

105TH CONGRESS
2D SESSION

H. R. 4125

To amend the Internal Revenue Code of 1986 to reduce individual capital gains tax rates.

IN THE HOUSE OF REPRESENTATIVES

JUNE 24, 1998

Mr. GINGRICH (for himself, Mr. ISTOOK, Mr. BOEHNER, Mr. HEFLEY, Mr. BLILEY, Mr. EVERETT, Mr. COLLINS, Mr. WICKER, Mr. SHAYS, Mr. JENKINS, Mr. WAMP, Mr. LEWIS of Kentucky, Mr. CALVERT, Mr. SHAW, Mr. GALLEGLY, Mr. HERGER, Mr. NETHERCUTT, Mr. CHABOT, Mr. GILCHREST, Mr. BONILLA, Mr. GOSS, Mr. TIAHRT, Mr. UPTON, Mr. THORNBERRY, Mr. SKEEN, Mr. HILL, Mr. COOKSEY, Mr. PETERSON of Pennsylvania, Mr. RILEY, Mr. SALMON, Mr. WATKINS, Mr. FOX of Pennsylvania, Mr. SUNUNU, Mr. PORTER, Mr. SENSENBRENNER, Mr. STUMP, Mr. GILMAN, Mr. HANSEN, Mrs. KELLY, Mr. BUNNING, Mr. ROYCE, Mr. MCCREERY, Mr. BILIRAKIS, Mr. ROGERS, Mr. SMITH of Michigan, Mr. HASTINGS of Washington, Mrs. FOWLER, Mr. CAMP, Mr. BOB SCHAFFER of Colorado, Ms. DUNN, Mr. FORBES, Mr. MCINNIS, Mr. DICKEY, Mrs. MYRICK, Mr. MICA, Mr. FRANKS of New Jersey, Mr. FRELINGHUYSEN, Mr. RADANOVICH, Mr. WOLF, Mr. WELDON of Florida, Mr. NORWOOD, Mr. DELAY, Mr. PACKARD, Mr. REDMOND, Mr. METCALF, Mr. HASTERT, Mr. EWING, Mr. PAPPAS, Mr. LATHAM, Mr. HUTCHINSON, Mr. ENGLISH of Pennsylvania, Mr. COBLE, Mr. BARR of Georgia, Mr. SHADEGG, Mr. FOSSELLA, Mr. LEWIS of California, Mr. HAYWORTH, Mr. RYUN, Mr. KOLBE, Mr. MCCOLLUM, Mr. DEAL of Georgia, Mr. SOUDER, Mr. HOEKSTRA, Mr. SNOWBARGER, Mr. EHRLICH, Mr. GILLMOR, Mr. BLUNT, Mr. MANZULLO, Mrs. ROUKEMA, Mr. REGULA, Mr. RIGGS, Mr. PEASE, Mr. WATTS of Oklahoma, Mr. GIBBONS, Mr. CAMPBELL, Mr. ARMEY, Mr. LINDER, Mr. FOLEY, and Mr. LOBIONDO) 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 capital gains tax rates.

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 “Economic Growth Act
5 of 1998”.

6 **SEC. 2. REDUCTION IN INDIVIDUAL CAPITAL GAINS TAX**
7 **RATES.**

8 (a) IN GENERAL.—Subsection (h) of section 1 of the
9 Internal Revenue Code of 1986 is amended to read as fol-
10 lows:

11 “(h) MAXIMUM CAPITAL GAINS RATE.—

12 “(1) IN GENERAL.—If a taxpayer has a net
13 capital gain for any taxable year, the tax imposed by
14 this section for such taxable year shall not exceed
15 the sum of—

16 “(A) a tax computed at the rates and in
17 the same manner as if this subsection had not
18 been enacted on taxable income reduced by the
19 net capital gain,

20 “(B) 7.5 percent of so much of the net
21 capital gain (or, if less, taxable income) as does
22 not exceed the excess (if any) of—

1 “(i) the amount of taxable income
2 which would (without regard to this para-
3 graph) be taxed at a rate below 28 per-
4 cent, over

5 “(ii) the taxable income reduced by
6 the net capital gain, and

7 “(C) 15 percent of the amount of taxable
8 income in excess of the sum of the amounts on
9 which tax is determined under subparagraphs
10 (A) and (B).

11 “(2) NET CAPITAL GAIN TAKEN INTO ACCOUNT
12 AS INVESTMENT INCOME.—For purposes of this sub-
13 section, the net capital gain for any taxable year
14 shall be reduced (but not below zero) by the amount
15 which the taxpayer takes into account as investment
16 income under section 163(d)(4)(B)(iii).”.

17 (b) ALTERNATIVE MINIMUM TAX.—Paragraph (3) of
18 section 55(b) of such Code is amended to read as follows:

19 “(3) MAXIMUM RATE OF TAX ON NET CAPITAL
20 GAIN OF NONCORPORATE TAXPAYERS.—The amount
21 determined under the first sentence of paragraph
22 (1)(A)(i) shall not exceed the sum of—

23 “(A) the amount determined under such
24 first sentence computed at the rates and in the
25 same manner as if this paragraph had not been

1 enacted on the taxable excess reduced by the
2 net capital gain,

3 “(B) 7.5 percent of so much of the net
4 capital gain (or, if less, taxable excess) as does
5 not exceed the amount on which a tax is deter-
6 mined under section 1(h)(1)(B), and

7 “(C) 15 percent of the amount of taxable
8 excess in excess of the sum of the amounts on
9 which tax is determined under subparagraphs
10 (A) and (B).”.

11 (c) CONFORMING AMENDMENTS.—

12 (1) Paragraph (1) of section 1445(e) of such
13 Code is amended by striking “20 percent” and in-
14 serting “15 percent”.

15 (2) The second sentence of section
16 7518(g)(6)(A) of such Code, and the second sen-
17 tence of section 607(h)(6)(A) of the Merchant Ma-
18 rine Act, 1936, are each amended by striking “20
19 percent” and inserting “15 percent”.

20 (3) Section 311 of the Taxpayer Relief Act of
21 1997 is amended by striking subsection (e).

22 (4) Paragraph (7) of section 57(a) of such Code
23 (as amended by the Internal Revenue Service Re-
24 structuring and Reform Act of 1998) is amended by
25 striking the last sentence.

1 (5) Paragraphs (11) and (12) of section 1223,
2 and section 1235(a), of such Code (as amended by
3 the Internal Revenue Service Restructuring and Re-
4 form Act of 1998) are each amended by striking “18
5 months” each place it appears and inserting “1
6 year”.

7 (d) TRANSITIONAL RULES FOR TAXABLE YEARS
8 WHICH INCLUDE JUNE 24, 1998.—

9 (1) IN GENERAL.—Subsection (h) of section 1
10 of such Code (as amended by the Internal Revenue
11 Service Restructuring and Reform Act of 1998) is
12 amended by adding at the end the following new
13 paragraph:

14 “(14) SPECIAL RULES FOR TAXABLE YEARS
15 WHICH INCLUDE JUNE 24, 1998.—For purposes of
16 applying this subsection in the case of a taxable year
17 which includes June 24, 1998—

18 “(A) Gains or losses properly taken into
19 account for the period on or after such date
20 shall be disregarded in applying paragraph
21 (5)(A)(i), subclauses (I) and (II) of paragraph
22 (5)(A)(ii), paragraph (5)(B), paragraph (6),
23 and paragraph (7)(A).

1 “(B) The amount determined under sub-
2 paragraph (B) of paragraph (1) shall be the
3 sum of—

4 “(i) 7.5 percent of the amount which
5 would be determined under such subpara-
6 graph if the amount of gain taken into ac-
7 count under such subparagraph did not ex-
8 ceed the net capital gain taking into ac-
9 count only gain or loss properly taken into
10 account for the portion of the taxable year
11 on or after such date, plus

12 “(ii) 10 percent of the excess of the
13 amount determined under such subpara-
14 graph (determined without regard to this
15 paragraph) over the amount determined
16 under clause (i).

17 “(C) The amount determined under sub-
18 paragraph (C) of paragraph (1) shall be the
19 sum of—

20 “(i) 15 percent of the amount which
21 would be determined under such subpara-
22 graph if the adjusted net capital gain did
23 not exceed the net capital gain taking into
24 account only gain or loss properly taken

1 into account for the portion of the taxable
2 year on or after such date, plus

3 “(ii) 20 percent of the excess of the
4 amount determined under such subpara-
5 graph (determined without regard to this
6 paragraph) over the amount determined
7 under clause (i).

8 “(D) Rules similar to the rules of para-
9 graph (13)(C) shall apply.”.

10 (2) ALTERNATIVE MINIMUM TAX.—Paragraph
11 (3) of section 55(b) of such Code (as amended by
12 the Internal Revenue Service Restructuring and Re-
13 form Act of 1998) is amended by adding at the end
14 the following new sentence: “For purposes of apply-
15 ing this paragraph for a taxable year which includes
16 June 24, 1998, rules similar to the rules of section
17 1(h)(14) shall apply.”.

18 (e) EFFECTIVE DATES.—

19 (1) IN GENERAL.—Except as otherwise pro-
20 vided in this subsection, the amendments made by
21 this section shall apply to taxable years beginning on
22 or after June 24, 1998.

23 (2) TRANSITIONAL RULES FOR TAXABLE YEARS
24 WHICH INCLUDE JUNE 24, 1998.—The amendments
25 made by subsection (d) shall apply to taxable years

1 beginning before such date and ending on or after
2 June 24, 1998.

3 (3) WITHHOLDING.—The amendment made by
4 subsection (c)(1) shall apply only to amounts paid
5 after the date of the enactment of this Act.

6 (4) CERTAIN CONFORMING AMENDMENTS.—The
7 amendments made by subsection (c)(5) shall take ef-
8 fect on June 24, 1998.

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