

107TH CONGRESS
2D SESSION

H. R. 5351

To amend the Internal Revenue Code of 1986 to encourage saving and investment, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 9, 2002

Mr. HAYWORTH introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to encourage saving and investment, and for other purposes.

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 “Investment Incentives
5 Act of 2002”.

6 **SEC. 2. INCREASE IN LIMITATION ON CAPITAL LOSSES OF**
7 **INDIVIDUALS ALLOWABLE AGAINST ORDI-**
8 **NARY INCOME.**

9 (a) IN GENERAL.—Paragraph (1) of section 1211(b)
10 of the Internal Revenue Code of 1986 (relating to limita-

1 tion on capital losses of taxpayers other than corporations)
2 is amended—

3 (1) by striking “\$3,000” and inserting
4 “\$20,000”, and

5 (2) by striking “\$1,500” and inserting
6 “\$10,000”.

7 (b) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to taxable years beginning after
9 December 31, 2001.

10 **SEC. 3. ACCELERATION OF INCREASE IN CONTRIBUTIONS**
11 **TO CERTAIN RETIREMENT PLANS.**

12 (a) IRAS.—

13 (1) IN GENERAL.—Subparagraph (A) of section
14 219(b)(5) of the Internal Revenue Code of 1986 (de-
15 fining deductible amount) is amended to read as fol-
16 lows:

17 “(A) The deductible amount shall be
18 \$5,000.”.

19 (2) INFLATION ADJUSTMENT.—Section
20 219(b)(5)(C) of such Code is amended—

21 (A) by striking “2008” and inserting
22 “2002”, and

23 (B) by striking “2007” and inserting
24 “2001”.

25 (b) 401(K) PLANS.—

1 (1) IN GENERAL.—Paragraph (1) of section
2 402(g) of such Code is amended—

3 (A) by striking subparagraph (B),

4 (B) by striking “(A) LIMITATION.—” and
5 moving the text 2 ems to the left, and

6 (C) in such text by striking “the applicable
7 dollar amount” and inserting “\$15,000”.

8 (2) INFLATION ADJUSTMENT.—Section
9 402(g)(4) of such Code is amended—

10 (A) by striking “2006” and inserting
11 “2002”, and

12 (B) by striking “2005” and inserting
13 “2001”.

14 (3) CONFORMING AMENDMENT.—Section
15 401(a)(30) of such Code is amended by striking
16 “section 402(g)(1)(A)” and inserting “section
17 402(g)(1)”.

18 (c) 457 PLANS.—

19 (1) IN GENERAL.—Subparagraph (A) of section
20 457(b)(2) of such Code is amended by striking “the
21 applicable dollar amount” and inserting “\$15,000”.

22 (2) INFLATION ADJUSTMENT.—Section
23 457(e)(15) of such Code is amended to read as fol-
24 lows:

1 “(15) COST-OF-LIVING ADJUSTMENT.—In the
2 case of taxable years beginning after December 31,
3 2002, the Secretary shall adjust the \$15,000
4 amount under subsection (b)(2)(A) at the same time
5 and in the same manner as under section 415(d),
6 except that the base period shall be the calendar
7 quarter beginning July 1, 2001, and any increase
8 under this paragraph which is not a multiple of
9 \$500 shall be rounded to the next lowest multiple of
10 \$500.”.

11 (d) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to taxable years beginning after
13 December 31, 2002.

14 **SEC. 4. EXEMPTION OF CERTAIN INTEREST AND DIVIDEND**
15 **INCOME FROM TAX.**

16 (a) IN GENERAL.—Part III of subchapter B of chap-
17 ter 1 of the Internal Revenue Code of 1986 (relating to
18 amounts specifically excluded from gross income) is
19 amended by inserting after section 115 the following new
20 section:

21 **“SEC. 116. PARTIAL EXCLUSION OF DIVIDENDS AND INTER-**
22 **EST RECEIVED BY INDIVIDUALS.**

23 “(a) EXCLUSION FROM GROSS INCOME.—Gross in-
24 come does not include dividends and interest otherwise in-

1 cludible in gross income which are received during the tax-
2 able year by an individual.

3 “(b) LIMITATIONS.—

4 “(1) MAXIMUM AMOUNT.—The aggregate
5 amount excluded under subsection (a) for any tax-
6 able year shall not exceed \$500 (\$1,000 in the case
7 of a joint return).

8 “(2) CERTAIN DIVIDENDS EXCLUDED.—Sub-
9 section (a) shall not apply to any dividend from a
10 corporation which for the taxable year of the cor-
11 poration in which the distribution is made is a cor-
12 poration exempt from tax under section 521 (relat-
13 ing to farmers’ cooperative associations).

14 “(c) SPECIAL RULES.—For purposes of this
15 section—

16 “(1) EXCLUSION NOT TO APPLY TO CAPITAL
17 GAIN DIVIDENDS FROM REGULATED INVESTMENT
18 COMPANIES AND REAL ESTATE INVESTMENT
19 TRUSTS.—

**“For treatment of capital gain dividends, see sec-
tions 854(a) and 857(c).**

20 “(2) CERTAIN NONRESIDENT ALIENS INELI-
21 GIBLE FOR EXCLUSION.—In the case of a non-
22 resident alien individual, subsection (a) shall apply
23 only in determining the taxes imposed for the tax-
24 able year pursuant to sections 871(b)(1) and 877(b).

1 “(3) DIVIDENDS FROM EMPLOYEE STOCK OWN-
2 ERSHIP PLANS.—Subsection (a) shall not apply to
3 any dividend described in section 404(k).”.

4 (b) CONFORMING AMENDMENTS.—

5 (1) Subparagraph (C) of section 32(c)(5) of
6 such Code is amended by striking “or” at the end
7 of clause (i), by striking the period at the end of
8 clause (ii) and inserting “; or”, and by inserting
9 after clause (ii) the following new clause:

10 “(iii) interest and dividends received
11 during the taxable year which are excluded
12 from gross income under section 116.”.

13 (2) Subparagraph (A) of section 32(i)(2) of
14 such Code is amended by inserting “(determined
15 without regard to section 116)” before the comma.

16 (3) Subparagraph (B) of section 86(b)(2) of
17 such Code is amended to read as follows:

18 “(B) increased by the sum of—

19 “(i) the amount of interest received or
20 accrued by the taxpayer during the taxable
21 year which is exempt from tax, and

22 “(ii) the amount of interest and divi-
23 dends received during the taxable year
24 which are excluded from gross income
25 under section 116.”.

1 (4) Subsection (d) of section 135 of such Code
2 is amended by redesignating paragraph (4) as para-
3 graph (5) and by inserting after paragraph (3) the
4 following new paragraph:

5 “(4) COORDINATION WITH SECTION 116.—This
6 section shall be applied before section 116.”.

7 (5) Paragraph (2) of section 265(a) of such
8 Code is amended by inserting before the period “, or
9 to purchase or carry obligations or shares, or to
10 make deposits, to the extent the interest thereon is
11 excludable from gross income under section 116”.

12 (6) Subsection (c) of section 584 of such Code
13 is amended by adding at the end the following new
14 flush sentence:

15 “The proportionate share of each participant in the
16 amount of dividends or interest received by the common
17 trust fund and to which section 116 applies shall be con-
18 sidered for purposes of such section as having been re-
19 ceived by such participant.”.

20 (7) Subsection (a) of section 643 of such Code
21 is amended by redesignating paragraph (7) as para-
22 graph (8) and by inserting after paragraph (6) the
23 following new paragraph:

1 “(7) DIVIDENDS OR INTEREST.—There shall be
2 included the amount of any dividends or interest ex-
3 cluded from gross income pursuant to section 116.”.

4 (8) Section 854(a) of such Code is amended by
5 inserting “section 116 (relating to partial exclusion
6 of dividends and interest received by individuals)
7 and” after “For purposes of”.

8 (9) Section 857(c) of such Code is amended to
9 read as follows:

10 “(c) RESTRICTIONS APPLICABLE TO DIVIDENDS RE-
11 CEIVED FROM REAL ESTATE INVESTMENT TRUSTS.—

12 “(1) TREATMENT FOR SECTION 116.—For pur-
13 poses of section 116 (relating to partial exclusion of
14 dividends and interest received by individuals), a
15 capital gain dividend (as defined in subsection
16 (b)(3)(C)) received from a real estate investment
17 trust which meets the requirements of this part shall
18 not be considered as a dividend.

19 “(2) TREATMENT FOR SECTION 243.—For pur-
20 poses of section 243 (relating to deductions for divi-
21 dends received by corporations), a dividend received
22 from a real estate investment trust which meets the
23 requirements of this part shall not be considered as
24 a dividend.”.

1 (10) The table of sections for part III of sub-
2 chapter B of chapter 1 of such Code is amended by
3 inserting after the item relating to section 115 the
4 following new item:

 “Sec. 116. Partial exclusion of dividends and interest received by
 individuals.”.

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

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