

117TH CONGRESS  
1ST SESSION

# H. R. 984

To amend the Internal Revenue Code of 1986 to provide for the indexing of certain assets for purposes of determining gain or loss of eligible individuals.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 11, 2021

Mr. EMMER introduced 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 provide for the indexing of certain assets for purposes of determining gain or loss of eligible individuals.

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 “Retirement Inflation  
5       Protection Act of 2021”.

1 **SEC. 2. INDEXING OF CERTAIN ASSETS FOR PURPOSES OF**  
 2 **DETERMINING GAIN OR LOSS OF ELIGIBLE**  
 3 **INDIVIDUALS.**

4 (a) IN GENERAL.—Part II of subchapter O of chap-  
 5 ter 1 of the Internal Revenue Code of 1986 is amended  
 6 by inserting after section 1017 the following new section:

7 **“SEC. 1018. INDEXING OF CERTAIN ASSETS FOR PURPOSES**  
 8 **OF DETERMINING GAIN OR LOSS OF ELIGI-**  
 9 **BLE INDIVIDUALS.**

10 “(a) IN GENERAL.—

11 “(1) INDEXED BASIS SUBSTITUTED FOR AD-  
 12 JUSTED BASIS.—Solely for purposes of determining  
 13 gain or loss on the sale or other disposition by an  
 14 eligible individual of an indexed asset which has  
 15 been held by such individual for more than 3 years,  
 16 the indexed basis of the asset shall be substituted  
 17 for its adjusted basis.

18 “(2) EXCEPTION FOR DEPRECIATION, ETC.—  
 19 The deductions for depreciation, depletion, and am-  
 20 ortization shall be determined without regard to the  
 21 application of paragraph (1) to the taxpayer or any  
 22 other person.

23 “(3) WRITTEN DOCUMENTATION REQUIRE-  
 24 MENT.—Paragraph (1) shall apply only with respect  
 25 to indexed assets for which the taxpayer has written

1 documentation of the original purchase price paid or  
 2 incurred by the taxpayer to acquire such asset.

3 “(b) ELIGIBLE INDIVIDUAL.—For purposes of this  
 4 section, the term ‘eligible individual’ means, with respect  
 5 to any indexed asset, any individual if such individual has  
 6 attained age 59½ as of the date of the sale or other dis-  
 7 position of such asset.

8 “(c) INDEXED ASSET.—

9 “(1) IN GENERAL.—For purposes of this sec-  
 10 tion, the term ‘indexed asset’ means—

11 “(A) common stock in a C corporation  
 12 (other than a foreign corporation), or

13 “(B) tangible property,  
 14 which is a capital asset or property used in the trade  
 15 or business (as defined in section 1231(b)).

16 “(2) STOCK IN CERTAIN FOREIGN CORPORA-  
 17 TIONS INCLUDED.—For purposes of this section—

18 “(A) IN GENERAL.—The term ‘indexed  
 19 asset’ includes common stock in a foreign cor-  
 20 poration which is regularly traded on an estab-  
 21 lished securities market.

22 “(B) EXCEPTION.—Subparagraph (A)  
 23 shall not apply to—

24 “(i) stock of a foreign investment  
 25 company,

1 “(ii) stock in a passive foreign invest-  
 2 ment company (as defined in section  
 3 1296),

4 “(iii) stock in a foreign corporation  
 5 held by a United States person who meets  
 6 the requirements of section 1248(a)(2),  
 7 and

8 “(iv) stock in a foreign personal hold-  
 9 ing company.

10 “(C) TREATMENT OF AMERICAN DEPOSI-  
 11 TORY RECEIPTS.—An American depository re-  
 12 ceipt for common stock in a foreign corporation  
 13 shall be treated as common stock in such cor-  
 14 poration.

15 “(d) INDEXED BASIS.—For purposes of this sec-  
 16 tion—

17 “(1) IN GENERAL.—The indexed basis for any  
 18 asset is—

19 “(A) the adjusted basis of the asset, in-  
 20 creased by

21 “(B) the applicable inflation adjustment.

22 “(2) APPLICABLE INFLATION ADJUSTMENT.—  
 23 The applicable inflation adjustment for any asset is  
 24 an amount equal to—

1           “(A) the adjusted basis of the asset, multi-  
2           plied by

3           “(B) the percentage (if any) by which—

4                   “(i) C–CPI–U for the last calendar  
5                   month ending before the asset is disposed  
6                   of, exceeds

7                   “(ii) C–CPI–U for the last calendar  
8                   month ending before the asset was ac-  
9                   quired by the taxpayer.

10       The percentage under subparagraph (B) shall be  
11       rounded to the nearest  $\frac{1}{10}$  of 1 percentage point.

12       “(3) C–CPI–U.—

13           “(A) IN GENERAL.—The term ‘C–CPI–U’  
14       means the Chained Consumer Price Index for  
15       All Urban Consumers (as published by the Bu-  
16       reau of Labor Statistics of the Department of  
17       Labor). The values of the Chained Consumer  
18       Price Index for All Urban Consumers taken  
19       into account for purposes of determining the  
20       cost-of-living adjustment for any calendar  
21       month under this subsection shall be the latest  
22       values so published as of the date on which  
23       such Bureau publishes the initial value of the  
24       Chained Consumer Price Index for All Urban

1 Consumers for the month which precedes such  
2 calendar month by 4 months.

3 “(B) DETERMINATION FOR CALENDAR  
4 MONTH.—The C–CPI–U for any calendar  
5 month is the average of the C–CPI–U as of the  
6 close of the 12-month period ending with the  
7 month which precedes such calendar month by  
8 4 months.

9 “(e) SUSPENSION OF HOLDING PERIOD WHERE DI-  
10 MINISHED RISK OF LOSS; TREATMENT OF SHORT  
11 SALES.—

12 “(1) IN GENERAL.—If the taxpayer (or a re-  
13 lated person) enters into any transaction which sub-  
14 stantially reduces the risk of loss from holding any  
15 asset, such asset shall not be treated as an indexed  
16 asset for the period of such reduced risk.

17 “(2) SHORT SALES.—

18 “(A) IN GENERAL.—In the case of a short  
19 sale of an indexed asset with a short sale period  
20 in excess of 3 years, for purposes of this title,  
21 the amount realized shall be an amount equal  
22 to the amount realized (determined without re-  
23 gard to this paragraph) increased by the appli-  
24 cable inflation adjustment. In applying sub-  
25 section (d)(2) for purposes of the preceding

1 sentence, the date on which the property is sold  
 2 short shall be treated as the date of acquisition  
 3 and the closing date for the sale shall be treat-  
 4 ed as the date of disposition.

5 “(B) SHORT SALE PERIOD.—For purposes  
 6 of subparagraph (A), the short sale period be-  
 7 gins on the day that the property is sold and  
 8 ends on the closing date for the sale.

9 “(f) DISPOSITIONS BETWEEN RELATED PERSONS.—  
 10 “(1) IN GENERAL.—This section shall not apply  
 11 to any sale or other disposition of property between  
 12 related persons except to the extent that the basis  
 13 of such property in the hands of the transferee is a  
 14 substituted basis.

15 “(2) RELATED PERSONS DEFINED.—For pur-  
 16 poses of this section, the term ‘related persons’  
 17 means—

18 “(A) persons bearing a relationship set  
 19 forth in section 267(b), and

20 “(B) persons treated as single employer  
 21 under subsection (b) or (c) of section 414.

22 “(g) TRANSFERS TO INCREASE INDEXING ADJUST-  
 23 MENT.—If any person transfers cash, debt, or any other  
 24 property to another person and the principal purpose of  
 25 such transfer is to secure or increase an adjustment under

1 subsection (a), the Secretary may disallow part or all of  
2 such adjustment or increase.

3 “(h) SPECIAL RULES.—For purposes of this sec-  
4 tion—

5 “(1) TREATMENT OF IMPROVEMENTS, ETC.—If  
6 there is an addition to the adjusted basis of any tan-  
7 gible property or of any stock in a corporation dur-  
8 ing the taxable year by reason of an improvement to  
9 such property or a contribution to capital of such  
10 corporation—

11 “(A) such addition shall never be taken  
12 into account under subsection (d)(1)(A) if the  
13 aggregate amount thereof during the taxable  
14 year with respect to such property or stock is  
15 less than \$1,000, and

16 “(B) such addition shall be treated as a  
17 separate asset acquired at the close of such tax-  
18 able year if the aggregate amount thereof dur-  
19 ing the taxable year with respect to such prop-  
20 erty or stock is \$1,000 or more.

21 A rule similar to the rule of the preceding sentence  
22 shall apply to any other portion of an asset to the  
23 extent that separate treatment of such portion is ap-  
24 propriate to carry out the purposes of this section.



1           “(2) ASSETS WHICH ARE NOT INDEXED ASSETS  
2           THROUGHOUT HOLDING PERIOD.—The applicable in-  
3           flation adjustment shall be appropriately reduced for  
4           periods during which the asset was not an indexed  
5           asset.

6           “(3) TREATMENT OF CERTAIN DISTRIBUTIONS.—A distribution with respect to stock in a  
7           corporation which is not a dividend shall be treated  
8           as a disposition.  
9

10          “(4) SECTION CANNOT INCREASE ORDINARY  
11          LOSS.—To the extent that (but for this paragraph)  
12          this section would create or increase a net ordinary  
13          loss to which section 1231(a)(2) applies or an ordi-  
14          nary loss to which any other provision of this title  
15          applies, such provision shall not apply. The taxpayer  
16          shall be treated as having a long-term capital loss in  
17          an amount equal to the amount of the ordinary loss  
18          to which the preceding sentence applies.

19          “(5) ACQUISITION DATE WHERE THERE HAS  
20          BEEN PRIOR APPLICATION OF SUBSECTION (a)(1)  
21          WITH RESPECT TO THE TAXPAYER.—If there has  
22          been a prior application of subsection (a)(1) to an  
23          asset while such asset was held by the taxpayer, the  
24          date of acquisition of such asset by the taxpayer

1        shall be treated as not earlier than the date of the  
2        most recent such prior application.

3        “(i) REGULATIONS.—The Secretary shall prescribe  
4 such regulations as may be necessary or appropriate to  
5 carry out the purposes of this section.”.

6        (b) CLERICAL AMENDMENT.—The table of sections  
7 for part II of subchapter O of chapter 1 of such Code  
8 is amended by inserting after the item relating to section  
9 1017 the following new item:

“Sec. 1018. Indexing of certain assets for purposes of determining gain or loss  
of eligible individuals.”.

10        (c) EFFECTIVE DATE.—The amendments made by  
11 this section shall apply to sales or other dispositions after  
12 the date of the enactment of this Act, in taxable years  
13 ending after such date.

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