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(Original Signature of Member)

107TH CONGRESS
1ST SESSION

H. R. _____

IN THE HOUSE OF REPRESENTATIVES

Mr. THOMAS introduced the following bill; which was referred to the
Committee on _____

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-

1 ment or repeal is expressed in terms of an amendment
2 to, or repeal of, a section or other provision, the reference
3 shall be considered to be made to a section or other provi-
4 sion of the Internal Revenue Code of 1986.

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

9 **SEC. 2. REDUCTION IN INCOME TAX RATES FOR INDIVID-**
10 **UALS.**

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

13 “(i) RATE REDUCTIONS AFTER 2000.—

14 “(1) NEW LOWEST RATE BRACKET.—

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

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

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

1 “(B) INITIAL BRACKET AMOUNT.—For
2 purposes of this subsection, the initial bracket
3 amount is—

4 “(i) \$12,000 in the case of subsection
5 (a),

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

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

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

15 “(i) the Secretary shall make no ad-
16 justment to the initial bracket amount for
17 any taxable year beginning before January
18 1, 2007,

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

1 “(iii) such adjustment shall not apply
2 to the amount referred to in subparagraph
3 (B)(iii).

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

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

In the case of taxable years beginning during cal- endar year:	The corresponding percentages shall be substituted for the following percentages:				
	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 there- after.	10%	25%	25%	33%	33%

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

18 (b) REPEAL OF REDUCTION OF REFUNDABLE TAX
19 CREDITS.—

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

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

6 (c) CONFORMING AMENDMENTS.—

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

9 (A) by striking “15 percent” in clause
10 (ii)(II) and inserting “the first bracket percent-
11 age”, and

12 (B) by adding at the end the following
13 flush sentence:

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

18 (2) Section 1(h) is amended—

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

22 (B) by striking paragraph (13).

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

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

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

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

14 (6) Section 3402(p)(1)(B) is amended by strik-
15 ing “7, 15, 28, or 31 percent” and inserting “7 per-
16 cent, any percentage applicable to any of the 3 low-
17 est income brackets in the table under section
18 1(c),”.

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

23 (8) Section 3402(q)(1) is amended by striking
24 “equal to 28 percent of such payment” and inserting

1 “equal to the product of the third to the lowest rate
2 of tax under section 1(c) and such payment.”

3 (9) Section 3402(r)(3) is amended by striking
4 “31 percent” and inserting “the third to the lowest
5 rate of tax under section 1(c)”.

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

10 (d) EFFECTIVE DATES.—

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

15 (2) AMENDMENTS TO WITHHOLDING PROVI-
16 SIONS.—The amendments made by paragraphs (6),
17 (7), (8), (9), and (10) of subsection (c) shall apply
18 to amounts paid after the date of the enactment of
19 this Act.