The Capital Gains Tax Elimination Act

Summary

Capital gains taxes, the tax on profits from investments, are detrimental to capital investment and economic growth. High capital gains taxes have devastated industries such as banking, housing, and real estate. The result has been reduced employment opportunities for all Americans - particularly the poor. Many economists believe that greater economic activity spurred by lower capital gains taxes will generate enough state tax revenues to pay for the revenue loss caused by the tax cut.

This Act repeals all state taxation on capital gains of corporations and individuals.

Model Legislation

{Title, enacting clause, etc.}

Section 1. This Act may be cited as the Capital Gains Tax Elimination Act.

Section 2. {Definitions.} For the purposes of this Act, the term "State revenue and tax code" means that portion of the state code that delineates state policy and procedures for the collection of taxes and other sources of state income.

Section 3. {Statement of purpose.} The legislature of the state hereby finds that excessive capital gains taxation causes economic disincentives to investment and harm to key segments of the economy including banking and real estate. The legislature further finds that it must do everything in its power to maximize its competitive position vis-à-vis other states. Given these findings, the legislature hereby repeals all state taxation on capital gains of corporations and individuals.

Section 4. {Amendment to state revenue and tax code.}

(A) Section [cite appropriate number] of the state revenue and tax Code is amended to read: "The definition of personal income for purposes of the personal income tax shall not include any income derived from a capital gain."

(B) Section [cite appropriate number] of the state revenue and tax Code is amended to read: "The definition of corporate income for purposes of the corporation income tax shall not include any income derived from a capital gain."

Section 5. The personal and corporate income tax forms shall be amended so the taxable income of an individual or corporation shall not include any income derived from capital gains as delineated on their federal income tax form. The definition of personal and corporate income on the state form shall be changed so as to now subtract the line
item in the federal tax form that lists income from capital gains.

Section 6. {Severability clause.}

Section 7. {Repealer clause.}  Were your laws repealed?

Section 8. {Effective date.}

**ALEC's 1995 Sourcebook of American State Legislation**

**Center for Media and Democracy's quick summary:**

Ending capital gains taxes protects wealthy investors while denying revenue to the states. In the 2011, the Wisconsin Legislature rolled back taxes on capital gains. The South Carolina State Legislature is also considering legislation under this name during the 2011 legislative session.