

107TH CONGRESS  
1ST SESSION

# H. R. 3574

To amend the Internal Revenue Code of 1986 to change the calculation and simplify the administration of the earned income tax credit.

---

## IN THE HOUSE OF REPRESENTATIVES

DECEMBER 20, 2001

Mr. COYNE introduced the following bill; which was referred to the Committee on Ways and Means

---

## A BILL

To amend the Internal Revenue Code of 1986 to change the calculation and simplify the administration of the earned income tax credit.

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. CHANGES IN CALCULATION OF EARNED IN-**  
4 **COME TAX CREDIT.**

5 (a) PERCENTAGES.—Paragraph (1) of section 32 of  
6 the Internal Revenue Code of 1986 (relating to percent-  
7 ages) is amended—

8 (1) by redesignating subparagraphs (A), (B),  
9 and (C) as subparagraphs (B), (C), and (D),

1 (2) by striking “IN GENERAL.—” in subpara-  
 2 graph (B) (as so redesignated) and inserting “PER-  
 3 CENTAGES AFTER 1995.—”, and

4 (3) by inserting before subparagraph (B) (as so  
 5 redesignated) the following:

6 “(A) IN GENERAL.—In the case of taxable  
 7 years beginning after 2001:

“In the case of an eligible individual with:	The credit per- centage is:	The phaseout percentage is:
1 qualifying child .....	34.00	23.22
2 qualifying children .....	40.00	21.79
3 or more qualifying children .....	45.00	24.52
No qualifying children .....	15.3	15.3”.

8 (b) AMOUNTS.—Subparagraph (A) of section  
 9 32(b)(2) of such Code is amended to read as follows:

10 “(A) IN GENERAL.—Subject to subpara-  
 11 graph (B), the earned income amount and the  
 12 phaseout amount shall be determined as fol-  
 13 lows:

“In the case of an eligible individual with:	The earned in- come amount is:	The phaseout amount is:
1 qualifying child .....	\$10,710	\$13,520
2 or more qualifying children .....	\$10,710	\$13,520
No qualifying children .....	\$6,000	\$10,710”.

14 (c) INFLATION ADJUSTMENT.—Paragraph (1)(B) of  
 15 section 32(j) of such Code (relating to inflation adjust-  
 16 ments) is amended to read as follows:

17 “(B) the cost-of-living adjustment deter-  
 18 mined under section 1(f)(3) for the calendar

1 year in which the taxable year begins,  
2 determined—

3 “(i) in the case of the amount in sub-  
4 section (i)(1), by substituting ‘calendar  
5 year 1995’ for ‘calendar year 1992’ in sub-  
6 paragraph (B) thereof, and

7 “(ii) in the case of amounts in sub-  
8 section (b)(2)(A), by substituting ‘calendar  
9 year 2001’ for ‘calendar year 1992’ in sub-  
10 paragraph (B) thereof, and

11 “(iii) in the case of the \$3,000  
12 amount in subsection (b)(2)(B)(iii), by  
13 substituting ‘calendar year 2007’ for ‘cal-  
14 endar year 1992’ in subparagraph (B) of  
15 such section 1.”.

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

19 **SEC. 2. SIMPLIFICATION OF THE ADMINISTRATION OF THE**  
20 **EARNED INCOME TAX CREDIT.**

21 (a) MODIFICATION OF JOINT RETURN REQUIRE-  
22 MENT.—Subsection (d) of section 32 of the Internal Rev-  
23 enue Code of 1986 (relating to married individuals) is  
24 amended to read as follows:

25 “(d) MARRIED INDIVIDUALS.—

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

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

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

12                   “(A) an individual—

13                           “(i) is married and files a separate re-  
14                           turn, and

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

18                   “(B) during the last 6 months of such tax-  
19                   able year, such individual and such individual’s  
20                   spouse do not have the same principal place of  
21                   abode,

22           such individual shall not be considered as married.”.

23           (b) REPEAL RELATING TO EXCESSIVE INVESTMENT  
24           INCOME.—Subsection (i) of section 32 of such Code (relat-

1 ing to denial of credit for individuals having excessive in-  
2 vestment income) is repealed.

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

○