

Chuck Grassley

AMENDMENT NO. _____ Calendar No. _____

Purpose: To amend the Internal Revenue Code of 1986 to modify the maximum capital gains tax rate, to provide a partial exclusion for interest received by individuals, to provide inflation adjustments for certain tax benefits, and for other purposes.

IN THE SENATE OF THE UNITED STATES, 117th Congress, 2d Sess.

AMENDMENT NO 5421

By Grassley

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Refer 17 nd

Page(s)

GPO: 2010 63-070 (mac)

AMENDMENT intended to be proposed by Mr. GRASSLEY to the amendment (No. 5194) proposed by Mr. SCHUMER

Viz:

1 At the end of title I, insert the following:
2 **Subtitle __—Middle-class Inflation**
3 **Relief**

4 **SEC. 10__01. MODIFICATION OF CAPITAL GAIN RATES.**

5 (a) **EXPANSION OF ZERO PERCENT RATE.—**

6 (1) **IN GENERAL.—**Section 1(h) of the Internal
7 Revenue Code of 1986 is amended by adding at the
8 end the following new paragraph:

9 “(12) **SPECIAL RULE FOR TAXABLE YEARS BE-**
10 **GINNING IN 2023.—**

1 “(A) IN GENERAL.—In the case of any
2 taxable year beginning after 2022 and before
3 2024, paragraph (1)(B)(i) shall be applied by
4 substituting ‘below the maximum zero rate
5 amount’ for ‘which would (without regard to
6 this paragraph) be taxed at a rate below 25
7 percent’.

8 “(B) MAXIMUM ZERO RATE AMOUNT.—
9 The maximum zero rate amount shall be—

10 “(i) in the case of a joint return or
11 surviving spouse, \$165,000,

12 “(ii) in the case of any other indi-
13 vidual (other than an estate or trust), an
14 amount equal to $\frac{1}{2}$ of the amount in effect
15 for the taxable year under clause (i), and

16 “(iii) in the case of an estate or trust,
17 \$2,600.

18 “(C) INFLATION ADJUSTMENT.—In the
19 case of any taxable year beginning after 2022,
20 each of the dollar amounts in subparagraph (B)
21 shall be increased by an amount equal to—

22 “(i) such dollar amount, multiplied by

23 “(ii) the cost-of-living adjustment de-
24 termined under subsection (f)(3) for the
25 calendar year in which the taxable year be-

1 gins, determined by substituting ‘calendar
2 year 2017’ for ‘calendar year 2016’ in sub-
3 paragraph (A)(ii) thereof.

4 If any increase under this subparagraph is not
5 a multiple of \$50, such increase shall be round-
6 ed to the next lowest multiple of \$50.”.

7 (2) CONFORMING AMENDMENT.—Paragraph (5)
8 of section 1(j) of such Code is amended by adding
9 at the end the following new subparagraph:

10 “(D) SPECIAL RULE FOR CERTAIN TAX-
11 ABLE YEARS.—In the case of any taxable year
12 beginning after 2022 and before 2024, subpara-
13 graph (A) shall be applied without regard to
14 clause (i) thereof.”.

15 (b) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to taxable years beginning after
17 December 31, 2022.

18 **SEC. 10_02. PARTIAL EXCLUSION OF CERTAIN INTEREST**
19 **RECEIVED BY INDIVIDUALS.**

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

1 **“SEC. 116. PARTIAL EXCLUSION OF CERTAIN INTEREST RE-**
2 **CEIVED BY INDIVIDUALS.**

3 “(a) **EXCLUSION FROM GROSS INCOME.**—Gross in-
4 come does not include the sum of the amounts received
5 during the taxable year by an individual as qualified inter-
6 est.

7 “(b) **LIMITATIONS.**—The aggregate amount excluded
8 under subsection (a) for any taxable year shall not exceed
9 \$300 (\$600 in the case of a joint return).

10 “(c) **QUALIFIED INTEREST.**—For purposes of this
11 section—

12 “(1) **IN GENERAL.**—The term ‘qualified inter-
13 est’ means any interest other than interest excluded
14 from gross income under any other provision of this
15 chapter.

16 “(2) **SPECIAL RULES FOR DIVIDENDS RECEIVED**
17 **FROM CERTAIN MONEY MARKET MUTUAL FUNDS.**—

18 “(A) **IN GENERAL.**—The term ‘qualified
19 interest’ shall include qualified interest-related
20 dividends.

21 “(i) **IN GENERAL.**—Except as pro-
22 vided in clause (ii), a qualified interest-re-
23 lated dividend is any dividend or part
24 thereof (other than a capital gain dividend
25 or exempt interest dividend)—

1 “(I) paid by a regulated invest-
2 ment company regulated as a money
3 market fund under section 270.2a-7
4 of title 17, Code of Federal Regula-
5 tions, and

6 “(II) reported by the company as
7 a qualified interest-related dividend in
8 written statements furnished to its
9 shareholders.

10 “(ii) EXCESS REPORTED AMOUNTS.—

11 If the aggregate reported amount with re-
12 spect to the company for any taxable year
13 exceeds the applicable qualified interest of
14 the company for such taxable year, a quali-
15 fied interest-related dividend is the excess
16 of—

17 “(I) the reported qualified inter-
18 est-related dividend amount, over

19 “(II) the excess reported amount
20 which is allocable to such reported
21 qualified interest-related dividend
22 amount.

23 “(iii) ALLOCATION OF EXCESS RE-
24 PORTED AMOUNT.—

1 “(I) IN GENERAL.—Except as
2 provided in subclause (II), the excess
3 reported amount (if any) which is al-
4 locable to the reported qualified inter-
5 est-related dividend amount is that
6 portion of the excess reported amount
7 which bears the same ratio to the ex-
8 cess reported amount as the reported
9 qualified interest-related dividend
10 amount bears to the aggregate re-
11 ported amount.

12 “(II) SPECIAL RULE FOR NON-
13 CALENDAR YEAR TAXPAYERS.—In the
14 case of any taxable year which does
15 not begin and end in the same cal-
16 endar year, if the post-December re-
17 ported amount equals or exceeds the
18 excess reported amount for such tax-
19 able year, subclause (I) shall be ap-
20 plied by substituting ‘post-December
21 reported amount’ for ‘aggregate re-
22 ported amount’ and no excess re-
23 ported amount shall be allocated to
24 any dividend paid on or before De-
25 cember 31 of such taxable year.

1 “(iv) DEFINITIONS.—For purposes of
2 this subparagraph—

3 “(I) REPORTED QUALIFIED IN-
4 TEREST-RELATED DIVIDEND
5 AMOUNT.—The term ‘reported quali-
6 fied interest-related dividend amount’
7 means the amount reported to its
8 shareholders under clause (i) as a
9 qualified interest-related dividend.

10 “(II) EXCESS REPORTED
11 AMOUNT.—The term ‘excess reported
12 amount’ means the excess of the ag-
13 gregate reported amount over the ap-
14 plicable qualified interest of the com-
15 pany for the taxable year.

16 “(III) AGGREGATE REPORTED
17 AMOUNT.—The term ‘aggregate re-
18 ported amount’ means the aggregate
19 amount of dividends reported by the
20 company under clause (i) as qualified
21 interest-related dividends for the tax-
22 able year (including qualified interest-
23 related dividends paid after the close
24 of the taxable year described in sec-
25 tion 855).

1 “(IV) POST-DECEMBER RE-
2 PORTED AMOUNT.—The term ‘post-
3 December reported amount’ means
4 the aggregate reported amount deter-
5 mined by taking into account only
6 dividends paid after December 31 of
7 the taxable year.

8 “(V) APPLICABLE QUALIFIED IN-
9 TEREST.—The term ‘applicable quali-
10 fied interest’ means interest described
11 in paragraph (1).

12 “(d) NONRESIDENT ALIENS INELIGIBLE FOR EX-
13 CLUSION.—Subsection (a) shall not apply to any non-
14 resident alien individual.

15 “(e) REGULATIONS.—The Secretary may prescribe
16 such regulations as are appropriate (including regulations
17 requiring reporting) to apply this section in the case of
18 interest received—

19 “(1) from partnerships and S corporations, and

20 “(2) from a trade or business of the taxpayer.

21 “(f) TERMINATION.—This section shall not apply to
22 any taxable year beginning after December 31, 2024.”.

23 (b) CONFORMING AMENDMENTS.—

24 (1) Paragraph (2) of section 265(a) of such
25 Code is amended by inserting before the period at

1 the end the following: “, or to purchase or carry ob-
2 ligations or shares, or to make deposits, to the ex-
3 tent the interest thereon is excludable from gross in-
4 come under section 116”.

5 (2) Subsection (c) of section 584 of such Code
6 is amended by adding at the end the following: “The
7 proportionate share of each participant in the
8 amount of qualified interest (as defined in section
9 116) received by the common trust fund shall be
10 considered for purposes of such section as having
11 been received by such participant.”.

12 (3) Subsection (a) of section 643 of such Code
13 is amended by redesignating paragraph (7) as para-
14 graph (8) and by inserting after paragraph (6) the
15 following new paragraph:

16 “(7) QUALIFIED INTEREST.—There shall be in-
17 cluded the amount of any qualified interest (as de-
18 fined in section 116) excluded from gross income
19 pursuant to section 116 (reduced by amounts which
20 would be deductible in respect of disbursements allo-
21 cable to such income but for the provisions of sec-
22 tion 265).”.

23 (c) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to taxable years beginning after
25 December 31, 2022.

1 **SEC. 10_03. INFLATION ADJUSTMENT FOR CERTAIN TAX**
2 **BENEFITS.**

3 (a) **CHILD TAX CREDIT.—**

4 (1) **IN GENERAL.—**Subsection (h) of section 24
5 of such Code is amended by adding at the end the
6 following new paragraph:

7 “(8) **ADJUSTMENT FOR INFLATION.—**

8 “(A) **IN GENERAL.—**In the case of a tax-
9 able year beginning after 2021 and before
10 2023, the \$2,000 amount in paragraph (2) and
11 each of the dollar amounts in paragraph (3)
12 shall be increased by an amount equal to—

13 “(i) such dollar amount, multiplied by

14 “(ii) the cost-of-living adjustment de-
15 termined under section 1(f)(3) for the cal-
16 endar year in which the taxable year be-
17 gins, determined by substituting ‘2020’ for
18 ‘2016’ in subparagraph (A)(ii) thereof.

19 “(B) **ROUNDING.—**If any increase under
20 subparagraph (A)—

21 “(i) is not a multiple of \$100, in the
22 case of the amount in paragraph (2), such
23 increase shall be rounded to the next low-
24 est multiple of \$100, or

25 “(ii) is not a multiple of \$1,000, in
26 the case of the amounts in paragraph (3),

1 such increase shall be rounded to the next
2 lowest multiple of \$1,000.”.

3 (2) PARTIAL CREDIT FOR CERTAIN OTHER DE-
4 PENDENTS.—Paragraph (4) of section 24(h) of such
5 Code is amended by adding at the end the following
6 new subparagraph:

7 “(D) ADJUSTMENT FOR INFLATION.—In
8 the case of a taxable year beginning after 2021
9 and before 2023, the \$500 amount in subpara-
10 graph (A) shall be increased by an amount
11 equal to—

12 “(i) such dollar amount, multiplied by

13 “(ii) the cost-of-living adjustment de-
14 termined under section 1(f)(3) for the cal-
15 endar year in which the taxable year be-
16 gins, determined by substituting ‘2020’ for
17 ‘2016’ in subparagraph (A)(ii) thereof.

18 If any increase under this paragraph is not a
19 multiple of \$50, such increase shall be rounded
20 to the next lowest multiple of \$50.”.

21 (b) CREDIT FOR HOUSEHOLD AND DEPENDENT
22 CARE SERVICES.—Subsection (e) of section 21 of the In-
23 ternal Revenue Code of 1986 is amended by adding at the
24 end the following new paragraph:

25 “(11) ADJUSTMENTS FOR INFLATION.—

1 “(A) IN GENERAL.—In the case of a tax-
2 able year beginning after 2021 and before
3 2023, the \$15,000 amount in subsection (a)(2)
4 and the \$3,000 and \$6,000 amounts in sub-
5 section (c) shall each be increased by an
6 amount equal to—

7 “(i) such dollar amount, multiplied by
8 “(ii) the cost-of-living adjustment de-
9 termined under section 1(f)(3) for the cal-
10 endar year in which the taxable year be-
11 gins, determined by substituting ‘2020’ for
12 ‘2016’ in subparagraph (A)(ii) thereof.

13 “(B) ROUNDING.—If any increase under
14 subparagraph (A)—

15 “(i) is not a multiple of \$100, in the
16 case of the amounts in subsection (c), such
17 increase shall be rounded to the next low-
18 est multiple of \$100, or

19 “(ii) is not a multiple of \$1,000, in
20 the case of the amount in subsection
21 (a)(2), such increase shall be rounded to
22 the next lowest multiple of \$1,000.”.

23 (c) AMERICAN OPPORTUNITY AND LIFETIME LEARN-
24 ING CREDITS.—

1 (1) AMERICAN OPPORTUNITY TAX CREDIT.—
2 Subsection (b) of section 25A of the Internal Rev-
3 enue Code of 1986 is amended by adding at the end
4 the following new paragraph:

5 “(5) ADJUSTMENT FOR INFLATION.—In the
6 case of a taxable year beginning after 2021 and be-
7 fore 2023, the \$2,000 and \$4,000 amounts in para-
8 graph (1) shall each be increased by an amount
9 equal to—

10 “(A) such dollar amount, multiplied by

11 “(B) the cost-of-living adjustment deter-
12 mined under section 1(f)(3) for the calendar
13 year in which the taxable year begins, deter-
14 mined by substituting ‘2020’ for ‘2016’ in sub-
15 paragraph (A)(ii) thereof.

16 If any increase under this paragraph is not a mul-
17 tiple of \$100, such increase shall be rounded to the
18 next lowest multiple of \$100.”.

19 (2) LIFETIME LEARNING CREDIT.—Subsection
20 (c) of section 25A of the Internal Revenue Code of
21 1986 is amended by adding at the end the following
22 new paragraph:

23 “(3) ADJUSTMENT FOR INFLATION.—In the
24 case of a taxable year beginning after 2021 and be-

1 fore 2023, the \$10,000 amount in paragraph (1)
2 shall be increased by an amount equal to—

3 “(A) such dollar amount, multiplied by

4 “(B) the cost-of-living adjustment deter-
5 mined under section 1(f)(3) for the calendar
6 year in which the taxable year begins, deter-
7 mined by substituting ‘2020’ for ‘2016’ in sub-
8 paragraph (A)(ii) thereof.

9 If any increase under this paragraph is not a mul-
10 tiple of \$100, such increase shall be rounded to the
11 next lowest multiple of \$100.”.

12 (3) LIMITATIONS BASED ON MODIFIED AD-
13 JUSTED GROSS INCOME.—Subsection (d) of section
14 25A of the Internal Revenue Code of 1986 is
15 amended by adding at the end the following new
16 paragraph:

17 “(3) ADJUSTMENT FOR INFLATION.—In the
18 case of a taxable year beginning after 2021 and be-
19 fore 2023, each of the dollar amounts in paragraph
20 (1) shall be increased by an amount equal to—

21 “(A) such dollar amount, multiplied by

22 “(B) the cost-of-living adjustment deter-
23 mined under section 1(f)(3) for the calendar
24 year in which the taxable year begins, deter-

1 mined by substituting ‘2020’ for ‘2016’ in sub-
2 paragraph (A)(ii) thereof.

3 If any increase under this paragraph is not a mul-
4 tiple of \$1,000, such increase shall be rounded to
5 the next lowest multiple of \$1,000.”.

6 (d) DEDUCTION FOR INTEREST ON EDUCATION
7 LOANS.—

8 (1) IN GENERAL.—Subsection (f) of section 221
9 of the Internal Revenue Code of 1986 is amended to
10 read as follows:

11 “(f) ADJUSTMENTS FOR INFLATION.—

12 “(1) LIMITATION.—In the case of a taxable
13 year beginning after 2021 and before 2023, the
14 \$2,500 amount in subsection (b)(1) and the \$15,000
15 and \$30,000 amounts in subsection (b)(2)(B)(ii)
16 shall each be increased by an amount equal to—

17 “(A) such dollar amount, multiplied by

18 “(B) the cost-of-living adjustment deter-
19 mined under section 1(f)(3) for the calendar
20 year in which the taxable year begins, deter-
21 mined by substituting ‘2020’ for ‘2016’ in sub-
22 paragraph (A)(ii) thereof, and

23 “(2) INCOME THRESHOLDS.—In the case of a
24 taxable year beginning after 2002, the \$50,000 and

1 \$100,000 amounts in subsection (b)(2)(B)(i)(II)
2 shall each be increased by an amount equal to—

3 “(A) such dollar amount, multiplied by

4 “(B) the cost-of-living adjustment deter-
5 mined under section 1(f)(3) for the calendar
6 year in which the taxable year begins, deter-
7 mined by substituting ‘2001’ for ‘2016’ in sub-
8 paragraph (A)(ii) thereof.

9 “(3) ROUNDING.—If any increase under this
10 subsection—

11 “(A) is not a multiple of \$100, in the case
12 of the amount in subsection (b)(1), such in-
13 crease shall be rounded to the next lowest mul-
14 tiple of \$100, or

15 “(B) is not a multiple of \$1,000, in the
16 case of the amounts in subsection (b)(2)(B)(ii)
17 and (b)(2)(B)(i)(II), such increase shall be
18 rounded to the next lowest multiple of \$1,000.”.

19 (e) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to taxable years beginning after
21 December 31, 2021.

22 **SEC. 10_04. EXTENSION OF LIMITATION ON DEDUCTION**
23 **FOR STATE AND LOCAL, ETC., TAXES.**

24 (a) IN GENERAL.—Section 164(b)(6) of the Internal
25 Revenue Code of 1986 is amended—

1 (1) by striking “January 1, 2026” and insert-
2 ing “January 1, 2027”, and

3 (2) by striking “2025” in the heading thereof
4 and inserting “2026”.

5 (b) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to taxable years beginning after
7 December 31, 2022.

8 **SEC. 10_05. REDUCTION IN ADDITIONAL INTERNAL REV-**
9 **ENUE SERVICE ENFORCEMENT FUNDING.**

10 Section 10301(a)(1)(A)(i)(II) of this Act is amended
11 by striking “\$45,637,400,000” and inserting
12 “\$25,637,400,000”.