

AMENDMENT TO H.R. 8800
OFFERED BY MR. SMITH OF WASHINGTON

At the appropriate place in title XVII, insert the following:

1 **SEC. 17 ____ . REVENUE PROVISIONS.**

2 (a) INCREASE IN CORPORATE INCOME TAX RATE.—

3 (1) IN GENERAL.—Section 11(b) of the Internal
4 Revenue Code of 1986 is amended by striking “21
5 percent” and inserting “28 percent”.

6 (2) EFFECTIVE DATE.—The amendment made
7 by this subsection shall apply to taxable years begin-
8 ning after December 31, 2026.

9 (b) MODIFICATION OF TOP MARGINAL INCOME TAX
10 RATES FOR INDIVIDUALS.—

11 (1) MARRIED INDIVIDUALS FILING JOIN RE-
12 TURNS AND SURVIVING SPOUSES.—The table con-
13 tained in section 1(j)(2)(A) of such Code is amended
14 by—

15 (A) by striking “37%” in the last row and
16 inserting “39.6%”,

17 (B) by striking “\$600,000” each place it
18 appears in the last two rows and inserting
19 “\$550,000”, and

1 (C) by striking “\$161,379” in the last row
2 and inserting “the tax determined under the
3 preceding rows”.

4 (2) HEADS OF HOUSEHOLDS.—The table con-
5 tained in section 1(j)(2)(B) of such Code is amended
6 by—

7 (A) by striking “37%” in the last row and
8 inserting “39.6%”,

9 (B) by striking “\$500,000” each place it
10 appears in the last two rows and inserting
11 “\$400,000”, and

12 (C) by striking “\$149,298” in the last row
13 and inserting “the tax determined under the
14 preceding rows”.

15 (3) UNMARRIED INDIVIDUALS OTHER THAN
16 SURVIVING SPOUSES AND HEADS OF HOUSE-
17 HOLDS.—The table contained in section 1(j)(2)(C)
18 of such Code is amended by—

19 (A) by striking “37%” in the last row and
20 inserting “39.6%”,

21 (B) by striking “\$500,000” each place it
22 appears in the last two rows and inserting
23 “\$400,000”, and

1 (C) by striking “\$150,689.50” in the last
2 row and inserting “the tax determined under
3 the preceding rows”.

4 (4) MARRIED INDIVIDUALS FILING SEPARATE
5 RETURNS.—The table contained in section
6 1(j)(2)(D) of such Code is amended by—

7 (A) by striking “37%” in the last row and
8 inserting “39.6%”,

9 (B) by striking “\$300,000” each place it
10 appears in the last two rows and inserting
11 “\$275,000”, and

12 (C) by striking “\$80,689.50” in the last
13 row and inserting “the tax determined under
14 the preceding rows”.

15 (5) ESTATES AND TRUSTS.—The table con-
16 tained in section 1(j)(2)(E) of such Code is amended
17 by striking “37%” in the last row and inserting
18 “39.6%”.

19 (6) INFLATION ADJUSTMENTS.—Section
20 1(j)(3)(B) of such Code is amended by striking
21 “and” at the end of clause (ii), by striking the pe-
22 riod at the end of clause (iii) and inserting “, and”,
23 and by adding at the end the following new clause:

24 “(iv) notwithstanding clause (i), in the
25 case of the dollar amounts at which the 35

1 percent rate bracket ends and at which the
2 39.6 percent rate bracket begins—

3 “(I) such dollar amounts shall
4 apply without adjustment for taxable
5 years beginning after December 31,
6 2026, and before January 1, 2028,
7 and

8 “(II) in the case of taxable years
9 beginning after December 31, 2027,
10 clause (i) shall be applied to such dol-
11 lar amounts by substituting ‘calendar
12 year 2026’ for ‘calendar year 2017’.”.

13 (7) EFFECTIVE DATE.—The amendments made
14 by this subsection shall apply to taxable years begin-
15 ning after December 31, 2026.

16 (c) APPLICATION OF NET INVESTMENT INCOME TAX
17 TO TRADE OR BUSINESS INCOME OF CERTAIN HIGH IN-
18 COME INDIVIDUALS.—

19 (1) IN GENERAL.—Section 1411 of such Code
20 is amended by adding at the end the following new
21 subsection:

22 “(f) APPLICATION TO CERTAIN HIGH INCOME INDI-
23 VIDUALS.—

24 “(1) IN GENERAL.—In the case of any indi-
25 vidual whose modified adjusted gross income for the

1 taxable year exceeds the high income threshold
2 amount, subsection (a)(1) shall be applied by sub-
3 stituting ‘the greater of specified net income or net
4 investment income’ for ‘net investment income’ in
5 subparagraph (A) thereof.

6 “(2) PHASE-IN OF INCREASE.—The increase in
7 the tax imposed under subsection (a)(1) by reason of
8 the application of paragraph (1) of this subsection
9 shall not exceed the amount which bears the same
10 ratio to the amount of such increase (determined
11 without regard to this paragraph) as—

12 “(A) the excess described in paragraph (1),
13 bears to

14 “(B) \$100,000 ($\frac{1}{2}$ such amount in the
15 case of a married taxpayer (as defined in sec-
16 tion 7703) filing a separate return).

17 “(3) HIGH INCOME THRESHOLD AMOUNT.—For
18 purposes of this subsection, the term ‘high income
19 threshold amount’ means—

20 “(A) except as provided in subparagraph
21 (B) or (C), \$400,000,

22 “(B) in the case of a taxpayer making a
23 joint return under section 6013 or a surviving
24 spouse (as defined in section 2(a)), \$500,000,
25 and

1 “(C) in the case of a married taxpayer (as
2 defined in section 7703) filing a separate re-
3 turn, $\frac{1}{2}$ of the dollar amount determined under
4 subparagraph (B).

5 “(4) SPECIFIED NET INCOME.—For purposes of
6 this section, the term ‘specified net income’ means
7 net investment income determined—

8 “(A) without regard to the phrase ‘other
9 than such income which is derived in the ordi-
10 nary course of a trade or business not described
11 in paragraph (2),’ in subsection (c)(1)(A)(i),

12 “(B) without regard to the phrase ‘de-
13 scribed in paragraph (2)’ in subsection
14 (c)(1)(A)(ii),

15 “(C) without regard to the phrase ‘other
16 than property held in a trade or business not
17 described in paragraph (2)’ in subsection
18 (c)(1)(A)(iii),

19 “(D) without regard to paragraphs (2),
20 (3), and (4) of subsection (c), and

21 “(E) by treating paragraphs (5) and (6) of
22 section 469(e) as applying for purposes of sub-
23 section (c) of this section.”.

24 (2) APPLICATION TO TRUSTS AND ESTATES.—
25 Section 1411(a)(2)(A) of such Code is amended by

1 striking “undistributed net investment income” and
2 inserting “the greater of undistributed specified net
3 income or undistributed net investment income”.

4 (3) CLARIFICATIONS WITH RESPECT TO DETER-
5 MINATION OF NET INVESTMENT INCOME.—

6 (A) WAGES SUBJECT TO FICA NOT TAKEN
7 INTO ACCOUNT.—Section 1411(c)(6) of such
8 Code is amended by inserting “or wages re-
9 ceived with respect to employment on which a
10 tax is imposed under section 3101(b)” before
11 the period at the end.

12 (B) NET OPERATING LOSSES NOT TAKEN
13 INTO ACCOUNT.—Section 1411(c)(1)(B) of such
14 Code is amended by inserting “(other than sec-
15 tion 172)” after “this subtitle”.

16 (C) INCLUSION OF CERTAIN FOREIGN IN-
17 COME.—

18 (i) IN GENERAL.—Section
19 1411(c)(1)(A) of such Code is amended by
20 striking “and” at the end of clause (ii), by
21 striking “over” at the end of clause (iii)
22 and inserting “and”, and by adding at the
23 end the following new clause:

1 “(iv) any amount includible in gross
2 income under section 951, 951A, 1293, or
3 1296, over”.

4 (ii) PROPER TREATMENT OF CERTAIN
5 PREVIOUSLY TAXED INCOME.—Section
6 1411(c) of such Code is amended by add-
7 ing at the end the following new para-
8 graph:

9 “(7) CERTAIN PREVIOUSLY TAXED INCOME.—
10 The Secretary shall issue regulations or other guid-
11 ance providing for the treatment of distributions of
12 amounts previously included in gross income for pur-
13 poses of chapter 1 but not previously subject to tax
14 under this section.”.

15 (4) EFFECTIVE DATE.—The amendments made
16 by this subsection shall apply to taxable years begin-
17 ning after December 31, 2026.

18 (5) TRANSITION RULE.—The regulations or
19 other guidance issued by the Secretary under section
20 1411(c)(7) of the Internal Revenue Code of 1986
21 (as added by this section) shall include provisions
22 which provide for the proper coordination and appli-
23 cation of clauses (i) and (iv) of section
24 1411(c)(1)(A) with respect to—

1 (A) taxable years beginning on or before
2 December 31, 2026, and

3 (B) taxable years beginning after such
4 date.

5 (d) MODIFICATION OF ESTATE AND GIFT TAX EX-
6 EMPTION.—

7 (1) IN GENERAL.—Section 2010(c)(3) of such
8 Code is amended to read as follows:

9 “(3) BASIC EXCLUSION AMOUNT.—For pur-
10 poses of this subsection, the basic exclusion amount
11 is \$5,000,000.”

12 (2) EFFECTIVE DATE.—The amendment made
13 by this subsection shall apply to estates of decedents
14 dying and gifts made after December 31, 2026.

15 (e) INCREASE IN GENERAL CAPITAL GAINS RATE.—

16 (1) IN GENERAL.—Section 1(h)(1)(E) of such
17 Code is amended by striking “20 percent” and in-
18 serting “25 percent”.

19 (2) EFFECTIVE DATE.—The amendment made
20 by this subsection shall apply to taxable years begin-
21 ning after December 31, 2026.

22 (f) SURCHARGE ON HIGH INCOME INDIVIDUALS, ES-
23 TATES, AND TRUSTS.—

1 “(1) NONRESIDENT ALIEN.—In the case of a
2 nonresident alien individual, only amounts taken
3 into account in connection with the tax imposed
4 under section 871(b) shall be taken into account
5 under this section.

6 “(2) CITIZENS AND RESIDENTS LIVING
7 ABROAD.—The dollar amount applicable to any tax-
8 payer under paragraph (1), (2), or (3) of subsection
9 (a) (as the case may be) shall be decreased (but not
10 below zero) by the excess (if any) of—

11 “(A) the amounts excluded from the tax-
12 payer’s gross income under section 911, over

13 “(B) the amounts of any deductions or ex-
14 clusions disallowed under section 911(d)(6)
15 with respect to the amounts described in sub-
16 paragraph (A).

17 “(3) CHARITABLE TRUSTS.—Subsection (a)
18 shall not apply to a trust all the unexpired interests
19 in which are devoted to one or more of the purposes
20 described in section 170(c)(2)(B).

21 “(4) NOT TREATED AS TAX IMPOSED BY THIS
22 CHAPTER FOR CERTAIN PURPOSES.—The tax im-
23 posed under this section shall not be treated as tax
24 imposed by this chapter for purposes of determining

1 the amount of any credit under this chapter or for
2 purposes of section 55.”.

3 (2) CLERICAL AMENDMENT.—The table of sec-
4 tions for part I of subchapter A of chapter 1 of such
5 Code is amended by inserting after the item relating
6 to section 1 the following new item:

“Sec. 1A. Surcharge on high income individuals.”.

7 (3) EFFECTIVE DATE.—The amendments made
8 by this subsection shall apply to taxable years begin-
9 ning after December 31, 2026.

