

103<sup>D</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 854

To amend the Internal Revenue Code of 1986 to reduce the capital gains tax in the case of senior citizens.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 4, 1993

Mr. MYERS of Indiana (for himself, Mr. ROHRABACHER, Mr. DORNAN, Mr. DOOLITTLE, Mr. GALLEGLY, and Mr. LIGHTFOOT) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to reduce the capital gains tax in the case of senior citizens.

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 “Senior Citizen Capital  
5 Gains Rate Reduction Act of 1993”.

6 **SEC. 2. REDUCTION IN CAPITAL GAINS RATE FOR SENIOR**  
7 **CITIZENS.**

8 (a) GENERAL RULE.—Section 1 of the Internal Reve-  
9 nue Code of 1986 (relating to tax imposed on individuals)

1 is amended by adding at the end thereof the following new  
2 subsection:

3 “(i) REDUCTION IN CAPITAL GAINS RATE FOR SEN-  
4 IOR CITIZENS.—

5 “(1) IN GENERAL.—If a taxpayer who has at-  
6 tained age 60 before the close of the taxable year  
7 has a net capital gain, then the tax imposed by this  
8 section shall not exceed the sum of—

9 “(A) a tax computed at the rates and in  
10 the same manner as if this subsection had not  
11 been enacted on the taxable income reduced by  
12 the net capital gain, plus

13 “(B) a tax equal to the sum of—

14 “(i) 7.5 percent of so much of the net  
15 capital gain as does not exceed—

16 “(I) the maximum amount of  
17 taxable income to which the 15-per-  
18 cent rate applies under the table ap-  
19 plicable to the taxpayer, reduced by

20 “(II) the taxable income to which  
21 subparagraph (A) applies, plus

22 “(ii) 15 percent of the net capital gain  
23 in excess of the net capital gain to which  
24 clause (i) applies.

25 “(2) SPECIAL RULES.—

1           “(A) JOINT RETURNS.—In the case of a  
2 joint return, if one spouse meets the age re-  
3 quirement of paragraph (1), both spouses shall  
4 be treated as meeting such requirement.

5           “(B) COORDINATION WITH SUBSECTION  
6 (h).—Subsection (h) shall not apply to any indi-  
7 vidual to whom paragraph (1) applies.”

8           (b) TECHNICAL AMENDMENT.—Paragraph (1) of  
9 section 170(e) of such Code is amended by striking “the  
10 amount of gain” in the material following subparagraph  
11 (B)(ii) and inserting “the amount of gain (or, in the case  
12 of an individual who meets the age requirement of section  
13 1(i),  $\frac{13}{28}$  of the amount of gain)”.

14 **SEC. 3. REDUCTION IN MINIMUM TAX RATE ON CAPITAL**  
15 **GAINS OF SENIOR CITIZENS.**

16           Paragraph (1) of section 55(b) of the Internal Reve-  
17 nue Code of 1986 (relating to tentative minimum tax) is  
18 amended by adding at the end thereof the following new  
19 paragraph:

20           “(3) REDUCTION IN TAX ON CAPITAL GAINS OF  
21 SENIOR CITIZENS.—In the case of an individual who  
22 meets the age requirement of section 1(i), subpara-  
23 graph (A) of paragraph (1) shall be applied as if it  
24 read as follows:

25           ““(A) the sum of—

1 “(i) 15 percent of the lesser of—

2 “(I) the net capital gain (deter-  
3 mined with the adjustments provided  
4 in this part), or

5 “(II) so much of the alternative  
6 minimum taxable income for the tax-  
7 able year as exceeds the exemption  
8 amount, plus

9 “(ii) 24 percent of the amount (if  
10 any) by which the excess referred to in  
11 clause (i)(II) exceeds the net capital gain  
12 (as so determined), reduced by.’”

13 **SEC. 4. INDEXING OF RETIREMENT ASSETS FOR PURPOSES**  
14 **OF DETERMINING GAIN OR LOSS.**

15 (a) IN GENERAL.—Part II of subchapter O of chap-  
16 ter 1 of the Internal Revenue Code of 1986 (relating to  
17 basis rules of general application) is amended by inserting  
18 after section 1021 the following new section:

19 **“SEC. 1022. INDEXING OF RETIREMENT ASSETS FOR PUR-**  
20 **POSES OF DETERMINING GAIN OR LOSS.**

21 “(a) GENERAL RULE.—

22 “(1) INDEXED BASIS SUBSTITUTED FOR AD-  
23 JUSTED BASIS.—Except as provided in paragraph  
24 (2), if an indexed retirement asset which has been  
25 held for more than 5 years is sold or otherwise dis-

1 posed of by an individual who meets the age require-  
2 ment of section 1(i), for purposes of this title the in-  
3 dexed basis of the asset shall be substituted for its  
4 adjusted basis.

5 “(2) EXCEPTION FOR DEPRECIATION, ETC.—  
6 The deduction for depreciation, depletion, and amor-  
7 tization shall be determined without regard to the  
8 application of paragraph (1) to the taxpayer or any  
9 other person.

10 “(b) INDEXED RETIREMENT ASSET.—For purposes  
11 of this section, the term ‘indexed retirement asset’  
12 means—

13 “(1) stock in a corporation, and

14 “(2) tangible property (or any interest therein),  
15 which is a capital asset or property used in the trade  
16 or business (as defined in section 1231(b)).

17 “(c) INDEXED BASIS.—For purposes of this sec-  
18 tion—

19 “(1) INDEXED BASIS.—The indexed basis for  
20 any retirement asset is—

21 “(A) the adjusted basis of the retirement  
22 asset, multiplied by

23 “(B) the applicable inflation ratio.

1           “(2) APPLICABLE INFLATION RATIO.—The ap-  
2           plicable inflation ratio for any retirement asset is the  
3           percentage arrived at by dividing—

4                   “(A) the gross national product deflator  
5                   for the calendar quarter in which the dispo-  
6                   sition takes place, by

7                   “(B) the gross national product deflator  
8                   for the calendar quarter in which the retirement  
9                   asset was acquired by the taxpayer (or, if later,  
10                  the calendar quarter ending December 31,  
11                  1992).

12          The applicable inflation ratio shall not be taken into  
13          account unless it is greater than 1. The applicable  
14          inflation ratio for any retirement asset shall be  
15          rounded to the nearest one-tenth of 1 percent.

16           “(3) GROSS NATIONAL PRODUCT DEFLATOR.—  
17          The gross national product deflator for any calendar  
18          quarter is the implicit price deflator for the gross  
19          national product for such quarter (as shown in the  
20          first revision thereof).

21           “(4) SECRETARY TO PUBLISH TABLES.—The  
22          Secretary shall publish tables specifying the applica-  
23          ble inflation ratios for each calendar quarter.

24           “(d) SPECIAL RULES.—For purposes of this sec-  
25          tion—

1           “(1) TREATMENT AS SEPARATE RETIREMENT  
2 ASSET.—In the case of any retirement asset, the fol-  
3 lowing shall be treated as a separate asset:

4           “(A) a substantial improvement to prop-  
5 erty,

6           “(B) in the case of stock of a corporation,  
7 a substantial contribution to capital, and

8           “(C) any other portion of a retirement  
9 asset to the extent that separate treatment of  
10 such portion is appropriate to carry out the  
11 purposes of this section.

12           “(2) RETIREMENT ASSETS WHICH ARE NOT IN-  
13 DEXED ASSETS THROUGHOUT HOLDING PERIOD.—  
14 The applicable inflation ratio shall be appropriately  
15 reduced for calendar months at any time during  
16 which the retirement asset was not an indexed re-  
17 tirement asset.”.

18 **SEC. 5. INDEXING OF LIMITATION ON CAPITAL LOSSES OF**  
19 **SENIOR CITIZENS.**

20           Section 1211 of the Internal Revenue Code of 1986  
21 (relating to limitation on capital losses) is amended by  
22 adding at the end thereof the following new subsection:

23           “(c) INDEXATION OF LIMITATION ON SENIOR CITI-  
24 ZEN TAXPAYERS.—

1           “(1) IN GENERAL.—In applying subsection (b)  
2 to an individual who meets the age requirement of  
3 section 1(i), the \$3,000 and \$1,500 amounts under  
4 subsection (b)(1) shall be increased by an amount  
5 equal to—

6                   “(A) such dollar amount, multiplied by

7                   “(B) the applicable inflation adjustment  
8 for the calendar year in which the taxable year  
9 begins.

10           “(2) APPLICABLE INFLATION ADJUSTMENT.—

11 For purposes of paragraph (1), the applicable infla-  
12 tion adjustment for any calendar year is the percent-  
13 age (if any) by which—

14                   “(A) the gross national product deflator  
15 for the last calendar quarter of the preceding  
16 calendar year, exceeds

17                   “(B) the gross national product deflator  
18 for the last calendar quarter of 1991.

19 For purposes of this paragraph, the term ‘gross na-  
20 tional product deflator’ has the meaning given such  
21 term by section 1022(c)(3).”.

22 **SEC. 6. EFFECTIVE DATE.**

23           The amendments made by this Act shall apply to tax-  
24 able years beginning after December 31, 1992.

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