

107TH CONGRESS
1ST SESSION

H. R. 6

AN ACT

To amend the Internal Revenue Code of 1986 to reduce the marriage penalty by providing for adjustments to the standard deduction, the 15-percent rate bracket, and the earned income credit, to increase the child credit, 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. SHORT TITLE, ETC.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “Marriage Penalty and Family Tax Relief Act of 2001”.

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

10 **SEC. 2. ELIMINATION OF MARRIAGE PENALTY IN STAND-**
11 **ARD DEDUCTION.**

12 (a) **IN GENERAL.**—Paragraph (2) of section 63(c) of
13 the Internal Revenue Code of 1986 (relating to standard
14 deduction) is amended—

15 (1) by striking “\$5,000” in subparagraph (A)
16 and inserting “200 percent of the dollar amount in
17 effect under subparagraph (C) for the taxable year”;

18 (2) by adding “or” at the end of subparagraph
19 (B);

20 (3) by striking “in the case of” and all that fol-
21 lows in subparagraph (C) and inserting “in any
22 other case.”; and

23 (4) by striking subparagraph (D).

24 (b) **TECHNICAL AMENDMENTS.**—

1 (1) Subparagraph (B) of section 1(f)(6) of such
2 Code is amended by striking “(other than with” and
3 all that follows through “shall be applied” and in-
4 serting “(other than with respect to sections
5 63(c)(4) and 151(d)(4)(A)) shall be applied”.

6 (2) Paragraph (4) of section 63(c) of such Code
7 is amended by adding at the end the following flush
8 sentence:

9 “The preceding sentence shall not apply to the
10 amount referred to in paragraph (2)(A).”.

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

14 **SEC. 3. PHASEOUT OF MARRIAGE PENALTY IN 15-PERCENT**
15 **BRACKET.**

16 (a) IN GENERAL.—Subsection (f) of section 1 of the
17 Internal Revenue Code of 1986 (relating to adjustments
18 in tax tables so that inflation will not result in tax in-
19 creases) is amended by adding at the end the following
20 new paragraph:

21 “(8) PHASEOUT OF MARRIAGE PENALTY IN 15-
22 PERCENT BRACKET.—

23 “(A) IN GENERAL.—With respect to tax-
24 able years beginning after December 31, 2003,
25 in prescribing the tables under paragraph (1)—

1 “(i) the maximum taxable income in
 2 the lowest rate bracket in the table con-
 3 tained in subsection (a) (and the minimum
 4 taxable income in the next higher taxable
 5 income bracket in such table) shall be the
 6 applicable percentage of the maximum tax-
 7 able income in the lowest rate bracket in
 8 the table contained in subsection (c) (after
 9 any other adjustment under this sub-
 10 section), and

11 “(ii) the comparable taxable income
 12 amounts in the table contained in sub-
 13 section (d) shall be $\frac{1}{2}$ of the amounts de-
 14 termined under clause (i).

15 “(B) APPLICABLE PERCENTAGE.—For
 16 purposes of subparagraph (A), the applicable
 17 percentage shall be determined in accordance
 18 with the following table:

“For taxable years beginning in calendar year—	The applicable percentage is—
2004	172
2005	178
2006	183
2007	189
2008	195
2009 and thereafter	200.

19 “(C) ROUNDING.—If any amount deter-
 20 mined under subparagraph (A)(i) is not a mul-

1 tiple of \$50, such amount shall be rounded to
2 the next lowest multiple of \$50.”.

3 (b) REPEAL OF REDUCTION OF REFUNDABLE TAX
4 CREDITS.—

5 (1) Subsection (d) of section 24 of such Code
6 is amended by striking paragraph (2) and redesignig-
7 nating paragraph (3) as paragraph (2).

8 (2) Section 32 of such Code is amended by
9 striking subsection (h).

10 (c) INCREASE IN ALTERNATIVE MINIMUM TAX EX-
11 EMPTION AMOUNT FOR JOINT RETURNS.—

12 (1) IN GENERAL.—Subsection (d) of section 55
13 of such Code is amended by adding at the end the
14 following new paragraph:

15 “(4) ADJUSTMENT OF EXEMPTION AMOUNT
16 FOR JOINT RETURNS.—

17 “(A) IN GENERAL.—The dollar amount ap-
18 plicable under paragraph (1)(A) for 2008 and
19 each even-numbered calendar year thereafter—

20 “(i) shall be \$500 greater than the
21 dollar amount applicable under paragraph
22 (1)(A) for the prior even-numbered cal-
23 endar year, and

1 “(ii) shall apply to taxable years be-
2 ginning in such even-numbered calendar
3 year and in the succeeding calendar year.

4 In no event shall the dollar amount applicable
5 under paragraph (1)(A) exceed twice the dollar
6 amount applicable under paragraph (1)(B).

7 “(B) EXEMPTION AMOUNTS FOR 2005, 2006,
8 AND 2007.—The dollar amount applicable under
9 paragraph (1)(A) shall be—

10 “(i) \$46,000 for taxable years begin-
11 ning in 2005, and

12 “(ii) \$46,500 for taxable years begin-
13 ning in 2006 or 2007.”.

14 (2) CONFORMING AMENDMENTS.—

15 (A) Paragraph (1) of section 55(d) of such
16 Code is amended by striking “and” at the end
17 of subparagraph (B), by striking subparagraph
18 (C), and by inserting after subparagraph (B)
19 the following new subparagraphs:

20 “(C) 50 percent of the dollar amount ap-
21 plicable under paragraph (1)(A) in the case of
22 a married individual who files a separate re-
23 turn, and

24 “(D) \$22,500 in the case of an estate or
25 trust.”.

1 (B) Subparagraph (C) of section 55(d)(3)
2 of such Code is amended by striking “para-
3 graph (1)(C)” and inserting “subparagraph (C)
4 or (D) of paragraph (1)”.

5 (C) The last sentence of section 55(d)(3)
6 of such Code is amended—

7 (i) by striking “paragraph (1)(C)(i)”
8 and inserting “paragraph (1)(C)”; and

9 (ii) by striking “\$165,000 or (ii)
10 \$22,500” and inserting “the minimum
11 amount of such income (as so determined)
12 for which the exemption amount under
13 paragraph (1)(C) is zero, or (ii) such ex-
14 emption amount (determined without re-
15 gard to this paragraph)”.

16 (d) TECHNICAL AMENDMENTS.—

17 (1) Subparagraph (A) of section 1(f)(2) of such
18 Code is amended by inserting “except as provided in
19 paragraph (8),” before “by increasing”.

20 (2) The heading for subsection (f) of section 1
21 of such Code is amended by inserting “PHASEOUT
22 OF MARRIAGE PENALTY IN 15-PERCENT BRACKET;”
23 before “ADJUSTMENTS”.

24 (e) EFFECTIVE DATES.—

1 (1) IN GENERAL.—Except as otherwise pro-
 2 vided in this subsection, the amendments made by
 3 this section shall apply to taxable years beginning
 4 after December 31, 2003.

5 (2) SUBSECTION (b).—The amendments made
 6 by subsection (b) shall apply to taxable years begin-
 7 ning after December 31, 2001.

8 (3) SUBSECTION (c).—The amendments made
 9 by subsection (c) shall apply to taxable years begin-
 10 ning after December 31, 2004.

11 **SEC. 4. MARRIAGE PENALTY RELIEF FOR EARNED INCOME**
 12 **CREDIT; EARNED INCOME TO INCLUDE ONLY**
 13 **AMOUNTS INCLUDIBLE IN GROSS INCOME.**

14 (a) IN GENERAL.—Paragraph (2) of section 32(b) of
 15 the Internal Revenue Code of 1986 (relating to percent-
 16 ages and amounts) is amended—

17 (1) by striking “AMOUNTS.—The earned” and
 18 inserting “AMOUNTS.—

19 “(A) IN GENERAL.—Subject to subpara-
 20 graph (B), the earned”; and

21 (2) by adding at the end the following new sub-
 22 paragraph:

23 “(B) JOINT RETURNS.—In the case of a
 24 joint return, the earned income amount deter-
 25 mined under subparagraph (A) shall be 110

1 percent of the otherwise applicable amount. If
2 any amount determined under the preceding
3 sentence is not a multiple of \$10, such amount
4 shall be rounded to the nearest multiple of
5 \$10.”.

6 (b) **EARNED INCOME TO INCLUDE ONLY AMOUNTS**
7 **INCLUDIBLE IN GROSS INCOME.**—Clause (i) of section
8 32(c)(2)(A) of such Code (defining earned income) is
9 amended by inserting “, but only if such amounts are in-
10 cludible in gross income for the taxable year” after “other
11 employee compensation”.

12 (c) **EFFECTIVE DATE.**—The amendments made by
13 this section shall apply to taxable years beginning after
14 December 31, 2001.

15 **SEC. 5. MODIFICATIONS TO CHILD TAX CREDIT.**

16 (a) **INCREASE IN PER CHILD AMOUNT.**—Subsection
17 (a) of section 24 of the Internal Revenue Code of 1986
18 (relating to child tax credit) is amended to read as follows:

19 “(a) **ALLOWANCE OF CREDIT.**—

20 “(1) **IN GENERAL.**—There shall be allowed as a
21 credit against the tax imposed by this chapter for
22 the taxable year with respect to each qualifying child
23 of the taxpayer an amount equal to the per child
24 amount.

1 “(2) PER CHILD AMOUNT.—For purposes of
 2 paragraph (1), the per child amount shall be deter-
 3 mined as follows:

“In the case of any taxable year beginning in— The per child amount is—

2001 and 2002	\$ 600
2003	700
2004	800
2005	900
2006 or thereafter	1,000.”.

4 (b) CREDIT ALLOWED AGAINST ALTERNATIVE MIN-
 5 IMUM TAX.—

6 (1) IN GENERAL.—Subsection (b) of section 24
 7 of such Code is amended by adding at the end the
 8 following new paragraph:

9 “(3) LIMITATION BASED ON AMOUNT OF
 10 TAX.—The credit allowed under subsection (a) for
 11 any taxable year shall not exceed the excess of—

12 “(A) the sum of the regular tax liability
 13 (as defined in section 26(b)) plus the tax im-
 14 posed by section 55, over

15 “(B) the sum of the credits allowable
 16 under this subpart (other than this section) and
 17 section 27 for the taxable year.”.

18 (2) CONFORMING AMENDMENTS.—

19 (A) The heading for section 24(b) of such
 20 Code is amended to read as follows: “LIMITA-
 21 TIONS.—”.

1 (B) The heading for section 24(b)(1) of
2 such Code is amended to read as follows: “LIM-
3 ITATION BASED ON ADJUSTED GROSS IN-
4 COME.—”.

5 (C) Section 24(d) of such Code is
6 amended—

7 (i) by striking “section 26(a)” each
8 place it appears and inserting “subsection
9 (b)(3)”, and

10 (ii) in paragraph (1)(B) by striking
11 “aggregate amount of credits allowed by
12 this subpart” and inserting “amount of
13 credit allowed by this section”.

14 (D) Paragraph (1) of section 26(a) of such
15 Code is amended by inserting “(other than sec-
16 tion 24)” after “this subpart”.

17 (E) Subsection (c) of section 23 of such
18 Code is amended by striking “and section
19 1400C” and inserting “and sections 24 and
20 1400C”.

21 (F) Subparagraph (C) of section 25(e)(1)
22 of such Code is amended by inserting “, 24,”
23 after “sections 23”.

1 (G) Section 904(h) of such Code is amend-
2 ed by inserting “(other than section 24)” after
3 “chapter”.

4 (H) Subsection (d) of section 1400C of
5 such Code is amended by inserting “and section
6 24” after “this section”.

7 (c) ADDITIONAL CREDIT FOR FAMILIES WITH 3 OR
8 MORE CHILDREN AVAILABLE TO ALL FAMILIES.—Sub-
9 section (d) of section 24 of such Code is amended—

10 (1) in paragraph (1) by striking “In the case of
11 a taxpayer with three or more qualifying children for
12 any taxable year, the” and inserting “The”, and

13 (2) in the subsection heading by striking
14 “WITH 3 OR MORE CHILDREN” and inserting “PAY-
15 ING SOCIAL SECURITY TAXES”.

16 (d) EFFECTIVE DATE.—

17 (1) IN GENERAL.—Except as provided in para-
18 graph (2), the amendments made by this section
19 shall apply to taxable years beginning after Decem-
20 ber 31, 2000.

21 (2) SUBSECTION (b).—The amendments made
22 by subsection (b) shall apply to taxable years begin-
23 ning after December 31, 2001.

1 **SEC. 6. PROTECTION OF SOCIAL SECURITY AND MEDICARE.**

2 The amounts transferred to any trust fund under the
3 Social Security Act shall be determined as if this Act had
4 not been enacted.

 Passed the House of Representatives March 29,
2001.

Attest:

Clerk.

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