

117TH CONGRESS  
2D SESSION

# H. R. 9680

To amend the Internal Revenue Code to establish a flat tax, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

DECEMBER 22, 2022

Mr. GOHMERT 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 to establish a flat tax, and for other purposes.

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. INDIVIDUAL INCOME TAX.**

4 (a) IN GENERAL.—Section 1 of the Internal Revenue  
5 Code of 1986 is amended to read as follows:

6 **“SEC. 1. TAX IMPOSED.**

7 “There is hereby imposed on the taxable income of  
8 every individual a tax equal to 15 percent of the taxable  
9 income of such individual for such taxable year.”.

1 (b) TAXABLE INCOME.—Section 63 of such Code is  
2 amended to read as follows:

3 **“SEC. 63. TAXABLE INCOME.**

4 “(a) IN GENERAL.—For purposes of this subtitle, the  
5 term ‘taxable income’ means the excess of—

6 “(1) the sum of—

7 “(A) wages (as defined in section 3121(a)  
8 without regard to paragraph (1) thereof) which  
9 are paid in cash and which are received during  
10 the taxable year for services performed in the  
11 United States,

12 “(B) retirement distributions which are in-  
13 cludible in gross income for such taxable year,  
14 plus

15 “(C) amounts received under any law of  
16 the United States or of any State which is in  
17 the nature of unemployment compensation, over

18 “(2) the standard deduction.

19 “(b) STANDARD DEDUCTION.—

20 “(1) IN GENERAL.—For purposes of this sub-  
21 title, the term ‘standard deduction’ means the sum  
22 of—

23 “(A) the basic standard deduction, plus

24 “(B) the additional standard deduction.

1           “(2) BASIC STANDARD DEDUCTION.—For pur-  
2           poses of paragraph (1), the basic standard deduction  
3           is—

4                   “(A) \$25,000 in the case of—

5                           “(i) a joint return, or

6                           “(ii) a surviving spouse (as defined in  
7                   section 2(a)),

8                   “(B) \$18,000 in the case of a head of  
9           household (as defined in section 2(b)), and

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

12                           “(i) who is not married and who is  
13                   not a surviving spouse or head of house-  
14                   hold, or

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

17           “(3) ADDITIONAL STANDARD DEDUCTION.—For  
18           purposes of paragraph (1), the additional standard  
19           deduction is \$5,000 for each dependent (as defined  
20           in section 152) who is described in section 151(c)  
21           for the taxable year and who is not required to file  
22           a return for such taxable year.

23           “(c) RETIREMENT DISTRIBUTIONS.—For purposes of  
24           subsection (a), the term ‘retirement distribution’ means  
25           any distribution from—

1           “(1) a plan described in section 401(a) which  
2 includes a trust exempt from tax under section  
3 501(a),

4           “(2) an annuity plan described in section  
5 403(a),

6           “(3) an annuity contract described in section  
7 403(b),

8           “(4) an individual retirement account described  
9 in section 408(a),

10           “(5) an individual retirement annuity described  
11 in section 408(b),

12           “(6) an eligible deferred compensation plan (as  
13 defined in section 457),

14           “(7) a governmental plan (as defined in section  
15 414(d)), or

16           “(8) a trust described in section 501(c)(18).

17 Such term includes any plan, contract, account, annuity,  
18 or trust which, at any time, has been determined by the  
19 Secretary to be such a plan, contract, account, annuity,  
20 or trust.

21           “(d) INCOME OF CERTAIN CHILDREN.—For purposes  
22 of this subtitle—

23           “(1) an individual’s taxable income shall include  
24 the taxable income of each dependent child of such

1 individual who has not attained age 14 as of the  
2 close of such taxable year, and

3 “(2) such dependent child shall have no liability  
4 for tax imposed by section 1 with respect to such in-  
5 come and shall not be required to file a return for  
6 such taxable year.

7 “(e) INFLATION ADJUSTMENT.—

8 “(1) IN GENERAL.—In the case of any taxable  
9 year beginning in a calendar year after 2023, each  
10 dollar amount contained in subsection (b) shall be  
11 increased by an amount determined by the Secretary  
12 to be equal to—

13 “(A) such dollar amount, multiplied by

14 “(B) the cost-of-living adjustment for such  
15 calendar year.

16 “(2) COST-OF-LIVING ADJUSTMENT.—For pur-  
17 poses of paragraph (1), the cost-of-living adjustment  
18 for any calendar year is the percentage (if any) by  
19 which—

20 “(A) the CPI for the preceding calendar  
21 year, exceeds

22 “(B) the CPI for the calendar year 2022.

23 “(3) CPI FOR ANY CALENDAR YEAR.—For pur-  
24 poses of paragraph (2), the CPI for any calendar  
25 year is the average of the Consumer Price Index as

1 of the close of the 12-month period ending on Au-  
2 gust 31 of such calendar year.

3 “(4) CONSUMER PRICE INDEX.—For purposes  
4 of paragraph (3), the term ‘Consumer Price Index’  
5 means the last Consumer Price Index for all-urban  
6 consumers published by the Department of Labor.  
7 For purposes of the preceding sentence, the revision  
8 of the Consumer Price Index which is most con-  
9 sistent with the Consumer Price Index for calendar  
10 year 1986 shall be used.

11 “(5) ROUNDING.—If any increase determined  
12 under paragraph (1) is not a multiple of \$10, such  
13 increase shall be rounded to the next highest mul-  
14 tiple of \$10.

15 “(f) MARITAL STATUS.—For purposes of this section,  
16 marital status shall be determined under section 7703.”.

17 (c) EFFECTIVE DATE.—The amendments made by  
18 this section shall apply to taxable years beginning after  
19 December 31, 2022.

20 **SEC. 2. TAX ON BUSINESS ACTIVITIES.**

21 (a) IN GENERAL.—Section 11 of the Internal Rev-  
22 enue Code of 1986 (relating to tax imposed on corpora-  
23 tions) is amended to read as follows:

1 **“SEC. 11. TAX IMPOSED ON BUSINESS ACTIVITIES.**

2       “(a) TAX IMPOSED.—There is hereby imposed on  
3 every person engaged in a business activity a tax equal  
4 to 15 percent of the business taxable income of such per-  
5 son.

6       “(b) LIABILITY FOR TAX.—The tax imposed by this  
7 section shall be paid by the person engaged in the business  
8 activity, whether such person is an individual, partnership,  
9 corporation, or otherwise.

10       “(c) BUSINESS TAXABLE INCOME.—For purposes of  
11 this section—

12               “(1) IN GENERAL.—The term ‘business taxable  
13 income’ means gross active income reduced by the  
14 deductions specified in subsection (d).

15               “(2) GROSS ACTIVE INCOME.—

16                       “(A) IN GENERAL.—For purposes of para-  
17 graph (1), the term ‘gross active income’ means  
18 gross receipts from—

19                               “(i) the sale or exchange of property  
20 or services in the United States by any  
21 person in connection with a business activ-  
22 ity, and

23                               “(ii) the export of property or services  
24 from the United States in connection with  
25 a business activity.

1           “(B) EXCHANGES.—For purposes of this  
2 section, the amount treated as gross receipts  
3 from the exchange of property or services is the  
4 fair market value of the property or services re-  
5 ceived, plus any money received.

6           “(C) COORDINATION WITH SPECIAL RULES  
7 FOR FINANCIAL SERVICES, ETC.—Except as  
8 provided in subsection (e)—

9                   “(i) the term ‘property’ does not in-  
10 clude money or any financial instrument,  
11 and

12                   “(ii) the term ‘services’ does not in-  
13 clude financial services.

14           “(3) EXEMPTION FROM TAX FOR ACTIVITIES OF  
15 GOVERNMENTAL ENTITIES AND TAX-EXEMPT ORGA-  
16 NIZATIONS.—For purposes of this section, the term  
17 ‘business activity’ does not include any activity of a  
18 governmental entity or of any other organization  
19 which is exempt from tax under this chapter.

20           “(d) DEDUCTIONS.—

21                   “(1) IN GENERAL.—The deductions specified in  
22 this subsection are—

23                           “(A) the cost of business inputs for the  
24 business activity,



1           “(B) wages (as defined in section 3121(a)  
2 without regard to paragraph (1) thereof) which  
3 are paid in cash for services performed in the  
4 United States as an employee, and

5           “(C) retirement contributions to or under  
6 any plan or arrangement which makes retire-  
7 ment distributions (as defined in section 63(e))  
8 for the benefit of such employees to the extent  
9 such contributions are allowed as a deduction  
10 under section 404.

11       “(2) BUSINESS INPUTS.—

12           “(A) IN GENERAL.—For purposes of para-  
13 graph (1), the term ‘cost of business inputs’  
14 means—

15           “(i) the amount paid for property sold  
16 or used in connection with a business ac-  
17 tivity,

18           “(ii) the amount paid for services  
19 (other than for the services of employees,  
20 including fringe benefits paid by reason of  
21 such services) in connection with a busi-  
22 ness activity, and

23           “(iii) any excise tax, sales tax, cus-  
24 toms duty, or other separately stated levy  
25 imposed by a Federal, State, or local gov-

1           ernment on the purchase of property or  
2           services which are for use in connection  
3           with a business activity.

4           Such term shall not include any tax imposed by  
5           chapter 2 or 21.

6           “(B) EXCEPTIONS.—Such term shall not  
7           include—

8                   “(i) items described in subparagraphs  
9                   (B) and (C) of paragraph (1), and

10                   “(ii) items for personal use not in  
11                   connection with any business activity.

12           “(C) EXCHANGES.—For purposes of this  
13           section, the amount treated as paid in connec-  
14           tion with the exchange of property or services  
15           is the fair market value of the property or serv-  
16           ices exchanged, plus any money paid.

17           “(e) SPECIAL RULES FOR FINANCIAL INTERMEDI-  
18           ATION SERVICE ACTIVITIES.—In the case of the business  
19           activity of providing financial intermediation services, the  
20           taxable income from such activity shall be equal to the  
21           value of the intermediation services provided in such activ-  
22           ity.

23           “(f) EXCEPTION FOR SERVICES PERFORMED AS EM-  
24           PLOYEE.—For purposes of this section, the term ‘business

1 activity' does not include the performance of services by  
2 an employee for the employee's employer.

3       “(g) CARRYOVER OF CREDIT-EQUIVALENT OF EX-  
4 CESS DEDUCTIONS.—

5           “(1) IN GENERAL.—If the aggregate deductions  
6 for any taxable year exceed the gross active income  
7 for such taxable year, the credit-equivalent of such  
8 excess shall be allowed as a credit against the tax  
9 imposed by this section for the following taxable  
10 year.

11           “(2) CREDIT-EQUIVALENT OF EXCESS DEDUC-  
12 TIONS.—For purposes of paragraph (1), the credit-  
13 equivalent of the excess described in paragraph (1)  
14 for any taxable year is an amount equal to—

15           “(A) the sum of—

16                   “(i) such excess, plus

17                   “(ii) the product of such excess and  
18 the 3-month Treasury rate for the last  
19 month of such taxable year, multiplied by

20           “(B) the rate of the tax imposed by sub-  
21 section (a) for such taxable year.

22           “(3) CARRYOVER OF UNUSED CREDIT.—If the  
23 credit allowable for any taxable year by reason of  
24 this subsection exceeds the tax imposed by this sec-

1       tion for such year, then (in lieu of treating such ex-  
2       cess as an overpayment) the sum of—

3               “(A) such excess, plus

4               “(B) the product of such excess and the 3-  
5       month Treasury rate for the last month of such  
6       taxable year, shall be allowed as a credit  
7       against the tax imposed by this section for the  
8       following taxable year.

9               “(4) 3-MONTH TREASURY RATE.—For purposes  
10      of this subsection, the 3-month Treasury rate is the  
11      rate determined by the Secretary based on the aver-  
12      age market yield (during any 1-month period se-  
13      lected by the Secretary and ending in the calendar  
14      month in which the determination is made) on out-  
15      standing marketable obligations of the United States  
16      with remaining periods to maturity of 3 months or  
17      less.”.

18      (b) TAX ON TAX-EXEMPT ENTITIES PROVIDING  
19      NONCASH COMPENSATION TO EMPLOYEES.—Section  
20      4977 of such Code is amended to read as follows:

21      **“SEC. 4977. TAX ON NONCASH COMPENSATION PROVIDED**  
22                               **TO EMPLOYEES NOT ENGAGED IN BUSINESS**  
23                               **ACTIVITY.**

24               “(a) IMPOSITION OF TAX.—There is hereby imposed  
25      a tax equal to 15 percent of the value of excludable com-

1 pension provided during the calendar year by an em-  
2 ployer for the benefit of employees to whom this section  
3 applies.

4 “(b) LIABILITY FOR TAX.—The tax imposed by this  
5 section shall be paid by the employer.

6 “(c) EXCLUDABLE COMPENSATION.—For purposes  
7 of subsection (a), the term ‘excludable compensation’  
8 means any remuneration for services performed as an em-  
9 ployee other than—

10 “(1) wages (as defined in section 3121(a) with-  
11 out regard to paragraph (1) thereof) which are paid  
12 in cash,

13 “(2) remuneration for services performed out-  
14 side the United States, and

15 “(3) retirement contributions to or under any  
16 plan or arrangement which makes retirement dis-  
17 tributions (as defined in section 63(e)).

18 “(d) EMPLOYEES TO WHOM SECTION APPLIES.—  
19 This section shall apply to an employee who is employed  
20 in any activity by—

21 “(1) any organization which is exempt from  
22 taxation under this chapter, or

23 “(2) any agency or instrumentality of the  
24 United States, any State or political subdivision of  
25 a State, or the District of Columbia.”.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2022.

4 **SEC. 3. REPEAL OF ALTERNATIVE MINIMUM TAX.**

5 (a) IN GENERAL.—Part VI of subchapter A of chap-  
6 ter 1 of the Internal Revenue Code of 1986 is hereby re-  
7 pealed.

8 (b) EFFECTIVE DATE.—The amendments made by  
9 this section shall apply to taxable years beginning after  
10 December 31, 2022.

11 **SEC. 4. REPEAL OF CREDITS.**

12 (a) IN GENERAL.—Part IV of subchapter A of chap-  
13 ter 1 of the Internal Revenue Code of 1986 is hereby re-  
14 pealed.

15 (b) EFFECTIVE DATE.—The amendments made by  
16 this section shall apply to taxable years beginning after  
17 December 31, 2022.

18 **SEC. 5. REPEAL OF ESTATE AND GIFT TAXES AND OBSO-**

19 **LETE INCOME TAX PROVISIONS.**

20 (a) REPEAL OF ESTATE AND GIFT TAXES.—

21 (1) IN GENERAL.—Subtitle B of the Internal  
22 Revenue Code of 1986 is hereby repealed.

23 (2) EFFECTIVE DATE.—The repeal made by  
24 paragraph (1) shall apply to the estates of decedents

1 dying, and gifts and generation-skipping transfers  
2 made, after December 31, 2022.

3 (b) REPEAL OF OBSOLETE INCOME TAX PROVI-  
4 SIONS.—

5 (1) IN GENERAL.—Except as provided in para-  
6 graph (2), chapter 1 of the Internal Revenue Code  
7 of 1986 is hereby repealed.

8 (2) EXCEPTIONS.—Paragraph (1) shall not  
9 apply to—

10 (A) sections 1, 11, and 63 of such Code,  
11 as amended by this Act,

12 (B) those provisions of chapter 1 of such  
13 Code which are necessary for determining  
14 whether or not—

15 (i) retirement distributions are includ-  
16 ible in the gross income of employees, or

17 (ii) an organization is exempt from  
18 tax under such chapter,

19 (C) subchapter D of such chapter 1 (relat-  
20 ing to deferred compensation),

21 (D) section 170 of such Code, and

22 (E) section 965 of such Code.

23 (c) EFFECTIVE DATE.—The amendments made by  
24 this section shall apply to taxable years beginning after  
25 December 31, 2022.

1 **SEC. 6. TREATMENT OF DEFERRED FOREIGN INCOME**  
2 **UPON TRANSITION TO PARTICIPATION EX-**  
3 **EMPTION SYSTEM OF TAXATION.**

4 (a) **IN GENERAL.**—Section 965(o) of the Internal  
5 Revenue Code of 1986 is amended by striking “and” at  
6 the end of paragraph (1), by striking the period at the  
7 end of paragraph (2) and inserting “, and”, and by adding  
8 at the end the following:

9 “(3) regulations or other guidance to establish  
10 that this section shall apply not less often than an-  
11 nually.”.

12 (b) **EFFECTIVE DATE.**—The amendment made by  
13 this section shall apply to taxable years beginning after  
14 December 31, 2022.

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