of the net short-term  
17 capital loss over the net long-term capital  
18 gain for the loss year shall be a capital loss  
19 carryback to each of the 3 taxable years  
20 preceding the loss year and a capital loss  
21 carryover to each taxable year succeeding  
22 the loss year, and shall be treated as a  
23 short-term capital loss in each such taxable  
24 year, and

1           “(ii) the excess of the net long-term  
2           capital loss over the net short-term capital  
3           gain for the loss year shall be a capital loss  
4           carryback to each of the 3 taxable years  
5           preceding the loss year and a capital loss  
6           carryover to each taxable year succeeding  
7           the loss year, and shall be treated as a  
8           long-term capital loss in each of such tax-  
9           able years.

10           “(B) AMOUNT CARRIED TO EACH TAXABLE  
11           YEAR.—The entire amount of the loss which  
12           may be carried to another taxable year under  
13           subparagraph (A) shall be carried to the ear-  
14           liest of the taxable years to which the loss may  
15           be carried. The portion of such loss which may  
16           be carried to any other taxable year shall be the  
17           excess (if any) of such loss over the portion of  
18           such loss which, after application of subpara-  
19           graph (C), was allowed as a carryback or carry-  
20           over to any prior taxable year.

21           “(C) AMOUNT WHICH MAY BE USED.—An  
22           amount shall be allowed as a carryback or car-  
23           ryover from a loss year to another taxable year  
24           only to the extent—

1           “(i) such amount does not exceed the  
2           excess (if any) of—

3                   “(I) the sum of the losses from  
4                   the sale or exchange of capital assets  
5                   in such other taxable year plus losses  
6                   carried under this paragraph to such  
7                   other taxable year from taxable years  
8                   prior to such loss year, over

9                   “(II) gains from such sales or ex-  
10                   changes in such other taxable year,  
11                   and

12                   “(ii) the allowance of such carryback  
13                   or carryover does not increase or produce  
14                   a net operating loss (as defined in section  
15                   172(e)) for such other taxable year.”

16           (c) CONFORMING AMENDMENTS.—

17                   (1) Section 1212(b)(2)(A) of the Internal Rev-  
18                   enue Code of 1986 is amended by striking “subpara-  
19                   graph (A) or (B) of paragraph (1)” and inserting  
20                   “clause (i) or (ii) of paragraph (1)(A)”.

21                   (2) Section 1212 of such Code is amended by  
22                   striking subsection (c).

1           (d) **EFFECTIVE DATE.**—The amendments made by  
2 this section shall apply to capital losses arising in taxable  
3 years beginning after December 31, 2000.

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