

1 (1) Section 26(c) of such Code is amended by
2 striking “the term ‘tentative minimum tax’ means
3 the amount determined under section 55(b)(1)” and
4 inserting “the tentative minimum tax is zero.”.

5 (2) Section 911(f)(2) of such Code is amended
6 to read as follows:

7 “(2) the tentative minimum tax under section
8 55 for the taxable year shall be zero.”.

9 (c) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to taxable years beginning after
11 December 31, 2008.

12 **SEC. 503. SIMPLIFIED INCOME TAX SYSTEM.**

13 (a) IN GENERAL.—Part I of subchapter A of chapter
14 1 of the Internal Revenue Code of 1986 (relating to tax
15 on individuals) is amended by redesignating section 5 as
16 section 6 and by inserting after section 4 the following
17 new section:

18 **“SEC. 5. SIMPLIFIED INCOME TAX SYSTEM.**

19 “(a) ELECTION.—

20 “(1) IN GENERAL.—A taxpayer other than a
21 corporation may elect in accordance with this sub-
22 section to be subject to the tax imposed by this sec-
23 tion in lieu of the tax imposed by section 1 for a tax-
24 able year and all subsequent taxable years.

1 “(2) EFFECT OF ELECTION.—For purposes of
2 this title, if an election is in effect under paragraph
3 (1) for any taxable year, the tax imposed by this sec-
4 tion shall be treated as the tax imposed by section
5 1 for the taxable year and, except as provided by
6 sections 31 and 36, no amount shall be allowed as
7 a credit against such tax for the taxable year.

8 “(3) ELECTION.—

9 “(A) IN GENERAL.—

10 “(i) IN GENERAL.—Except as pro-
11 vided in clause (ii) of this subparagraph
12 and clauses (ii) and (iii) of subparagraph
13 (B), the election under paragraph (1) may
14 only be made with respect to any taxable
15 year beginning before January 1, 2018, on
16 a timely filed return for the first taxable
17 year for which the election applies.

18 “(ii) NEW TAXPAYERS.—In the case
19 of an individual with no tax liability under
20 this title before January 1, 2018, the elec-
21 tion under paragraph (1) may only be
22 made for the first taxable year beginning
23 after December 31, 2017, for which such
24 individual has tax liability under this title.

25 “(B) EFFECT OF ELECTION.—

1 “(i) IN GENERAL.—Except as pro-
2 vided in clauses (ii) and (iii), the election
3 under paragraph (1), once made, shall be
4 irrevocable.

5 “(ii) ONE-TIME REVOCATION OF
6 ELECTION.—A taxpayer may revoke an
7 election under paragraph (1) for a taxable
8 year and all subsequent taxable years. The
9 preceding sentence shall not apply if the
10 taxpayer has made a revocation under such
11 sentence for any prior taxable year.

12 “(iii) FILING STATUS CHANGES DUE
13 TO MAJOR LIFE EVENTS.—In the case of
14 any major life event described in clause
15 (iv), a taxpayer may make an election
16 under paragraph (1) or revoke such an
17 election under clause (ii). Any such election
18 or revocation shall apply for the taxable
19 year for which made and all subsequent
20 taxable years until the taxpayer makes an
21 election under the preceding sentence for
22 any subsequent (and all succeeding) tax-
23 able year.

24 “(iv) MAJOR LIFE EVENT.—For pur-
25 poses of clause (iii), a major life event de-

1 scribed in this clause is marriage, divorce,
2 and death.

3 “(b) TAX IMPOSED.—

4 “(1) MARRIED INDIVIDUALS AND SURVIVING
5 SPOUSES.—In the case of a taxpayer for whom an
6 election under subsection (a) is in effect and who is
7 a married individual (as defined in section 7703)
8 who makes a single return jointly with his spouse
9 under section 6013 or a surviving spouse (as defined
10 in section 2(a)), there is hereby imposed on the al-
11 ternative taxable income of such individual a tax de-
12 termined in accordance with the following table:

“If taxable income is:	The tax is:
Not over \$100,000	10% of alternative taxable income.
Over \$100,000	\$10,000, plus 25% of the excess over \$100,000.

13 “(2) UNMARRIED INDIVIDUALS (OTHER THAN
14 SURVIVING SPOUSES).—In the case of a taxpayer for
15 whom an election under subsection (a) is in effect
16 and who is not described in paragraph (1), there is
17 hereby imposed on the alternative taxable income of
18 such individual a tax determined in accordance with
19 the following table:

“If taxable income is:	The tax is:
Not over \$50,000	10% of alternative taxable income.
Over \$50,000	\$5,000, plus 25% of the excess over \$50,000.

20 “(c) ALTERNATIVE TAXABLE INCOME.—For pur-
21 poses of this section—

1 “(1) IN GENERAL.—The term ‘alternative tax-
2 able income’ means—

3 “(A) gross income,

4 “(B) the amount excluded from income
5 under section 139C for capital gains, dividends,
6 and interest, minus

7 “(C) the sum of—

8 “(i) the personal exemption,

9 “(ii) the dependent allowance, plus

10 “(iii) the alternative standard deduc-
11 tion.

12 “(2) PERSONAL EXEMPTION.—The personal ex-
13 emption is—

14 “(A) 200 percent of the dollar amount in
15 effect under subparagraph (B) in the case of—

16 “(i) a joint return, or

17 “(ii) a surviving spouse (as defined in
18 section 2(a)), and

19 “(B) \$3,500 in the case of an individual—

20 “(i) who is not married and is not a
21 surviving spouse, or

22 “(ii) who is a married individual filing
23 a separate return.

1 “(3) DEPENDENT ALLOWANCE.—The depend-
2 ent allowance is \$3,500 for each dependent (as de-
3 fined in section 152).

4 “(4) ALTERNATIVE STANDARD DEDUCTION.—
5 The alternative standard deduction means—

6 “(A) \$25,000 in the case of—

7 “(i) a joint return, or

8 “(ii) a surviving spouse (as defined in
9 section 2(a)), and

10 “(B) \$12,500 in the case of an indi-
11 vidual—

12 “(i) who is not married and is not a
13 surviving spouse, or

14 “(ii) who is a married individual filing
15 a separate return.

16 “(d) INFLATION ADJUSTMENTS.—

17 “(1) IN GENERAL.—In the case of any taxable
18 year beginning in a calendar year after 2008, each
19 of the dollar amounts for the rate brackets in sub-
20 section (b) and each of the dollar amounts in sub-
21 section (d)(2)(B), (d)(3), and (d)(4) shall be in-
22 creased by an amount equal to—

23 “(A) such dollar amount, multiplied by

24 “(B) the cost-of-living adjustment deter-
25 mined under section 1(f)(3) for the calendar

1 year in which the taxable year begins, by sub-
2 stituting ‘calendar year 2007’ for ‘calendar year
3 1992’ in subparagraph (B) thereof.

4 “(2) ROUNDING.—If any amount as adjusted
5 under clause (i) is not a multiple of \$100, such
6 amount shall be rounded to the nearest multiple of
7 \$100.”.

8 (b) CONFORMING AMENDMENT.—The table of sec-
9 tions for part I of subchapter A of chapter 1 of such Code
10 is amended by striking the item relating to section 5 and
11 inserting after the item relating to section 4 the following:

“Sec. 5. Simplified income tax System.

“Sec. 6. Cross references relating to tax on individuals.”.

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to taxable years beginning after
14 December 31, 2008.

15 **SEC. 504. EXCLUSION FOR CAPITAL GAINS, DIVIDENDS,**
16 **AND INTEREST.**

17 (a) IN GENERAL.—Part III of subchapter B of chap-
18 ter 1 of the Internal Revenue Code of 1986 (relating to
19 items specifically excluded from gross income) is amended
20 by inserting after section 139B the following new section:

21 **“SEC. 139C. CAPITAL GAINS, DIVIDENDS, AND INTEREST.**

22 “(a) EXCLUSION.—Gross income does not include
23 amounts received by an individual as net capital gains,
24 qualified dividends, and interest.

1 “(b) QUALIFIED DIVIDENDS.—For purposes of this
2 section—

3 “(1) IN GENERAL.—The term ‘qualified divi-
4 dends’ means dividends received during the taxable
5 year from—

6 “(A) domestic corporations, and

7 “(B) qualified foreign corporations.

8 “(2) QUALIFIED FOREIGN CORPORATIONS.—

9 “(A) IN GENERAL.—Except as otherwise
10 provided in this paragraph, the term ‘qualified
11 foreign corporation’ means any foreign corpora-
12 tion if—

13 “(i) such corporation is incorporated
14 in a possession of the United States, or

15 “(ii) such corporation is eligible for
16 benefits of a comprehensive income tax
17 treaty with the United States which the
18 Secretary determines is satisfactory for
19 purposes of this paragraph and which in-
20 cludes an exchange of information pro-
21 gram.

22 “(B) DIVIDENDS ON STOCK READILY
23 TRADABLE ON UNITED STATES SECURITIES
24 MARKET.—A foreign corporation not otherwise
25 treated as a qualified foreign corporation under

1 subparagraph (A) shall be so treated with re-
2 spect to any dividend paid by such corporation
3 if the stock with respect to which such dividend
4 is paid is readily tradable on an established se-
5 curities market in the United States.

6 “(C) EXCLUSION OF DIVIDENDS OF CER-
7 TAIN FOREIGN CORPORATIONS.— Such term
8 shall not include any foreign corporation which
9 for the taxable year of the corporation in which
10 the dividend was paid, or the preceding taxable
11 year, is a passive foreign investment company
12 (as defined in section 1297).

13 “(3) SPECIAL RULE.—If a taxpayer to whom
14 this section applies receives, with respect to any
15 share of stock, qualified dividend income from 1 or
16 more dividends which are extraordinary dividends
17 (within the meaning of section 1059(c)), any loss on
18 the sale or exchange of such share shall, to the ex-
19 tent of such dividends, be treated as long-term cap-
20 ital loss.

21 “(c) INTEREST.—For purposes of this section, the
22 term ‘interest’ means—

23 “(1) interest on deposits with a bank (as de-
24 fined in section 581),

1 “(2) amounts (whether or not designated as in-
2 terest) paid, in respect to deposits, investment cer-
3 tificates, or withdrawable or repurchasable shares,
4 by—

5 “(A) a mutual savings bank, cooperative
6 bank, domestic building and loan association,
7 industrial loan association or bank, or credit
8 union, or

9 “(B) any other savings or thrift institu-
10 tion, which is chartered and supervised under
11 Federal or State law,

12 the deposits or accounts in which are insured under
13 Federal or State law or which are protected and
14 guaranteed under State law,

15 “(3) interest on—

16 “(A) evidences of indebtedness (including
17 bonds, debentures, notes, and certificates)
18 issued by a domestic corporation in registered
19 form, and

20 “(B) to the extent provided in regulations
21 prescribed by the Secretary, other evidences of
22 indebtedness issued by a domestic corporation
23 of a type offered by corporations to the public,

24 “(4) interest on obligations of the United
25 States, a State, or a political subdivision of a State

1 (not excluded from gross income of the taxpayer
2 under any other provision of law), and

3 “(5) interest attributable to participation shares
4 in a trust established and maintained by a corpora-
5 tion established pursuant to Federal law.

6 “(d) CERTAIN NONRESIDENT ALIENS INELIGIBLE
7 FOR EXCLUSION.—In the case of a nonresident alien indi-
8 vidual, subsection (a) shall apply only—

9 “(1) in determining the tax imposed for the
10 taxable year pursuant to section 871(b)(1) and only
11 in respect to dividends and interest which are effec-
12 tively connected with the conduct of a trade or busi-
13 ness within the United States, or

14 “(2) in determining the tax imposed for the
15 taxable year pursuant to section 877(b).”.

16 (b) CONFORMING AMENDMENT.—Section 1 of such
17 Code is amended by striking subsection (h).

18 (c) CLERICAL AMENDMENT.—The table of sections
19 for such part III is amended by inserting after the item
20 relating to section 139B the following new item:

“Sec. 139C. Capital gains, dividends, and interest.”.

21 (d) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to taxable years beginning after
23 December 31, 2008.

1 **SEC. 505. REPEAL OF ESTATE AND GIFT TAXES.**

2 (a) IN GENERAL.—Subtitle B of the Internal Rev-
3 enue Code of 1986 is hereby repealed.

4 (b) EFFECTIVE DATE.—The repeal made by sub-
5 section (a) shall apply to the estates of decedents dying,
6 and gifts made, and generation-skipping transfers after
7 December 31, 2008.

8 **TITLE VI—BUSINESS**
9 **CONSUMPTION TAX**

10 **SEC. 601. SHORT TITLE.**

11 This title may be cited as the “Competitive American
12 Business Tax”.

13 **SEC. 602. REPEAL OF CORPORATE INCOME TAX; NEW TAX**
14 **PAID BY CORPORATIONS AND OTHER BUSI-**
15 **NESSES.**

16 (a) IN GENERAL.—Subtitle A of the Internal Rev-
17 enue Code of 1986 is amended by inserting after chapter
18 6 the following new chapter:

19 **“CHAPTER 7—BUSINESS CONSUMPTION**
20 **TAX**

“SUBCHAPTER A. IMPOSITION OF TAX.

“SUBCHAPTER B. BASIC RULES FOR BUSINESS CONSUMPTION TAX.

“SUBCHAPTER C. CAPITAL CONTRIBUTIONS, MERGERS, ACQUISITIONS, AND
DISTRIBUTIONS.

“SUBCHAPTER D. ACCOUNTING METHOD RULES.

“SUBCHAPTER E. LAND AND RENTAL PROPERTY.

“SUBCHAPTER F. INSURANCE AND FINANCIAL PRODUCTS.