

PROVIDING FOR CONSIDERATION OF H.R. 1836, ECONOMIC
GROWTH AND TAX RELIEF RECONCILIATION ACT OF 2001

MAY 15, 2001.—Referred to the House Calendar and ordered to be printed

Mr. REYNOLDS, from the Committee on Rules,
submitted the following

REPORT

[To accompany H. Res. 142]

The Committee on Rules, having had under consideration House Resolution 142, by a nonrecord vote, report the same to the House with the recommendation that the resolution be adopted.

SUMMARY OF PROVISIONS OF THE RESOLUTION

The resolution provides for consideration in the House of H.R. 1836, the Economic Growth and Tax Relief Reconciliation Act of 2001, under a modified closed rule. The rule provides one hour of debate equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means. The rule waives all points of order against consideration of the bill.

The rule provides for consideration of the amendment in the nature of a substitute printed in this report, if offered by Representative Rangel or his designee, which shall be considered as read and shall be separately debatable for one hour equally divided and controlled by the proponent and an opponent. The rule waives all points of order against the amendment in the nature of a substitute. The rule also provides one motion to recommit with or without instructions.

Finally, the rule provides that upon receipt of a message from the Senate transmitting H.R. 1836 with Senate amendments thereto, it shall be in order to consider in the House a motion offered by the chairman of the Committee on Ways and Means or his designee that the House disagree to the Senate amendments and request or agree to a conference with the Senate thereon.

AMENDMENT MADE IN ORDER

Rangel—Amendment in the Nature of a Substitute. Includes a one-time rebate, payable immediately after enactment, to all indi-

viduals who had income tax liability for taxable year 2000, up to a maximum of \$300 for single taxpayers (\$600 for married couples); individuals with children who have payroll tax liabilities but not income tax liabilities, would be entitled to a refund of a portion of their payroll taxes; the refund would be automatically paid by the IRS without any requirement for taxpayers to submit claims; for families with children, the rebate could not exceed the sum of net income tax liability and payroll tax liability for taxable year 2000. Also creates a new 12% rate bracket for the first \$20,000 of taxable income on a joint return (\$10,000 for single returns); adjusts the minimum tax so that all taxpayers with income tax liability receive the benefit of the rate reductions; eliminates the interaction of the minimum tax with certain refundable credits; also includes a provision that provides that the transfers to the Social Security and Medicare Trust Funds (based on the income taxation of Social Security benefits) will not be reduced by reasons of the rate reductions. Modifies the earned income tax credit by increasing the amount of earned income eligible for the credit by \$800; addresses the marriage penalty contained in the EITC by increasing by \$2,500 the income level at which the credit begins to phase out on a joint return; coordinates the EITC phase out rates with the rate reductions provided in the bill; dramatically simplifies the EITC by eliminating complicated income calculations and worksheets resulting in a credit that would require 3 or 4 lines on a return, all of which would be based on other information set forth in Form 1040. Creates a standard deduction for married couples twice the standard available to single individuals.

TEXT OF AMENDMENT MADE IN ORDER UNDER THE RULE

1. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE RANGEL OF NEW YORK, OR A DESIGNEE, DEBATABLE FOR 60 MINUTES

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

(a) **SHORT TITLE.**—This Act may be cited as the “Tax Reduction Act of 2001”.

(b) **AMENDMENT OF 1986 CODE.**—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) **SECTION 15 NOT TO APPLY.**—No amendment made by this Act shall be treated as a change in a rate of tax for purposes of section 15 of the Internal Revenue Code of 1986.

(d) **TABLE OF CONTENTS.**—

Sec. 1. Short title.

TITLE I—REFUND OF 2000 INDIVIDUAL INCOME TAXES

Sec. 101. Refund of 2000 individual income taxes.

TITLE II—INDIVIDUAL INCOME TAX RATE REDUCTIONS; EXPANSION OF EARNED INCOME CREDIT ASSISTANCE

Sec. 201. Individual income tax rate reductions.

Sec. 202. Modifications to earned income tax credit.

TITLE III—MARRIAGE PENALTY RELIEF

Sec. 301. Marriage penalty relief.

TITLE I—REFUND OF 2000 INDIVIDUAL INCOME TAXES

SEC. 101. REFUND OF 2000 INDIVIDUAL INCOME TAXES.

(a) IN GENERAL.—Subchapter B of chapter 65 (relating to rules of special application) is amended by adding at the end the following new section:

“SEC. 6428. REFUND OF 2000 INDIVIDUAL INCOME TAXES.

“(a) IN GENERAL.—Except as otherwise provided in this section, each individual shall be treated as having made a payment against the tax imposed by chapter 1 for such individual’s first taxable year beginning in 2000 in an amount equal to 100 percent of the amount of such individual’s net Federal tax liability for such taxable year.

“(b) MAXIMUM PAYMENT.—The amount treated as paid by reason of this section shall not exceed \$300 (\$600 in the case of a married couple filing a joint return).

“(c) NET FEDERAL TAX LIABILITY.—For purposes of this section—

“(1) IN GENERAL.—The term ‘net Federal tax liability’ means the amount equal to the excess (if any) of—

“(A) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

“(B) the sum of the credits allowable under part IV of subchapter A (other than the credits allowable subpart C thereof, relating to refundable credits).

“(2) FAMILIES WITH CHILDREN.—In the case of a taxpayer with 1 or more qualifying children (as defined in section 32) for the taxpayer’s first taxable year beginning in 2000, such taxpayer’s net Federal tax liability for such year shall be the amount determined under paragraph (1) increased by 7.65 percent of the taxpayer’s taxable earned income for such year. For purposes of the preceding sentence, the term ‘taxable earned income’ means earned income as defined in section 32 but only to the extent includible in gross income.

“(d) DATE PAYMENT DEEMED MADE.—The payment provided by this section shall be deemed made on the later of—

“(1) the date prescribed by law (determined without extensions) for filing the return of tax imposed by chapter 1 for the taxable year, or

“(2) the date on which the taxpayer files his return of tax imposed by chapter 1 for the taxable year.

“(e) CERTAIN PERSONS NOT ELIGIBLE.—This section shall not apply to—

“(1) any estate or trust, and

“(2) any nonresident alien individual.”.

(b) CLERICAL AMENDMENT.—The table of sections for subchapter B of chapter 65 is amended by adding at the end the following new item:

“Sec. 6428. Refund of 2000 individual income taxes.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning in 2000.

(d) PROTECTION OF SOCIAL SECURITY AND MEDICARE.—The amounts transferred to any trust fund under the Social Security Act shall be determined as if this Act had not been enacted.

TITLE II—INDIVIDUAL INCOME TAX RATE REDUCTIONS; EXPANSION OF EARNED INCOME CREDIT ASSIST- ANCE

SEC. 201. INDIVIDUAL INCOME TAX RATE REDUCTIONS.

(a) IN GENERAL.—Section 1 is amended by adding at the end the following new subsection:

“(i) 12 PERCENT RATE BRACKET.—

“(1) IN GENERAL.—In the case of taxable years beginning after December 31, 2001—

“(A) the rate of tax under subsections (a), (b), (c), and (d) on taxable income not over the initial bracket amount shall be 12 percent, and

“(B) the 15 percent rate of tax shall apply only to taxable income over the initial bracket amount.

“(2) INITIAL BRACKET AMOUNT.—For purposes of this subsection, the initial bracket amount is—

“(A) \$20,000 in the case of subsection (a),

“(B) 80 percent of the dollar amount in subparagraph (A) in the case of subsection (b), and

“(C) 50 percent of the dollar amount in subparagraph (B) in the case of subsections (c) and (d).

“(3) INFLATION ADJUSTMENT.—

“(A) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2002, the \$20,000 amount under paragraph (2)(A)(i) shall be increased by an amount equal to—

“(i) such dollar amount, multiplied by

“(ii) the cost-of-living adjustment determined under subsection (f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2001’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(B) ROUNDING RULES.—If any amount after adjustment under subparagraph (A) is not a multiple of \$50, such amount shall be rounded to the next lowest multiple of \$50.

“(4) ADJUSTMENT OF TABLES.—The Secretary shall adjust the tables prescribed under subsection (f) to carry out this subsection.”

(b) ADJUSTMENT IN COMPUTATION OF ALTERNATIVE MINIMUM TAX.—Paragraph (2) of section 55(a) is amended to read as follows:

“(2) the sum of—

“(A) the regular tax for the taxable year, plus

“(B) in the case of an individual, 3 percent of so much of the individual’s taxable income for the taxable year as is taxed at 12 percent.”

(c) REPEAL OF REDUCTION OF REFUNDABLE TAX CREDITS.—

(1) Subsection (d) of section 24 is amended by striking paragraph (2) and redesignating paragraph (3) as paragraph (2).

(2) Section 32 is amended by striking subsection (h).

(d) CONFORMING AMENDMENT.—Subclause (II) of section 1(g)(7)(B)(ii) is amended by striking “15 percent” and inserting “12 percent”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

(f) PROTECTION OF SOCIAL SECURITY AND MEDICARE.—The amounts transferred to any trust fund under the Social Security Act shall be determined as if this Act had not been enacted.

SEC. 202. MODIFICATIONS TO EARNED INCOME TAX CREDIT.

(a) INCREASES IN PERCENTAGES AND AMOUNTS USED TO DETERMINE CREDIT; MARRIAGE PENALTY RELIEF.—

(1) IN GENERAL.—Subsection (b) of section 32 is amended to read as follows:

“(b) PERCENTAGES AND AMOUNTS.—

“(1) PERCENTAGES.—The credit percentage, the initial phaseout percentage, and the final phaseout percentage shall be determined as follows:

| “In the case of an eligible individual with: | The credit percentage is: | The initial phaseout percentage is: | The final phaseout percentage is: |
|--|---------------------------|-------------------------------------|-----------------------------------|
| 1 qualifying child | 34 | 15.98 | 18.98 |
| 2 or more qualifying children | 40 | 21.06 | 24.06 |
| No qualifying children | 7.65 | 7.65 | 7.65 |

“(2) AMOUNTS.—

“(A) IN GENERAL.—The earned income amount and the initial phaseout amount shall be determined as follows:

| “In the case of an eligible individual with: | The earned income amount is: | The initial phaseout amount is: |
|--|------------------------------|---------------------------------|
| 1 qualifying child | \$8,140 | \$13,470 |
| 2 or more qualifying children | \$11,120 | \$13,470 |
| No qualifying children | \$4,900 | \$6,130. |

In the case of a joint return where there is at least 1 qualifying child, the initial phaseout amount shall be \$2,500 greater than the amount otherwise applicable under the preceding sentence.

“(B) FINAL PHASEOUT AMOUNT.—The final phaseout amount is \$26,000 (\$28,500 in the case of a joint return).”

(2) MODIFICATION OF COMPUTATION OF PHASEOUT.—Paragraph (2) of section 32(a) is amended to read as follows:

“(2) PHASEOUT OF CREDIT.—The amount of the credit allowable to a taxpayer under paragraph (1) for any taxable year shall be reduced (but not below zero) by the sum of—

“(A) the initial phaseout percentage of so much of the total income (or, if greater, the earned income) of the taxpayer for the taxable year as exceeds the initial phaseout amount but does not exceed the final phaseout amount, plus

“(B) the final phaseout percentage of so much of the total income (or, if greater, the earned income) of the taxpayer for the taxable year as exceeds the final phaseout amount.”

(3) TOTAL INCOME.—Paragraph (5) of section 32(c) is amended to read as follows:

“(5) TOTAL INCOME.—The term ‘total income’ means adjusted gross income determined without regard to—

“(A) the deductions referred to in paragraphs (6), (7), (9), (10), (15), (16), and (17) of section 62(a),

“(B) the deduction allowed by section 162(l), and

“(C) the deduction allowed by section 164(f).”

(4) CONFORMING AMENDMENTS.—

(A) Subsection (j) of section 32 is amended to read as follows:

“(j) INFLATION ADJUSTMENT.—

“(1) IN GENERAL.—In the case of any taxable year beginning after 2002, each of the dollar amounts in subsection (b)(2) shall be increased by an amount equal to—

“(A) such dollar amount, multiplied by

“(B) the cost-of-living adjustment determined under section 1(f)(3), for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2001’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(2) ROUNDING.—If any dollar amount, after being increased under paragraph (1), is not a multiple of \$10, such dollar amount shall be rounded to the nearest multiple of \$10.”

(B) Subparagraph (C) of section 32(c)(1) is amended by striking “modified adjusted gross income” and inserting “total income”.

(C) Paragraph (2) of section 32(f) is amended to read as follows:

“(2) REQUIREMENTS FOR TABLES.—

“(A) IN GENERAL.—The provisions of subsection (a)(1) and the provisions of subsection (a)(2) shall be reflected in separate tables prescribed under paragraph (1).

“(B) SUBSECTION (a)(1) TABLE.—The tables prescribed under paragraph (1) to reflect the provisions of subsection (a)(1) shall have income brackets of not greater than \$50 each for earned income between \$0 and the earned income amount.

“(C) SUBSECTION (a)(2) TABLE.—The tables prescribed under paragraph (1) to reflect the provisions of subsection (a)(2) shall have income brackets of not greater than \$50 each for total income (or, if greater, the earned income) above the initial phaseout threshold.”

(b) REPEAL OF DENIAL OF CREDIT WHERE INVESTMENT INCOME.—Section 32 is amended by striking subsection (i).

(c) EARNED INCOME TO INCLUDE ONLY AMOUNTS INCLUDIBLE IN GROSS INCOME.—

(1) IN GENERAL.—Section 32(c)(2)(A)(i) (defining earned income) is amended by inserting “, but only if such amounts are includible in gross income for the taxable year” after “other employee compensation”.

(2) CONFORMING AMENDMENT.—Section 32(c)(2)(B) is amended by striking “and” at the end of clause (iv), by striking the period at the end of clause (v) and inserting “, and”, and by adding at the end the following new clause:

“(vi) the requirement under subparagraph (A)(i) that an amount be includible in gross income shall not apply if such amount is exempt from tax under section

7873 or is derived directly from restricted and allotted land under the Act of February 8, 1887 (commonly known as the Indian General Allotment Act) (25 U.S.C. 331 et seq.) or from land held under Acts or treaties containing an exception provision similar to the Indian General Allotment Act.”

(d) MODIFICATION OF JOINT RETURN REQUIREMENT.—Subsection (d) of section 32 is amended to read as follows:

“(d) MARRIED INDIVIDUALS.—

“(1) IN GENERAL.—If the taxpayer is married at the close of the taxable year, the credit shall be allowed under subsection (a) only if the taxpayer and his spouse file a joint return for the taxable year.

“(2) MARITAL STATUS.—For purposes of paragraph (1), an individual legally separated from his spouse under a decree of divorce or of separate maintenance shall not be considered as married.

“(3) CERTAIN MARRIED INDIVIDUALS LIVING APART.—For purposes of paragraph (1), if—

“(A) an individual —

“(i) is married and files a separate return, and

“(ii) has a qualifying child who is a son, daughter, stepson, or stepdaughter of such individual, and

“(B) during the last 6 months of such taxable year, such individual and such individual’s spouse do not have the same principal place of abode, such individual shall not be considered as married.”

(e) EXPANSION OF MATHEMATICAL ERROR AUTHORITY.—Paragraph (2) of section 6213(g) is amended by striking “and” at the end of subparagraph (K), by striking the period at the end of subparagraph (L) and inserting “, and”, and by inserting after subparagraph (L) the following new subparagraph:

“(M) the entry on the return claiming the credit under section 32 with respect to a child if, according to the Federal Case Registry of Child Support Orders established under section 453(h) of the Social Security Act, the taxpayer is a noncustodial parent of such child.”

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

TITLE III—MARRIAGE PENALTY RELIEF

SEC. 301. MARRIAGE PENALTY RELIEF.

(a) STANDARD DEDUCTION.—

(1) IN GENERAL.—Paragraph (2) of section 63(c) (relating to standard deduction) is amended—

(A) by striking “\$5,000” in subparagraph (A) and inserting “twice the dollar amount in effect under subparagraph (C) for the taxable year”,

(B) by adding “or” at the end of subparagraph (B),

(C) by striking “in the case of” and all that follows in subparagraph (C) and inserting “in any other case.”, and

(D) by striking subparagraph (D).

(2) INCREASE ALLOWED AS DEDUCTION IN DETERMINING MINIMUM TAX.—Subparagraph (E) of section 56(b)(1) is amended by adding at the end the following new sentence: “The preceding sentence shall not apply to so much of the standard deduction under subparagraph (A) of section 63(c)(2) as exceeds the amount which would be such deduction but for the amendment made by section 201(a)(1) of the Tax Reduction Act of 2001.

(3) TECHNICAL AMENDMENTS.—

(A) Subparagraph (B) of section 1(f)(6) is amended by striking “(other than with” and all that follows through “shall be applied” and inserting “(other than with respect to sections 63(c)(4) and 151(d)(4)(A)) shall be applied”.

(B) Paragraph (4) of section 63(c) is amended by adding at the end the following flush sentence:
“The preceding sentence shall not apply to the amount referred to in paragraph (2)(A).”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.