

109TH CONGRESS
1ST SESSION

H. R. 1500

To amend the Internal Revenue Code of 1986 to make the 2003 reduction in the individual capital gains tax rates permanent and to further reduce and simplify such rates and to reduce the corporate capital gains rate.

IN THE HOUSE OF REPRESENTATIVES

APRIL 6, 2005

Mr. DREIER (for himself and Mr. ENGLISH of Pennsylvania) 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 make the 2003 reduction in the individual capital gains tax rates permanent and to further reduce and simplify such rates and to reduce the corporate capital gains rate.

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 “Investment Tax Sim-
5 plification Act of 2005”.

1 **SEC. 2. PERMANENT REDUCTION IN CAPITAL GAINS RATES**
2 **FOR INDIVIDUALS AND CORPORATIONS.**

3 (a) REPEAL OF SUNSET OF REDUCTION IN CAPITAL
4 GAINS RATES FOR INDIVIDUALS.—Section 303 of the
5 Jobs and Growth Tax Relief Reconciliation Act of 2003
6 shall not apply to section 301 of such Act.

7 (b) FURTHER REDUCTION IN AND SIMPLIFICATION
8 OF CAPITAL GAINS RATES FOR INDIVIDUALS.—

9 (1) IN GENERAL.—Paragraph (1) of section
10 1(h) of the Internal Revenue Code of 1986 is
11 amended to read as follows:

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, and

20 “(B) 15 percent of the excess (if any) of—

21 “(i) the net capital gain (or, if less,
22 taxable income), over

23 “(ii) the amount of taxable income
24 which would (without regard to this para-
25 graph) be taxed at a rate below 25 per-
26 cent.”.

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

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

8 “(A) the amount determined under such
9 first sentence computed at the rates and in the
10 same manner as if this paragraph had not been
11 enacted on the taxable excess reduced by the
12 net capital gain, plus

13 “(B) the amount determined under section
14 1(h)(1)(B).”.

15 (3) CONFORMING AMENDMENTS.—

16 (A)(i) Subsection (h) of section 1 of such
17 Code is amended by striking paragraphs (3)
18 through (8) and by redesignating paragraphs
19 (9), (10), and (11) as paragraphs (3), (4), and
20 (5), respectively.

21 (ii) Sections 163(d)(4)(B), 854(b)(5), and
22 857(c)(2)(D) of such Code are each amended
23 by striking “section 1(h)(11)(B)” and inserting
24 “section 1(h)(5)(B)”.

1 (iii) Sections 301(f)(4), 306(a)(1)(D),
2 584(c), 702(a)(5), 854(a), and 854(b)(2) of
3 such Code are each amended by striking “sec-
4 tion 1(h)(11)” and inserting “section 1(h)(5)”.

5 (iv) The heading of section 857(c)(2) of
6 such Code is amended by striking “SECTION
7 1(h)(11)” and inserting “SECTION 1(h)(5)”.

8 (B) Section 4985(a)(1) of such Code is
9 amended by striking “section 1(h)(1)(C)” and
10 inserting “section 1(h)(1)(B)”.

11 (c) REDUCED CAPITAL GAINS RATE FOR CORPORA-
12 TIONS.—

13 (1) IN GENERAL.—Section 1201 of such Code
14 is amended by striking “35 percent” both places it
15 appears and inserting “15 percent”.

16 (2) ALTERNATIVE MINIMUM TAX.—Section
17 55(b) of such Code is amended by adding at the end
18 the following new paragraph:

19 “(4) MAXIMUM RATE OF TAX ON NET CAPITAL
20 GAIN OF CORPORATIONS.—The amount determined
21 under paragraph (1)(B)(i) shall not exceed the sum
22 of—

23 “(A) the amount determined under such
24 paragraph 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, plus

3 “(B) the amount determined under section
4 1201.”.

5 (3) TECHNICAL AMENDMENTS.—

6 (A) Section 1445(e)(1) of such Code is
7 amended by striking “35 percent (or, to the ex-
8 tent provided in regulations, 15 percent)” and
9 inserting “15 percent”.

10 (B) Section 1445(e)(2) of such Code is
11 amended by striking “35 percent” and inserting
12 “15 percent”.

13 (C) Section 7518(g)(6)(A) of such Code is
14 amended by striking “(34 percent in the case of
15 a corporation)”.

16 (D) Section 607(h)(6)(A) of the Merchant
17 Marine Act, 1936 is amended by striking “(34
18 percent in the case of a corporation)”.

19 (d) EFFECTIVE DATE.—

20 (1) IN GENERAL.—Except as provided in para-
21 graph (2), the amendments made by this section
22 shall apply to taxable years ending after the date of
23 the enactment of this Act.

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

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