The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Minnesota (Mr. RAMSTAD) is recognized for 5 minutes.

(Mr. RAMSTAD addressed the House. His remarks will appear herafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Pennsylvania (Mr. COYNE) is recognized for 5 minutes.

(Mr. COYNE addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

INTRODUCTION OF THE CAPITAL GAINS TAX SIMPLIFICATION ACT OF 1998

Mr. COYNE. Mr. Speaker, I rise today to introduce the ''Capital Gains Tax Simplification Act of 1998.'' This legislation would simplify the computation of capital gains taxes for all individual taxpayers. The bill would also provide modest capital gains tax reductions for millions of Americans.

I am sure that many of you have received complaints from a number of your constituents about the overly complex capital gains form—Schedule D—that they have to fill out as part of their 1997 Federal income tax returns. Their complaints are justified. Schedule D is long and complex—and it is very easy to make a mistake in filling out this form. Moreover, if nothing is done to fix this problem, Schedule D will get even more complex and burdensome in the coming years. The Capital Gains Tax Simplification Act of 1998 would solve the capital gains complexity problem once and for all.

The capital gains treatment provided in the Capital Gains Tax Simplification Act of 1998 is so simple that the substance of the bill can be stated in one short, easily understandable sentence: ''If for any taxable year a taxpayer other than a corporation has a net capital gain, 40 percent of such gain shall be a deduction from gross income.'' In contrast, the Technical Corrections Act that passed the House last year contained 12 pages of detailed statutory language to describe the current complicated scheme for taxation of capital gains.

The time is long overdue for Congress to begin simplifying our tax laws. The capital gains provisions are a good place to start. The current capital gains schedule and the underlying rules for taxation of capital gains are unnecessarily complex. Regardless of one's views about capital gains taxes, I think that most of us would agree that a revenue-neutral simplification of the capital gains tax provisions is much-needed.

Current law imposes a significant burden on taxpayers who have capital gains. The IRS estimates that a typical taxpayer with a capital gain will spend 5 hours and 20 minutes filling out his or her capital gains tax form. This is two hours more than in 1994. Moreover, the chances of making an effort in filing out this complicated, 54-line form are fairly high.

As a member of the National Commission on Restructuring the Internal Revenue Service, I supported the Commission's recommendation to pursue simplification at every possible opportunity. As the Ranking Member on the Ways and Means Oversight Subcommittee, I am well aware of the need for tax simplification. We need to make the tax code less complex—and less burdensome—for the American taxpayer. The Capital Gains Tax Simplification Act of 1998 would go a long way toward meeting that goal.

This bill embodies simplification in the clearest and strongest sense of the word. The bill would replace a lengthy, complex provision with a simple, equitable solution. It would shorten and simplify the tax code, and—more importantly—it would shorten and simplify the process that millions of taxpayers must go through when filing out their annual income tax returns.

Now is the time to act, not next year or the next. Last year, in the House-passed IRS restructuring bill (H.R. 2676), the House and the Ways and Means Committee supported the IRS Restructuring Commission's view that the tax laws should be simplified wherever, and however, possible. My bill would do exactly that.

The IRS restructuring bill would also mandate that, for tax legislation considered by the tax-writing committees after January 1, 1998, a ''tax complexity analysis'' be provided by the Joint Committee on Taxation to ensure that tax provisions brought before the Congress enhance simplification and eliminate complexity. Had this ''tax complexity analysis'' law been in effect during consideration of the 1997 Taxpayer Relief Act, the capital gains provisions in that bill would have failed the test miserably. I believe that, in contrast, a ''tax complexity analysis'' of my bill would be extraordinarily positive. How could it be otherwise, when my bill would eliminate the requirement to fill out Schedule D for most capital gains recipients and replace it with a single line on the 1040 form?

What happened to make the current-law calculation of capital gains taxes so complex? The answer is simple. The 1997 taxpayer Relief Act created a confusing array of capital gains tax rates. As a result, the law provides for five different rates that can apply to the capital gains of an individual—10 percent, 15 percent, 20 percent, 25 percent, and 28 percent. I have attached a copy of the new 1997 capital gains tax computation schedule—Schedule D—to my statement to demonstrate the capital gains tax provisions' extraordinary complexity.

An additional tax rate category is scheduled to take effect in the year 2001, and another tax rate category will take effect in 2006. The forms required to accommodate these additional rate categories will add significant additional complexity to the filing process for millions of taxpayers. After those provisions take effect, the 1997 Schedule D will look simple in comparison. Moreover, under current law, a growing number of taxpayers will have to fill out the capital gains form twice in the coming years—once for the regular tax, and once for the alternative minimum tax. If you think tax filers are angry and frustrated now, just wait a few years.

The worst aspect of current law is that its complexity falls hardest on low- and moderate-income taxpayers whose only capital investments are in mutual funds. They aren't wealthy people; they don't have their own accountants. They are the people who usually fill out their tax returns themselves. And they have to fill out that confusing, error-prone Schedule D themselves. Under the bill I am introducing today, those taxpayers would not have to fill out a separate capital gains tax form at all. They would simply include 60 percent of their total capital gains distributions on the appropriate line of their tax returns. Taxpayers with other sources of capital gains would still have to report these gains on Schedule D or its equivalent, but even they would no longer have to complete the roughly 35 lines of calculations on page 2 of Schedule D to figure out their taxes; they would simply figure out their net capital gains using Schedule D and then include 60 percent of that amount on the appropriate line of their tax return.

It has been said in recent days that much of the complexity associated with the capital gains tax could be eliminated by eliminating the new 18-month holding period requirement. This is just not true. Simply repealing the 18-month holding period requirement would not eliminate any part of the current complex capital gains schedule. The only way to get true simplification of the capital gains provisions enacted last year is to enact a simplification proposal like the one in my bill—that is, to provide a one-year holding period requirement for all capital assets, and to permit depreciation recapture gains on real estate to receive the full benefit of the capital gains tax reduction.

It is my understanding that the bill would be revenue neutral. The bill's simple 40-percent exclusion for capital gains can be substituted for the confusing array of capital gains tax rates under current law at no cost to the Federal Government. As I mentioned earlier, simplifying the computation of capital gains taxes for all individual taxpayers along these lines would also provide modest capital gains tax reductions for nearly all individuals with capital gains income. I have attached a chart which shows the impact of my legislation on the capital gains tax rates that individuals would pay. Most capital gains filers—over 11 million