

Congressman David Dreier
H.R. 1500, the Investment Tax Simplification Act
Section-by-Section

H.R. 1500, the Investment Tax Simplification Act of 2005, makes permanent and simplifies the maximum capital gains tax rates to 15% for individuals and corporations. The bill also eliminates the capital gains tax for individuals in the 10% and 15% tax brackets.

Section 1. Short Title

The Investment Tax Simplification Act of 2005

Section 2. Permanent Reduction in Capital Gains Rates for Individuals

(a) Repeal of Sunset of Reduction in Capital Gains Rates

- Makes permanent the maximum 15% capital gains tax rate for individuals by repealing the sunset provisions of the 2003 Jobs and Growth Act.

(b) Further Reduction in and Simplification of Capital Gains Rates

- Establishes 15% as the maximum tax rate on capital gains.
- Eliminates the 15% capital gains tax rate for individuals in the 10% and 15% tax brackets.
- Simplifies the tax treatment of capital gains by reducing the capital gains tax rate on:
 - Qualified Small Business Stock (section 1202) to 15% from 28% (effective rate of 7.5%);
 - Depreciation Recapture (section 1250) to 15% from 25%; and
 - Collectibles to 15% from 28%.
- Applies changes to the Alternative Minimum Tax.

(c) Reduced Capital Gains Rate for Corporations

- Reduces the maximum rate on capital gains for corporations to 15% from 35%.
- Applies changes to the Alternative Minimum Tax.

(d) Effective Date

- The provisions of this bill shall apply to taxable years ending after the date of enactment.