

105TH CONGRESS
1ST SESSION

H. R. 2329

To establish The National Dividend Plan by reforming the budget process, and by amending the Internal Revenue Code of 1986 to eliminate the double tax on dividends, to allocate corporate income tax revenues for payments to qualified registered voters, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 31, 1997

Mr. CRANE introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Rules, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To establish The National Dividend Plan by reforming the budget process, and by amending the Internal Revenue Code of 1986 to eliminate the double tax on dividends, to allocate corporate income tax revenues for payments to qualified registered voters, and for other purposes.

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 “National Dividend
5 Act of 1997”.

1 **SEC. 2. NATIONAL DIVIDEND PAYMENT TO REGISTERED**
2 **VOTERS.**

3 (a) PAYMENTS FOR DISBURSEMENTS TO REG-
4 ISTERED VOTERS OF EACH STATE.—

5 (1) IN GENERAL.—The Secretary shall pay dur-
6 ing each calendar year after the Base Year to the
7 chief financial officer of each State an amount equal
8 to the National Dividend Payment for the imme-
9 diately preceding calendar year multiplied by the
10 number (provided to the Secretary by such officer)
11 of individuals who are qualified registered voters of
12 such State for such preceding year.

13 (2) SEMIANNUAL INSTALLMENTS.—One-half of
14 the amount payable under paragraph (1) to the chief
15 financial officer of any State during the 3 calendar
16 years immediately following the Base Year shall be
17 paid to such officer at the beginning of the second
18 and fourth calendar quarters of such year.

19 (3) QUARTERLY INSTALLMENTS.—One-fourth
20 of the amount payable under paragraph (1) to the
21 chief financial officer of any State during any cal-
22 endar year subsequent to the third calendar year im-
23 mediately following the Base Year shall be paid to
24 such officer at the beginning of each calendar quar-
25 ter of such year.

1 (b) AMOUNT OF NATIONAL DIVIDEND PAYMENT.—

2 The National Dividend Payment for any calendar year
3 shall be an amount equal to—

4 (1) the excess of—

5 (A) the sum of—

6 (i) the aggregate amount transferred
7 under section 3(b)(3) to the National Divi-
8 dend Payment Trust Fund during the fis-
9 cal year ending during such calendar year,
10 plus

11 (ii) any interest credited during such
12 fiscal year to the Trust Fund under section
13 3(c)(2)(B)(iii), over

14 (B) the sum of—

15 (i) the amount transferred out of the
16 Trust Fund during such fiscal year under
17 section 3(b)(4), plus

18 (ii) the deficit adjustment amount for
19 such fiscal year calculated pursuant to sec-
20 tion 7 of this Act,

21 divided by

22 (2) the number of individuals who are qualified
23 registered voters for such calendar year as deter-
24 mined on the basis of reports submitted not later
25 than November 30 of such calendar year by the

1 chief financial officer of each State to the Secretary
2 (in such manner as the Secretary may by regulations
3 prescribe).

4 (c) METHOD OF DISBURSEMENTS TO QUALIFIED
5 REGISTERED VOTERS.—

6 (1) IN GENERAL.—The National Dividend Pay-
7 ment for any calendar year shall be paid to each
8 qualified registered voter of a State by an incor-
9 porated bank which is selected (in accordance with
10 paragraph (2)) for such year by the chief financial
11 officer of such State as the disbursing agent of such
12 State.

13 (2) SELECTION OF DISBURSING AGENT.—Any
14 incorporated bank may be selected as the disbursing
15 agent of any State under paragraph (1) by the chief
16 financial officer of such State if—

17 (A) such bank is determined by such offi-
18 cer to be operating within such State,

19 (B) such bank submits a sealed bid to such
20 officer in which such bank—

21 (i) specifies an amount which it
22 agrees to pay such State as consideration
23 for each year for which it pays National
24 Dividend Payments to qualified registered
25 voters of such State,

1 (ii) specifies procedures which it
2 agrees to follow in making such payments,
3 and

4 (iii) agrees to limit the investment of
5 any funds received for the purpose of mak-
6 ing such payments to interest-bearing obli-
7 gations of the United States or to obliga-
8 tions guaranteed as to both principal and
9 interest by the United States,

10 and

11 (C) such officer approves such bid, taking
12 into account with respect to all such bids—

13 (i) the amount of such consideration,

14 (ii) any previous experience of such
15 bank in making such payments, and

16 (iii) the ability and reliability of such
17 bank to make such payments.

18 (3) TRANSFER OF FUNDS TO DISBURSING
19 AGENT.—Funds received under subsection (a) by the
20 chief financial officer of any State shall be trans-
21 ferred by such officer to the disbursing agent for
22 such State not less than 10 days after the date such
23 officer receives such funds.

24 (4) PAYMENT BY DISBURSING AGENT.—A Na-
25 tional Dividend Payment shall be paid by the dis-

1 bursing agent of each State to each qualified reg-
2 istered voter of such State who is included on a list
3 provided to such agent by the chief financial officer
4 of such State. Such payment shall be in the form of
5 a negotiable instrument—

6 (A) which is drawn on an account of such
7 agent,

8 (B) which is made payable to such voter,
9 and

10 (C) which states, on the endorsement side
11 of such instrument, that—

12 (i) such instrument must be nego-
13 tiated within the 90-day period which be-
14 gins on the date such instrument is drawn,

15 (ii) each qualified registered voter is
16 entitled to only 1 National Dividend Pay-
17 ment for each calendar year, and

18 (iii) any individual who negotiates any
19 such instrument and who is not entitled to
20 the payment made by such instrument is
21 subject under Federal law to fine, or im-
22 prisonment, or both.

23 (5) NATIONAL DIVIDEND PAYMENT INSTALL-
24 MENTS.—

1 (A) SEMIANNUAL INSTALLMENTS.—One-
2 half of the amount of the National Dividend
3 Payment payable during the 3 calendar years
4 immediately following the Base Year to any
5 qualified registered voter shall be paid to such
6 voter at the close of the second and fourth cal-
7 endar quarters of such year.

8 (B) QUARTERLY INSTALLMENTS.—One-
9 fourth of the National Dividend Payment pay-
10 able to any qualified registered voter during any
11 calendar year subsequent to the third calendar
12 year following the Base Year shall be paid to
13 such voter at the close of each calendar quarter
14 of such year.

15 (d) QUALIFIED REGISTERED VOTER.—

16 (1) IN GENERAL.—For purposes of this section,
17 an individual is a qualified registered voter for any
18 calendar year if—

19 (A) such individual was entitled to vote in
20 the most recent Federal election before such
21 calendar year, and

22 (B) such individual certifies to the State or
23 local authority which supervises the voting of
24 such individual that, during such calendar year,

1 he complies with all conditions of his entitle-
2 ment to vote.

3 (2) REGISTERED VOTERS.—In the case of any
4 individual who in any calendar year registers to vote
5 under State or local law, such registration shall be
6 treated as complying with the certification under
7 paragraph (1)(B) for such year.

8 (e) APPLICATIONS PERMITTED.—

9 (1) IN GENERAL.—The chief financial officer of
10 each State may require individuals to apply to re-
11 ceive any National Dividend Payment under this
12 Act.

13 (2) CRIMINAL PENALTY.—Any person who
14 knowingly makes any false statement or false rep-
15 resentation of a material fact in any application sub-
16 mitted pursuant to paragraph (1) or any certifi-
17 cation under subsection (d) shall be fined not more
18 than \$10,000, or imprisoned not more than 10
19 years, or both for each such false statement or false
20 representation.

21 (f) PAYMENTS TO BE MADE FROM NATIONAL DIVI-
22 DEND PAYMENT TRUST FUND.—Amounts in the National
23 Dividend Payment Trust Fund shall be available, to such
24 extent and in such amounts as are provided in appropria-
25 tion Acts, for making the payments under this section.

1 **SEC. 3. ESTABLISHMENT OF NATIONAL DIVIDEND PAY-**
2 **MENT TRUST FUND.**

3 (a) CREATION OF TRUST FUND.—There is hereby es-
4 tablished in the Treasury of the United States a trust fund
5 to be known as the National Dividend Payment Trust
6 Fund.

7 (b) TRANSFER OF AMOUNTS EQUIVALENT TO COR-
8 PORATE INCOME TAXES TO THE TRUST FUND.—

9 (1) IN GENERAL.—There are hereby authorized
10 to be appropriated to the Trust Fund amounts de-
11 termined by the Secretary to be equivalent to
12 amounts received in the Treasury in fiscal years
13 ending after the Base Year from the following taxes:

14 (A) the taxes imposed by sections 11,
15 511(a) and 1201(a) of the Code;

16 (B) the taxes imposed by subchapter L of
17 chapter 1 of the Code; and

18 (C) the tax imposed on a corporation by
19 section 55(a) of the Code.

20 (2) TRANSITION RULE.—In the case of the first
21 four fiscal years ending after the Base Year, the
22 amounts authorized to be appropriated to the Trust
23 Fund for such years shall be the following percent-
24 age of the amount determined under paragraph (1):

25 (A) 20 percent in the case of the first such
26 fiscal year;

1 (B) 40 percent in the case of the second
2 such fiscal year;

3 (C) 60 percent in the case of the third
4 such fiscal year; and

5 (D) 80 percent in the case of the fourth
6 such fiscal year.

7 (3) METHOD OF TRANSFER.—The amounts ap-
8 propriated pursuant to paragraphs (1) and (2) shall
9 be transferred at least quarterly from the general
10 fund of the Treasury to the Trust Fund on the basis
11 of estimates made by the Secretary of the amounts
12 derived from the taxes described in paragraph (1).
13 Proper adjustments shall be made in the amounts
14 subsequently transferred to the extent such esti-
15 mates are in excess of or less than the amounts re-
16 quired to be transferred.

17 (4) TRANSFER FROM TRUST FUND FOR ADMIN-
18 ISTRATIVE EXPENSES.—The Secretary may from
19 time to time transfer from the Trust Fund—

20 (A) to the general fund of the Treasury
21 the amount estimated as the costs incurred by
22 the Department of the Treasury in the adminis-
23 tration of section 2, and

1 (B) to the Board the amount estimated by
2 the Board as its costs in carrying out its duties
3 under this Act.

4 Proper adjustments shall be made in the amounts
5 subsequently transferred to the extent such esti-
6 mates are in excess of or less than the amounts re-
7 quired to be transferred.

8 (c) TRUST FUND BOARD.—

9 (1) IN GENERAL.—There is hereby established
10 a review board to be known as the National Divi-
11 dend Review Board which shall consist of 5 members
12 appointed by the President, by and with the advice
13 and consent of the Senate, from among individuals
14 who are not officers or employees of the Federal
15 Government.

16 (2) DUTIES.—

17 (A) REPORT.—It shall be the duty of the
18 Board to review the manner in which payments
19 under section 2 are made, to hold the Trust
20 Fund, and to report to the Congress each year
21 on such review and on the financial condition
22 and the results of the operations of the Trust
23 Fund during the preceding fiscal year and on
24 its expected condition and operation during the
25 next 5 fiscal years. Such report shall be printed

1 as a House document of the session of the Con-
2 gress to which the report is made.

3 (B) INVESTMENT.—

4 (i) IN GENERAL.—The Board may in-
5 vest any amount of the Trust Fund which
6 the Board determines is not required to
7 meet current payments. Such investments
8 shall be made only in interest-bearing obli-
9 gations of the United States or in obliga-
10 tions guaranteed as to both principal and
11 interest by the United States. Such obliga-
12 tions may be acquired—

13 (I) on original issue at the issue
14 price, or

15 (II) by purchase of outstanding
16 obligations at the market price.

17 The purposes for which obligations of the
18 United States may be issued under the
19 Second Liberty Bond Act are hereby ex-
20 tended to authorize the issuance at par of
21 special obligations exclusively to the Trust
22 Fund. Such special obligations shall bear
23 interest at a rate equal to the average rate
24 of interest, computed as to the end of the
25 calendar month next preceding the date of

1 such issue, borne by all marketable inter-
2 est-bearing obligations of the United
3 States then forming a part of the public
4 debt; except that if such average rate is
5 not a multiple of one-eighth of 1 percent,
6 the rate of interest of such special obliga-
7 tions shall be the multiple of one-eighth of
8 1 percent next lower than such average
9 rate. Such special obligations shall be is-
10 sued only if the Board determines that the
11 purchase of other interest-bearing obliga-
12 tions guaranteed as to both principal and
13 interest by the United States on original
14 issue or at the market price, is not in the
15 public interest.

16 (ii) SALE OF OBLIGATIONS.—Any ob-
17 ligations acquired by the Trust Fund (ex-
18 cept special obligations issued exclusively
19 to the Trust Fund) may be sold by the
20 Board at the market price, and such spe-
21 cial obligations may be redeemed at par
22 plus accrued interest.

23 (iii) INTEREST ON CERTAIN PRO-
24 CEEDS.—The interest on, and the proceeds
25 from the sale or redemption of, any obliga-

1 tions held in the Trust Fund shall be cred-
2 ited to and form a part of the Trust Fund.

3 (3) TERM, PAY, AND TRAVEL EXPENSES OF
4 MEMBERS.—

5 (A) TERM.—Each member of the Board
6 shall be appointed for a term of 2 years; except
7 that any member appointed to fill a vacancy oc-
8 curring before the expiration of the term for
9 which his predecessor was appointed shall be
10 appointed only for the remainder of such term.

11 (B) PAY.—Members of the Board shall re-
12 ceive compensation at the rate of \$100 for each
13 day they are engaged in the performance of
14 their duties as members of the Board.

15 (C) TRAVEL EXPENSES.—While away from
16 their homes or regular places of business in
17 performance of services for the Board, members
18 of the Board shall be allowed travel expenses,
19 including a per diem in lieu of subsistence, in
20 the same manner as persons employed intermit-
21 tently in the Government service are allowed ex-
22 penses under section 5703 of title 5 of the
23 United States Code.

24 (d) RESTRICTION ON THE USE OF THE TRUST
25 FUND.—Except as provided in subsection (b)(4), amounts

1 in the Trust Fund shall be available only for purposes of
2 making payments under section 2.

3 **SEC. 4. ELIMINATION OF DOUBLE TAX ON DIVIDENDS.**

4 (a) DIVIDENDS RECEIVED BY INDIVIDUALS.—

5 (1) IN GENERAL.—Part III of subchapter B of
6 chapter 1 of the Code (relating to items specifically
7 excluded from gross income) is amended by inserting
8 after section 115 the following new section:

9 **“SEC. 116. EXCLUSION OF DIVIDENDS RECEIVED BY INDI-**
10 **VIDUALS.**

11 “(a) EXCLUSION.—Gross income does not include
12 amounts received by an individual as dividends from do-
13 mestic corporations.

14 “(b) NATIONAL DIVIDEND PAYMENT.—For purposes
15 of subsection (a), amounts received by an individual as
16 national dividend payments under the National Dividend
17 Act of 1997 shall be treated as dividends from domestic
18 corporations.”

19 (2) TECHNICAL, CONFORMING, AND CLERICAL
20 AMENDMENTS.—

21 (A) The table of sections for part III of
22 subchapter B of chapter 1 of the Code is
23 amended by inserting after the item relating to
24 section 115 the following new item:

“Sec. 116. Exclusion of dividends received by individuals.”

1 (B) Subsection (g) of section 301 of the
2 Code (relating to special rules for distributions
3 of property by corporations) is amended by in-
4 serting after paragraph (3) the following new
5 paragraph (4):

6 “(4) For exclusion from gross income of divi-
7 dends received by individuals, see section 116.”

8 (C) Subsection (a) of section 643 of the
9 Code (relating to certain definitions with re-
10 spect to the taxation of estates, trusts and
11 beneficiaries) is amended by inserting after
12 paragraph (7) the following new paragraph (8):

13 “(8) DIVIDENDS.—There shall be included the
14 amount of any dividends excluded from gross income
15 pursuant to section 116 (relating to exclusion of
16 dividends).”

17 (b) DIVIDENDS RECEIVED BY CORPORATIONS.—

18 (1) IN GENERAL.—Subsection (a) of section
19 243 of the Code (relating to dividends received by
20 corporations) is amended to read as follows:

21 “(a) GENERAL RULE.—In the case of a corporation,
22 there shall be allowed as a deduction an amount equal to
23 100 percent of the amount received as dividends from a
24 domestic corporation which is subject to taxation under
25 this chapter.”

1 “(B) the amount determined under para-
2 graph (2).”

3 (3) TECHNICAL, CONFORMING AND CLERICAL
4 AMENDMENTS.—

5 (A) Section 243 of the Code (relating to
6 dividends received by corporations) is amended
7 by striking out subsections (b) and (c) and by
8 redesignating subsections (d) and (e) as sub-
9 sections (b) and (c), respectively.

10 (B) Subsection (b) of section 246 of the
11 Code (relating to rules applying to deductions
12 for dividends received) is amended—

13 (i) in paragraph (1) by striking out
14 “243(a)(1), 244(a)” each time it appears
15 and inserting in lieu thereof “243, 244”
16 and by striking out “the percentage deter-
17 mined under paragraph (3) of”, and

18 (ii) by striking out paragraph (3).

19 (C)(i) Subparagraph (A) of section
20 805(a)(4) of the Code (relating to dividends re-
21 ceived by life insurance companies) is amended
22 by striking out all that follows “subparagraph
23 (B))” and insert in lieu thereof a period.

24 (ii) Subparagraph (B) of section 805(a)(4)
25 of the Code is amended—

1 (I) by striking out “243(a)(1),
2 244(a)” each place it appears and insert-
3 ing in lieu thereof “243, 244”,

4 (II) by striking out “the percentage
5 determined under section 246(b)(3) of”,
6 and

7 (III) by striking out “(and such limi-
8 tation shall be applied as provided in sec-
9 tion 246(b)(3))”.

10 (iii) Paragraph (4) of section 805(a) of the
11 Code is amended by striking out subparagraphs
12 (C), (D), and (E) and inserting in lieu thereof
13 the following:

14 “(C) DISTRIBUTIONS OUT OF TAX EXEMPT
15 INTEREST.—No deduction shall be allowed by
16 reason of this paragraph with respect to any
17 dividend to the extent the dividend is a distribu-
18 tion out of tax-exempt interest.”

19 (D) Subparagraph (C) of section 861(a)(2)
20 of the Code (relating to income from sources
21 within the United States) is amended by strik-
22 ing out “243(e)” and inserting in lieu thereof
23 “243(c)”.

24 (E) Subparagraph (B) of section
25 1504(c)(2) of the Code (relating to definition of

1 includible insurance companies) is amended by
2 striking out clause (i) and by redesignating
3 clauses (ii) and (iii) as clauses (i) and (ii), re-
4 spectively.

5 (c) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to taxable years ending after the
7 date of the enactment of this Act.

8 **SEC. 5. LIMITATION ON CORPORATE INCOME TAXES AND**
9 **ON NEW FEDERAL SPENDING.**

10 (a) LIMITATION ON CORPORATE INCOME TAXES.—
11 Notwithstanding any other provision of law, the maximum
12 rate of tax imposed by section 11 of the Code shall not
13 be increased above 34 percent.

14 (b) LIMITATION ON FEDERAL SPENDING.—Section
15 301 of the Congressional Budget and Impoundment Con-
16 trol Act of 1974 is amended by inserting after subsection
17 (i) the following new subsection (j):

18 “(j) LIMITATION ON FEDERAL SPENDING.—

19 “(1) BUDGET RESOLUTIONS, ETC.—It shall not be
20 in order in either the House of Representatives or
21 the Senate to consider any concurrent resolution on
22 the budget for a fiscal year beginning after Septem-
23 ber 30, 1998 under this section or to consider any
24 amendment to such concurrent resolution or to con-
25 sider a conference report on such concurrent resolu-

1 tion if the level of total budget outlays for such fis-
2 cal year in such concurrent resolution or amendment
3 or conference report exceeds the recommended level
4 of total budget outlays in the concurrent resolution
5 under this section for the fiscal year beginning Octo-
6 ber 1, 1998.

7 “(2) CONTINUING RESOLUTION.—For purposes
8 of paragraph (1), a joint resolution making appro-
9 priations of money out of the Treasury not otherwise
10 appropriated and out of other applicable revenues,
11 receipts and funds shall be treated as a concurrent
12 resolution on the budget.”

13 **SEC. 6. SUPERMAJORITY VOTE REQUIRED TO INCREASE IN-**
14 **TERNAL REVENUE.**

15 (a) IN GENERAL.—A bill to increase the internal reve-
16 nue shall require for final adoption in each House of the
17 Congress the concurrence of two-thirds of the whole num-
18 ber of that House, unless that bill is determined at the
19 time of adoption, in a reasonable manner prescribed by
20 law enacted after the date of the enactment of this Act,
21 not to increase the internal revenue by more than a de
22 minimis amount.

23 (b) WAIVER.—The Congress may waive the require-
24 ments of subsection (a) when a declaration of war is in
25 effect. The Congress may also waive subsection (a) when

1 the United States is engaged in military conflict which
2 causes an imminent and serious threat to national security
3 and is so declared by a joint resolution, adopted by a ma-
4 jority of the whole number of each House, which becomes
5 law. Any increase in the internal revenue enacted under
6 such a waiver shall be effective for not longer than two
7 years.

8 **SEC. 7. CALCULATION OF DEFICIT ADJUSTMENT AMOUNT.**

9 The amount to be deducted under section
10 2(b)(1)(B)(ii) of this Act as the deficit adjustment in any
11 calendar year shall be the amount, if any, by which total
12 budget outlays exceed Federal revenues for the fiscal year
13 ending in such calendar year.

14 **SEC. 8. DEFINITIONS.**

15 For purposes of this Act—

16 (1) **BASE YEAR.**—The term “Base Year” means
17 the first calendar year after 1997 in which ends a
18 fiscal year in which total budget outlays do not ex-
19 ceed Federal revenues.

20 (2) **BOARD.**—The term “Board” means the Na-
21 tional Dividend Review Board established by
22 section 3(c).

23 (3) **FEDERAL ELECTION.**—The term “Federal
24 election” means any general election in which Mem-
25 bers of (including any Delegate or Resident Commis-

1 sioner to) Congress are elected or in which the
2 President and Vice President are elected.

3 (4) CODE.—The term “Code” means the Inter-
4 nal Revenue Code of 1986.

5 (5) NATIONAL DIVIDEND PAYMENT.—The term
6 “National Dividend Payment” means the amount
7 determined under section 2(b).

8 (6) SECRETARY.—The term “Secretary” means
9 the Secretary of the Treasury or his delegate.

10 (7) STATE.—The term “State” includes the
11 District of Columbia, the Commonwealth of Puerto
12 Rico, and any territory or possession of the United
13 States.

14 (8) TRUST FUND.—The term “Trust Fund”
15 means the National Dividend Payment Trust Fund
16 established by section 3(a).

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