

107TH CONGRESS
1ST SESSION

S. 1336

To amend the Internal Revenue Code of 1986 to reduce the maximum capital gains rates for individual taxpayers and to reduce the holding period for long-term capital gain treatment to 1 month, and for other purposes.

IN THE SENATE OF THE UNITED STATES

AUGUST 2, 2001

Mr. MILLER 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 reduce the maximum capital gains rates for individual taxpayers and to reduce the holding period for long-term capital gain treatment to 1 month, 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. REDUCTION OF MAXIMUM CAPITAL GAINS**
4 **RATES FOR INDIVIDUALS.**

5 (a) IN GENERAL.—Section 1(h) of the Internal Rev-
6 enue Code of 1986 (relating to maximum capital gains
7 rate) is amended to read as follows:

8 “(h) MAXIMUM CAPITAL GAINS RATE.—

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

5 “(A) a tax computed on taxable income re-
6 duced by the net capital gain, at the rates and
7 in the same manner as if this subsection had
8 not been enacted,

9 “(B) 7.5 percent of so much of the tax-
10 payer’s net capital gain (or, if less, taxable in-
11 come) as does not exceed the excess (if any)
12 of—

13 “(i) the amount of taxable income
14 which would (without regard to this para-
15 graph) be taxed at a rate of 15 percent or
16 less, over

17 “(ii) the amount on which tax is de-
18 termined under subparagraph (A), plus

19 “(C) 15 percent of the taxpayer’s net cap-
20 ital gain (or, if less, taxable income) in excess
21 of the amount of capital gain on which tax is
22 determined under subparagraph (B).

23 “(2) NET CAPITAL GAIN TAKEN INTO ACCOUNT
24 AS INVESTMENT INCOME.—For purposes of this sub-
25 section, the net capital gain for any taxable year

1 shall be reduced (but not below zero) by the amount
 2 which the taxpayer elects to take into account as in-
 3 vestment income for the taxable year under section
 4 163(d)(4)(B)(iii).”.

5 (b) MINIMUM TAX.—Subparagraph (A) of section
 6 55(b)(1) of the Internal Revenue Code of 1986 (relating
 7 to amount of tentative tax) is amended by redesignating
 8 clauses (ii) and (iii) as clauses (iii) and (iv), respectively,
 9 and by inserting after clause (i) the following new clause:

10 “(ii) MAXIMUM RATE OF TAX ON NET
 11 CAPITAL GAIN.—The amount determined
 12 under the first sentence of clause (i) shall
 13 not exceed the sum of—

14 “(I) the amount determined
 15 under such first sentence computed at
 16 the rates and in the same manner as
 17 if this clause had not been enacted on
 18 the taxable excess reduced by the net
 19 capital gain, plus

20 “(II) a tax of 15 percent of the
 21 lesser of the net capital gain or the
 22 taxable excess.”

23 (2) CONFORMING AMENDMENT.—Section 55(b)
 24 of such Code is amended by striking paragraph (3).

25 (c) CONFORMING AMENDMENTS.—

1 (1) Paragraph (1) of section 1445(e) of the In-
 2 ternal Revenue Code of 1986 is amended by striking
 3 “20 percent” and inserting “15 percent”.

4 (2)(A) The second sentence of section
 5 7518(g)(6)(A) is amended by striking “20 percent”
 6 and inserting “15 percent”.

7 (B) The second sentence of section
 8 607(h)(6)(A) of the Merchant Marine Act, 1936 is
 9 amended by striking “20 percent” and inserting “15
 10 percent”.

11 (d) EFFECTIVE DATES.—

12 (1) IN GENERAL.—The amendments made by
 13 this section shall apply to taxable years ending after
 14 December 31, 2001.

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

18 **SEC. 2. DECREASE IN HOLDING PERIOD REQUIRED FOR**

19 **LONG-TERM CAPITAL GAIN TREATMENT.**

20 (a) IN GENERAL.—

21 (1) CAPITAL GAIN.—Paragraphs (1) and (3) of
 22 section 1222 of the Internal Revenue Code of 1986
 23 (relating to other terms relating to capital gains and
 24 losses) are each amended by striking “1 year” and
 25 inserting “1 month”.

1 (2) CAPITAL LOSSES.—Paragraphs (2) and (4)
 2 of section 1222 of such Code are each amended by
 3 striking “1 year” and inserting “1 month”.

4 (b) CONFORMING AMENDMENTS.—The following pro-
 5 visions of the Internal Revenue Code of 1986 are each
 6 amended by striking “1 year” each place it appears and
 7 inserting “1 month”:

8 (1) Section 166(d)(1)(B).

9 (2) Section 422(a)(1).

10 (3) Section 423(a)(1).

11 (4) Section 584(c).

12 (5) Subsections (b) and (c) of section 631.

13 (6) Section 642(c)(3).

14 (7) Paragraphs (1) and (2) of section 702(a).

15 (8) Section 818(b)(1).

16 (9) Section 852(b)(3)(B).

17 (10) Section 857(b)(3)(B).

18 (11) Paragraphs (11) and (12) of section 1223.

19 (12) Section 1231.

20 (13) Subsections (b), (d), and (e)(4)(A) of sec-
 21 tion 1233.

22 (14) Section 1234(b)(1).

23 (15) Section 1235(a).

24 (16) Section 1246(a)(4).

25 (17) Section 1247(i).

1 (18) Subsections (b) and (g)(2)(C) of section
2 1248.

3 (c) TECHNICAL AMENDMENT.—The first sentence of
4 section 631(a) of the Internal Revenue Code of 1986 is
5 amended by striking “for a period of more than one year”
6 and inserting “on the first day of such year and for a
7 period of more than 1 month before such cutting”.

8 (d) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to dispositions after December 31,
10 2001.

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