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(Original Signature of Member)

107TH CONGRESS
1ST SESSION

H. R. _____

IN THE HOUSE OF REPRESENTATIVES

Mr. RYAN of Wisconsin introduced the following bill; which was referred to
the Committee on _____

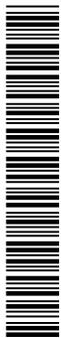
A BILL

To amend the Internal Revenue Code of 1986 to provide
a temporary reduction in the maximum capital gains
rate from 20 percent to 15 percent.

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. TEMPORARY REDUCTION IN CAPITAL GAINS**
4 **RATE.**

5 (a) REDUCTION IN MAXIMUM RATE.—The following
6 sections of the Internal Revenue Code of 1986 are each



1 amended by striking “20 percent” and inserting “15 per-
2 cent”:

3 (1) Section 1(h)(1)(C).

4 (2) Section 55(b)(3)(C).

5 (3) Section 1445(e)(1).

6 (4) The second sentence of section
7 7518(g)(6)(A).

8 (5) The second sentence of section 607(h)(6)(A)
9 of the Merchant Marine Act, 1936.

10 (b) TRANSITION RULES FOR TAXABLE YEARS
11 WHICH INCLUDE JUNE 1, 2001.—For purposes of applying
12 section 1(h) of the Internal Revenue Code of 1986 in the
13 case of a taxable year which includes June 1, 2001—

14 (1) The amount of tax determined under sub-
15 paragraph (B) of section 1(h)(1) of such Code shall
16 be the sum of—

17 (A) 10 percent of the lesser of—

18 (i) the net capital gain taking into ac-
19 count only gain or loss properly taken into
20 account for the portion of the taxable year
21 on or after such date (determined without
22 regard to collectibles gain or loss, gain de-
23 scribed in section (1)(h)(6)(A)(i) of such
24 Code, and section 1202 gain), or



1 (ii) the amount on which a tax is de-
2 termined under such subparagraph (with-
3 out regard to this subsection), plus

4 (B) 10 percent of the excess (if any) of—

5 (i) the amount on which a tax is de-
6 termined under such subparagraph (with-
7 out regard to this subsection), over

8 (ii) the amount on which a tax is de-
9 termined under subparagraph (A).

10 (2) The amount of tax determined under sub-
11 paragraph (C) of section (1)(h)(1) of such Code
12 shall be the sum of—

13 (A) 15 percent of the lesser of—

14 (i) the excess (if any) of the amount
15 of net capital gain determined under sub-
16 paragraph (A)(i) of paragraph (1) of this
17 subsection over the amount on which a tax
18 is determined under subparagraph (A) of
19 paragraph (1) of this subsection, or

20 (ii) the amount on which a tax is de-
21 termined under such subparagraph (C)
22 (without regard to this subsection), plus

23 (B) 20 percent of the excess (if any) of—



1 (i) the amount on which a tax is de-
2 termined under such subparagraph (C)
3 (without regard to this subsection), over

4 (ii) the amount on which a tax is de-
5 termined under subparagraph (A) of this
6 paragraph.

7 (3) For purposes of applying section 55(b)(3)
8 of such Code, rules similar to the rules of para-
9 graphs (1) and (2) of this subsection shall apply.

10 (4) In applying this subsection with respect to
11 any pass-thru entity, the determination of when
12 gains and loss are properly taken into account shall
13 be made at the entity level.

14 (5) Terms used in this subsection which are
15 also used in section 1(h) of such Code shall have the
16 respective meanings that such terms have in such
17 section.

18 (c) EFFECTIVE DATES.—

19 (1) IN GENERAL.—Except as provided in para-
20 graph (2), the amendments made by this section
21 shall apply to sales or exchanges made—

22 (A) on or after June 1, 2001, and

23 (B) in taxable years beginning before Jan-
24 uary 1, 2004.



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

