

107TH CONGRESS  
1ST SESSION

# H. R. 3

To amend the Internal Revenue Code of 1986 to reduce individual income tax rates.

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IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 28, 2001

Mr. THOMAS 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 individual income tax rates.

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; ETC.**

4       (a) **SHORT TITLE.**—This Act may be cited as the  
5 “Economic Growth and Tax Relief Act of 2001”.

6       (b) **AMENDMENT OF 1986 CODE.**—Except as other-  
7 wise expressly provided, whenever in this Act an amend-  
8 ment or repeal is expressed in terms of an amendment  
9 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-  
2 sion of the Internal Revenue Code of 1986.

3 (c) SECTION 15 NOT TO APPLY.—No amendment  
4 made by section 2 shall be treated as a change in a rate  
5 of tax for purposes of section 15 of the Internal Revenue  
6 Code of 1986.

7 **SEC. 2. REDUCTION IN INCOME TAX RATES FOR INDIVID-**  
8 **UALS.**

9 (a) IN GENERAL.—Section 1 is amended by adding  
10 at the end the following new subsection:

11 “(i) RATE REDUCTIONS AFTER 2000.—

12 “(1) NEW LOWEST RATE BRACKET.—

13 “(A) IN GENERAL.—In the case of taxable  
14 years beginning after December 31, 2000—

15 “(i) the rate of tax under subsections  
16 (a), (b), (c), and (d) on taxable income not  
17 over the initial bracket amount shall be 12  
18 percent (as modified by paragraph (2)),  
19 and

20 “(ii) the 15 percent rate of tax shall  
21 apply only to taxable income over the ini-  
22 tial bracket amount.

23 “(B) INITIAL BRACKET AMOUNT.—For  
24 purposes of this subsection, the initial bracket  
25 amount is—

1                   “(i) \$12,000 in the case of subsection  
2                   (a),

3                   “(ii) \$10,000 in the case of subsection  
4                   (b), and

5                   “(iii)  $\frac{1}{2}$  the amount applicable under  
6                   clause (i) in the case of subsections (c) and  
7                   (d).

8                   “(C) INFLATION ADJUSTMENT.—In pre-  
9                   scribing the tables under subsection (f) which  
10                  apply with respect to taxable years beginning in  
11                  calendar years after 2001—

12                  “(i) the Secretary shall make no ad-  
13                  justment to the initial bracket amount for  
14                  any taxable year beginning before January  
15                  1, 2007,

16                  “(ii) the cost-of-living adjustment  
17                  used in making adjustments to the initial  
18                  bracket amount for any taxable year begin-  
19                  ning after December 31, 2006, shall be de-  
20                  termined under subsection (f)(3) by sub-  
21                  stituting ‘2005’ for ‘1992’ in subparagraph  
22                  (B) thereof, and

23                  “(iii) such adjustment shall not apply  
24                  to the amount referred to in subparagraph  
25                  (B)(iii).

1           If any amount after adjustment under the pre-  
 2           ceding sentence is not a multiple of \$50, such  
 3           amount shall be rounded to the next lowest  
 4           multiple of \$50.

5           “(2) REDUCTIONS IN RATES AFTER 2001.—In  
 6           the case of taxable years beginning in a calendar  
 7           year after 2001, the corresponding percentage speci-  
 8           fied for such calendar year in the following table  
 9           shall be substituted for the otherwise applicable tax  
 10          rate in the tables under subsections (a), (b), (c), (d),  
 11          and, to the extent applicable, (e).

| “In the case of taxable years begin-<br>ning during calendar year: | The corresponding percentages shall be<br>substituted for the following percent-<br>ages: |     |     |     |       |
|--|---|-----|-----|-----|-------|
|  | 12%   | 28% | 31% | 36% | 39.6% |
| 2002 .....   | 12%   | 27% | 30% | 35% | 38%   |
| 2003 .....   | 11%   | 27% | 29% | 35% | 37%   |
| 2004 .....   | 11%   | 26% | 28% | 34% | 36%   |
| 2005 .....   | 11%   | 26% | 27% | 34% | 35%   |
| 2006 and thereafter .....  | 10%   | 25% | 25% | 33% | 33%   |

12           “(3) ADJUSTMENT OF TABLES.—The Secretary  
 13           shall adjust the tables prescribed under subsection  
 14           (f) to carry out this subsection.”

15           (b) REPEAL OF REDUCTION OF REFUNDABLE TAX  
 16           CREDITS.—

17           (1) Subsection (d) of section 24 is amended by  
 18           striking paragraph (2) and redesignating paragraph  
 19           (3) as paragraph (2).

1           (2) Section 32 is amended by striking sub-  
2           section (h).

3           (c) CONFORMING AMENDMENTS.—

4           (1) Subparagraph (B) of section 1(g)(7) is  
5           amended—

6                   (A) by striking “15 percent” in clause  
7                   (ii)(II) and inserting “the first bracket percent-  
8                   age”, and

9                   (B) by adding at the end the following  
10                  flush sentence:

11                  “For purposes of clause (ii), the first bracket  
12                  percentage is the percentage applicable to the  
13                  lowest income bracket in the table under sub-  
14                  section (c).”

15           (2) Section 1(h) is amended—

16                   (A) by striking “28 percent” both places it  
17                   appears in paragraphs (1)(A)(ii)(I) and  
18                   (1)(B)(i) and inserting “25 percent”, and

19                   (B) by striking paragraph (13).

20           (3) Section 15 is amended by adding at the end  
21           the following new subsection:

22           “(f) RATE REDUCTIONS ENACTED BY ECONOMIC  
23           GROWTH AND TAX RELIEF ACT OF 2001.—This section  
24           shall not apply to any change in rates under subsection  
25           (i) of section 1 (relating to rate reductions after 2000).”

1           (4) Section 531 is amended by striking “equal  
2           to” and all that follows and inserting “equal to the  
3           product of the highest rate of tax under section 1(c)  
4           and the accumulated taxable income.”.

5           (5) Section 541 of such Code is amended by  
6           striking “equal to” and all that follows and inserting  
7           “equal to the product of the highest rate of tax  
8           under section 1(c) and the undistributed personal  
9           holding company income.”.

10           (6) Section 3402(p)(1)(B) is amended by strik-  
11           ing “7, 15, 28, or 31 percent” and inserting “7 per-  
12           cent, any percentage applicable to any of the 3 low-  
13           est income brackets in the table under section  
14           1(c),”.

15           (7) Section 3402(p)(2) is amended by striking  
16           “equal to 15 percent of such payment” and inserting  
17           “equal to the product of the lowest rate of tax under  
18           section 1(c) and such payment.”.

19           (8) Section 3402(q)(1) is amended by striking  
20           “equal to 28 percent of such payment” and inserting  
21           “equal to the product of the third to the lowest rate  
22           of tax under section 1(c) and such payment.”

23           (9) Section 3402(r)(3) is amended by striking  
24           “31 percent” and inserting “the third to the lowest  
25           rate of tax under section 1(c)”.

1           (10) Section 3406(a)(1) is amended by striking  
2           “equal to 31 percent of such payment” and inserting  
3           “equal to the product of the third to the lowest rate  
4           of tax under section 1(c) and such payment.”.

5           (d) EFFECTIVE DATES.—

6           (1) IN GENERAL.—Except as provided in para-  
7           graph (2), the amendments made by this section  
8           shall apply to taxable years beginning after Decem-  
9           ber 31, 2000.

10          (2) AMENDMENTS TO WITHHOLDING PROVI-  
11          SIONS.—The amendments made by paragraphs (6),  
12          (7), (8), (9), and (10) of subsection (c) shall apply  
13          to amounts paid after the date of the enactment of  
14          this Act.

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