

103^D CONGRESS
1ST SESSION

H. R. 53

To amend the Internal Revenue Code of 1986 to provide a 30-percent capital gains deduction for both corporate and noncorporate taxpayers.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 5, 1993

Mr. ARCHER (for himself and Mr. SHAYS) 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 provide a 30-percent capital gains deduction for both corporate and noncorporate taxpayers.

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. CAPITAL GAINS DEDUCTION.**

4 (a) GENERAL RULE.—Part I of subchapter P of
5 chapter 1 of the Internal Revenue Code of 1986 (relating
6 to treatment of capital gains) is amended to read as fol-
7 lows:

8 **“PART I—TREATMENT OF CAPITAL GAINS**

“Sec. 1201. Capital gains deduction.

1 **“SEC. 1201. CAPITAL GAINS DEDUCTION.**

2 “(a) GENERAL RULE.—If for any taxable year a tax-
3 payer has a net capital gain, 30 percent of such gain shall
4 be a deduction from gross income.

5 “(b) ESTATE AND TRUSTS.—In the case of an estate
6 or trust, the deduction shall be computed by excluding the
7 portion (if any) of the gains for the taxable year from sales
8 or exchanges of capital assets which, under sections 652
9 and 662 (relating to inclusions of amounts in gross income
10 of beneficiaries of trusts), is includible by the income bene-
11 ficiaries as gain derived from the sale or exchange of cap-
12 ital assets.

13 “(c) TRANSITIONAL RULE.—In the case of a taxable
14 year in which the date of the enactment of this sentence
15 occurs, the amount taken into account as the net capital
16 gain under subsection (a) shall not exceed the net capital
17 gain determined by only taking into account gains and
18 losses properly taken into account for the portion of the
19 taxable year after such date of enactment.”

20 (b) DEDUCTION ALLOWABLE IN COMPUTING AD-
21 JUSTED GROSS INCOME.—Subsection (a) of section 62 of
22 such Code is amended by inserting after paragraph (13)
23 the following new paragraph:

24 “(14) LONG-TERM CAPITAL GAINS.—The de-
25 duction allowed by section 1201.”

26 (c) TECHNICAL AND CONFORMING CHANGES.—

1 (1) Section 1 of such Code is amended by strik-
2 ing subsection (j).

3 (2) Paragraph (1) of section 170(e) of such
4 Code is amended by striking “the amount of gain”
5 in the material following subparagraph (B)(ii) and
6 inserting “50 percent of the amount of gain”.

7 (3)(A) Paragraph (2) of section 172(d) of such
8 Code is amended to read as follows:

9 “(2) CAPITAL GAINS AND LOSSES.—

10 “(A) LOSSES OF TAXPAYERS OTHER THAN
11 CORPORATIONS.—In the case of a taxpayer
12 other than a corporation, the amount deductible
13 on account of losses from sales or exchanges of
14 capital assets shall not exceed the amount in-
15 cludible on account of gains from sales or ex-
16 changes of capital assets.

17 “(B) DEDUCTION UNDER SECTION 1201.—
18 The deduction under section 1201 shall not be
19 allowed.”

20 (B) Subparagraph (B) of section 172(d)(4) of
21 such Code is amended by striking “paragraphs (1)
22 and (3)” and inserting “paragraphs (1), (2)(B), and
23 (3)”.

24 (4) Paragraph (4) of section 642(c) of such
25 Code is amended to read as follows:

1 “(4) ADJUSTMENTS.—To the extent that the
2 amount otherwise allowable as a deduction under
3 this subsection consists of gain from the sale or ex-
4 change of capital assets held for more than 1 year,
5 proper adjustment shall be made for any deduction
6 allowable to the estate or trust under section 1201
7 (relating to deduction for excess of capital gains over
8 capital losses). In the case of a trust, the deduction
9 allowed by this subsection shall be subject to section
10 681 (relating to unrelated business income).”

11 (5) Paragraph (3) of section 643(a) of such
12 Code is amended by adding at the end thereof the
13 following new sentence: “The deduction under sec-
14 tion 1201 (relating to deduction of excess of capital
15 gains over capital losses) shall not be taken into ac-
16 count.”

17 (6) Paragraph (4) of section 691(c) of such
18 Code is amended by striking “sections 1(j), 1201,
19 and 1211” and inserting “sections 1201 and 1211”.

20 (7) The second sentence of section 871(a)(2) of
21 such Code is amended by inserting “such gains and
22 losses shall be determined without regard to section
23 1201 (relating to deduction for capital gains) and”
24 after “except that”.

1 (8)(A) Subsection (b) of section 1211 of such
2 Code is amended by striking “the lower of” and all
3 that follows down through the period at the end
4 thereof and inserting “whichever of the following is
5 the smallest—

6 “(1) \$3,000 (\$1,500 in the case of a married
7 individual filing a separate return),

8 “(2) the excess of such losses over such gains,
9 or

10 “(3) the sum of—

11 “(A) the excess of the net short-term cap-
12 ital loss over the net long-term capital gain, and

13 “(B) one-half of the excess of the net long-
14 term capital loss over the net short-term capital
15 gain.”

16 (B) So much of paragraph (2) of section
17 1212(b) of such Code as precedes subparagraph (B)
18 thereof is amended to read as follows:

19 “(2) SPECIAL RULES.—

20 “(A) ADJUSTMENTS.—

21 “(i) For purposes of determining the
22 excess referred to in paragraph (1)(A),
23 there shall be treated as short-term capital
24 gain in the taxable year an amount equal
25 to the lesser of—

1 “(I) the amount allowed for the
2 taxable year under paragraph (1), (2),
3 or (3) of section 1211(b), or

4 “(II) the adjusted taxable income
5 for such taxable year.

6 “(ii) For purposes of determining the
7 excess referred to in paragraph (1)(B),
8 there shall be treated as short-term capital
9 gain in the taxable year an amount equal
10 to the lesser of—

11 “(I) the sum of the amount al-
12 lowed for the taxable year under para-
13 graph (1), (2), or (3) of section
14 1211(b), and the excess of the amount
15 so allowed over the net short-term
16 capital loss (determined without re-
17 gard to this subsection) for such year,
18 or

19 “(II) the adjusted taxable income
20 for such taxable year.”

21 (C) Clause (i) of section 1211(b)(2)(B) of such
22 Code is amended by striking “paragraph (1) or (2)”
23 and inserting “paragraph (1), (2), or (3)”.

24 (D) In the case of a taxable year in which the
25 date of the enactment of this Act occurs, proper ad-

1 justments in the application of the provisions
2 amended by this paragraph shall be made to take
3 into account the provisions of section 1201(c) of
4 such Code (as amended by subsection (a)).

5 (9) Paragraph (1) of section 1402(i) of such
6 Code is amended by inserting “, and the deduction
7 provided by section 1201 shall not apply” before the
8 period at the end thereof.

9 (10) Section 12 of such Code is amended by
10 striking paragraph (4) and redesignating the follow-
11 ing paragraphs accordingly.

12 (11) Paragraph (2) of section 527(b) of such
13 Code is hereby repealed.

14 (12) Paragraph (2) of section 801(a) of such
15 Code is hereby repealed.

16 (13) Subsection (c) of section 831(c) of such
17 Code is amended by striking paragraph (1) and re-
18 designating the following paragraphs accordingly.

19 (14)(A) Subparagraph (A) of section 852(b)(3)
20 of such Code is amended by striking “, determined
21 as provided in section 1201(a), on” and inserting
22 “of 17 percent of”.

23 (B) Clause (iii) of section 852(b)(3)(D) of such
24 Code is amended—

1 (i) by striking “66 percent” and inserting
2 “83 percent”, and

3 (ii) by striking “section 1201(a)” and in-
4 serting “subparagraph (A)”.

5 (15) Clause (ii) of section 857(b)(3)(A) of such
6 Code is amended by striking “determined at the rate
7 provided in section 1201(a) on” and inserting “of 17
8 percent of”.

9 (16) Paragraph (1) of section 882(a) of such
10 Code is amended by striking “section 11, 55, or
11 1201(a)” and inserting “section 11 or 55”.

12 (17) Subsection (b) of section 904 of such Code
13 is amended by striking paragraphs (2)(B), (3)(B),
14 (3)(D), and (3)(E).

15 (18) Subsection (b) of section 1374 of such
16 Code is amended by striking paragraph (4).

17 (19) Subsection (b) of section 1381 is amended
18 by striking “or 1201”.

19 (20) Clause (i) of section 6425(c)(1)(A) of such
20 Code is amended by striking “or 1201(a)”.

21 (21) Clause (i) of section 6655(g)(1)(A) of such
22 Code is amended by striking “or 1201(a)”.

23 (22)(A) The second sentence of section
24 7518(g)(6)(A) of such Code is amended—

1 (i) by striking “during a taxable year to
2 which section 1(j) or 1201(a) applies”, and

3 (ii) by striking “28 percent (34 percent”
4 and inserting “14 percent (17 percent”.

5 (B) The second sentence of section
6 607(h)(6)(A) of the Merchant Marine Act, 1936 is
7 amended—

8 (i) by striking “during a taxable year to
9 which section 1(j) or 1201(a) of such Code ap-
10 plies”, and

11 (ii) by striking “28 percent (34 percent”
12 and inserting “14 percent (17 percent”.

13 (d) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to taxable years ending after the
15 date of the enactment of this Act; except that the amend-
16 ment made by subsection (c)(2) shall apply only to con-
17 tributions after such date of enactment.

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