117th Congress 1st Session

H. R. ___

To amend the Internal Revenue Code of 1986 to provide for the indexing of certain assets for purposes of determining gain or loss of eligible individuals.

IN THE HOUSE OF REPRESENTATIVES

Mr. Emmer introduced the following bill; which was referred to the Committee on ________

A BILL

To amend the Internal Revenue Code of 1986 to provide for the indexing of certain assets for purposes of determining gain or loss of eligible individuals.

1 Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

3 SECTION 1. SHORT TITLE.

4 This Act may be cited as the "Retirement Inflation Protection Act of 2021".
SEC. 2. INDEXING OF CERTAIN ASSETS FOR PURPOSES OF
DETERMINING GAIN OR LOSS OF ELIGIBLE
INDIVIDUALS.
(a) In General.—Part II of subchapter O of chap-
ter 1 of the Internal Revenue Code of 1986 is amended
by inserting after section 1017 the following new section:
"SEC. 1018. INDEXING OF CERTAIN ASSETS FOR PURPOSES
OF DETERMINING GAIN OR LOSS OF ELIGI-
BLE INDIVIDUALS.
"(a) In General.—
"(1) Indexed basis substituted for ad-
justed basis.—Solely for purposes of determining
gain or loss on the sale or other disposition by an
eligible individual of an indexed asset which has
been held by such individual for more than 3 years,
the indexed basis of the asset shall be substituted
for its adjusted basis.
"(2) Exception for Depreciation, etc.—
The deductions for depreciation, depletion, and am-
ortization shall be determined without regard to the
application of paragraph (1) to the taxpayer or any
other person.
"(3) Written Documentation Require-
ment.—Paragraph (1) shall apply only with respect
to indexed assets for which the taxpayer has written
documentation of the original purchase price paid or
incurred by the taxpayer to acquire such asset.

"(b) ELIGIBLE INDIVIDUAL.—For purposes of this
section, the term ‘eligible individual’ means, with respect
to any indexed asset, any individual if such individual has
attained age 59½ as of the date of the sale or other dis-
position of such asset.

"(c) INDEXED ASSET.—

"(1) IN GENERAL.—For purposes of this sec-
tion, the term ‘indexed asset’ means—

"(A) common stock in a C corporation
(other than a foreign corporation), or

"(B) tangible property,

which is a capital asset or property used in the trade
or business (as defined in section 1231(b)).

"(2) STOCK IN CERTAIN FOREIGN CORPO-
RATIONS INCLUDED.—For purposes of this section—

"(A) IN GENERAL.—The term ‘indexed
asset’ includes common stock in a foreign cor-
poration which is regularly traded on an estab-
lished securities market.

"(B) EXCEPTION.—Subparagraph (A)
shall not apply to—

"(i) stock of a foreign investment
company,
“(ii) stock in a passive foreign investment company (as defined in section 1296),

“(iii) stock in a foreign corporation held by a United States person who meets the requirements of section 1248(a)(2), and

“(iv) stock in a foreign personal holding company.

“(C) TREATMENT OF AMERICAN DEPOSITORY RECEIPTS.—An American depository receipt for common stock in a foreign corporation shall be treated as common stock in such corporation.

“(d) INDEXED BASIS.—For purposes of this section—

“(1) IN GENERAL.—The indexed basis for any asset is—

“(A) the adjusted basis of the asset, increased by

“(B) the applicable inflation adjustment.

“(2) APPLICABLE INFLATION ADJUSTMENT.—The applicable inflation adjustment for any asset is an amount equal to—
"(A) the adjusted basis of the asset, multiplied by

"(B) the percentage (if any) by which—

"(i) C-CPI-U for the last calendar month ending before the asset is disposed of, exceeds

"(ii) C-CPI-U for the last calendar month ending before the asset was acquired by the taxpayer.

The percentage under subparagraph (B) shall be rounded to the nearest 1/10 of 1 percentage point.

"(3) C-CPI-U.—

"(A) In general.—The term 'C-CPI-U' means the Chained Consumer Price Index for All Urban Consumers (as published by the Bureau of Labor Statistics of the Department of Labor). The values of the Chained Consumer Price Index for All Urban Consumers taken into account for purposes of determining the cost-of-living adjustment for any calendar month under this subsection shall be the latest values so published as of the date on which such Bureau publishes the initial value of the Chained Consumer Price Index for All Urban
Consumers for the month which precedes such calendar month by 4 months.

"(B) DETERMINATION FOR CALENDAR MONTH.—The C-CPI-U for any calendar month is the average of the C-CPI-U as of the close of the 12-month period ending with the month which precedes such calendar month by 4 months.

"(e) SUSPENSION OF HOLDING PERIOD WHERE DIMINISHED RISK OF LOSS; TREATMENT OF SHORT SALES.—

"(1) IN GENERAL.—If the taxpayer (or a related person) enters into any transaction which substantially reduces the risk of loss from holding any asset, such asset shall not be treated as an indexed asset for the period of such reduced risk.

"(2) SHORT SALES.—

"(A) IN GENERAL.—In the case of a short sale of an indexed asset with a short sale period in excess of 3 years, for purposes of this title, the amount realized shall be an amount equal to the amount realized (determined without regard to this paragraph) increased by the applicable inflation adjustment. In applying subsection (d)(2) for purposes of the preceding
sentence, the date on which the property is sold short shall be treated as the date of acquisition and the closing date for the sale shall be treated as the date of disposition.

"(B) short sale period.—For purposes of subparagraph (A), the short sale period begins on the day that the property is sold and ends on the closing date for the sale.

"(f) Dispositions Between Related Persons.—

"(1) in general.—This section shall not apply to any sale or other disposition of property between related persons except to the extent that the basis of such property in the hands of the transferee is a substituted basis.

"(2) Related Persons Defined.—For purposes of this section, the term ‘related persons’ means—

"(A) persons bearing a relationship set forth in section 267(b), and

"(B) persons treated as single employer under subsection (b) or (c) of section 414.

"(g) Transfers To Increase Indexing Adjustment.—If any person transfers cash, debt, or any other property to another person and the principal purpose of such transfer is to secure or increase an adjustment under
subsection (a), the Secretary may disallow part or all of
such adjustment or increase.

"(h) SPECIAL RULES.—For purposes of this sec-
tion—

"(1) TREATMENT OF IMPROVEMENTS, ETC.—If
there is an addition to the adjusted basis of any tan-
gible property or of any stock in a corporation dur-
ing the taxable year by reason of an improvement to
such property or a contribution to capital of such
corporation—

"(A) such addition shall never be taken
into account under subsection (d)(1)(A) if the
aggregate amount thereof during the taxable
year with respect to such property or stock is
less than $1,000, and

"(B) such addition shall be treated as a
separate asset acquired at the close of such tax-
able year if the aggregate amount thereof dur-
ing the taxable year with respect to such prop-
erty or stock is $1,000 or more.

A rule similar to the rule of the preceding sentence
shall apply to any other portion of an asset to the
extent that separate treatment of such portion is ap-
propriate to carry out the purposes of this section.
“(2) Assets which are not indexed assets throughout holding period.—The applicable inflation adjustment shall be appropriately reduced for periods during which the asset was not an indexed asset.

“(3) Treatment of certain distributions.—A distribution with respect to stock in a corporation which is not a dividend shall be treated as a disposition.

“(4) Section cannot increase ordinary loss.—To the extent that (but for this paragraph) this section would create or increase a net ordinary loss to which section 1231(a)(2) applies or an ordinary loss to which any other provision of this title applies, such provision shall not apply. The taxpayer shall be treated as having a long-term capital loss in an amount equal to the amount of the ordinary loss to which the preceding sentence applies.

“(5) Acquisition date where there has been prior application of subsection (a)(1) with respect to the taxpayer.—If there has been a prior application of subsection (a)(1) to an asset while such asset was held by the taxpayer, the date of acquisition of such asset by the taxpayer
shall be treated as not earlier than the date of the
most recent such prior application.

“(i) REGULATIONS.—The Secretary shall prescribe
such regulations as may be necessary or appropriate to
carry out the purposes of this section.”.

(b) CLERICAL AMENDMENT.—The table of sections
for part II of subchapter O of chapter 1 of such Code
is amended by inserting after the item relating to section
1017 the following new item:

“Sec. 1018. Indexing of certain assets for purposes of determining gain or loss
of eligible individuals.”.

(c) EFFECTIVE DATE.—The amendments made by
this section shall apply to sales or other dispositions after
the date of the enactment of this Act, in taxable years
ending after such date.