To amend the Internal Revenue Code of 1986 to establish a wealth tax, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Ms. Lee of California introduced the following bill; which was referred to the Committee on __________________________

A BILL

To amend the Internal Revenue Code of 1986 to establish a wealth tax, and for other purposes.

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

SECTION 1. SHORT TITLE.

This Act may be cited as the “Oligarch Act of 2023”.

SEC. 1. IMPOSITION OF WEALTH TAX.

(a) IN GENERAL.—The Internal Revenue Code of 1986 is amended by inserting after subtitle B the following new subtitle:
"Subtitle B–1—Wealth Tax

CHAPTER 18—DETERMINATION OF WEALTH TAX

Sec. 2901. Imposition of tax.
Sec. 2902. Net value of taxable assets.
Sec. 2903. Special rules.
Sec. 2904. Information reporting.
Sec. 2905. Enforcement.

SEC. 2901. IMPOSITION OF TAX.

(a) IN GENERAL.—In the case of any applicable taxpayer, a tax is hereby imposed on the net value of all taxable assets of the taxpayer on the last day of any calendar year.

(b) COMPUTATION OF TAX.—

(1) INDIVIDUALS.—In the case of an individual, the tax imposed by this section shall be equal to the sum of—

(A) 2 percent of so much of the net value of all taxable assets of the taxpayer as exceed the threshold amount but do not exceed the product of 10 multiplied by threshold amount,

(B) 4 percent of so much of the net value of all taxable assets of the taxpayer as exceed the product of 10 multiplied by the threshold amount but do not exceed the product of 100 multiplied by the threshold amount,
“(C) 6 percent of so much of the net value of all taxable assets of the taxpayer as exceed the product of 100 multiplied by the threshold amount but do not exceed the product of 1,000 multiplied by the threshold amount, plus

“(D) 8 percent of so much of the net value of all taxable assets of the taxpayer as exceed the product of 1,000 multiplied by the threshold amount.

“(2) TRUSTS.—In the case of a trust, the tax imposed by this section shall be equal to 8 percent of so much of the net value of all taxable assets of the taxpayer as exceed the threshold amount.

“(c) APPLICABLE TAXPAYER.—

“(1) IN GENERAL.—The term ‘applicable taxpayer’ means any individual or any trust (other than a trust described in section 401(a) and exempt from tax under section 501(a)).

“(2) TREATMENT OF MARRIED INDIVIDUALS.— For purposes of this section, individuals who are married (as defined in section 7703) shall be treated as one applicable taxpayer.
“(d) Threshold Amount.—For purposes of this section, the term ‘threshold amount’ means the amount that is the product of 1000 multiplied by the greater of—
“(1) $50,000, or
“(2) the applicable median household wealth.
“(e) Applicable Median Household Wealth.—
The Secretary shall annually determine the median household wealth with respect to the United States for purposes of this section.
“(f) Application to Trusts.—
“(1) Attribution of Assets in Trust.—In determining the assets of a taxpayer for purposes of subsection (a):
“(A) Grantor Trust.—In the case of a grantor trust, the grantor shall be treated as holding all the assets of the trust.
“(B) Beneficiary Trust.—In the case of a beneficiary trust, each beneficiary of the trust shall be treated as holding a fraction of the assets of the trust in proportion to such beneficiary’s interest in such trust.
“(2) Property of Trusts.—Any asset treated as held by a grantor or beneficiary under paragraph (1) shall not be treated as held by the trust for purposes of this section.
“(3) Trusts relating to common beneficiaries.—Trusts benefitting substantially the same beneficiaries shall be treated as a single applicable taxpayer for purposes of this section.

“(4) Definitions.—For purposes of this section:

“(A) Grantor trust.—The term ‘grantor trust’ means a trust in which a taxpayer is treated as owning an asset of the trust under subpart E of part I of subchapter J of chapter 1.

“(B) Beneficiary trust.—The term ‘beneficiary trust’ means any trust that is not a grantor trust.

“(g) Regulations.—The Secretary shall issue such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this section, including—

“(1) regulations establishing a process by which a beneficiary may demonstrate the portion of such beneficiary’s interest in a trust, and

“(2) regulations for determining the appropriate attribution of assets in a trust for purposes of subsection (e)(1) in the case of a trust with multiple grantors.
SEC. 2902. NET VALUE OF TAXABLE ASSETS.

(a) In General.—For purposes of this subtitle, the term ‘net value of all taxable assets’ means, as of any date, the excess of—

“(1) the value of all property of the taxpayer (other than property excluded under subsection (b)), real or personal, tangible or intangible, wherever situated, over

“(2) any debts (including any debts secured by property excluded under subsection (b)) owed by the taxpayer.

(b) Exclusion for Certain Assets Under $50,000.—Property of the taxpayer shall not be taken into account under subsection (a) if such property—

“(1) has a value of $50,000 or less (determined without regard to any debt owed by the taxpayer with respect to such property),

“(2) is tangible personal property, and

“(3) is not property—

“(A) which is used in a trade or business of the taxpayer,

“(B) in connection with which a deduction is allowable under section 212, or

“(C) which is a collectible as defined in section 408(m), a boat, an aircraft, a mobile home, a trailer, a vehicle, or an antique or other
asset that maintains or increases its value over
time (within the meaning of section 5.02(2) of
Revenue Procedure 2018–08).

“(c) Rules for Determining Property of the
Taxpayer.—For purposes of this subtitle:

“(1) Property Included in Estate.—Any
property that would be included in the estate of the
taxpayer if the taxpayer died shall be treated as
property of the taxpayer.

“(2) Inclusion of Certain Gifts.—Any
property transferred by the taxpayer after the date
of the enactment of this chapter, to an individual
who is a member of the family of the taxpayer (as
determined under section 267(e)(4)) and has not at-
tained the age of 18 shall be treated as property of
the taxpayer for any calendar year before the year
in which such individual attains the age of 18.

“(d) Establishment of Valuation Rules.—Not
later than 12 months after the date of the enactment of
this section, the Secretary shall establish rules and meth-
ods for determining the value of any asset for purposes
of this subtitle, including rules for the valuation of assets
that are not publicly traded or that do not have a readily
ascertainable value. Such rules and methods—
“(1) may utilize retrospective and prospective formulaic valuation methods not currently in use by the Secretary,

“(2) may require the use of formulaic valuation approaches for designated assets, including formulaic approaches based on proxies for determining presumptive valuations, formulaic approaches based on prospective adjustments from purchase prices or other prior events, or formulaic approaches based on retrospectively adding deferral charges based on eventual sale prices or other specified later events indicative of valuation, and

“(3) may address the use of valuation discounts.

“SEC. 2903. SPECIAL RULES.

“(a) DECEASED INDIVIDUALS.—

“(1) IN GENERAL.—In the case of any individual who dies during a calendar year and who is not married on the date of such individual’s death—

“(A) section 2901 shall be applied by substituting ‘the date of the applicable taxpayer’s death’ for ‘the last day of any calendar year’, and

“(B) the amount of the tax imposed under such section shall be reduced by an amount
which bears the same ratio to such amount (determined without regard to this subsection) as—

“(i) the number of days in the calendar year after the date of the individual’s death, bears to

“(ii) 365.

“(2) COORDINATION WITH ESTATE TAX.—For purposes of section 2053, the tax imposed by this section for the year of the decedent’s death shall be considered to have been imposed before such death.

“(b) APPLICATION TO NON-RESIDENTS.—In the case of any nonresident alien individual, this subtitle shall apply only to the property of such individual which is situated in the United States (determined under rules similar to the rules under subchapter B of chapter 11).

“(c) APPLICATION TO COVERED EXPATRIATES.—In the case of an individual who is a covered expatriate (as defined in section 877A), section 2901(a) shall be applied as if the calendar year ended on the day before the expatriation.

“SEC. 2904. INFORMATION REPORTING.

“(a) IN GENERAL.—Not later than 12 months after the date of the enactment of this section, the Secretary shall by regulation require the reporting of any informa-
tion concerning the net value of assets appropriate to enforce the tax imposed by this chapter.

“(b) METHOD OF REPORTING.—The Secretary shall, where appropriate, require the reporting made under subsection (a) to be made as a part of existing income reporting requirements (including requirements under chapter 4 (relating to taxes to enforce reporting on certain foreign accounts)).

“(c) RESPONSIBILITY FOR REPORTING.—The Secretary may impose reporting obligations by reference to the ownership, control, management, claim to income from, or other relationship to assets and liabilities for purposes of administering the tax imposed by this section and may impose such obligations on financial institutions, business entities, or other persons, including requiring business entities to provide estimates of the value of the entity itself.

“SEC. 2905. ENFORCEMENT.

“The Secretary shall annually audit not less than 30 percent of taxpayers required to pay the tax imposed under this chapter.”.

(b) NO DEDUCTION FROM INCOME TAXES.—Section 275 of such Code is amended by inserting after paragraph (6) the following new paragraph:

“(7) Taxes imposed by chapter 18.”.
(c) Extension of Time for Payment of Tax.—

(1) In General.—Section 6161(a) of such Code is amended by adding at the end the following new paragraph:

“(3) Wealth Tax.—

“(A) In General.—In the case of an applicable taxpayer described in subparagraph (B), the Secretary may extend the time for payment of the tax imposed under chapter 18 for a reasonable period not to exceed 5 years from the date fixed for the payment thereof.

“(B) Taxpayers Described.—An applicable taxpayer is described in this subparagraph if such the Secretary determines—

“(i) the applicable taxpayer has severe liquidity constraints, or

“(ii) immediate payment would cause undue hardship on an ongoing enterprise.

“(C) Applicable Taxpayer.—For purposes of this paragraph, the term ‘applicable taxpayer’ has the meaning given such term in section 2901.”.

(2) Rules.—Not later than 12 months after the date of the enactment of this Act, the Secretary of the Treasury (or the Secretary’s delegate) shall
establish rules for the application of the amendments made by paragraph (1).

(d) Application of Accuracy Related Penalties.—

(1) In general.—Section 6662(b) of such Code is amended by adding at the end the following new paragraph:

“(10) Any substantial wealth tax valuation understatement.”.

(2) Substantial wealth tax understatement.—Section 6662 of such Code is amended by adding at the end the following new subsection:

“(m) Application to Substantial Wealth Tax Valuation Understatement.—

“(1) Substantial wealth tax valuation understatement defined.—

“(A) In general.—For purposes of this section, there is a substantial wealth tax valuation understatement if the value of any property claimed on any return of tax imposed by subtitle B–1 is 65 percent or less of the amount determined to be the correct amount of such valuation.

“(B) Limitation.—No penalty shall be imposed by reason of subsection (b)(10) unless
the portion of the underpayment attributable to substantial wealth tax valuation understate-
ments for the calendar year exceeds $5,000.

“(2) INCREASED PENALTY.—

“(A) IN GENERAL.—In the case of any portion of an underpayment which is attrib-
uitable to one or more substantial wealth tax valuation understatement, subsection (a) shall be applied—

“(i) in the case of a substantial wealth tax valuation understatement which is a gross wealth tax valuation misstatement, by substituting ‘50 percent’ for ‘20 per-
cent’, and

“(ii) in any other case, by substituting ‘30 percent’ for ‘20 percent’.

“(B) GROSS WEALTH TAX VALUATION MISSTATEMENT.—For purposes of subpara-
graph (A), the term ‘gross wealth tax valuation misstatement’ means a substantial wealth tax valuation understatement, as determined under paragraph (1) by substituting ‘40 percent’ for ‘65 percent’.”.
(c) Exemption of Tax Exempt Entities.—Section 501(a) of such Code is amended by inserting “and subtitle B-1” after “this subtitle”.

(f) Clerical Amendment.—The table of subtitles of such Code is amended by inserting after the item relating to subtitle B the following new item:

“Subtitle B–1—Wealth Tax”.

(g) Effective Date.—The amendments made by this section shall apply to calendar years beginning after the date of the enactment of this Act.