

The Fair and Simple Tax Act of 2011

Sponsored by Representative David Dreier

Section-By-Section Summary

Purpose: To amend the Internal Revenue Code of 1986 to reduce taxes by providing an alternative determination of income tax liability for individuals, repealing the estate and gift taxes, reducing corporate income tax rates, reducing the maximum tax for individuals on capital gains to 10 percent, indexing the basis of assets for the purposes of determining capital gain or loss, creating tax-free accounts for retirement savings, lifetime savings and life skills, repealing the adjusted gross income threshold in the medical care deduction for individuals under age 65 who have no other health coverage and for other purposes

Sec. 1. Short Title

Sec. 2. Maximum income tax liability for individuals

- Implements a new tax-filing form and simplifies tax liability for individuals according to the following criteria:
 - 10% of income up to \$40,000
 - 15% of income for income over \$40,000 and up to \$150,000
 - 30% of income over \$150,000

Sec. 3. Estate and Gift Taxes

- Fully repeals the estate and gift taxes

Sec. 4. Alternative Minimum Tax

- Brings fairness to Alternative Minimum Tax (AMT) by indexing both individual and corporate AMT to inflation

Sec. 5. Corporate Income Tax

- Reduces the tax rate on entrepreneurs to 25%

Sec. 6. Individual Capital Gains Rate

- Reduces individual capital gains tax rate to 10%

Sec. 7. Indexing of Capital Gains

- FAST Act promotes tax fairness and long-term investing goals by indexing for inflation the cost basis used in calculating the capital gains tax

Sec. 8. Retirement Savings Accounts

- Promotes saving by creating a new, tax-free savings account that will encourage retirement savings and eliminates the double-taxation on American's savings
- Individuals will be allowed to make up to \$5,000 of tax-free contributions per year

Sec. 9. Lifetime savings accounts

- Creates new tax-free savings account from which individuals may draw funds at any time
- Individuals will be allowed to make up to \$5,000 of tax-free contributions per year

Sec. 10. Lifetime skills accounts

- Creates new tax-free savings accounts to enable workers to save for training and education
- Individuals will be allowed to make up to \$1,000 of tax-free contributions per year

Sec. 11. Expanded deduction for medical care expenses

- The FAST Act provides a new health care deduction for all individuals under the age of 65 who do not have employer healthcare coverage.
- The deduction would be \$7,500 for individuals and \$15,000 for families. Additionally, the FAST Act allows families to allocate unspent money from healthcare deduction into a Health Savings Account to be used for out-of-pocket health expenses.

Sec. 12. Permanent extension of the Research and Development Tax Credit

- The FAST Act provides for a permanent extension of the Research and Development Tax Credit

Sec. 13. Permanent Extension of 2001 and 2003 tax relief measures

- The FAST Act provides for a permanent extension of the Economic Growth and Tax Relief Reconciliation Act of 2001 and the Jobs and Growth Tax Relief Reconciliation Act of 2003.