

110TH CONGRESS
2D SESSION

H. R. 5126

To amend the Internal Revenue Code of 1986 to reduce individual income taxes by creating a new 5 percent rate of tax and to increase section 179 expensing for small businesses.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 23, 2008

Mr. KNOLLENBERG 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 reduce individual income taxes by creating a new 5 percent rate of tax and to increase section 179 expensing for small businesses.

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 “Family Security and
5 Small Business Stimulus Act of 2008”.

6 **SEC. 2. INDIVIDUAL INCOME TAX RATE REDUCTION AFTER**

7 **2007.**

8 (a) RATE REDUCTION.—

1 (1) IN GENERAL.—Subparagraph (A) of section
2 1(i)(1) of the Internal Revenue Code of 1986 (relat-
3 ing to tax imposed on individuals) is amended to
4 read as follows:

5 “(A) IN GENERAL.—In the case of taxable
6 years beginning after December 31, 2007—

7 “(i) the rate of tax under subsections
8 (a), (b), (c), and (d) on taxable income not
9 over the initial bracket amount shall be 5
10 percent, and

11 “(ii) the 15 percent rate of tax shall
12 apply only to taxable income over the ini-
13 tial bracket amount but not over the max-
14 imum dollar amount for the 15-percent
15 rate bracket.”.

16 (2) CONFORMING AMENDMENTS.—

17 (A) The heading for paragraph (1) of sec-
18 tion 1(i) of such Code is amended by striking
19 “**10-PERCENT**” and inserting “**5-PERCENT**”.

20 (B) Subparagraph (D) of section 1(i)(1) of
21 such Code is amended to read as follows:

22 “(D) COORDINATION WITH ACCELERATION OF 5
23 PERCENT RATE BRACKET BENEFIT FOR 2008.—This
24 paragraph shall not apply to any taxable year to
25 which section 6428 applies.”.

1 (3) 5-PERCENT BRACKET MADE
2 PERMANMENT.—Title IX of the Economic Growth
3 and Tax Relief Reconciliation Act of 2001 shall not
4 apply to paragraph (1) of section 1(i) of the Internal
5 Revenue Code of 1986, as amended by this sub-
6 section.

7 (b) ADVANCE PAYMENT OF 5 PERCENT RATE
8 BRACKET.—Section 6428 of such Code is amended to
9 read as follows:

10 **“SEC. 6428. ACCELERATION OF 5 PERCENT INCOME TAX**
11 **RATE BRACKET BENEFIT FOR 2008.**

12 “(a) IN GENERAL.—In the case of an eligible indi-
13 vidual, there shall be allowed as a credit against the tax
14 imposed by chapter 1 for the taxpayer’s first taxable year
15 beginning in 2008 an amount equal to 5 percent of so
16 much of the taxpayer’s taxable income as does not exceed
17 the initial bracket amount (as defined in section
18 1(i)(1)(B)).

19 “(b) CREDIT TREATED AS NONREFUNDABLE PER-
20 SONAL CREDIT.—For purposes of this title, the credit al-
21 lowed under this section shall be treated as a credit allow-
22 able under subpart A of part IV of subchapter A of chap-
23 ter 1.

1 “(c) ELIGIBLE INDIVIDUAL.—For purposes of this
2 section, the term ‘eligible individual’ means any individual
3 other than—

4 “(1) any estate or trust,

5 “(2) any nonresident alien individual, and

6 “(3) any individual with respect to whom a de-
7 duction under section 151 is allowable to another
8 taxpayer for a taxable year beginning in the cal-
9 endar year in which the individual’s taxable year be-
10 gins.

11 “(d) COORDINATION WITH ADVANCE REFUNDS OF
12 CREDIT.—

13 “(1) IN GENERAL.—The amount of credit
14 which would (but for this paragraph) be allowable
15 under this section shall be reduced (but not below
16 zero) by the aggregate refunds and credits made or
17 allowed to the taxpayer under subsection (e). Any
18 failure to so reduce the credit shall be treated as
19 arising out of a mathematical or clerical error and
20 assessed according to section 6213(b)(1).

21 “(2) JOINT RETURNS.—In the case of a refund
22 or credit made or allowed under subsection (e) with
23 respect to a joint return, half of such refund or cred-
24 it shall be treated as having been made or allowed
25 to each individual filing such return.

1 “(e) ADVANCE REFUNDS OF CREDIT BASED ON
2 PRIOR YEAR DATA.—

3 “(1) IN GENERAL.—Each individual who was
4 an eligible individual for such individual’s first tax-
5 able year beginning in 2006 shall be treated as hav-
6 ing made a payment against the tax imposed by
7 chapter 1 for such first taxable year in an amount
8 equal to the advance refund amount for such taxable
9 year.

10 “(2) ADVANCE REFUND AMOUNT.—For pur-
11 poses of paragraph (1), the advance refund amount
12 is the amount that would have been allowed as a
13 credit under this section for such first taxable year
14 if—

15 “(A) this section (other than subsections
16 (b) and (d) and this subsection) had applied to
17 such taxable year, and

18 “(B) the credit for such taxable year were
19 not allowed to exceed the excess (if any) of—

20 “(i) the sum of the regular tax liabil-
21 ity (as defined in section 26(b)) plus the
22 tax imposed by section 55, over

23 “(ii) the sum of the credits allowable
24 under part IV of subchapter A of chapter
25 1 (other than the credits allowable under

1 ing to election to expense certain depreciable business as-
2 sets) is amended by striking “\$25,000 (\$125,000 in the
3 case of taxable years beginning after 2006 and before
4 2011)” and inserting “\$125,000 (\$375,000 in the case of
5 taxable years beginning after 2007 and before 2010)”.

6 (b) CONFORMING AMENDMENT.—Subparagraph (A)
7 of section 179(b)(5) of such Code is amended—

8 (1) by striking “and before 2011”, and

9 (2) by adding at the end the following flush
10 sentence:

11 “The preceding sentence shall not apply to the
12 \$500,000 amount for taxable years beginning
13 after December 31, 2010.”.

14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to taxable years beginning after
16 December 31, 2007.

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