

103D CONGRESS  
1ST SESSION

# S. 772

To amend the Internal Revenue Code of 1986 to provide a simplified tax on all income, and for other purposes.

---

IN THE SENATE OF THE UNITED STATES

APRIL 2 (legislative day, MARCH 3), 1993

Mr. DECONCINI introduced the following bill; which was read twice and referred to the Committee on Finance

---

## A BILL

To amend the Internal Revenue Code of 1986 to provide a simplified tax on all income, and for other purposes.

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. SIMPLIFIED TAX.**

4       (a) IN GENERAL.—Subtitle A of the Internal Reve-  
5       nue Code of 1986 is amended to read as follows:

6       **“Subtitle A—Income Taxes**

“Chapter 1. Computation of taxable income.  
“Chapter 2. Determination of tax liability.  
“Chapter 3. Exempt organizations.  
“Chapter 4. Withholding.

**“CHAPTER 1—COMPUTATION OF TAXABLE INCOME**

“Sec. 101. Nonbusiness taxable income defined.  
“Sec. 102. Business receipts defined.

“Sec. 103. Cost of business inputs defined.

“Sec. 104. Cost of capital equipment, structures, and land defined.

“Sec. 105. Business taxable income defined.

1     **“SEC. 101. NONBUSINESS TAXABLE INCOME DEFINED.**

2         “(a) IN GENERAL.—For purposes of this title, the  
3     term ‘nonbusiness taxable income’ means—

4             “(1) all compensation, and

5             “(2) any income other than compensation from  
6     whatever source derived.

7             “(b) COMPENSATION.—Compensation means all cash  
8     amounts paid by an employer or received by an employee,  
9     including wages, salaries, pensions, bonuses, prizes, and  
10   awards.

11             “(c) CERTAIN ITEMS INCLUDED.—Compensation in-  
12   cludes—

13             “(1) the cash equivalent of any financial instru-  
14     ment conveyed to an employee, measured as market  
15     value at the time of conveyance; and

16             “(2) workman’s compensation and other pay-  
17     ments for injuries or other compensation for dam-  
18     ages.

19             “(d) CERTAIN ITEMS EXCLUDED.—

20             “(1) COMPENSATION.—Compensation ex-  
21   cludes—

22             “(A) reimbursements to a taxpayer by an  
23     employer for business expenses paid by the tax-

1           payer in connection with performance of serv-  
2           ices as an employee;

3           “(B) goods and services provided to em-  
4           ployees by employers, including but not limited  
5           to medical benefits, insurance, meals, housing,  
6           recreational facilities, and other fringe benefits;  
7           and

8           “(C) wages, salaries, and other payments  
9           for services performed outside the United  
10           States.

11           “(2) OTHER INCOME.—No gain from the sale  
12           or exchange of the principal residence of a taxpayer  
13           shall be included in income described in subsection  
14           (a)(2).

15           **“SEC. 102. BUSINESS RECEIPTS DEFINED.**

16           “Business receipts are the receipts of a business from  
17           the sale or exchange of products or services produced in  
18           or passing through the United States. Business receipts  
19           include—

20           “(1) gross revenue, excluding sales and excise  
21           taxes, from the sale or exchange of goods and serv-  
22           ices;

23           “(2) fees, commissions, and similar receipts, if  
24           not reported as compensation;

25           “(3) gross rents;

1           “(4) royalties;

2           “(5) gross receipts from the sale of plant,  
3           equipment, and land;

4           “(6) the market value of goods, services, plant,  
5           equipment, or land provided to its owners or employ-  
6           ees;

7           “(7) the market value of goods, services, and  
8           equipment delivered from the United States to  
9           points outside the United States, if not included in  
10           sales; and

11           “(8) the market value of goods and services  
12           provided to depositors, insurance policyholders, and  
13           others with a financial claim upon the business, if  
14           not included in sales.

15 **“SEC. 103. COST OF BUSINESS INPUTS DEFINED.**

16           “(a) IN GENERAL.—The cost of business inputs is  
17           the cost of purchases of goods, services, and materials re-  
18           quired for business purposes.

19           “(b) CERTAIN ITEMS INCLUDED.—The cost of busi-  
20           ness inputs includes—

21           “(1) the actual amount paid for goods, services,  
22           and materials, whether or not resold during the  
23           year;

24           “(2) the market value of business inputs  
25           brought into the United States; and

1           “(3) the actual cost, if reasonable, of travel and  
2        entertainment expenses for business purposes.

3        “(c) CERTAIN ITEMS EXCLUDED.—The cost of busi-  
4        ness inputs excludes purchases of goods and services pro-  
5        vided to employees or owners, unless these are included  
6        in business receipts.

7        **“SEC. 104. COST OF CAPITAL EQUIPMENT, STRUCTURES,  
8           AND LAND DEFINED.**

9        “The cost of capital equipment, structures, and land  
10      includes any purchases of these items for business pur-  
11      poses. In the case of equipment brought into the United  
12      States, the cost is the market value at time of entry into  
13      the United States.

14      **“SEC. 105. BUSINESS TAXABLE INCOME DEFINED.**

15        “Business taxable income is business receipts less the  
16      cost of business inputs, less compensation paid to employ-  
17      ees, and less the cost of capital equipment, structures, and  
18      land.

19      **“CHAPTER 2—DETERMINATION OF TAX  
20           LIABILITY**

“Sec. 201. Personal allowance.

“Sec. 202. Nonbusiness tax.

“Sec. 203. Business tax.

21      **“SEC. 201. PERSONAL ALLOWANCE.**

22        “(a) IN GENERAL.—The personal allowance of a tax-  
23      payer for any taxable year is an amount equal to the sum  
24      of the allowance amounts for the taxpayer, the spouse of

1 the taxpayer if filing jointly, and each dependent of the  
2 taxpayer.

3       “(b) ALLOWANCE AMOUNT.—The allowance amount  
4 for any individual is \$4,000. Each year the allowance  
5 amount for taxable years beginning in such year shall be  
6 the amount in effect for the preceding year, increased by  
7 the proportional increase during the preceding year in the  
8 Consumer Price Index.

9       “(c) SPECIAL RULES.—For purposes of this chap-  
10 ter—

11       “(1) a taxpayer is considered married if he was  
12 married at the end of the year or if the taxpayer’s  
13 spouse died during the year,

14       “(2) a taxpayer is a head of a household if the  
15 taxpayer is not married at the end of the year, and  
16 maintains as the taxpayer’s home a household which  
17 is the principal home of a dependent of the taxpayer,  
18 and

19       “(3) a dependent is a son, stepson, daughter,  
20 stepdaughter, mother, or father of the taxpayer, for  
21 whom the taxpayer provides more than half support  
22 for a taxable year.

23 **“SEC. 202. NONBUSINESS TAX.**

24       “(a) IN GENERAL.—There is hereby imposed a tax  
25 on the nonbusiness taxable income of every person for

1 each taxable year (reduced by the amount of the personal  
2 allowance under section 201) a tax equal to—

3           “(1) 15 percent of so much of such income as  
4        does not exceed the limit, plus  
5           “(2) 25 percent of so much of such income as  
6        exceeds the limit.

7        “(b) LIMIT.—For purposes of subsection (a)—

8           “(1) the limit for married taxpayers filing jointly,  
9        heads of household, and surviving spouses is  
10      \$100,000, and

11          “(2) the limit for any other taxpayer is  
12      \$50,000.

13        **“SEC. 203. BUSINESS TAX.**

14          “(a) BUSINESS DEFINED.—Each sole proprietorship,  
15        partnership, and corporation constitutes a business. Any  
16        organization or individual not specifically exempt under  
17        chapter 3, with business receipts, is a business.

18          “(b) COMPUTATION OF TAX.—Each business will pay  
19        a tax of 19 percent of its business taxable income, or zero  
20        if business taxable income is negative.

21          “(c) FILING UNITS.—A business may file any num-  
22        ber of business tax returns for its various subsidiaries or  
23        other units, provided that all business receipts are re-  
24        ported in the aggregate, and provided that each expendi-

1 ture for business inputs is reported on no more than one  
2 return.

3 “(d) CARRYFORWARD OF LOSSES.—When business  
4 taxable income is negative, the negative amount may be  
5 used to offset positive taxes in future years. The amount  
6 carried forward from one year to the next is augmented  
7 according to an interest rate equal to the average daily  
8 yield on 3-month Treasury Bills during the first year.

9 There is no limit to the amount or the duration of the  
10 carryforward.

## 11 **“CHAPTER 3—EXEMPT ORGANIZATIONS**

“Sec. 301. Exempt organizations.

### 12 **“SEC. 301. EXEMPT ORGANIZATIONS.**

13 “Organizations exempt from the business tax are—

14 “(1) State and local governments, and their  
15 subsidiary units; and

16 “(2) educational, religious, charitable, philan-  
17 thropic, cultural, and community service organiza-  
18 tions that do not return income to individual or cor-  
19 porate owners.

## 20 **“CHAPTER 4—WITHHOLDING**

“SEC. 401. Withholding.

### 21 **“SEC. 401. WITHHOLDING.**

22 “Each employer, including exempt organizations, will  
23 withhold from the wages, salaries, and pensions of its em-

1 employees, and remit to the Internal Revenue Service, an  
2 amount computed in the manner prescribed in tables pub-  
3 lished by the Secretary. Every employee will receive a cred-  
4 it against tax for the amount withheld.”.

5 (b) EFFECTIVE DATE.—The amendment made by  
6 this section shall apply to taxable years beginning after  
7 December 31, 1993.

○