

108TH CONGRESS  
1ST SESSION

# H. R. 1233

To amend the Internal Revenue Code of 1986 to repeal the alternative  
minimum tax.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 12, 2003

Mr. ENGLISH (for himself, Mr. MCCRERY, Mr. PAUL, and Mr. HERGER) in-  
troduced 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 repeal  
the alternative minimum tax.

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; AMENDMENT OF 1986 CODE.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Alternative Minimum Tax Repeal Act of 2003”.

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 **SEC. 2. ALTERNATIVE MINIMUM TAX.**

4 (a) IN GENERAL.—Part VI of subchapter A of chap-  
5 ter 1 (relating to alternative minimum tax) is hereby re-  
6 pealed.

7 (b) USE OF CREDIT FOR PRIOR YEAR MINIMUM TAX  
8 LIABILITY.—Subsection (c) of section 53 is amended to  
9 read as follows:

10 “(c) LIMITATIONS.—The credit allowable under sub-  
11 section (a) for any taxable year shall not exceed 90 percent  
12 of the regular tax liability of the taxpayer for such taxable  
13 year reduced by the sum of the credits allowable under  
14 subparts A, B, D, E, and F of this part.”.

15 (c) CONFORMING AMENDMENTS.—

16 (1) Subparagraph (B) of section 1(g)(7) (relat-  
17 ing to election to claim certain unearned income of  
18 child on parent’s return) is amended—

19 (A) by inserting “and” at the end of clause

20 (i),

21 (B) by striking “and” at the end of clause

22 (ii) and inserting a period, and

23 (C) by striking clause (iii).

24 (2) Subsection (d) of section 2 (relating to  
25 taxes imposed on nonresident aliens) is amended by

1 striking “sections 1 and 55” and inserting “section  
2 1”.

3 (3) Subsection (a) of section 5 (relating to cross  
4 references relating to tax on individuals) is amended  
5 by striking paragraph (4).

6 (4) Subsection (d) of section 11 (relating to  
7 taxes imposed on foreign corporations) is amended  
8 by striking “the taxes imposed by subsection (a) and  
9 section 55” and inserting “the tax imposed by sub-  
10 section (a)”.

11 (5) Section 12 (relating to cross references re-  
12 lating to tax on corporations) is amended by striking  
13 paragraph (7).

14 (6) Section 26 (relating to limitation based on  
15 tax liability; definition of tax liability) is amended—

16 (A) by amending subsection (a) to read as  
17 follows:

18 “(a) LIMITATION BASED ON AMOUNT OF TAX.—The  
19 aggregate amount of credits allowed by this subpart for  
20 the taxable year shall not exceed the taxpayer’s regular  
21 tax liability for the taxable year.”,

22 (B) in subsection (b)(2), by striking sub-  
23 paragraph (A) and by redesignating subpara-  
24 graphs (B) through (N) as subparagraphs (A)  
25 through (M), respectively, and

1 (C) by striking subsection (c).

2 (7) Paragraph (6) of section 29(b) (relating to  
3 credit for producing fuel from a nonconventional  
4 source) is amended striking “the excess” and all  
5 that follows and inserting “the regular tax for the  
6 taxable year reduced by the sum of the credits allow-  
7 able under subpart A and section 27.”

8 (8) Paragraph (3) of section 30(b) (relating to  
9 credit for qualified electric vehicles) is amended by  
10 striking “the excess” and all that follows and insert-  
11 ing “the regular tax for the taxable year reduced by  
12 the sum of the credits allowable under subpart A  
13 and sections 27 and 29.”

14 (9) Subsection (c) of section 38 (relating to  
15 general business credit) is amended—

16 (A) by striking paragraphs (1) and (2) and  
17 inserting the following new paragraph:

18 “(1) IN GENERAL.—The credit allowed under  
19 subsection (a) for any taxable year shall not exceed  
20 the excess (if any) of—

21 “(A) the taxpayer’s net regular tax liabil-  
22 ity, over

23 “(B) 25 percent of so much of the tax-  
24 payer’s net regular tax liability as exceeds  
25 \$25,000.

1 For purposes of the preceding sentence, the term  
2 ‘net regular tax liability’ means the regular tax li-  
3 ability reduced by the sum of the credits allowable  
4 under subparts A and B of this part.”, and

5 (B) by redesignating paragraph (3) as  
6 paragraph (2).

7 (10) Paragraph (4) of section 45A(d) (relating  
8 to Indian employment credit) is amended by striking  
9 “for purposes” and all that follows and inserting  
10 “for purposes of determining the amount of any  
11 credit allowable under this chapter.”

12 (11) Subparagraph (B) of section 45D(g)(4)  
13 (relating to new markets tax credit) is amended by  
14 striking “or for purposes of section 55”.

15 (12) Subsection (d) of section 53 (relating to  
16 credit for prior year minimum tax liability) is  
17 amended to read as follows:

18 “(d) DEFINITIONS.—For purposes of this section—

19 “(1) NET MINIMUM TAX.—The term ‘net min-  
20 imum tax’ means the tax imposed by section 55.

21 “(2) CREDIT NOT ALLOWED FOR EXCLUSION  
22 PREFERENCES.—

23 “(A) ADJUSTED NET MINIMUM TAX.—Ex-  
24 cept as provided in subparagraph (C), the ad-

1           justed net minimum tax for any taxable year  
2           is—

3                   “(i) the amount of the net minimum  
4                   tax for such taxable year, reduced by

5                   “(ii) the amount which would be the  
6                   net minimum tax for such taxable year if  
7                   the only adjustments and items of tax  
8                   preference taken into account were those  
9                   specified in subparagraph (B) and if sec-  
10                  tion 59(a)(2) did not apply.

11                  “(B) SPECIFIED ITEMS.—The following  
12                  are specified in this subparagraph—

13                   “(i) the adjustments provided for in  
14                   subsection (b)(1) of section 56, and

15                   “(ii) the items of tax preference de-  
16                   scribed in paragraphs (1), (5) and (7) of  
17                   section 57(a).

18                  “(C) CREDIT ALLOWABLE FOR EXCLUSION  
19                  PREFERENCES OF CORPORATIONS.—In the case  
20                  of a corporation, the adjusted net minimum tax  
21                  for any taxable year is the amount of the net  
22                  minimum tax for such year.

23                  “(3) TREATMENT OF REFERENCES.—For pur-  
24                  poses of this subsection, references to sections 55,  
25                  56, 57, and 59 shall be treated as references to such

1 sections as in effect on the day before the date of  
2 the enactment of the Alternative Minimum Tax Re-  
3 peal Act of 2003.”.

4 (13) Subsection (b) of section 59A (relating to  
5 environmental tax) is amended by adding at the end  
6 the following:

7 “For purposes of this subsection, references to sections  
8 55 and 56 shall be treated as references to such sections  
9 as in effect on the day before the date of the enactment  
10 of the Alternative Minimum Tax Repeal Act of 2003.”.

11 (14)(A) Paragraph (2) of section 148(b) (relat-  
12 ing to higher yield investments) is amended by add-  
13 ing at the end the following new flush sentence:

14 “Such term shall not include any tax-exempt bond.”

15 (B) Paragraph (3) of section 148(b) is hereby  
16 repealed.

17 (15) Subparagraph (B) of section 149(g)(3)  
18 (relating to hedge bonds) is amended—

19 (A) in the heading, by striking “BONDS  
20 NOT SUBJECT TO MINIMUM TAX.—” and insert-  
21 ing “BONDS.—”, and

22 (B) by striking all that follows “invested in  
23 bonds” and inserting “the interest on which is  
24 not includible in gross income under section  
25 103.”

1           (16) Subsection (j) of section 168 (relating to  
2           accelerated cost recovery system) is amended by  
3           striking paragraph (3).

4           (17) Section 173 (relating to circulation ex-  
5           penditures) is amended by striking “(a) GENERAL  
6           RULE.—” and by striking subsection (b).

7           (18) Subsection (f) of section 174 (relating to  
8           research and experimental expenditures) is amended  
9           to read as follows:

10          “(f) CROSS REFERENCE.—

**“For adjustments to basis of property for amounts  
            allowed as deductions as deferred expenses under  
            subsection (b), see section 1016(a)(14).”**

11          (19) Subsection (c) of section 263 (relating to  
12          capital expenditures) is amended by striking “59(e)  
13          or”.

14          (20) Subsection (c) of section 263A (relating to  
15          capitalization and inclusion in inventory costs of cer-  
16          tain expenses) is amended by striking paragraph (6).

17          (21) Section 382(l) (relating to limitation on  
18          net operating loss carryforwards and certain built-in  
19          losses following ownership change) is amended by  
20          striking paragraph (7) and by redesignating para-  
21          graph (8) as paragraph (7).

22          (22) Section 443 (relating to returns for a pe-  
23          riod of less than 12 months) is amended by striking

1 subsection (d) and by redesignating subsection (e) as  
2 subsection (d).

3 (23) Section 616 (relating to development ex-  
4 penditures) is amended by striking subsection (e).

5 (24) Section 617 (relating to deduction and re-  
6 capture of certain mining exploration expenditures)  
7 is amended by striking subsection (i).

8 (25) Subsection (c) of section 641 (relating to  
9 imposition of tax) is amended—

10 (A) in paragraph (2) by striking subpara-  
11 graph (B) and redesignating subparagraphs (C)  
12 and (D) as subparagraphs (B) and (C), respec-  
13 tively, and

14 (B) in paragraph (3), by striking “para-  
15 graph (2)(C)” and inserting “paragraph  
16 (2)(B)”.

17 (26) Subsections (b) and (c) of section 666 (re-  
18 lating to accumulation distribution allocated to pre-  
19 ceding years) are each amended by striking “(other  
20 than the tax imposed by section 55)”.

21 (27)(A) Subsection (a) of section 772 (relating  
22 to simplified flow-through) is amended by striking  
23 paragraph (5) and redesignating paragraphs (6),  
24 (7), (8), (9), (10), and (11) as paragraphs (5), (6),  
25 (7), (8), (9), and (10), respectively.

1 (B) Subsection (c) of section 772 is amended—

2 (i) in paragraph (2), by striking “para-  
3 graphs (3)(A) and (5)(A)” and inserting “para-  
4 graph (3)(A)”,

5 (ii) by striking paragraph (5), and

6 (iii) by redesignating paragraph (6) as  
7 paragraph (5), and in that paragraph by strik-  
8 ing “paragraph (6) of subsection (a)” and in-  
9 serting “paragraph (5) of subsection (a)”.

10 (C) Subsection (d) of section 772 is amended—

11 (i) by striking paragraph (3) and redesign-  
12 ating paragraphs (4), (5), and (6) as para-  
13 graphs (3), (4), and (5), respectively, and

14 (ii) in subparagraph (A) of paragraph (3),  
15 as so redesignated, by striking “subsection  
16 (a)(11)” and inserting “subsection (a)(10)”.

17 (28) Paragraph (2) of section 815(c) (relating  
18 to distributions to shareholders from pre-1984 pol-  
19 icyholders surplus account) is amended by striking  
20 the last sentence.

21 (29) Section 847 (relating to special estimated  
22 tax payments) is amended—

23 (A) in paragraph (9), by striking the last  
24 sentence; and

1 (B) in paragraph (10), by inserting “and”  
2 at the end of subparagraph (A), by striking  
3 subparagraph (B), and by redesignating sub-  
4 subparagraph (C) as subparagraph (B).

5 (30) Section 848 (relating to capitalization of  
6 certain policy acquisition expenses) is amended by  
7 striking subsection (i) and by redesignating sub-  
8 section (j) as subsection (i).

9 (31) Subsection (a) of section 860E (relating to  
10 treatment of income in excess of daily accruals on  
11 residual interests) is amended by striking paragraph  
12 (4).

13 (32) Section 860J (relating to non-FASIT  
14 losses not to offset certain FASIT inclusions) is  
15 amended by striking subsection (c) and redesign-  
16 ating subsection (d) as subsection (c).

17 (33) Paragraph (1) of section 871(b) (relating  
18 to tax on nonresident alien individuals) is amended  
19 by striking “or 55”.

20 (34) Subsection (b) of section 877 (relating to  
21 expatriation to avoid tax) is amended by striking “or  
22 55”.

23 (35) Paragraph (1) of section 882(a) (relating  
24 to tax on income of foreign corporations connected

1 with United States business) is amended by striking  
2 “55,”.

3 (36) Subsection (a) of section 897 (relating to  
4 disposition of investment in United States real prop-  
5 erty) is amended to read as follows:

6 “(a) TREATMENT AS EFFECTIVELY CONNECTED  
7 WITH UNITED STATES TRADE OR BUSINESS.—For pur-  
8 poses of this title, gain or loss of a nonresident alien indi-  
9 vidual or a foreign corporation from the disposition of a  
10 United States real property interest shall be taken into  
11 account—

12 “(1) in the case of a nonresident alien indi-  
13 vidual, under section 871(b)(1), or

14 “(2) in the case of a foreign corporation, under  
15 section 882(a)(1),

16 as if the taxpayer were engaged in a trade or business  
17 within the United States during the taxable year and as  
18 if such gain or loss were effectively connected with such  
19 trade or business.”

20 (37) Subsection (k) of section 904 (relating to  
21 limitation on credit) is amended to read as follows:

1 “(k) CROSS REFERENCE.—

**“For increase of limitation under subsection (a) for taxes paid with respect to amounts received which were included in the gross income of the taxpayer for a prior taxable year as a United States shareholder with respect to a controlled foreign corporation, see section 960(b).”**

2 (38) Paragraph (1) of section 962(a) (relating  
3 to election by individuals to be subject to tax at cor-  
4 porate rates) is amended—

5 (A) by striking “sections 1 and 55” and  
6 inserting “section 1”, and

7 (B) by striking “sections 11 and 55” and  
8 inserting “section 11”.

9 (39) Paragraph (20) of section 1016(a) (relat-  
10 ing to adjustments to basis) is amended by inserting  
11 “, as in effect on the day before the date of the en-  
12 actment of the Alternative Minimum Tax Repeal Act  
13 of 2003” after “preferences”).

14 (40) Paragraph (4) of section 1260(b) (relating  
15 to gains from constructive ownership transactions) is  
16 amended by striking “for purposes” and all that fol-  
17 lows and inserting “for purposes of determining the  
18 amount of any credit allowable under this chapter.”

19 (41) Paragraph (1) of section 1397E(c) (relat-  
20 ing to credit to holders of qualified zone academy  
21 bonds) is amended by striking “plus the tax imposed  
22 by section 55”.

1           (42) Subsection (f) of section 1400I (relating to  
2           commercial revitalization deduction) is amended by  
3           striking paragraph (4).

4           (43) Subsection (a) of section 1561 (relating to  
5           limitations on certain multiple tax benefits in the  
6           case of certain controlled corporations) is amended  
7           by striking the last sentence.

8           (44) Subparagraph (B) of section 6015(d)(2)  
9           (relating to relief from joint and several liability on  
10          joint return) is amended by striking “or 55”.

11          (45) Subparagraph (A) of section 6425(c)(1)  
12          (defining income tax liability) is amended—

13                (A) by inserting “plus” at the end of  
14                clause (i), and

15                (B) by striking clause (ii) and redesignating  
16                clause (iii) as clause (ii).

17          (46) Section 6654(d)(2) (relating to failure by  
18          individual to pay estimated income tax) is amended—  
19          ed—

20                (A) in clause (i) of subparagraph (B), by  
21                striking “, alternative minimum taxable in-  
22                come,” and

23                (B) in clause (i) of subparagraph (C), by  
24                striking “, alternative minimum taxable in-  
25                come,”.

1           (47) Subparagraph (A) of section 6655(g)(1)  
2           (relating to failure by corporation to pay estimated  
3           income tax) is amended—

4                   (A) by striking clause (ii), and

5                   (B) by redesignating clauses (iii) and (iv)  
6           as clauses (ii) and (iii), respectively.

7           (48) Subparagraph (C) of section 6662(e)(3)  
8           (relating to imposition of accuracy-related penalty)  
9           is amended by inserting “, as in effect on the day  
10          before the date of the enactment of the Alternative  
11          Minimum Tax Repeal Act of 2003” after “55(c)”.

12          (d) CLERICAL AMENDMENT.—The table of parts for  
13          subchapter A of chapter 1 is amended by striking the item  
14          relating to part VI.

15          (e) EFFECTIVE DATE.—The amendments made by  
16          this section shall apply to taxable years beginning after  
17          December 31, 2002.

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