

117TH CONGRESS
2D SESSION

S. 4393

To amend the Internal Revenue Code of 1986 to modify the maximum capital gains tax rate, to modify the tax on net investment income, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 14, 2022

Mr. GRASSLEY (for himself, Mr. BARRASSO, Mr. DAINES, Mr. LANKFORD, Mr. YOUNG, and Mr. CASSIDY) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to modify the maximum capital gains tax rate, to modify the tax on net investment income, 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. SHORT TITLE.**

4 This Act may be cited as the “Middle-Class Savings
5 and Investment Act”.

6 **SEC. 2. MODIFICATION OF CAPITAL GAIN RATES.**

7 (a) EXPANSION OF ZERO PERCENT RATE.—

8 (1) IN GENERAL.—Section 1(h)(1)(B)(i) of the
9 Internal Revenue Code of 1986 is amended by strik-

1 ing “which would (without regard to this paragraph)
2 be taxed at a rate below 25 percent” and inserting
3 “below the maximum zero rate amount”.

4 (2) MAXIMUM ZERO RATE AMOUNT.—Section
5 1(h) of the Internal Revenue Code of 1986 is
6 amended by adding at the end the following new
7 paragraph:

8 “(12) MAXIMUM ZERO RATE AMOUNT.—

9 “(A) IN GENERAL.—The maximum zero
10 rate amount shall be—

11 “(i) in the case of a joint return or
12 surviving spouse, \$165,000,

13 “(ii) in the case of any other indi-
14 vidual (other than an estate or trust), an
15 amount equal to $\frac{1}{2}$ of the amount in effect
16 for the taxable year under clause (i), and

17 “(iii) in the case of an estate or trust,
18 \$2,600.

19 “(B) INFLATION ADJUSTMENT.—In the
20 case of any taxable year beginning after 2021,
21 each of the dollar amounts in subparagraph (A)
22 shall be increased by an amount equal to—

23 “(i) such dollar amount, multiplied by

24 “(ii) the cost-of-living adjustment de-
25 termined under subsection (f)(3) for the

1 calendar year in which the taxable year be-
2 gins, determined by substituting ‘calendar
3 year 2017’ for ‘calendar year 2016’ in sub-
4 paragraph (A)(ii) thereof.

5 If any increase under this subparagraph is not
6 a multiple of \$50, such increase shall be round-
7 ed to the next lowest multiple of \$50.”.

8 (3) CONFORMING AMENDMENTS.—Paragraph
9 (5) of section 1(j) of such Code is amended—

10 (A) in subparagraph (A), by striking “shall
11 be applied” and all that follows through “by
12 substituting ‘below the maximum 15-percent
13 rate amount’” and inserting “shall be applied
14 by substituting ‘below the maximum 15-percent
15 rate amount’”,

16 (B) in subparagraph (B)—

17 (i) by striking all that preceding
18 clause (ii),

19 (ii) by redesignating clause (ii) as
20 subparagraph (B),

21 (iii) by redesignating subclauses (I)
22 through (IV) of subparagraph (B) (as so
23 redesignated) as clauses (i) through (iv),
24 respectively, and

1 (iv) by moving subparagraph (B) and
2 each of clauses (i) through (iv) (as so re-
3 designated) 2 ems to the left, and
4 (C) in subparagraph (C), by striking
5 “clauses (i) and (ii) of”.

6 (b) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to taxable years beginning after
8 December 31, 2021.

9 **SEC. 3. PARTIAL EXCLUSION OF CERTAIN INTEREST RE-**
10 **CEIVED BY INDIVIDUALS.**

11 (a) IN GENERAL.—Part III of subchapter B of chap-
12 ter 1 of the Internal Revenue Code of 1986 (relating to
13 amounts specifically excluded from gross income) is
14 amended by inserting after section 115 the following new
15 section:

16 **“SEC. 116. PARTIAL EXCLUSION OF CERTAIN INTEREST RE-**
17 **CEIVED BY INDIVIDUALS.**

18 “(a) EXCLUSION FROM GROSS INCOME.—Gross in-
19 come does not include the sum of the amounts received
20 during the taxable year by an individual as qualified inter-
21 est.

22 “(b) LIMITATIONS.—The aggregate amount excluded
23 under subsection (a) for any taxable year shall not exceed
24 \$300 (\$600 in the case of a joint return).

1 “(c) QUALIFIED INTEREST.—For purposes of this
2 section—

3 “(1) IN GENERAL.—The term ‘qualified inter-
4 est’ means any interest other than interest excluded
5 from gross income under any other provision of this
6 chapter.

7 “(2) SPECIAL RULES FOR DIVIDENDS RECEIVED
8 FROM CERTAIN MONEY MARKET MUTUAL FUNDS.—

9 “(A) IN GENERAL.—The term ‘qualified
10 interest’ shall include qualified interest-related
11 dividends.

12 “(i) IN GENERAL.—Except as pro-
13 vided in clause (ii), a qualified interest-re-
14 lated dividend is any dividend or part
15 thereof (other than a capital gain dividend
16 or exempt interest dividend)—

17 “(I) paid by a regulated invest-
18 ment company regulated as a money
19 market fund under section 270.2a-7
20 of title 17, Code of Federal Regula-
21 tions, and

22 “(II) reported by the company as
23 a qualified interest-related dividend in
24 written statements furnished to its
25 shareholders.

1 “(ii) EXCESS REPORTED AMOUNTS.—

2 If the aggregate reported amount with re-
3 spect to the company for any taxable year
4 exceeds the applicable qualified interest of
5 the company for such taxable year, a quali-
6 fied interest-related dividend is the excess
7 of—

8 “(I) the reported qualified inter-
9 est-related dividend amount, over

10 “(II) the excess reported amount
11 which is allocable to such reported
12 qualified interest-related dividend
13 amount.

14 “(iii) ALLOCATION OF EXCESS RE-
15 PORTED AMOUNT.—

16 “(I) IN GENERAL.—Except as
17 provided in subclause (II), the excess
18 reported amount (if any) which is al-
19 locable to the reported qualified inter-
20 est-related dividend amount is that
21 portion of the excess reported amount
22 which bears the same ratio to the ex-
23 cess reported amount as the reported
24 qualified interest-related dividend

1 amount bears to the aggregate re-
2 ported amount.

3 “(II) SPECIAL RULE FOR NON-
4 CALENDAR YEAR TAXPAYERS.—In the
5 case of any taxable year which does
6 not begin and end in the same cal-
7 endar year, if the post-December re-
8 ported amount equals or exceeds the
9 excess reported amount for such tax-
10 able year, subclause (I) shall be ap-
11 plied by substituting ‘post-December
12 reported amount’ for ‘aggregate re-
13 ported amount’ and no excess re-
14 ported amount shall be allocated to
15 any dividend paid on or before De-
16 cember 31 of such taxable year.

17 “(iv) DEFINITIONS.—For purposes of
18 this subparagraph—

19 “(I) REPORTED QUALIFIED IN-
20 TEREST-RELATED DIVIDEND
21 AMOUNT.—The term ‘reported quali-
22 fied interest-related dividend amount’
23 means the amount reported to its
24 shareholders under clause (i) as a
25 qualified interest-related dividend.

1 “(II) EXCESS REPORTED
2 AMOUNT.—The term ‘excess reported
3 amount’ means the excess of the ag-
4 gregate reported amount over the ap-
5 plicable qualified interest of the com-
6 pany for the taxable year.

7 “(III) AGGREGATE REPORTED
8 AMOUNT.—The term ‘aggregate re-
9 ported amount’ means the aggregate
10 amount of dividends reported by the
11 company under clause (i) as qualified
12 interest-related dividends for the tax-
13 able year (including qualified interest-
14 related dividends paid after the close
15 of the taxable year described in sec-
16 tion 855).

17 “(IV) POST-DECEMBER RE-
18 PORTED AMOUNT.—The term ‘post-
19 December reported amount’ means
20 the aggregate reported amount deter-
21 mined by taking into account only
22 dividends paid after December 31 of
23 the taxable year.

24 “(V) APPLICABLE QUALIFIED IN-
25 TEREST.—The term ‘applicable quali-

1 fied interest’ means interest described
2 in paragraph (1).

3 “(d) NONRESIDENT ALIENS INELIGIBLE FOR EX-
4 CLUSION.—Subsection (a) shall not apply to any non-
5 resident alien individual.

6 “(e) REGULATIONS.—The Secretary may prescribe
7 such regulations as are appropriate (including regulations
8 requiring reporting) to apply this section in the case of
9 interest received—

10 “(1) from partnerships and S corporations, and

11 “(2) from a trade or business of the taxpayer.”.

12 (b) CONFORMING AMENDMENTS.—

13 (1) The table of sections for part III of sub-
14 chapter B of chapter 1 of such Code is amended by
15 inserting after the item relating to section 115 the
16 following new item:

“Sec. 116. Partial exclusion of certain interest received by individuals.”.

17 (2) Paragraph (2) of section 265(a) of such
18 Code is amended by inserting before the period at
19 the end the following: “, or to purchase or carry ob-
20 ligations or shares, or to make deposits, to the ex-
21 tent the interest thereon is excludable from gross in-
22 come under section 116”.

23 (3) Subsection (e) of section 584 of such Code
24 is amended by adding at the end the following: “The
25 proportionate share of each participant in the

1 amount of qualified interest (as defined in section
2 116) received by the common trust fund shall be
3 considered for purposes of such section as having
4 been received by such participant.”.

5 (4) Subsection (a) of section 643 of such Code
6 is amended by redesignating paragraph (7) as para-
7 graph (8) and by inserting after paragraph (6) the
8 following new paragraph:

9 “(7) QUALIFIED INTEREST.—There shall be in-
10 cluded the amount of any qualified interest (as de-
11 fined in section 116) excluded from gross income
12 pursuant to section 116 (reduced by amounts which
13 would be deductible in respect of disbursements allo-
14 cable to such income but for the provisions of sec-
15 tion 265).”.

16 (c) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to taxable years beginning after
18 December 31, 2021.

19 **SEC. 4. MODIFICATION OF THRESHOLD AMOUNT UNDER**
20 **NET INVESTMENT INCOME TAX.**

21 (a) IN GENERAL.—Section 1411(b) of the Internal
22 Revenue Code of 1986 is amended to read as follows:

23 “(b) THRESHOLD AMOUNT.—For purposes of this
24 chapter—

1 “(1) IN GENERAL.—The term ‘threshold
2 amount’ means—

3 “(A) in the case of a taxpayer making a
4 joint return under section 6013 or a surviving
5 spouse (as defined in section 2(a)), \$400,000,
6 and

7 “(B) in any other case, $\frac{1}{2}$ of the dollar
8 amount determined under paragraph (1).

9 “(2) INFLATION ADJUSTMENT.—In the case of
10 any taxable year beginning in a calendar year after
11 2022, the dollar amount in paragraph (1)(A) shall
12 be increased by an amount equal to—

13 “(A) such dollar amount, multiplied by

14 “(B) the cost-of-living adjustment deter-
15 mined under section 1(f)(3) for the calendar
16 year in which the taxable year begins, deter-
17 mined by substituting ‘calendar year 2021’ for
18 ‘calendar year 2016’ in subparagraph (A)(ii)
19 thereof.

20 Any increase determined under the preceding sen-
21 tence shall be rounded to the nearest multiple of
22 \$1,000.”.

23 (b) EFFECTIVE DATE.—The amendment made by
24 this section shall apply to taxable years beginning after
25 December 31, 2021.

1 **SEC. 5. ENHANCEMENT OF SAVER'S CREDIT.**

2 (a) **MAXIMUM CONTRIBUTION AMOUNT.**—Section
3 25B(a) of the Internal Revenue Code of 1986 is amended
4 by striking “\$2,000” and inserting “\$2,500”.

5 (b) **MODIFICATION OF CREDIT RATE.**—

6 (1) **50 PERCENT CREDIT RATE.**—Section
7 25B(a) of the Internal Revenue Code of 1986 is
8 amended by striking “the applicable percentage”
9 and inserting “50 percent”.

10 (2) **ADJUSTED GROSS INCOME PHASEOUTS.**—

11 Section 25B(b) of such Code is amended to read as
12 follows:

13 “(b) **LIMITATION.**—For purposes of this section—

14 “(1) **IN GENERAL.**—The amount of credit al-
15 lowable under subsection (a) (determined without re-
16 gard to this subsection) shall be reduced (but not
17 below zero) by an amount which bears the same
18 ratio to the credit otherwise so allowable as—

19 “(A) the excess (if any) of—

20 “(i) adjusted gross income of the tax-
21 payer, over

22 “(ii) the threshold amount, bears to

23 “(B) the phaseout amount.

24 “(2) **THRESHOLD AMOUNT.**—The term ‘thresh-
25 old amount’ means—

1 “(A) in the case of a joint return or a sur-
2 viving spouse (as defined in section 2(a)),
3 \$45,000,

4 “(B) in the case of a head of household, 75
5 percent of the amount in effect for the taxable
6 year under subparagraph (A), and

7 “(C) in the case of any other individual, 50
8 percent of the amount in effect for the taxable
9 year under subparagraph (A).

10 “(3) PHASEOUT AMOUNT.—The term ‘phaseout
11 amount’ means—

12 “(A) in the case of a joint return or a sur-
13 viving spouse (as defined in 2(a)), \$40,000,

14 “(B) in the case of a head of household (as
15 defined in section 2(b)), 75 percent of the
16 amount in effect for the taxable year under sub-
17 paragraph (A), and

18 “(C) in the case of any other individual, 50
19 percent of the amount in effect for the taxable
20 year under subparagraph (A).

21 “(4) INFLATION ADJUSTMENT.—

22 “(A) IN GENERAL.—In the case of any
23 taxable year beginning in a calendar year after
24 2022, the \$45,000 dollar amount in paragraph

1 (2) and the \$40,000 in paragraph (3) shall
2 each be increased by an amount equal to—

3 “(i) such dollar amount, multiplied by

4 “(ii) the cost-of-living adjustment de-
5 termined under section 1(f)(3) for the cal-
6 endar year in which the taxable year be-
7 gins, determined by substituting ‘calendar
8 year 2021’ for ‘calendar year 2016’ in sub-
9 paragraph (A)(ii) thereof.

10 “(B) ROUNDING.—Any increase deter-
11 mined under subparagraph (A) that is not a
12 multiple of \$500 shall be rounded to the near-
13 est multiple of \$500.”.

14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to taxable years beginning after
16 December 31, 2021.

17 **SEC. 6. EXTENSION OF LIMITATION ON DEDUCTION FOR**
18 **STATE AND LOCAL TAXES.**

19 (a) IN GENERAL.—Section 164(b)(6) of the Internal
20 Revenue Code of 1986 is amended—

21 (1) by striking “January 1, 2026” and insert-
22 ing “January 1, 2029”, and

23 (2) by striking “2025” in the heading thereof
24 and inserting “2028”.

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

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