

107TH CONGRESS  
1ST SESSION

# S. 616

To amend the Internal Revenue Code of 1986 to repeal the alternative minimum tax on individuals, to raise the exemption for small businesses from such tax, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

MARCH 26, 2001

Mr. HUTCHINSON (for himself and Mr. BOND) 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 repeal the alternative minimum tax on individuals, to raise the exemption for small businesses from such tax, 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 “Real AMT Relief Act  
5 of 2001”.

6 **SEC. 2. ALTERNATIVE MINIMUM TAX.**

7 (a) REPEAL OF ALTERNATIVE MINIMUM TAX ON IN-  
8 DIVIDUALS.—

1           (1) IN GENERAL.—Section 55(a) of the Internal  
 2           Revenue Code of 1986 (relating to alternative min-  
 3           imum tax imposed) is amended by adding at the end  
 4           the following new flush sentence:

5           “For purposes of this title, the tentative minimum tax on  
 6           any taxpayer other than a corporation for any taxable year  
 7           beginning after December 31, 2004, shall be zero.”.

8           (2) REDUCTION OF TAX ON INDIVIDUALS PRIOR  
 9           TO REPEAL.—Section 55 of such Code (relating to  
 10          alternative minimum tax imposed) is amended by  
 11          adding at the end the following new subsection:

12          “(f) PHASEOUT OF TAX ON INDIVIDUALS.—

13                 “(1) IN GENERAL.—The tax imposed by this  
 14                 section on a taxpayer other than a corporation for  
 15                 any taxable year beginning after December 31,  
 16                 2000, and before January 1, 2005, shall be the ap-  
 17                 plicable percentage of the tax which would be im-  
 18                 posed but for this subsection.

19                 “(2) APPLICABLE PERCENTAGE.—For purposes  
 20                 of paragraph (1), the applicable percentage shall be  
 21                 determined in accordance with the following table:

<b>“For taxable years beginning in calendar year—</b>	<b>The applicable percentage is—</b>
2001 .....	80
2002 .....	60
2003 .....	40
2004 .....	20.”.

1           (3) NONREFUNDABLE PERSONAL CREDITS  
2 FULLY ALLOWED AGAINST REGULAR TAX LIABIL-  
3 ITY.—

4           (A) IN GENERAL.—Section 26(a) of such  
5 Code (relating to limitation based on amount of  
6 tax) is amended to read as follows:

7           “(a) LIMITATION BASED ON AMOUNT OF TAX.—The  
8 aggregate amount of credits allowed by this subpart for  
9 the taxable year shall not exceed the taxpayer’s regular  
10 tax liability for the taxable year.”.

11           (B) CHILD CREDIT.—Section 24(d) is  
12 amended by striking paragraph (2) and by re-  
13 designating paragraph (3) as paragraph (2).

14           (4) EFFECTIVE DATE.—The amendments made  
15 by this subsection shall apply to taxable years begin-  
16 ning after December 31, 2000.

17           (b) INCOME AVERAGING NOT TO INCREASE ALTER-  
18 NATIVE MINIMUM TAX LIABILITY.—

19           (1) IN GENERAL.—Section 55(c) of the Internal  
20 Revenue Code of 1986 (relating to regular tax) is  
21 amended by redesignating paragraph (2) as para-  
22 graph (3) and by inserting after paragraph (1) the  
23 following:

24           “(2) COORDINATION WITH INCOME AVERAGING  
25 FOR FARMERS.—Solely for purposes of this section,

1 section 1301 (relating to averaging of farm income)  
 2 shall not apply in computing the regular tax.”.

3 (2) EFFECTIVE DATE.—The amendment made  
 4 by this subsection shall apply to taxable years begin-  
 5 ning after December 31, 2000.

6 (c) EXPANSION OF THE EXEMPTION FROM THE AL-  
 7 TERNATIVE MINIMUM TAX FOR SMALL CORPORATIONS.—

8 (1) IN GENERAL.—Section 55(e)(1)(A) of the  
 9 Internal Revenue Code of 1986 (relating to exemp-  
 10 tion for small corporations) is amended to read as  
 11 follows:

12 “(A) \$10,000,000 GROSS RECEIPTS  
 13 TEST.—The tentative minimum tax of a cor-  
 14 poration shall be zero for any taxable year if  
 15 the corporation’s average annual gross receipts  
 16 for all 3-taxable-year periods ending before such  
 17 taxable year does not exceed \$10,000,000. For  
 18 purposes of the preceding sentence, only taxable  
 19 years beginning after December 31, 1997, shall  
 20 be taken into account.”.

21 (2) GROSS RECEIPTS TEST FOR FIRST 3-YEAR  
 22 PERIOD.—Section 55(e)(1)(B) of such Code (relating  
 23 to exemption for small corporations) is amended to  
 24 read as follows:

1           “(B) \$7,500,000 GROSS RECEIPTS TEST  
2           FOR FIRST 3-YEAR PERIOD.—Subparagraph (A)  
3           shall be applied by substituting ‘\$7,500,000’ for  
4           ‘\$10,000,000’ for the first 3-taxable-year period  
5           (or portion thereof) of the corporation which is  
6           taken into account under subparagraph (A).”.

7           (3) EFFECTIVE DATE.—The amendments made  
8           by this subsection shall apply to taxable years begin-  
9           ning after December 31, 2000.

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