

108TH CONGRESS
1ST SESSION

H. R. 45

To amend the Internal Revenue Code of 1986 to repeal the double taxation of corporate profits.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 7, 2003

Mr. COLLINS 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 repeal the double taxation of corporate profits.

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. REPEAL OF DOUBLE TAXATION OF CORPORATE**

4 **PROFITS.**

5 (a) IN GENERAL.—Part III of subchapter B of chap-
6 ter 1 of the Internal Revenue Code of 1986 (relating to
7 amounts specifically excluded from gross income) is
8 amended by inserting after section 115 the following new
9 section:

1 **“SEC. 116. EXCLUSION OF DIVIDENDS RECEIVED BY INDI-**
2 **VIDUALS.**

3 “(a) EXCLUSION FROM GROSS INCOME.—Gross in-
4 come does not include dividends otherwise includible in
5 gross income which are received during the taxable year
6 by an individual.

7 “(b) SPECIAL RULES.—For purposes of this sec-
8 tion—

9 “(1) CERTAIN DIVIDENDS EXCLUDED.—Sub-
10 section (a) shall not apply to any dividend from a
11 corporation which for the taxable year of the cor-
12 poration in which the distribution is made is a cor-
13 poration exempt from tax under section 521 (relat-
14 ing to farmers’ cooperative associations).

15 “(2) EXCLUSION NOT TO APPLY TO CAPITAL
16 GAIN DIVIDENDS FROM REGULATED INVESTMENT
17 COMPANIES AND REAL ESTATE INVESTMENT
18 TRUSTS.—

“For treatment of capital gain dividends, see sec-
tions 854(a) and 857(c).

19 “(3) CERTAIN NONRESIDENT ALIENS INELI-
20 GIBLE FOR EXCLUSION.—In the case of a non-
21 resident alien individual, subsection (a) shall apply
22 only in determining the taxes imposed for the tax-
23 able year pursuant to sections 871(b)(1) and 877(b).

1 “(4) DIVIDENDS FROM EMPLOYEE STOCK OWN-
2 ERSHIP PLANS.—Subsection (a) shall not apply to
3 any dividend described in section 404(k).”.

4 (b) CONFORMING AMENDMENTS.—

5 (1) Subparagraph (A) of section 32(i)(2) of
6 such Code is amended by inserting “(determined
7 without regard to section 116)” before the comma.

8 (2) Subparagraph (B) of section 86(b)(2) of
9 such Code is amended to read as follows:

10 “(B) increased by the sum of—

11 “(i) the amount of interest received or
12 accrued by the taxpayer during the taxable
13 year which is exempt from tax, and

14 “(ii) the amount of dividends received
15 during the taxable year which are excluded
16 from gross income under section 116.”.

17 (3) Subsection (d) of section 135 of such Code
18 is amended by redesignating paragraph (4) as para-
19 graph (5) and by inserting after paragraph (3) the
20 following new paragraph:

21 “(4) COORDINATION WITH SECTION 116.—This
22 section shall be applied before section 116.”.

23 (4) Subsection (e) of section 584 of such Code
24 is amended by adding at the end the following new
25 flush sentence:

1 “The proportionate share of each participant in the
2 amount of dividends received by the common trust fund
3 and to which section 116 applies shall be considered for
4 purposes of such section as having been received by such
5 participant.”.

6 (5) Subsection (a) of section 643 of such Code
7 is amended by redesignating paragraph (7) as para-
8 graph (8) and by inserting after paragraph (6) the
9 following new paragraph:

10 “(7) DIVIDENDS.—There shall be included the
11 amount of any dividends excluded from gross income
12 pursuant to section 116.”.

13 (6) Section 854(a) of such Code is amended by
14 inserting “section 116 (relating to exclusion of divi-
15 dends received by individuals) and” after “For pur-
16 poses of”.

17 (7) Section 857(c) of such Code is amended to
18 read as follows:

19 “(c) RESTRICTIONS APPLICABLE TO DIVIDENDS RE-
20 CEIVED FROM REAL ESTATE INVESTMENT TRUSTS.—

21 “(1) TREATMENT FOR SECTION 116.—For pur-
22 poses of section 116 (relating to exclusion of divi-
23 dends received by individuals), a capital gain divi-
24 dend (as defined in subsection (b)(3)(C)) received
25 from a real estate investment trust which meets the

1 requirements of this part shall not be considered as
2 a dividend.

3 “(2) TREATMENT FOR SECTION 243.—For pur-
4 poses of section 243 (relating to deductions for divi-
5 dends received by corporations), a dividend received
6 from a real estate investment trust which meets the
7 requirements of this part shall not be considered as
8 a dividend.”.

9 (8) The table of sections for part III of sub-
10 chapter B of chapter 1 of such Code is amended by
11 inserting after the item relating to section 115 the
12 following new item:

“Sec. 116. Exclusion of dividends received by individuals.”.

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to taxable years beginning after
15 December 31, 2002.

○