

AMENDMENT TO H.R. 1
OFFERED BY MR. KING OF IOWA

In title I of division B, add at the end the following:

1 **Subtitle I—Temporary Zero Per-**
2 **cent Capital Gains Rate for In-**
3 **dividuals and Corporations**

4 **SEC. 1801. TEMPORARY ZERO PERCENT CAPITAL GAINS**
5 **RATE FOR INDIVIDUALS AND CORPORA-**
6 **TIONS.**

7 (a) **IN GENERAL.**—Subchapter A of chapter 1 of the
8 Internal Revenue Code of 1986 is amended by adding at
9 the end the following new part:

10 **“PART VIII—TEMPORARY ZERO PERCENT CAP-**
11 **ITAL GAINS RATE FOR INDIVIDUALS AND**
12 **CORPORATIONS**

“Sec. 59B. Temporary zero percent capital gains rate for individuals and corporations.

13 **“SEC. 59B. TEMPORARY ZERO PERCENT CAPITAL GAINS**
14 **RATE FOR INDIVIDUALS AND CORPORA-**
15 **TIONS.**

16 **“(a) APPLICATION TO INDIVIDUALS.**—In the case of
17 a specified recognition event occurring on or after Decem-
18 ber 31, 2008, and on or before December 31, 2010—

1 “(1) IN GENERAL.—Section 1(h)(1) shall be ap-
2 plied by substituting ‘shall not exceed a tax com-
3 puted at the rates and in the same manner as if this
4 subsection had not been enacted on taxable income
5 reduced by the net capital gain.’ for ‘shall not ex-
6 ceed’ and all that follows.

7 “(2) ALTERNATIVE MINIMUM TAX.—Section
8 55(b)(3) shall be applied by substituting ‘shall not
9 exceed the amount determined under such first sen-
10 tence computed at the rates and in the same manner
11 as if this paragraph had not been enacted on the
12 taxable excess reduced by the net capital gain.’ for
13 ‘shall not exceed’ and all that follows through the
14 end of the first sentence.

15 “(b) APPLICATION TO CORPORATIONS.—In the case
16 of a specified recognition event occurring on or after De-
17 cember 31, 2008, and on or before December 31, 2010—

18 “(1) IN GENERAL.—Section 1201 shall be ap-
19 plied—

20 “(A) by substituting ‘0 percent’ for ‘35
21 percent’ both places it appears, and

22 “(B) by treating ‘net capital gain’ as hav-
23 ing the meaning given such term by section
24 1(h)(11).

1 “(2) ALTERNATIVE MINIMUM TAX.—For pur-
2 poses of section 55, the amount determined under
3 subsection (b)(1)(B)(i) of such section shall not ex-
4 ceed the sum of—

5 “(A) the amount determined under such
6 subsection computed at the rates and in the
7 same manner as if this paragraph had not been
8 enacted on the taxable excess reduced by the
9 net capital gain (as defined in section
10 1(h)(11)), plus

11 “(B) the amount determined under section
12 1201.

13 “(c) TECHNICAL PROVISIONS.—In the case of a spec-
14 ified recognition event occurring on or after December 31,
15 2008, and on or before December 31, 2010—

16 “(1) Section 1445(e)(1) shall be applied by sub-
17 stituting ‘0 percent’ for ‘35 percent (or, to the ex-
18 tent provided in regulations, 15 percent)’.

19 “(2) Section 1445(e)(2) shall be applied by sub-
20 stituting ‘0 percent’ for ‘35 percent’.

21 “(3) Section 7518(g)(6)(A) shall be applied by
22 substituting ‘0 percent’ for ‘15 percent (34 percent
23 in the case of a corporation)’.

24 “(4) Section 607(h)(6)(A) of the Merchant Ma-
25 rine Act, 1936 shall be applied by substituting ‘0

1 percent' for '15 percent (34 percent in the case of
2 a corporation)'.
3

4 “(d) SPECIFIED RECOGNITION EVENT.—For pur-
5 poses of this section, the term ‘specified recognition event’
6 means—

7 “(1) the sale or exchange of a capital asset held
8 for more than 1 year, and

9 “(2) the receipt of qualified dividend income (as
10 defined in section 1(h)(11)).

11 “(e) APPLICATION TO TRANSITIONAL YEARS.—The
12 Secretary shall issue regulations providing appropriate
13 transition rules for the application of the provisions of this
14 title referred to in subsections (a) or (b) for taxable years
15 which include December 31, 2008, or December 31,
16 2010.”.

17 (b) CONFORMING AMENDMENT.—The table of parts
18 for subchapter A of chapter 1 of such Code is amended
19 by adding at the end the following new item:

“PART VIII—TEMPORARY ZERO PERCENT CAPITAL GAINS RATE FOR
INDIVIDUALS AND CORPORATIONS”.

20 (c) EFFECTIVE DATE.—

21 (1) IN GENERAL.—Except as provided in para-
22 graph (2), the amendments made by this section
23 shall apply to taxable years ending after December
31, 2008.

1 (2) WITHHOLDING.—Paragraphs (1) and (2) of
2 section 59B(c) of the Internal Revenue Code of
3 1986, as added by this section, shall apply to dis-
4 positions and distributions after such date.

