

105TH CONGRESS
2D SESSION

S. 2147

To amend the Internal Revenue Code of 1986 to provide a deduction for two-earner married couples, to allow self-employed individuals a 100-percent deduction for health insurance costs, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 11, 1998

Mr. DASCHLE (for himself and Mr. JOHNSON) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide a deduction for two-earner married couples, to allow self-employed individuals a 100-percent deduction for health insurance costs, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. DEDUCTION FOR TWO-EARNER MARRIED COU-**
4 **PLES.**

5 (a) IN GENERAL.—Part VII of subchapter B of chap-
6 ter 1 of the Internal Revenue Code of 1986 (relating to
7 additional itemized deductions for individuals) is amended

1 by redesignating section 222 as section 223 and by insert-
2 ing after section 221 the following new section:

3 **“SEC. 222. DEDUCTION FOR MARRIED COUPLES TO ELIMI-**
4 **NATE THE MARRIAGE PENALTY.**

5 “(a) IN GENERAL.—In the case of a joint return
6 under section 6013 for the taxable year, there shall be al-
7 lowed as a deduction an amount equal to the applicable
8 percentage of the qualified earned income of the spouse
9 with the lower qualified earned income for the taxable
10 year.

11 “(b) APPLICABLE PERCENTAGE.—For purposes of
12 this section

13 “(1) IN GENERAL.—The term ‘applicable per-
14 centage’ means 20 percent, reduced by 2 percentage
15 points for each \$1,000 (or fraction thereof) by which
16 the taxpayer’s modified adjusted gross income for
17 the taxable year exceeds \$50,000.

18 “(2) TRANSITION RULE FOR 1999 AND 2000.—In
19 the case of taxable years beginning in 1999 and
20 2000, paragraph (1) shall be applied by substituting
21 ‘10 percent’ for ‘20 percent’ and ‘1 percentage
22 point’ for ‘2 percentage points’.

23 “(3) MODIFIED ADJUSTED GROSS INCOME.—
24 For purposes of this subsection, the term ‘modified

1 adjusted gross income’ means adjusted gross income
2 determined—

3 “(A) after application of sections 86, 219,
4 and 469, and

5 “(B) without regard to sections 135, 137,
6 and 911 or the deduction allowable under this
7 section.

8 “(4) COST-OF-LIVING ADJUSTMENT.—In the
9 case of any taxable year beginning in a calendar
10 year after 2002, the \$50,000 amount under para-
11 graph (1) shall be increased by an amount equal to
12 such dollar amount multiplied by the cost-of-living
13 adjustment determined under section 1(f)(3) for the
14 calendar year in which the taxable year begins, ex-
15 cept that subparagraph (B) thereof shall be applied
16 by substituting ‘calendar year 2002’ for ‘calendar
17 year 1992’. If any amount as adjusted under this
18 paragraph is not a multiple of \$2,000, such amount
19 shall be rounded to the next lowest multiple of
20 \$2,000.

21 “(c) QUALIFIED EARNED INCOME DEFINED.—

22 “(1) IN GENERAL.—For purposes of this sec-
23 tion, the term ‘qualified earned income’ means an
24 amount equal to the excess of—

1 “(A) the earned income of the spouse for
2 the taxable year, over

3 “(B) an amount equal to the sum of the
4 deductions described in paragraphs (1), (2),
5 (7), and (15) of section 62 to the extent such
6 deductions are properly allocable to or charge-
7 able against earned income described in sub-
8 paragraph (A).

9 The amount of qualified earned income shall be de-
10 termined without regard to any community property
11 laws.”

12 “(2) EARNED INCOME.—For purposes of para-
13 graph (1), the term ‘earned income’ means income
14 which is earned income within the meaning of sec-
15 tion 911(d)(2) or 401(c)(2)(C), except that—

16 “(A) such term shall not include any
17 amount—

18 “(i) not includible in gross income,

19 “(ii) received as a pension or annuity,

20 “(iii) paid or distributed out of an in-
21 dividual retirement plan (within the mean-
22 ing of section 7701(a)(37)),

23 “(iv) received as deferred compensa-
24 tion, or

1 “(v) received for services performed
2 by an individual in the employ of his
3 spouse (within the meaning of section
4 3121(b)(3)(A)), and

5 “(B) section 911(d)(2)(B) shall be applied
6 without regard to the phrase ‘not in excess of
7 30 percent of his share of net profits of such
8 trade or business’.”

9 (b) DEDUCTION TO BE ABOVE-THE-LINE.—Section
10 62(a) of the Internal Revenue Code of 1986 (defining ad-
11 justed gross income) is amended by adding after para-
12 graph (17) the following new paragraph:

13 “(18) DEDUCTION FOR TWO-EARNER MARRIED
14 COUPLES.—The deduction allowed by section 222.”

15 (c) EARNED INCOME CREDIT PHASEOUT TO RE-
16 FLECT DEDUCTION.—Section 32(c)(2) of the Internal
17 Revenue Code of 1986 (defining earned income) is amend-
18 ed by adding at the end the following new subparagraph:

19 “(C) MARRIAGE PENALTY REDUCTION.—
20 Solely for purposes of applying subsection
21 (a)(2)(B), earned income for any taxable year
22 shall be reduced by an amount equal to the
23 amount of the deduction allowed to the tax-
24 payer for such taxable year under section 222.”

1 (d) CLERICAL AMENDMENT.—The table of sections
 2 for part VII of subchapter B of chapter 1 of such Code
 3 is amended by striking the item relating to section 222
 4 and inserting the following new items:

“Sec. 222. Deduction for married couples to eliminate the mar-
 riage penalty.

“Sec. 223. Cross reference.”

5 (e) EFFECTIVE DATE.—The amendments made by
 6 this section shall apply to taxable years beginning after
 7 December 31, 1998.

8 **SEC. 2. DEDUCTION FOR HEALTH INSURANCE COSTS FOR**
 9 **SELF-EMPLOYED INDIVIDUALS.**

10 (a) IN GENERAL.—Paragraph (1) of section 162(l)
 11 of the Internal Revenue Code of 1986 is amended to read
 12 as follows:

13 “(1) ALLOWANCE OF DEDUCTION.—In the case
 14 of an individual who is an employee within the
 15 meaning of section 401(c)(1), there shall be allowed
 16 as a deduction under this section an amount equal
 17 to 100 percent (75 percent in the case of taxable
 18 years beginning in 1999 and 2000) of the amount
 19 paid during the taxable year for insurance which
 20 constitutes medical care for the taxpayer, his spouse,
 21 and dependents.”

1 (b) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 1998.

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