

107TH CONGRESS  
1ST SESSION

# H. R. 874

To amend the Internal Revenue Code of 1986 to provide individual income tax rate reductions and to repeal the phaseouts of the deduction for personal exemptions and of itemized deductions.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 6, 2001

Mr. CRANE 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 provide individual income tax rate reductions and to repeal the phaseouts of the deduction for personal exemptions and of itemized deductions.

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       “Hidden Rate Elimination 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

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

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

8 **SEC. 2. REDUCTION IN MARGINAL INCOME TAX RATES FOR**  
 9 **INDIVIDUALS.**

10 (a) RATES FOR 2002.—Section 1 (relating to tax im-  
 11 posed) is amended by striking subsections (a) through (d)  
 12 and inserting the following:

13 “(a) MARRIED INDIVIDUALS FILING JOINT RETURNS  
 14 AND SURVIVING SPOUSES.—There is hereby imposed on  
 15 the taxable income of—

16 “(1) every married individual (as defined in sec-  
 17 tion 7703) who makes a single return jointly with  
 18 his spouse under section 6013, and

19 “(2) every surviving spouse (as defined in sec-  
 20 tion 2(a)),

21 a tax determined in accordance with the following table:

<b>“If taxable income is:</b>	<b>The tax is:</b>
Not over \$12,000 .....	14% of taxable income.
Over \$12,000 but not over \$45,200.	\$1,680, plus 15% of the excess over \$12,000.
Over \$45,200 but not over \$109,250.	\$6,660, plus 27% of the excess over \$45,200.
Over \$109,250 but not over \$166,450.	\$23,953.50, plus 30% of the excess over \$109,250.

**“If taxable income is:**

Over \$166,450 but not over  
\$297,300.  
Over \$297,300 .....

**The tax is:**

\$41,113.50, plus 35% of the excess  
over \$166,450.  
\$86,911, plus 38% of the excess over  
\$297,300.

1           “(b) HEADS OF HOUSEHOLDS.—There is hereby im-  
2 posed on the taxable income of every head of a household  
3 (as defined in section 2(b)) a tax determined in accordance  
4 with the following table:

**“If taxable income is:**

Not over \$10,000 .....

Over \$10,000 but not over  
\$36,250.  
Over \$36,250 but not over  
\$93,600.  
Over \$93,600 but not over  
\$151,600.  
Over \$151,600 but not over  
\$297,300.  
Over \$297,300 .....

**The tax is:**

14% of taxable income.  
\$1,400, plus 15% of the excess over  
\$10,000.  
\$5,337.50, plus 27% of the excess  
over \$36,250.  
\$20,822, plus 30% of the excess over  
\$93,600.  
\$38,222, plus 35% of the excess over  
\$151,600.  
\$89,217, plus 38% of the excess over  
\$297,300.

5           “(c) UNMARRIED INDIVIDUALS (OTHER THAN SUR-  
6 VIVING SPOUSES AND HEADS OF HOUSEHOLDS).—There  
7 is hereby imposed on the taxable income of every indi-  
8 vidual (other than a surviving spouse as defined in section  
9 2(a) or the head of a household as defined in section 2(b))  
10 who is not a married individual (as defined in section  
11 7703) a tax determined in accordance with the following  
12 table:

**“If taxable income is:**

Not over \$6,000 .....

Over \$6,000 but not over \$27,050

Over \$27,050 but not over  
\$65,550.  
Over \$65,550 but not over  
\$136,750.  
Over \$136,750 but not over  
\$297,300.

**The tax is:**

14% of taxable income.  
\$840, plus 15% of the excess over  
\$6,000.  
\$3,997.50, plus 27% of the excess  
over \$27,050.  
\$14,362.50, plus 30% of the excess  
over \$65,550.  
\$35,752.50, plus 35% of the excess  
over \$136,750.

**“If taxable income is:**

Over \$297,300 .....

**The tax is:**

\$91,945, plus 38% of the excess over \$297,300.

1           “(d) MARRIED INDIVIDUALS FILING SEPARATE RE-  
 2   TURNS.—There is hereby imposed on the taxable income  
 3   of every married individual (as defined in section 7703)  
 4   who does not make a single return jointly with his spouse  
 5   under section 6013, a tax determined in accordance with  
 6   the following table:

**“If taxable income is:**

Not over \$6,000 .....

Over \$6,000 but not over \$22,600

Over \$22,600 but not over \$54,625.

Over \$54,625 but not over \$83,225.

Over \$83,225 but not over \$148,650.

Over \$148,650 .....

**The tax is:**

14% of taxable income.

\$840, plus 15% of the excess over \$6,000.

\$3,330, plus 27% of the excess over \$22,600.

\$11,976.75, plus 30% of the excess over \$54,625.

\$20,556.75, plus 35% of the excess over \$83,225.

\$43,455.50, plus 38% of the excess over \$148,650.”.

7           (b) PHASEIN OF RATE REDUCTIONS.—Section 1 is  
 8   amended by adding at the end the following new sub-  
 9   section:

10           “(i) PHASEIN OF 2006 RATES OF 10, 15, 25, AND  
 11   33 PERCENT.—

12           “(1) IN GENERAL.—In the case of taxable years  
 13   beginning in a calendar year after 2002, the tax  
 14   rates determined under subsection (a), (b), (c), or  
 15   (d) shall be the tax rates imposed by such subsection  
 16   in taxable years beginning in calendar year 2002, re-  
 17   duced—

1           “(A) in the case of the 14 percent rate, by  
2           1 percentage point in each taxable year begin-  
3           ning in a calendar year after 2002 and before  
4           2007,

5           “(B) in the case of the 27 and 35 percent  
6           rates, by 1 percentage point in taxable years be-  
7           ginning in calendar year 2004, and by an addi-  
8           tional 1 percentage point in taxable years begin-  
9           ning in calendar year 2006, and

10           “(C) in the case of the 30 and 38 percent  
11           rate, by 1 percentage point in each taxable year  
12           beginning in a calendar year after 2002 and be-  
13           fore 2006, and by an additional 2 percentage  
14           points in taxable years beginning in calendar  
15           year 2006.

16           “(2) ADJUSTMENT OF TABLES.—The Secretary  
17           shall adjust the tables prescribed under subsection  
18           (f) to carry out the reductions under this sub-  
19           section.”.

20           (c) INFLATION ADJUSTMENT TO APPLY IN DETER-  
21           MINING RATES FOR 2002.—Subsection (f) of section 1 is  
22           amended—

23           (1) by striking “1993” in paragraph (1) and in-  
24           serting “2001”,

1           (2) by striking “1992” in paragraph (3)(B) and  
2           inserting “2000”, and

3           (3) by striking paragraph (7) and inserting the  
4           following new paragraph:

5           “(7) SPECIAL RULE FOR CERTAIN BRACKETS.—

6           “(A) CALENDAR YEARS 2002 THROUGH  
7           2006.—In prescribing the tables under para-  
8           graph (1) which apply with respect to taxable  
9           years beginning in calendar years after 2001  
10          and before 2007, the Secretary shall make no  
11          adjustment to the dollar amounts at which the  
12          first rate bracket begins or at which the second  
13          rate bracket begins under any table contained  
14          in subsection (a), (b), (c), or (d).

15          “(B) LATER CALENDAR YEARS.—In pre-  
16          scribing the tables under paragraph (1) which  
17          apply with respect to taxable years beginning in  
18          a calendar year after 2006, the cost-of-living  
19          adjustment used in making adjustments to the  
20          dollar amounts referred to in subparagraph (A)  
21          shall be determined under paragraph (3) by  
22          substituting ‘2005’ for ‘2000’.”.

23          (d) CONFORMING AMENDMENTS.—

1           (1) The following provisions are each amended  
2           by striking “1992” and inserting “2000” each place  
3           it appears:

4                   (A) Section 32(j)(1)(B).

5                   (B) Section 41(e)(5)(C).

6                   (C) Section 42(h)(3)(H)(i)(II).

7                   (D) Section 59(j)(2)(B).

8                   (E) Section 63(c)(4)(B).

9                   (F) Section 68(b)(2)(B).

10                  (G) Section 132(f)(6)(A)(ii).

11                  (H) Section 135(b)(2)(B)(ii).

12                  (I) Section 146(d)(2)(B).

13                  (J) Section 151(d)(4).

14                  (K) Section 220(g)(2).

15                  (L) Section 221(g)(1)(B).

16                  (M) Section 512(d)(2)(B).

17                  (N) Section 513(h)(2)(C)(ii).

18                  (O) Section 685(c)(3)(B).

19                  (P) Section 877(a)(2).

20                  (Q) Section 911(b)(2)(D)(ii)(II).

21                  (R) Section 2032A(a)(3)(B).

22                  (S) Section 2503(b)(2)(B).

23                  (T) Section 2631(c)(2).

24                  (U) Section 4001(e)(1)(B).

25                  (V) Section 4261(e)(4)(A)(ii).

1 (W) Section 6039F(d).

2 (X) Section 6323(i)(4)(B).

3 (Y) Section 6334(g)(1)(B).

4 (Z) Section 6601(j)(3)(B).

5 (AA) Section 7430(c)(1).

6 (2) Sections 25A(h)(1)(A)(ii) and  
7 25A(h)(2)(A)(ii) are each amended by striking “be-  
8 gins,” and all that follows through “thereof”.

9 (3) Subclause (II) of section 42(h)(6)(G)(i) is  
10 amended by striking “1987” and inserting “2000”.

11 (e) ADDITIONAL CONFORMING AMENDMENTS.—

12 (1) Section 1(g)(7)(B)(ii)(II) is amended by  
13 striking “15 percent” and inserting “10 percent”.

14 (2) Section 1(h) is amended—

15 (A) by striking “28 percent” both places it  
16 appears in paragraphs (1)(A)(ii)(I) and  
17 (1)(B)(i) and inserting “15 percent”, and

18 (B) by striking paragraph (13).

19 (3) Section 531 is amended by striking “39.6  
20 percent” and inserting “33 percent”.

21 (4) Section 541 of such Code is amended by  
22 striking “39.6 percent” and inserting “33 percent”.

23 (5) Section 3402(p)(1)(B) is amended by strik-  
24 ing “7, 15, 28, or 31 percent” and inserting “5, 10,  
25 15, or 25 percent”.

1           (6) Section 3402(p)(2) is amended by striking  
2 “15 percent” and inserting “10 percent”.

3           (7) Section 3402(q)(1) is amended by striking  
4 “28 percent” and inserting “15 percent”.

5           (8) Section 3402(r)(3) is amended by striking  
6 “31 percent” and inserting “25 percent”.

7           (9) Section 3406(a)(1) is amended by striking  
8 “31 percent” and inserting “25 percent”.

9           (10) The Secretary of the Treasury may pre-  
10 scribe percentages which shall apply in lieu of the  
11 percentages specified in the amendments made by  
12 this subsection in order to coordinate those percent-  
13 ages with the percentages specified in the tables pre-  
14 scribed under the last sentence of section 1(i)(1) of  
15 the Internal Revenue Code of 1986, as added by this  
16 section.

17 (f) EFFECTIVE DATES.—

18           (1) IN GENERAL.—Except as provided in para-  
19 graph (2), the amendments made by this section  
20 shall apply to taxable years beginning after Decem-  
21 ber 31, 2001.

22           (2) AMENDMENTS TO WITHHOLDING PROVI-  
23 SIONS.—The amendments made by paragraphs (5),  
24 (6), (7), (8), and (9) of subsection (e) shall apply to  
25 amounts paid after December 31, 2001.

1 **SEC. 3. REPEAL OF PHASEOUTS OF DEDUCTION FOR PER-**  
2 **SONAL EXEMPTIONS AND OF ITEMIZED DE-**  
3 **DUCTIONS.**

4 (a) REPEAL OF PHASEOUT OF PERSONAL EXEMP-  
5 TIONS.—

6 (1) IN GENERAL.—Subsection (d) of section  
7 151 (relating to exemption amount) is amended by  
8 striking paragraph (3).

9 (2) TECHNICAL AMENDMENTS.—

10 (A) Paragraph (6) of section 1(f) is  
11 amended—

12 (i) by striking “section 151(d)(4)” in  
13 subparagraph (A) and inserting “section  
14 151(d)(3)”, and

15 (ii) by striking “section 151(d)(4)(A)”  
16 in subparagraph (B) and inserting “section  
17 151(d)(3)”.

18 (B) Paragraph (4) of section 151(d) is  
19 amended to read as follows:

20 “(3) INFLATION ADJUSTMENT.—In the case of  
21 any taxable year beginning in a calendar year after  
22 1989, the dollar amount contained in paragraph (1)  
23 shall be increased by an amount equal to—

24 “(A) such dollar amount, multiplied by

25 “(B) the cost-of-living adjustment deter-  
26 mined under section 1(f)(3) for the calendar

1 year in which the taxable year begins, by sub-  
2 stituting ‘calendar year 1988’ for ‘calendar year  
3 2000’ in subparagraph (B) thereof.”

4 (b) REPEAL OF OVERALL LIMITATION ON ITEMIZED  
5 DEDUCTIONS.—

6 (1) IN GENERAL.—Section 68 is hereby re-  
7 pealed.

8 (2) TECHNICAL AMENDMENTS.—

9 (A) Subparagraph (A) of section 1(f)(6) is  
10 amended by striking “section 68(b)(2)”.

11 (B) Paragraph (1) of section 56(b) is  
12 amended by striking subparagraph (F).

13 (C) Subparagraph (B) of section 773(a)(3)  
14 is amended by striking clause (i) and by redesi-  
15 gnating clauses (ii), (iii), and (iv) as clauses  
16 (i), (ii), and (iii), respectively.

17 (D) The table of sections for part I of sub-  
18 chapter B of chapter 1 is amended by striking  
19 the item relating to section 68.

20 (c) EFFECTIVE DATE.—The amendments made by  
21 this section shall apply to taxable years beginning after  
22 December 31, 2001.

○