

104TH CONGRESS
1ST SESSION

H. R. 593

To amend the Internal Revenue Code of 1986 to increase the dollar limitation on the 1-time exclusion of gain from sale of a principal residence by individuals who have attained age 55, to increase the amount of the unified estate and gift tax credits, and to reduce the tax on capital gains.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 19, 1995

Mr. ROHRABACHER (for himself, Mr. DOOLITTLE, Mr. MOORHEAD, Mr. MANZULLO, Mr. BURTON of Indiana, Mr. HASTERT, Mr. STUMP, Mr. MCCOLLUM, Mr. BLUTE, Mr. BARTLETT of Maryland, Mr. KING, Mr. KNOLLENBERG, Mr. ZIMMER, Mr. SENSENBRENNER, Mr. BUNNING of Kentucky, Mr. SPENCE, Mr. DORNAN, Mr. BUNN of Oregon, Mr. FORBES, Mr. MCHUGH, Mr. SMITH of New Jersey, Mr. FOX of Pennsylvania, Mr. HALL of Texas, Mr. ISTOOK, and Mr. SOLOMON) 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 increase the dollar limitation on the 1-time exclusion of gain from sale of a principal residence by individuals who have attained age 55, to increase the amount of the unified estate and gift tax credits, and to reduce the tax on capital gains.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Senior Citizens’ Tax
3 Relief Act of 1995”.

4 **SEC. 2. INCREASE IN LIMITATION ON 1-TIME EXCLUSION OF**
5 **GAIN FROM SALE OF PRINCIPAL RESIDENCE.**

6 (a) GENERAL RULE.—Paragraph (1) of section
7 121(b) of the Internal Revenue Code of 1986 (relating to
8 dollar limitation) is amended by striking “\$125,000
9 (\$62,500” and inserting “\$205,000 (\$102,500”.

10 (b) COST-OF-LIVING ADJUSTMENTS.—Subsection (b)
11 of section 121 of such Code is amended by adding at the
12 end thereof the following new paragraph:

13 “(4) COST-OF-LIVING ADJUSTMENTS.—In the
14 case of any taxable year beginning in a calendar
15 year after 1995, each dollar amount set forth in
16 paragraph (1) shall be increased by an amount equal
17 to—

18 “(A) such dollar amount, multiplied by

19 “(B) the cost-of-living adjustment deter-
20 mined under section 1(f)(3) for the calendar
21 year in which the taxable year begins, by sub-
22 stituting ‘calendar year 1994’ for ‘calendar year
23 1992’ in subparagraph (B) thereof.

24 Any increase determined under the preceding sen-
25 tence shall be rounded to the nearest multiple of
26 \$1,000.”

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to any sale or exchange after
3 December 31, 1994.

4 **SEC. 3. INCREASE IN UNIFIED ESTATE AND GIFT TAX**
5 **CREDITS.**

6 (a) ESTATE TAX CREDIT.—

7 (1) Subsection (a) of section 2010 of the Inter-
8 nal Revenue Code of 1986 (relating to unified credit
9 against estate tax) is amended by striking
10 “\$193,500” and inserting “the applicable credit
11 amount”.

12 (2) Section 2010 of such Code is amended by
13 redesignating subsection (c) as subsection (d) and by
14 inserting after subsection (b) the following new sub-
15 section:

16 “(c) APPLICABLE CREDIT AMOUNT.—For purposes
17 of this section—

18 “(1) IN GENERAL.—The applicable credit
19 amount is the amount of the tentative tax which
20 would be determined under the rate schedule set
21 forth in section 2001(c) if the amount with respect
22 to which such tentative tax is to be computed were
23 \$808,000.

24 “(2) COST-OF-LIVING ADJUSTMENTS.—In the
25 case of any decedent dying, and gift made, in a cal-

1 endar year after 1995, the \$808,000 amount set
2 forth in paragraph (1) shall be increased by an
3 amount equal to—

4 “(A) \$808,000, multiplied by

5 “(B) the cost-of-living adjustment deter-
6 mined under section 1(f)(3) for such calendar
7 year by substituting ‘calendar year 1994’ for
8 ‘calendar year 1992’ in subparagraph (B)
9 thereof.

10 Any increase determined under the preceding sen-
11 tence shall be rounded to the nearest multiple of
12 \$1,000.”

13 (3) Paragraph (1) of section 6018(a) of such
14 Code is amended by striking “\$600,000” and insert-
15 ing “\$808,000 (adjusted as provided in section
16 2010(c)(2))”.

17 (4) Paragraph (2) of section 2001(c) of such
18 Code is amended by striking “\$21,040,000” and in-
19 serting “the amount at which the effective tax rate
20 under this section is 55 percent”.

21 (5) Subparagraph (A) of section 2102(c)(3) of
22 such Code is amended by striking “\$192,800” and
23 inserting “the applicable credit amount in effect
24 under section 2010(c) for the calendar year which
25 includes the date of death”.

1 (b) UNIFIED GIFT TAX CREDIT.—Paragraph (1) of
2 section 2505(a) of such Code is amended by striking
3 “\$193,500” and inserting “the applicable credit amount
4 in effect under section 2010(c) for such calendar year”.

5 (c) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to the estates of decedents dying,
7 and gifts made, after December 31, 1994.

8 **SEC. 4. REDUCTION IN CAPITAL GAINS TAX FOR INDIVID-**
9 **UALS.**

10 (a) GENERAL RULE.—Part I of subchapter P of
11 chapter 1 of the Internal Revenue Code of 1986 is amend-
12 ed by inserting after section 1201 the following new
13 section:

14 **“SEC. 1202. DEDUCTION FOR CAPITAL GAINS.**

15 “(a) GENERAL RULE.—If, for any taxable year, a
16 taxpayer other than a corporation has a net capital gain,
17 an amount equal to 50 percent of the net capital gain shall
18 be allowed as a deduction.

19 “(b) ESTATES AND TRUSTS.—In the case of an es-
20 tate or trust, the deduction under subsection (a) shall be
21 computed by excluding the portion (if any) of the gains
22 for the taxable year from sales or exchanges of capital as-
23 sets which, under sections 652 and 662 (relating to inclu-
24 sions of amounts in gross income of beneficiaries of

1 trusts), is includible by the income beneficiaries as gain
2 derived from the sale or exchange of capital assets.

3 “(c) COORDINATION WITH TREATMENT OF CAPITAL
4 GAIN UNDER LIMITATION ON INVESTMENT INTEREST.—
5 For purposes of this section, the net capital gain for any
6 taxable year shall be reduced (but not below zero) by the
7 amount which the taxpayer takes into account as invest-
8 ment income under section 163(d)(4)(B)(iii).”

9 (b) MINIMUM TAX.—Section 56(b) of such Code is
10 amended by adding at the end thereof the following new
11 paragraph:

12 “(4) CAPITAL GAINS DEDUCTION DISALLOW-
13 ANCE.—The deduction under section 1202 shall not
14 be allowed.”

15 (c) CONFORMING AMENDMENTS.—

16 (1) Section 13113 of the Revenue Reconcili-
17 ation Act of 1993 (relating to 50-percent exclusion
18 for gain from certain small business stock), and the
19 amendments made by such section, are hereby re-
20 pealed; and the Internal Revenue Code of 1986 shall
21 be applied as if such section (and amendments) had
22 never been enacted.

23 (2) Subsection (h) of section 1 of such Code is
24 hereby repealed.

1 (3) Section 62(a) of such Code is amended by
2 inserting after paragraph (15) the following new
3 paragraph:

4 “(16) CAPITAL GAINS DEDUCTION.—The deduc-
5 tion allowed by section 1202.”

6 (4) Section 170(e)(1)(B) of such Code is
7 amended by inserting “(or, in the case of a taxpayer
8 other than a corporation, 50 percent of the amount
9 of gain)” after “the amount of gain”.

10 (5)(A) Section 172(d)(2) of such Code is
11 amended to read as follows:

12 “(2) CAPITAL GAINS AND LOSSES OF TAX-
13 PAYERS OTHER THAN CORPORATIONS.—In the case
14 of a taxpayer other than a corporation—

15 “(A) the amount deductible on account of
16 losses from sales or exchanges of capital assets
17 shall not exceed the amount includible on ac-
18 count of gains from sales or exchanges of cap-
19 ital assets; and

20 “(B) the deduction provided by section
21 1202 shall not be allowed.”

22 (B) Subparagraph (B) of section 172(d)(4) of
23 such Code is amended by inserting “, (2)(B),” after
24 “paragraph (1)”.

1 (6)(A) Section 220 of such Code is amended to
2 read as follows:

3 **“SEC. 220. CROSS REFERENCES.**

**“(1) For deduction for net capital gain, see section
1202.**

**“(2) For deductions in respect of a decedent, see
section 691.”**

4 (B) The table of sections for part VII of sub-
5 chapter B of chapter 1 is amended by striking “ref-
6 erence” in the item relating to section 220 and in-
7 serting “references”.

8 (7) Paragraph (4) of section 642(c) of such
9 Code is amended to read as follows:

10 “(4) ADJUSTMENTS.—To the extent that the
11 amount otherwise allowable as a deduction under
12 this subsection consists of gain from the sale or ex-
13 change of capital assets held for more than 1 year,
14 proper adjustment shall be made for any deduction
15 allowable to the estate or trust under section 1202
16 (relating to deduction for net capital gain). In the
17 case of a trust, the deduction allowed by this sub-
18 section shall be subject to section 681 (relating to
19 unrelated business income).”

20 (8) Paragraph (3) of section 643(a) of such
21 Code is amended by adding at the end thereof the
22 following new sentence: “The deduction under sec-

1 tion 1202 (relating to deduction for net capital gain)
2 shall not be taken into account.”.

3 (9) Paragraph (6)(C) of section 643(a) of such
4 Code is amended—

5 (A) by inserting “(i)” before “there”, and

6 (B) by inserting “, and (ii) the deduction
7 under section 1202 (relating to deduction for
8 capital gains) shall not be taken into account”
9 before the period at the end thereof.

10 (10) Paragraph (4) of section 691(c) of such
11 Code is amended by striking “1(h), 1201” and in-
12 serting “1201, 1202,”.

13 (11) The second sentence of paragraph (2) of
14 section 871(a) of such Code is amended by inserting
15 “such gains and losses shall be determined without
16 regard to section 1202 (relating to deduction for net
17 capital gain) and” after “except that”.

18 (12)(A) Subparagraph (B) of section 904(b)(2)
19 of such Code is amended by striking so much of
20 such subparagraph as precedes clause (i) and insert-
21 ing the following:

22 “(B) SPECIAL RULES WHERE CORPORATE
23 CAPITAL RATE GAIN DIFFERENTIAL.—In the
24 case of a corporation, for any taxable year for

1 which there is a capital gain rate differen-
2 tial—”.

3 (B) Subparagraphs (D) and (E) of section
4 904(b)(3) of such Code are amended to read as
5 follows:

6 “(D) CAPITAL GAIN RATE DIFFEREN-
7 TIAL.—There is a capital gain rate differential
8 for any taxable year if any rate of tax imposed
9 by section 11, 511, or 831(a) or (b) (whichever
10 applies) exceeds the alternative rate of tax
11 under section 1201(a) (determined without re-
12 gard to the last sentence of section 11(b)(1)).

13 “(E) RATE DIFFERENTIAL PORTION.—The
14 rate differential portion of foreign source net
15 capital gain, net capital, or the excess of net
16 capital gain from sources within the United
17 States over net capital gain, as the case maybe,
18 is the same proportion of such amount as—

19 “(i) the excess of the highest rate of
20 tax specified in section 11(b)(1) over the
21 alternative rate of tax under section
22 1201(a), bears to

23 “(ii) the highest rate of tax specified
24 in section 11(b)(1).”

1 (13) Subsection (d) of section 1044 of such
2 Code is amended by striking the last sentence.

3 (14) Section 1402(i)(1) of such Code is amend-
4 ed to read as follows:

5 “(1) IN GENERAL.—In determining the net
6 earnings from self-employment of any options dealer
7 or commodities dealer—

8 “(A) notwithstanding subsection (a)(3)(A),
9 there shall not be excluded any gain or loss (in
10 the normal course of the taxpayer’s activity of
11 dealing in or trading section 1256 contracts)
12 from section 1256 contracts or property related
13 to such contracts, and

14 “(B) the deduction provided by section
15 1202 shall not apply.”

16 (d) CLERICAL AMENDMENT.—The table of sections
17 for part I of subchapter P of chapter 1 of such Code is
18 amended by striking the item relating to section 1202 and
19 inserting the following new item:

“Sec. 1202. Deduction for capital gains.”

20 (e) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to taxable years beginning after
22 the date of the enactment of this Act.

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