138TH CONGRESS
1ST SESSION

H.R. 20

To significantly increase our budget surplus by shifting the Alternative Minimum Tax burden away from the middle class, to merge long-term capital gains taxes, and make minor administrative corrections.

IN THE HOUSE OF REPRESENTATIVES

APRIL 2nd, 2021

Mr. MILLER of Georgia (for himself, Mr. LIGHTWOOD, Mr. TOBY, Mr. ARTEMIS, on behalf of Ms. KYOUKO) introduced the following bill, which was subsequently referred to the House of Representatives.

A BILL

Be it enacted by the Senate and the House of Representatives of the United States in America assembled,

SECTION 1. TITLE.

This Act may be cited as the "Alternative Income Taxes Reform Act".

SECTION 2. FINDINGS.

Congress finds that—

(a) The alternative minimum is a floor for taxation, calculated based upon an alternative minimum taxable income, which in general, removes from accounting for some deductions, while applying a lesser tax rate, to compute an overall alternative effective tax rate. Individuals are then taxed by comparing the effective tax rates between traditional individual income taxes, and the alternative minimum tax.

(b) As a result of a combination of special interests and careless legislating, the alternative minimum tax now places the tax burden upon the middle class rather than the wealthy, with the effective tax rate for an individual earning $175,000 being similar to the rate for an individual earning $1,000,000.

(c) Under this reform, everyone earning under $295,440 would see their taxes under the alternative taxable income reduced, while everyone earning above that amount would see their taxes under the alternative taxable income increased.

(d) For an individual in the middle class being taxed under the alternative minimum tax with an alternative taxable income of $110,000, their taxes would be reduced by over 57%.

(e) Currently, capital gain, such as the sale of property or stocks, is taxed at a lower rate if it's held for more than a year.

(f) As property sales and stocks trading are particularly more prevalent among those who are more wealthy, this essentially turns our taxation into being regressive, where someone theoretically earning $300,000 in long-term capital gains would only pay at a tax rate of 15%, but meanwhile, someone who earns half that at $150,000 would pay a higher effective tax rate of 19.4%.

(g) The concentration of long-term capital gains is highly focused on the top quintile of earners. Despite making up 0.00028% of taxpayers, the top 400 individuals in the United States realize 16% of capital gains, Taxing these individuals at a lower rate than those who earn less, severely undermines the progressivity of the income tax.

(h) There is a consistently expressed interest of American taxpayers favoring a simplification of the tax code, where an ill understanding of this tax code can lead to disenfranchisement towards government, if not impactful misguided personal finance decisions that further the wealth gap. The preferential taxation of capital gains significantly complicates this tax code.

(i) The arbitrary differentiation between short-term and long-term capital gains leads to a waste of resources as entities attempt to circumvent tax liabilities. There have been attempts for decades to eliminate this circumvention of tax liabilities without reform of the capital gains tax, and it has been evident that these attempts have been ineffective.

(j) In 2012, Professor Leonard E. Burman presented to the House Committee on Ways and Means and the Senate Committee on Finance that from 1950 to 2011, there has been a low correlation at 0.12, between cuts in capital gains taxes and economic growth.

(k) The merger of long-term capital gains into the consideration of and being taxed at the same rate as short-term capital gains and overall income, which reclaims at least $90 billion in lost revenue, with the majority of this tax burden falling upon the wealthy. Some estimates project an over $160 billion increase in revenue.

SECTION 3. ALTERNATIVE MINIMUM TAX REFORM.

(a) IN GENERAL.— Section 55 of the Internal Revenue Code of 1986 (26 US Code § 55) is amended by striking subsection (b)(1)(A) and inserting the following in lieu of subsection (b)(1)(A):

The tentative minimum tax for the taxable year is as determined in accordance with the following table:

If alternative taxable income is:	*The tentative minimum tax is:*
Not over $55,000	*$0*
Over $55,000 but not over $110,000	*12% of taxable income over $55,000*
Over $110,000 but not over $165,000	*$6600, plus 24% of taxable income over $110,000*
Over $165,000 but not over $220,000	*$19,800, plus 32% of taxable income over $165,000*
Over $220,000 but not over $500,000	*$37,400, plus 38% of taxable income over $220,000*
Over $500,000	*$143,800, plus 47% of taxable income over $500,000*

SECTION 4. LONG-TERM CAPITAL GAINS TAX MERGER.

(a) IN GENERAL.— Section 1 of the Internal Revenue Code of 1986 (26 US Code § 1) is amended by striking—

(i) the entirety of subsection (h); and

(ii) the entirety of subsection (j)(5).

SECTION 5. INTERNAL REVENUE CODE CORRECTION.

(a) IN GENERAL.— Section 1 of the Internal Revenue Code of 1986 (26 US Code § 1, previously amended by Fair Taxation Act) is amended by striking “$178,810”, and inserting in lieu with “$184,410”.

SECTION 6. SEVERABILITY.

The provisions of this Act are severable; should any provision of this Act be found unconstitutional or unenforceable, or be otherwise stricken, the remainder of this Act shall remain in full force and effect.

SECTION 7. EFFECTIVE DATE.

EFFECTIVE DATE.—The provisions of this Act shall apply beginning July 1, 2021.