

113TH CONGRESS  
2D SESSION

# S. 3005

To amend the Internal Revenue Code of 1986 to provide for a progressive consumption tax and to reform the income tax, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

DECEMBER 11, 2014

Mr. CARDIN introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to provide for a progressive consumption tax and to reform the income tax, 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) IN GENERAL.—This Act may be cited as the  
5 “Progressive Consumption Tax Act of 2014”.

6 (b) REFERENCE.—Except as otherwise expressly pro-  
7 vided, whenever in this Act an amendment or repeal is  
8 expressed in terms of an amendment to, or repeal of, a  
9 section or other provision, the reference shall be consid-

1 ered to be made to a section or other provision of the In-  
 2 ternal Revenue Code of 1986.

3 (c) TABLE OF CONTENTS.—The table of contents of  
 4 this Act is as follows:

Sec. 1. Short title, etc.

#### TITLE I—PROGRESSIVE CONSUMPTION TAX

Sec. 101. Imposition of progressive consumption tax.

#### TITLE II—INDIVIDUAL AND CORPORATE TAX REFORM

##### Subtitle A—Individual Income Tax Reforms

- Sec. 201. Individual income tax rate reductions.
- Sec. 202. Family allowance amounts.
- Sec. 203. Repeal of limitations relating to itemized deductions.
- Sec. 204. Termination of separate treatment of capital gains.
- Sec. 205. Repeals.
- Sec. 206. Establishment of progressive tax rebate.
- Sec. 207. Technical and conforming amendments.

##### Subtitle B—Corporate Tax Reforms

Sec. 211. Corporate income tax rate reduction.

#### TITLE III—REFUND OF EXCESS CONSUMPTION TAX REVENUE

Sec. 301. Refunds of excess consumption tax revenue.

5 **TITLE I—PROGRESSIVE**  
 6 **CONSUMPTION TAX**  
 7 **SEC. 101. IMPOSITION OF PROGRESSIVE CONSUMPTION**  
 8 **TAX.**

9 (a) IN GENERAL.—Subtitle D is amended by insert-  
 10 ing before chapter 31 the following new chapter:

11 **“CHAPTER 30—PROGRESSIVE**  
 12 **CONSUMPTION TAX**

“SUBCHAPTER A. IMPOSITION OF TAX

“SUBCHAPTER B. TAXABLE SUPPLY

“SUBCHAPTER C. CREDIT AGAINST TAX

1           **“Subchapter A—Imposition of Tax**

“Sec. 3901. Imposition of tax.

“Sec. 3902. Taxable amount.

2           **“SEC. 3901. IMPOSITION OF TAX.**

3           “(a) GENERAL RULE.—A tax is hereby imposed on  
4 every taxable supply.

5           “(b) AMOUNT OF TAX.—

6                 “(1) IN GENERAL.—Except as provided in para-  
7 graph (2), the amount of the tax shall be 10 percent  
8 of the taxable amount.

9                 “(2) SPECIAL RATE FOR EXPORTS.—The  
10 amount of the tax shall be zero with respect to the  
11 provision of any supply which is—

12                         “(A) a supply of tangible personal property  
13 that is exported from the United States within  
14 90 days after the provider gives an invoice for  
15 the supply, or

16                         “(B) a supply, other than a supply of tan-  
17 gible personal property—

18                                 “(i) which is provided to a recipient  
19 that is not in the United States when the  
20 supply is performed or otherwise done, and

21                                 “(ii) the use of which takes place out-  
22 side of the United States.

1 **“SEC. 3902. TAXABLE AMOUNT.**

2 “(a) AMOUNT CHARGED CUSTOMER.—For purposes  
3 of this chapter, the taxable amount for any taxable supply  
4 for which money is the only consideration shall be the  
5 price charged by the provider—

6 “(1) including all invoiced charges for transpor-  
7 tation, and other items payable to the provider with  
8 respect to the supply, but

9 “(2) excluding the tax imposed by section 3901  
10 with respect to the supply and excluding any State  
11 and local sales and use taxes with respect to the  
12 supply.

13 “(b) BARTER TRANSACTIONS.—For purposes of this  
14 chapter, the taxable amount for any taxable supply which  
15 includes consideration other than money shall be the fair  
16 market value of the consideration (including all invoiced  
17 charges for transportation and other items payable to the  
18 provider) plus the amount of any money paid in consider-  
19 ation.

20 “(c) IMPORTS.—For purposes of this chapter, the  
21 taxable amount in the case of any import shall be—

22 “(1) the customs value plus customs duties and  
23 any other duties which may be imposed, or

24 “(2) if there is no such customs value, the fair  
25 market value (determined as if the importer had sold  
26 the supply).

1 For purposes of this subsection, the customs value of any  
 2 import shall include all invoiced charges for transportation  
 3 and other items payable to the importer with respect to  
 4 the supply.

5 “(d) SPECIAL RULE IN THE CASE OF SALES OF CER-  
 6 TAIN USED CONSUMER GOODS.—For purposes of this  
 7 chapter, if—

8 “(1) a person acquires any tangible personal  
 9 property in a transaction which was not taxable  
 10 under this chapter, and

11 “(2) such property had been used by an ulti-  
 12 mate consumer before such acquisition,

13 the taxable amount in the case of any sale of such property  
 14 by such person (determined without regard to this sub-  
 15 section) shall be reduced by the amount paid for such  
 16 property by such person.

## 17 **“Subchapter B—Taxable Supply**

“Sec. 3911. Taxable supply.

“Sec. 3912. Supplies made in connection with the United States.

“Sec. 3913. Exempt supply.

### 18 **“SEC. 3911. TAXABLE SUPPLY.**

19 “(a) IN GENERAL.—For purposes of this chapter, the  
 20 term ‘taxable supply’ means—

21 “(1) the importation of property into the  
 22 United States, and

23 “(2) any supply (other than an exempt sup-  
 24 ply)—

1 “(A) which is provided—

2 “(i) in the course of carrying on a  
3 trade or business,

4 “(ii) in the case of an organization ex-  
5 empt from tax under section 501(a), in  
6 furtherance of the activities related to the  
7 purpose or function constituting the basis  
8 of its exemption under section 501, or

9 “(iii) in the case of a State, an Indian  
10 tribal government, a possession of the  
11 United States, or any political subdivision  
12 of any of the foregoing, or the United  
13 States or the District of Columbia, in car-  
14 rying out any activity that is not an essen-  
15 tial governmental function,

16 “(B) for which consideration is provided in  
17 return, and

18 “(C) which is made in connection with the  
19 United States.

20 “(b) SUPPLY.—For purposes of this chapter—

21 “(1) IN GENERAL.—The term ‘supply’ means  
22 any supply whatsoever, including—

23 “(A) the sale or provision (including  
24 through renting, leasing, or licensing) of prop-  
25 erty,

1 “(B) the performance of services,

2 “(C) the grant, assignment, or surrender  
3 of real property,

4 “(D) the creation, grant, transfer, assign-  
5 ment, or surrender of any right,

6 “(E) financial supplies, and

7 “(F) an entry into, or release from, an ob-  
8 ligation or agreement to perform or refrain  
9 from performing an act.

10 “(2) SPECIAL RULE FOR SERVICES FOR EM-  
11 PLOYER.—An employee’s services for the employee’s  
12 employer shall not be treated as a supply.

13 **“SEC. 3912. SUPPLIES MADE IN CONNECTION WITH THE**  
14 **UNITED STATES.**

15 “(a) TANGIBLE PROPERTY.—For purposes of this  
16 chapter—

17 “(1) IN GENERAL.—The supply of tangible  
18 property is made in connection with the United  
19 States if—

20 “(A) the property is delivered or made  
21 available to the recipient in the United States,  
22 or

23 “(B) the property is assembled in or re-  
24 moved from any location in the United States.

1           “(2) REAL PROPERTY.—The supply of real  
2           property is made in connection with the United  
3           States if the real property is located in the United  
4           States.

5           “(b) SERVICES, INTANGIBLE PROPERTY, AND OTHER  
6 SUPPLIES.—For purposes of this chapter, the supply of  
7 anything other than tangible property or real property is  
8 made in connection with the United States if—

9           “(1) the supply is used, performed, or otherwise  
10          done in the United States, or

11          “(2) the supply is provided through a trade or  
12          business in the United States.

13 **“SEC. 3913. EXEMPT SUPPLY.**

14          “(a) IN GENERAL.—An exempt supply shall not be  
15          subject to tax under this chapter.

16          “(b) EXEMPT SUPPLY.—For purposes of this chap-  
17          ter—

18                 “(1) IN GENERAL.—The term ‘exempt supply’  
19                 means—

20                         “(A) the rental or leasing of residential  
21                         real property,

22                         “(B) any sale of qualified residential real  
23                         property,

24                         “(C) any financial supply, and



1           “(D) any taxable supply (or category of  
2           such supplies) treated as an exempt supply  
3           under section 3932(b).

4           “(2) QUALIFIED RESIDENTIAL REAL PROP-  
5           ERTY.—For purposes of paragraph (1), the term  
6           ‘qualified residential real property’ means residential  
7           real property—

8           “(A) which—

9                   “(i) has previously been sold as resi-  
10                  dential real property, or

11                   “(ii) has been continuously rented for  
12                  5 years or more, and

13           “(B) to which substantial renovations have  
14           not been made after the date of the enactment  
15           of this chapter.

## 16           **“Subchapter C—Credit Against Tax**

“Sec. 3916. Credit against tax.

### 17           **“SEC. 3916. CREDIT AGAINST TAX.**

18           “(a) GENERAL RULE.—There shall be allowed as a  
19           credit against the aggregate amount of tax imposed by  
20           section 3901 with respect to all taxable supplies made by  
21           the taxpayer during the taxable period an amount equal  
22           to the aggregate amount of tax imposed by section 3901  
23           on creditable acquisitions of the taxpayer during such tax-  
24           able period.

1       “(b) CREDITABLE ACQUISITIONS.—For purposes of  
2 this chapter, the term ‘creditable acquisition’ means the  
3 acquisition or receipt of any supply—

4           “(1) which was subject to tax under section  
5 3901 at the time it was provided to the taxpayer,

6           “(2) which was used by the taxpayer—

7               “(A) in the course of carrying on a trade  
8 or business,

9               “(B) in the case of a taxpayer exempt  
10 from tax under section 501(a), in furtherance  
11 of the activities related to the purpose or func-  
12 tion constituting the basis of the exemption  
13 under section 501, or

14               “(C) in the case of a State, an Indian trib-  
15 al government, a possession of the United  
16 States, or any political subdivision of any of the  
17 foregoing, or the United States or the District  
18 of Columbia, in carrying out any activity that  
19 is not an essential governmental function, and

20           “(3) which was not used by the taxpayer to  
21 make an exempt supply.

22       “(c) EXEMPT SUPPLIES, ETC.—If supplies are used  
23 partly for a use described in subsection (b)(2) and partly  
24 for another use, the credit shall be allowable only with re-

1 spect to the supplies used as described in subsection  
2 (b)(2).

3 “(d) EXCESS CREDIT TREATED AS OVERPAY-  
4 MENT.—

5 “(1) IN GENERAL.—If for any taxable period  
6 the amount of the credit allowable by subsection (a)  
7 exceeds the aggregate amount of the tax imposed by  
8 section 3901 for such period, such excess shall be  
9 treated as an overpayment of the tax imposed by  
10 section 3901.

11 “(2) TIME WHEN OVERPAYMENT ARISES.—Any  
12 overpayment under paragraph (1) for any taxable  
13 period shall be treated as arising on the later of—

14 “(A) the due date for the return for such  
15 period, or

16 “(B) the date on which the return is filed.

17 **“Subchapter D—Administration**

“Sec. 3921. Provider liable for tax.

“Sec. 3922. Tax invoices.

“Sec. 3923. Time for filing return and claiming credit; deposits of tax.

“Sec. 3924. Treatment of related businesses, etc.

“Sec. 3925. Reports.

“Sec. 3926. Regulations.

18 **“SEC. 3921. PROVIDER LIABLE FOR TAX.**

19 “(a) IN GENERAL.—Except as provided in subsection  
20 (b), the person providing the supply shall be liable for the  
21 tax imposed by section 3901.

1       “(b) SPECIAL RULE FOR IMPORTS.—The person re-  
2 ceiving the supply shall be liable for the tax imposed under  
3 section 3901—

4           “(1) in the case of any taxable supply described  
5 in section 3911(a)(1), and

6           “(2) in the case of any taxable supply which is  
7 not a supply of tangible property and which is—

8           “(A) performed or otherwise done outside  
9 the United States,

10          “(B) used in the United States, and

11          “(C) acquired for use—

12           “(i) in carrying on a trade or business  
13 in the United States,

14           “(ii) by an organization exempt from  
15 tax under section 501(a), in furtherance of  
16 activities related to the purpose or function  
17 constituting the basis of its exemption  
18 under section 501, or

19           “(iii) by a State, an Indian tribal gov-  
20 ernment, a possession of the United  
21 States, or any political subdivision of any  
22 of the foregoing, or the United States or  
23 the District of Columbia, in carrying out  
24 any activity that is not an essential govern-  
25 mental function.

1 **“SEC. 3922. TAX INVOICES.**

2 “(a) IN GENERAL.—

3 “(1) SUPPLIES MADE IN CONNECTION WITH  
4 THE UNITED STATES.—Except as otherwise provided  
5 in this subsection, any person providing a taxable  
6 supply shall give the recipient a tax invoice with re-  
7 spect to such supply.

8 “(2) CERTAIN SERVICES PERFORMED OUTSIDE  
9 THE UNITED STATES.—In the case of any taxable  
10 supply described in section 3921(b)(2), paragraph  
11 (1) shall not apply and the person receiving the tax-  
12 able supply shall generate a tax invoice with respect  
13 to such supply.

14 “(3) IMPORTS.—In the case of any taxable sup-  
15 ply described in section 3911(a), the Secretary, in  
16 consultation with the Commissioner of Customs and  
17 Border Protection, shall promulgate regulations gov-  
18 erning the provision of tax invoices.

19 “(b) CONTENT OF INVOICE.—The tax invoice re-  
20 quired by subsection (a) with respect to any supply shall  
21 set forth—

22 “(1) the name and, in the case of an invoice  
23 under subsection (a)(1), identification number of the  
24 provider,

25 “(2) the name of the recipient,

26 “(3) the date of the taxable supply,

1           “(4) the taxable amount with respect to the  
2 taxable supply,

3           “(5) the amount of the tax imposed by section  
4 3901, and

5           “(6) such other information as may be pre-  
6 scribed by regulations.

7           “(c) NO CREDIT WITHOUT INVOICE.—

8           “(1) IN GENERAL.—Except as provided in para-  
9 graph (2) or (3), a taxpayer may claim a credit with  
10 respect to a creditable acquisition only if the tax-  
11 payer—

12           “(A) has in the taxpayer’s possession a tax  
13 invoice which meets the requirements of this  
14 section, and

15           “(B) is named as the recipient of the sup-  
16 ply in such invoice.

17           “(2) EMPLOYEES OR OTHER AGENTS NAMED IN  
18 INVOICES.—To the extent provided in regulations,  
19 the naming of an employee or other agent of the re-  
20 cipient of the supply shall be treated as the naming  
21 of the recipient.

22           “(3) WAIVER OF INVOICE REQUIREMENT IN  
23 CERTAIN CASES.—To the extent provided in regula-  
24 tions, paragraph (1) shall not apply—

1           “(A) where the taxpayer can demonstrate  
 2           that the failure to receive or to have in the tax-  
 3           payer’s possession a tax invoice was without  
 4           fault on the taxpayer’s part, or

5           “(B) to a taxable supply (or category of  
 6           supplies) where—

7                   “(i) the amount involved is de mini-  
 8                   mis, or

9                   “(ii) the information required by sub-  
 10                  section (b) can be reliably established by  
 11                  sampling or by another method and can be  
 12                  adequately documented.

13          “(d) TIME FOR FURNISHING INVOICE.—Any invoice  
 14          required to be furnished by subsection (a) with respect to  
 15          any supply shall be furnished not later than 15 business  
 16          days after the tax point for such supply.

17          **“SEC. 3923. TIME FOR FILING RETURN AND CLAIMING**  
 18                  **CREDIT; DEPOSITS OF TAX.**

19          “(a) FILING RETURN.—Before the last day of the  
 20          fourth week (third week, in the case of any taxpayer to  
 21          which subsection (c)(2) applies) after the close of each tax-  
 22          able period, each person liable for tax under this chapter  
 23          shall file a return of the tax imposed by section 3901 on  
 24          taxable supplies having a tax point within such taxable  
 25          period.

1       “(b) CREDIT ALLOWED FOR TAXABLE PERIOD IN  
2 WHICH RECIPIENT RECEIVES INVOICE.—

3           “(1) IN GENERAL.—Except as provided in para-  
4 graph (2), a credit allowable by section 3916 with  
5 respect to a supply may be allowed only for the first  
6 taxable period by the close of which the taxpayer—

7           “(A) has paid or accrued amounts properly  
8 allocable to the tax imposed by section 3901  
9 with respect to such supply, and

10           “(B) has a tax invoice (or equivalent) with  
11 respect to such supply.

12           “(2) USE FOR LATER PERIOD.—Under regula-  
13 tions, a credit allowable by section 3916 may be al-  
14 lowed for a period after the period set forth in para-  
15 graph (1).

16       “(c) TAXABLE PERIOD.—For purposes of this chap-  
17 ter—

18           “(1) IN GENERAL.—Except as provided in para-  
19 graph (2), the term ‘taxable period’ means a cal-  
20 endar quarter.

21           “(2) MONTHLY PERIOD FOR CERTAIN TAX-  
22 PAYERS.—

23           “(A) IN GENERAL.—In the case of a tax-  
24 payer who makes taxable supplies for any



1 month in excess of \$20,000,000, the term ‘tax-  
2 able period’ means a calendar month.

3 “(B) ELECTION OF 1-MONTH PERIOD.—If  
4 the taxpayer so elects, the term ‘taxable period’  
5 means a calendar month.

6 “(d) TAX POINT.—For purposes of this chapter—

7 “(1) CHAPTER 1 RULES WITH RESPECT TO  
8 PROVIDER GOVERN.—Except as provided in para-  
9 graph (2), the tax point for any supply is the earlier  
10 of—

11 “(A) the time (or times) when any income  
12 from the provision of the supply should be  
13 treated by the provider as received or accrued  
14 (or any loss should be taken into account by the  
15 seller) for purposes of chapter 1, or

16 “(B) the time (or times) when the provider  
17 receives payment for the sale.

18 “(2) IMPORTS.—In the case of the importing of  
19 property, the tax point is when the property is en-  
20 tered, or withdrawn from warehouse, for consump-  
21 tion in the United States.

22 “(e) MONTHLY DEPOSITS REQUIRED.—To the extent  
23 provided in regulations, monthly deposits may be required  
24 of the estimated liability for any taxable period for the  
25 tax imposed by section 3901.

1 **“SEC. 3924. TREATMENT OF RELATED BUSINESSES, ETC.**

2 “For purposes of this chapter, to the extent provided  
3 in regulations, the taxpayer may elect—

4 “(1) to treat as 1 person 2 or more businesses  
5 which may be treated under section 52(b) as 1 em-  
6 ployer, and

7 “(2) to treat as separate persons separate divi-  
8 sions of the same business.

9 **“SEC. 3925. REPORTS.**

10 “The Secretary shall submit to Congress semi-annual  
11 reports on the implementation and administration of this  
12 chapter, including the amount of revenue collected from  
13 the tax imposed under this chapter and estimates of the  
14 revenue to be collected from such tax for future period.

15 **“SEC. 3926. REGULATIONS.**

16 “The Secretary shall prescribe such regulations as  
17 may be necessary to carry out the purposes of this chap-  
18 ter.

19 **“Subchapter E—Definitions and Special**  
20 **Rules**

“Sec. 3931. Definitions.

“Sec. 3932. Special rules.

21 **“SEC. 3931. DEFINITIONS.**

22 “For purposes of this chapter—

23 “(1) **BUSINESS.**—The term ‘business’ in-  
24 cludes—

1                   “(A) a trade, and

2                   “(B) an activity regularly carried on for  
3 profit.

4                   “(2) BUSINESS DAY.—The term ‘business day’  
5 means any day other than Saturday and Sunday and  
6 other than a legal holiday (within the meaning of  
7 section 7503).

8                   “(3) EMPLOYEE.—The term ‘employee’ has the  
9 meaning such term has for purposes of chapter 24.

10                   “(4) FINANCIAL SUPPLIES.—The term ‘finan-  
11 cial supplies’ means the provision, acquisition, or  
12 disposal of any of the following: a bank account, a  
13 debit or credit arrangement, a mortgage, a super-  
14 annuation fund, an annuity, insurance, a financial  
15 guarantee, an indemnity, currency, securities, or de-  
16 rivatives.

17                   “(5) PERSON.—The term ‘person’ includes any  
18 governmental entity.

19                   “(6) PROVIDE; PROVIDER.—The term ‘provide’,  
20 when used in reference to taxable supplies (other  
21 than in section 3911(a)(2)), includes the importation  
22 of property and the term ‘provider’ includes the im-  
23 porter of property.

24                   “(7) UNITED STATES.—The term ‘United  
25 States’, when used in a geographical sense, includes

1 a Commonwealth and any possession of the United  
2 States.

3 **“SEC. 3932. SPECIAL RULES.**

4 “(a) COORDINATION WITH SUBTITLE A.—For pur-  
5 poses of subtitle A—

6 “(1) TREATMENT OF CREDIT.—Any credit al-  
7 lowable to a taxpayer under section 3916 which is  
8 attributable to any supply shall be treated as a re-  
9 duction in the amount paid or incurred by the tax-  
10 payer for such supply.

11 “(2) AMOUNT OF DEDUCTION FOR TAX.—The  
12 amount allowable as a deduction for the tax imposed  
13 by section 3901 shall be determined without regard  
14 to any credit allowable under section 3916.

15 “(3) COMPUTATION OF PERCENTAGE DEPLE-  
16 TION.—For purposes of sections 613 and 613A—

17 “(A) gross income shall be reduced by the  
18 amount of the tax imposed by section 3901,  
19 and

20 “(B) taxable income shall be determined  
21 without regard to any deduction allowed for  
22 such tax.

23 “(b) AUTHORITY TO ZERO RATE DE MINIMIS SUP-  
24 PLIES, ETC.—The Secretary may prescribe regulations

1 treating as an exempt supply any taxable supply (or cat-  
2 egory of such supplies) where—

3 “(1) the amount involved is de minimis, or

4 “(2) the revenue raised by taxing the supply is  
5 not sufficient to justify the administrative and other  
6 costs involved in the payment and collection of the  
7 tax.”.

8 (b) CLERICAL AMENDMENT.—The table of chapters  
9 for subtitle D is amended by inserting before the item re-  
10 lating to chapter 31 the following:

“CHAPTER 30. PROGRESSIVE CONSUMPTION TAX”.

11 (c) EFFECTIVE DATE.—The amendments made by  
12 this section shall apply to supplies provided after Decem-  
13 ber 31, 2015.

14 **TITLE II—INDIVIDUAL AND**  
15 **CORPORATE TAX REFORM**  
16 **Subtitle A—Individual Income Tax**  
17 **Reforms**

18 **SEC. 201. INDIVIDUAL INCOME TAX RATE REDUCTIONS.**

19 (a) IN GENERAL.—

20 (1) MARRIED INDIVIDUALS FILING JOINT RE-  
21 TURNS AND SURVIVING SPOUSES.—Subsection (a) of  
22 section 1 is amended by striking the table and in-  
23 serting the following:

<b>“If taxable income is:</b>	<b>The tax is:</b>
Not over \$100,000 .....	15 percent of taxable income.

<b>“If taxable income is:</b>	<b>The tax is:</b>
Over \$100,000 but not over \$500,000.	\$15,000, plus 25 percent of the excess over \$100,000.
Over \$500,000 .....	\$115,000, plus 28 percent of the excess over \$500,000.”.

1                   (2) HEADS OF HOUSEHOLDS.—Subsection (b)  
 2                   of section 1 is amended by striking the table and in-  
 3                   serting the following:

<b>“If taxable income is:</b>	<b>The tax is:</b>
Not over \$50,000 .....	15 percent of taxable income.
Over \$50,000 but not over \$250,000.	\$7,500, plus 25 percent of the excess over \$50,000.
Over \$250,000 .....	\$57,500, plus 28 percent of the excess over \$250,000.”.

4                   (3) UNMARRIED INDIVIDUALS (OTHER THAN  
 5                   SURVIVING SPOUSES AND HEADS OF HOUSE-  
 6                   HOLDS).—Subsection (c) of section 1 is amended by  
 7                   striking the table and inserting the following:

<b>“If taxable income is:</b>	<b>The tax is:</b>
Not over \$50,000 .....	15 percent of taxable income.
Over \$50,000 but not over \$250,000.	\$7,500, plus 25 percent of the excess over \$250,000.
Over \$250,000 .....	\$57,500, plus 28 percent of the excess over \$250,000.”.

8                   (4) MARRIED INDIVIDUALS FILING SEPARATE  
 9                   RETURNS.—Subsection (d) of section 1 is amended  
 10                  by striking the table and inserting the following:

<b>“If taxable income is:</b>	<b>The tax is:</b>
Not over \$50,000 .....	15 percent of taxable income.
Over \$50,000 but not over \$250,000.	\$7,500, plus 25 percent of the excess over \$250,000.
Over \$250,000 .....	\$57,500, plus 28 percent of the excess over \$250,000.”.

11                  (b) CONFORMING AMENDMENTS RELATING TO COST-  
 12                  OF-LIVING ADJUSTMENT.—

1           (1) IN GENERAL.—Paragraph (3) of section  
2           1(f) is amended by inserting “, except as provided  
3           in paragraph (7),” after “for any calendar year”.

4           (2) UPDATED COST-OF-LIVING ADJUSTMENT  
5           FOR NEW RATES.—Section 1(f) is amended by strik-  
6           ing paragraphs (7) and (8) and inserting the fol-  
7           lowing:

8           “(7) COST-OF-LIVING ADJUSTMENT FOR YEARS  
9           AFTER 2015.—

10           “(A) CALENDAR YEAR 2016.—In pre-  
11           scribing the tables under paragraph (1) which  
12           apply in lieu of the tables contained in sub-  
13           sections (a), (b), (c), and (d) with respect to  
14           taxable years beginning in calendar year 2016,  
15           the Secretary shall make no adjustment to the  
16           dollar amounts in any such table.

17           “(B) LATER CALENDAR YEARS.—In pre-  
18           scribing tables under paragraph (1) which apply  
19           in lieu of the tables contained in subsections  
20           (a), (b), (c), and (d) with respect to taxable  
21           years beginning after December 31, 2016, the  
22           cost-of-living adjustment used in making ad-  
23           justments to the dollar amounts in such tables  
24           shall be determined under paragraph (3) by  
25           substituting ‘2015’ for ‘1992’.”.

1 (3) CONFORMING AMENDMENTS.—

2 (A) Paragraph (2) of section 1(f) is  
3 amended—

4 (i) by striking “paragraph (8)” in  
5 subparagraph (A) and inserting “para-  
6 graph (7)(A)”, and

7 (ii) by striking “by adjusting” in sub-  
8 paragraph (C) and inserting “except as  
9 provided in paragraph (7)(A), by adjust-  
10 ing”.

11 (B) The heading of subsection (f) of sec-  
12 tion 1 is amended by striking “PHASEOUT OF  
13 MARRIAGE PENALTY IN 15-PERCENT BRACKET;  
14 ADJUSTMENTS” and inserting “ADJUST-  
15 MENTS”.

16 (c) CONFORMING AMENDMENT RELATING TO  
17 RATES.—Section 1 is amended by striking subsection (i).

18 (d) EFFECTIVE DATE.—The amendments made by  
19 this section shall apply to taxable years beginning after  
20 December 31, 2015.

21 **SEC. 202. FAMILY ALLOWANCE AMOUNTS.**

22 (a) IN GENERAL.—Section 63 is amended to read as  
23 follows:



1 **“SEC. 63. TAXABLE INCOME DEFINED.**

2 “(a) IN GENERAL.—For purposes of this subtitle, the  
 3 term ‘taxable income’ means adjusted gross income  
 4 minus—

5 “(1) the deductions allowed by this chapter  
 6 (other than those taken into account in determining  
 7 adjusted gross income), and

8 “(2) the family allowance amount.

9 “(b) FAMILY ALLOWANCE.—For purposes of this  
 10 subtitle—

11 “(1) IN GENERAL.—The family allowance  
 12 amount with respect to a taxpayer shall be deter-  
 13 mined in accordance with the following table:

<b>“If the taxpayer is:</b>	<b>The family allowance amount is:</b>
Single or married filing separately .....	\$50,000
Married filing jointly or a surviving spouse .....	\$100,000
A head of a household .....	\$75,000.

14 “(2) DEFINITIONS.—For purposes of this sub-  
 15 section—

16 “(A) the term ‘single or married filing sep-  
 17 arately’ means a taxpayer to whom subsection  
 18 (c) or (d) of section 1 applies,

19 “(B) the term ‘married filing jointly or a  
 20 surviving spouse’ means a taxpayer to whom  
 21 subsection (a) of section 1 applies, and

1           “(C) the term ‘head of a household’ means  
2           a taxpayer to whom subsection (b) of section 1  
3           applies.

4           “(3) ADJUSTMENT FOR INFLATION.—In the  
5           case of any taxable year beginning after 2016, each  
6           of the dollar amounts in the table under paragraph  
7           (1) shall be increased by an amount equal to—

8                   “(A) such dollar amount, multiplied by

9                   “(B) the cost-of-living adjustment deter-  
10           mined under section 1(f)(3) for the calendar  
11           year in which the taxable year begins, by sub-  
12           stituting ‘calendar year 2015’ for ‘calendar year  
13           1992’ in subparagraph (B) thereof.

14           “(c) CROSS REFERENCES.—

15                   “(1) For deductions of estates and trusts in  
16           lieu of the family allowance amount, see section  
17           642(b).

18                   “(2) For calculation of family allowance relat-  
19           ing to nonresident aliens, see section 873(b)(3).

20                   “(3) For determination of marital status, see  
21           section 7703.”.

22           (b) TERMINATION OF PERSONAL EXEMPTIONS.—

23                   (1) IN GENERAL.—Subsection (a) of section  
24           151 is amended by inserting “, for a taxable year

1 beginning before January 1, 2016” after “In the  
2 case of an individual”.

3 (2) IDENTIFYING INFORMATION REQUIRED TO  
4 TREAT INDIVIDUAL AS DEPENDENT.—Section 152 is  
5 amended by adding at the end the following new  
6 subsection:

7 “(g) IDENTIFYING INFORMATION REQUIRED.—No  
8 individual shall be treated as a dependent of the taxpayer  
9 under this section for a taxable year unless the taxpayer  
10 includes the TIN of such individual on the return of tax  
11 for the taxable year.”.

12 (3) CONFORMING AMENDMENTS.—

13 (A) Section 2(a)(1)(B)(ii) is amended by  
14 striking “of a dependent” and all that follows  
15 and inserting “of a dependent (as defined in  
16 section 152) who (within the meaning of section  
17 152, determined without regard to subsections  
18 (b)(1), (b)(2), and (d)(1)(B) thereof) is a son,  
19 stepson, daughter, or stepdaughter of the tax-  
20 payer.”.

21 (B) Section 2(b)(1)(A)(ii) is amended by  
22 striking “if the taxpayer is entitled to a deduc-  
23 tion for the taxable year for such person under  
24 section 151” and inserting “within the meaning  
25 of section 152”.

1           (C) Section 2(b)(1)(B) is amended by  
2 striking “if the taxpayer is entitled to a deduc-  
3 tion for the taxable year for such father or  
4 mother under section 151” and inserting “if  
5 such father or mother is a dependent of the  
6 taxpayer for the taxable year, within the mean-  
7 ing of section 152”.

8           (D) Section 36B(b)(3)(B) is amended—

9           (i) by striking “who is not allowed a  
10 deduction under section 151 for the tax-  
11 able year with respect to a dependent” in  
12 clause (ii)(I)(aa) and inserting “with re-  
13 spect to whom no dependents are taken  
14 into account under section 152 for pur-  
15 poses of any provision of this title for the  
16 taxable year”, and

17           (ii) by striking “unless a deduction is  
18 allowed under section 151 for the taxable  
19 year with respect to a dependent other  
20 than either spouse” and inserting “unless  
21 a dependent other than either spouse is  
22 taken into account under section 152 for  
23 purposes of any provision of this title for  
24 the taxable year”.

1           (E) Section 36B(c)(1)(D) is amended by  
2 striking “with respect to whom a deduction  
3 under section 151 is allowable to another tax-  
4 payer” and inserting “who is taken into ac-  
5 count as a dependent by another taxpayer  
6 under section 152 for purposes of any provision  
7 of this title”.

8           (F) Section 36B(d)(1) is amended by  
9 striking “for whom the taxpayer is allowed a  
10 deduction under section 151 (relating to allow-  
11 ance of deduction for personal exemptions)”  
12 and inserting “who is a dependent of the tax-  
13 payer under section 152”.

14           (G) Section 36B(e)(1) is amended by strik-  
15 ing “for whom a taxpayer is allowed a deduc-  
16 tion under section 151 (relating to allowance of  
17 deduction for personal exemptions)” and insert-  
18 ing “who is a dependent of the taxpayer under  
19 section 152”.

20           (H) Section 152(d)(1)(B) is amended by  
21 striking “the exemption amount (as defined in  
22 section 151(d))” and inserting “the family al-  
23 lowance amount applicable to taxpayers who are  
24 single or married filing separately under section  
25 63(b)”.

1 (I) Section 152(f)(6)(B)(i) is amended by  
2 striking “the deduction under section 151(c)”  
3 and inserting “the family allowance amount  
4 under section 63(b)”.

5 (J) Part V of subchapter B of chapter 1  
6 is amended by striking section 153.

7 (K) The table of sections for part V of  
8 subchapter B of chapter 1 is amended by strik-  
9 ing the item relating to section 153.

10 (L) Section 172(d)(3) is amended to read  
11 as follows:

12 “(3) FAMILY ALLOWANCE AMOUNT.—Taxable  
13 income under section 63 shall be determined without  
14 regard to paragraph (2) of section 63(a), relating to  
15 the family allowance amount. No deduction in lieu of  
16 the exclusion of such family allowance amount shall  
17 be allowed.”.

18 (M) Section 220(b)(6) is amended by strik-  
19 ing “with respect to whom a deduction under  
20 section 151 is allowable to another taxpayer”  
21 and inserting “who is taken into account as a  
22 dependent by another taxpayer under section  
23 152 for purposes of any provision of this title”.

24 (N) Section 223(b)(6) is amended by strik-  
25 ing “with respect to whom a deduction under

1 section 151 is allowable to another taxpayer”  
2 and inserting “who is taken into account as a  
3 dependent by another taxpayer under section  
4 152 for purposes of any provision of this title”.

5 (O) Section 443(c) is amended by striking  
6 “the exemptions allowed as a deduction under  
7 section 151 (and any deduction in lieu thereof)  
8 shall be reduced to amounts which bear the  
9 same ratio to the full exemptions” and inserting  
10 “the family allowance amount under section 63  
11 (and any deduction in lieu thereof) shall be re-  
12 duced to an amount which bears the same ratio  
13 to the full family allowance amount”.

14 (P) Section 642(b)(2)(C)(i) is amended—

15 (i) by striking “151(d)” and inserting  
16 “151(d) (as in effect for taxable years be-  
17 ginning before January 1, 2016)”, and

18 (ii) by striking “151(d)(3)(C)(iii)” in  
19 subclause (I) and inserting  
20 “151(d)(3)(C)(iii) (as so in effect)”.

21 (Q) Section 642(b)(3) is amended by strik-  
22 ing “the deductions allowed under section 151  
23 (relating to deduction for personal exemption)”  
24 and inserting “the family allowance amount  
25 under section 63”.

1 (R) Section 703(a) is amended—

2 (i) by striking “and” at the end of  
3 paragraph (1),

4 (ii) by striking subparagraph (A) of  
5 paragraph (2) and by redesignating sub-  
6 paragraphs (B), (C), (D), (E), and (F) of  
7 such paragraph as subparagraphs (A), (B),  
8 (C), (D), and (E),

9 (iii) by striking the period at the end  
10 of paragraph (2)(F) and inserting “, and”,  
11 and

12 (iv) by adding at the end the following  
13 new paragraph:

14 “(3) taxable income under section 63 shall be  
15 determined without regard to paragraph (2) of sec-  
16 tion 63(a), relating to the family allowance  
17 amount.”.

18 (S) Section 773(b) is amended—

19 (i) by striking subparagraph (A) of  
20 paragraph (1) and by redesignating sub-  
21 paragraphs (B) and (C) of such paragraph  
22 as subparagraphs (A) and (B), and

23 (ii) by adding at the end the following  
24 new paragraph:



1           “(4) FAMILY ALLOWANCE AMOUNT.—Taxable  
2 income under section 63 shall be determined without  
3 regard to paragraph (2) of section 63(a), relating to  
4 the family allowance amount.”.

5           (T) Section 873(b) is amended—

6                 (i) by striking “deductions” in the  
7 matter preceding paragraph (1), and

8                 (ii) by striking paragraph (3) and in-  
9 serting the following:

10           “(3) FAMILY ALLOWANCE AMOUNT.—The ex-  
11 clusion of the family allowance amount under section  
12 63(a)(2), except that the taxpayer shall be treated  
13 for purposes of section 63(b) as single or married  
14 filing separately unless the taxpayer is a resident of  
15 a contiguous country or is a national of the United  
16 States.”.

17           (U) The heading of section 873 is amend-  
18 ed by striking “**DEDUCTIONS**” and inserting  
19 “**DEDUCTIONS AND ALLOWANCES**”.

20           (V) The item relating to section 873 in the  
21 table of sections for subpart A of part II of  
22 subchapter N of chapter 1 is amended to read  
23 as follows:

“Sec. 873. Deductions and allowances.”.

24           (W) Section 874(b) is amended by striking  
25 “deduction for exemptions under section 151”

1 and inserting “exclusion of the family allowance  
2 amount under section 63(a)(2)”.

3 (X) Section 891 is amended by striking  
4 “deductions allowable under section 151 and  
5 under” and inserting “exclusion of the family  
6 allowance amount under section 63(a)(2) and  
7 the deductions allowable under”.

8 (Y) Section 904(b)(1) is amended to read  
9 as follows:

10 “(1) FAMILY ALLOWANCE AND DEDUCTIONS.—  
11 For purposes of subsection (a), the taxable income  
12 in the case of an individual, estate, or trust shall be  
13 computed without regard to the exclusion of the  
14 family allowance amount under section 63(a)(2) or  
15 any deduction in lieu of such exclusion.”.

16 (Z) Section 931(b)(1) is amended by strik-  
17 ing “deductions (other than the deduction  
18 under section 151, relating to personal exemp-  
19 tions)” and inserting “deductions”.

20 (AA) Section 933 is amended—

21 (i) by striking “deductions (other than  
22 the deduction under section 151, relating  
23 to personal exemptions)” in paragraph (1)  
24 and inserting “deductions”, and

1                   (ii) by striking “deductions (other  
2                   than the deduction for personal exemptions  
3                   under section 151)” in paragraph (2) and  
4                   inserting “deductions”.

5                   (BB) Section 1212(b)(2)(B)(ii) is amended  
6                   to read as follows:

7                   “(ii) the family allowance amount for  
8                   the taxable year under section 63(b) or any  
9                   deduction allowed in lieu thereof.”.

10                  (CC) Section 1402(a)(7) is amended to  
11                  read as follows:

12                  “(7) taxable income under section 63 shall be  
13                  determined without regard to paragraph (2) of sec-  
14                  tion 63(a), relating to the family allowance  
15                  amount;”.

16                  (DD) Section 5000A(c)(4)(A) is amended  
17                  by striking “for whom the taxpayer is allowed  
18                  a deduction under section 151 (relating to al-  
19                  lowance of deduction for personal exemptions)”  
20                  and inserting “who are taken into account as a  
21                  dependent by the taxpayer under section 152  
22                  for purposes of any provision of this title”.

23                  (EF) Section 6012(a)(1) is amended to  
24                  read as follows:

25                  “(1)(A) Every individual—

1           “(i) having for the taxable year gross in-  
2           come which equals or exceeds the family allow-  
3           ance amount applicable to the individual under  
4           section 63, or

5           “(ii) in the case of individuals entitled to  
6           make a joint return (but only if the individual  
7           and the individual’s spouse had the same house-  
8           hold as their home at the close of the taxable  
9           year), every individual whose gross income,  
10          when combined with the gross income of the in-  
11          dividual’s spouse, equals or exceeds the family  
12          allowance amount applicable to taxpayers who  
13          are married filing jointly under section 63.

14          “(B) Every individual not described in subpara-  
15          graph (A) who is taken into account as a dependent  
16          by another taxpayer under section 152 for purposes  
17          of any provision of this title, but only if such individ-  
18          ual’s gross income, when combined with the gross in-  
19          come of all individuals taken into account in deter-  
20          mining the family allowance amount under section  
21          63(b) of the taxpayer, equals or exceeds the family  
22          allowance amount applicable to the taxpayer under  
23          such section.”.

24                    (FF) Section 6012(a)(8) is amended by  
25                    striking “is not less than the sum of the exemp-

1           tion amount plus the basic standard deduction  
2           under section 63(c)(2)(D)” and inserting  
3           “equals or exceeds the family allowance amount  
4           applicable to the estate under section  
5           1398(c)(3)”.

6           (GG) Section 6013(b)(3)(A) is amended by  
7           striking “has the meaning given to such term”  
8           and all that follows and inserting “means the  
9           family allowance amount applicable to a tax-  
10          payer who is single or married filing separately  
11          under section 63(b).”.

12          (HH) Section 6014(a) is amended by  
13          striking “who does not itemize his deductions  
14          and who is not described in section  
15          6012(a)(1)(C)(i)” and inserting “who is not de-  
16          scribed in section 6012(a)(1)(B)”.

17          (II) Section 6103(l)(21)(A)(iii) is amended  
18          by striking “for whom a deduction is allowed  
19          under section 151” and inserting “who is taken  
20          into account as a dependent under section 152  
21          for purposes of any provision of this title”.

22          (JJ) Section 6334(d)(2)(A) is amended to  
23          read as follows:

24                 “(A) the family allowance amount deter-  
25                 mined under section 63(b) with respect to the

1 taxpayer for the taxable year in which such levy  
2 occurs, divided by”.

3 (KK) Section 7703(b)(1) is amended by  
4 striking “with respect to whom such individual  
5 is entitled to a deduction for the taxable year  
6 under section 151 (or would be so entitled but  
7 for section 152(e))” and inserting “who is a de-  
8 pendent (within the meaning of section 152) of  
9 the individual for the taxable year”.

10 (4) AMENDMENTS RELATING TO PAYROLL  
11 WITHHOLDING.—

12 (A) IN GENERAL.—Paragraph (1) of sec-  
13 tion 3402(f) is amended by striking subpara-  
14 graph (A) and all that follows and inserting the  
15 following:

16 “(A) an exemption equal to the family al-  
17 lowance exemption amount; and

18 “(B) any allowance to which the employee  
19 is entitled under subsection (m), but only if the  
20 employee’s spouse does not have in effect a  
21 withholding exemption certificate claiming such  
22 allowance.”.

23 (B) FAMILY ALLOWANCE EXEMPTION  
24 AMOUNT.—Subsection (f) of section 3402 is  
25 amended—

1 (i) by redesignating paragraphs (2),  
2 (3), (4), (5), (6), and (7) as paragraphs  
3 (3), (4), (5), (6), (7), and (8), respectively,

4 (ii) by striking “paragraph (2)(C)” in  
5 paragraph (3)(B)(iii) and inserting “para-  
6 graph (3)(C)”, and

7 (iii) by inserting after paragraph (1)  
8 the following new paragraph:

9 “(2) FAMILY ALLOWANCE EXEMPTION  
10 AMOUNT.—For purposes of this section—

11 “(A) IN GENERAL.—Except as provided in  
12 subparagraphs (B) and (C), the term ‘family al-  
13 lowance exemption amount’ means the family  
14 allowance amount with respect to the taxpayer  
15 under section 63(b) for the taxable year in  
16 which the payroll period begins, prorated to the  
17 payroll period.

18 “(B) MARRIED EMPLOYEES.—If the em-  
19 ployee is married filing jointly and the employ-  
20 ee’s spouse is an employee receiving wages, the  
21 employee and the employee’s spouse may divide  
22 the family allowance amount determined under  
23 section 63(b) in the proportion of their choice  
24 for purposes of this paragraph, but the sum of  
25 the family allowance exemption amounts

1           claimed by the employee and the employee’s  
2           spouse shall not exceed such family allowance  
3           amount.

4           “(C) EMPLOYEES WITH MORE THAN 1 EM-  
5           PLOYER.—In the case of an employee that has  
6           withholding exemption certificates in effect with  
7           respect to more than 1 employer, the employee  
8           may divide the family allowance amount (or the  
9           employee’s share of such amount after the ap-  
10          plication of subparagraph (B), if applicable) de-  
11          termined under section 63(b) among employers  
12          in the proportion of the employee’s choice for  
13          purposes of this paragraph, but the sum of the  
14          family allowance exemption amounts claimed by  
15          the employee with respect to all employers shall  
16          not exceed such family allowance amount (or  
17          the employee’s share of such amount after the  
18          application of subparagraph (B), if applica-  
19          ble).”.

20          (C) CONFORMING AMENDMENTS.—

21                 (i) Paragraph (2) of section 3402(a)  
22                 is amended by striking “the number of  
23                 withholding exemptions claimed” and all  
24                 that follows and inserting “the total



1 amount of the withholding exemptions  
2 claimed.”.

3 (ii) Paragraph (3) of section 3402(f),  
4 as redesignated by subparagraph (B)(i) of  
5 this paragraph, is amended—

6 (I) by striking “the number of  
7 withholding exemptions” and all that  
8 follows in subparagraph (A) and in-  
9 serting “the total amount of the with-  
10 holding exemptions which the em-  
11 ployee claims, which shall in no event  
12 exceed the amount to which the em-  
13 ployee is entitled.”,

14 (II) by striking “the number of  
15 withholding exemptions” each place it  
16 appears in subparagraphs (B) and (C)  
17 and inserting “the total amount of the  
18 withholding exemptions”,

19 (III) by striking “the number to  
20 which he is entitled” each place it ap-  
21 pears in subparagraph (B) and insert-  
22 ing “the amount to which the em-  
23 ployee is entitled”,

24 (IV) by striking “the number to  
25 which the employee is entitled” in

1           subparagraph (C) and inserting “the  
2           amount to which the employee is enti-  
3           tled”, and

4                   (V) by striking “the number to  
5           which he will be, or reasonably may be  
6           expected to be, so entitled” in sub-  
7           paragraph (C) and inserting “the  
8           amount to which the employee will be,  
9           or reasonably may be expected to be,  
10          so entitled”.

11           (iii) Paragraph (7) of section 3402(f),  
12          as redesignated by subparagraph (B)(i) of  
13          this paragraph, is amended by striking  
14          “shall be entitled to only one withholding  
15          exemption” and inserting “shall be treated  
16          as single or married filing separately for  
17          purposes of determining the family allow-  
18          ance exemption amount”.

19           (iv) Paragraph (8) of section 3402(f),  
20          as redesignated by subparagraph (B)(i) of  
21          this paragraph, is amended by inserting “,  
22          except as provided in paragraph (2)(C)”  
23          after “with respect to one employer”.

24           (v) Paragraph (3) of section 3402(m)  
25          is amended by striking “deductions (in-

1 including the additional standard deduction  
 2 under section 63(c)(3) for the aged and  
 3 blind)” and inserting “deductions”.

4 (vi) Paragraph (2) of section 3402(r)  
 5 is amended striking “the sum of” and all  
 6 that follows and inserting “the family al-  
 7 lowance amount determined under section  
 8 63(b) for a taxpayer who is single or mar-  
 9 ried filing separately.”.

10 (vii) Section 6040(4) is amended by  
 11 striking “section 3402(f)(2), (3), (4), and  
 12 (5)” and inserting “paragraphs (3), (4),  
 13 (5), and (6) of section 3402(f)”.

14 (c) CONFORMING AMENDMENTS.—

15 (1) Section 1(f)(6) is amended—

16 (A) by striking “63(c)(4)” each place it  
 17 appears and inserting “63(b)(3)”, and

18 (B) by inserting “, subsection (g)(4)(B)”  
 19 after “paragraph (2)(A)” in subparagraph (A).

20 (2) Section 1(g)(4) is amended—

21 (A) by striking clause (ii) of subparagraph  
 22 (A) and inserting the following:

23 “(ii) the sum of—

24 “(I) \$500, plus

1                   “(II) the greater of the amount  
2                   described in subclause (I) or the  
3                   amount of the itemized deductions al-  
4                   lowed by this chapter which are di-  
5                   rectly connected with the production  
6                   of the portion of adjusted gross in-  
7                   come referred to in clause (i).”, and

8                   (B) by redesignating subparagraphs (B)  
9                   and (C) as subparagraphs (C) and (D), respec-  
10                  tively, and inserting after subparagraph (A) the  
11                  following new subparagraph:

12                  “(B) ADJUSTMENT FOR INFLATION.—In  
13                  the case of any taxable year beginning in a cal-  
14                  endar year after 1988, the \$500 amount in sub-  
15                  paragraph (A)(ii)(I) shall be increased by an  
16                  amount equal to—

17                         “(i) such dollar amount, multiplied by

18                         “(ii) the cost-of-living adjustment de-  
19                         termined under subsection (f)(3) for the  
20                         calendar year in which the taxable year be-  
21                         gins, by substituting ‘calendar year 1987’  
22                         for ‘calendar year 1992’ in subparagraph  
23                         (B) thereof.”.

24                  (3) Section 3(a) is amended to read as follows:

1       “(a)(1) IN GENERAL.—In lieu of the tax imposed by  
2 section 1, there is hereby imposed for each taxable year  
3 on the taxable income of every individual whose taxable  
4 income does not exceed the ceiling amount a tax deter-  
5 mined under tables, applicable to such taxable year, which  
6 shall be prescribed by the Secretary and which shall be  
7 in such form as the Secretary determines appropriate. In  
8 the table so prescribed, the amounts of the tax shall be  
9 computed on the basis of the rates prescribed by section  
10 1.

11       “(2) CEILING AMOUNT DEFINED.—For purposes of  
12 paragraph (1), the term ‘ceiling amount’ means, with re-  
13 spect to any taxpayer, the amount (not less than \$20,000)  
14 determined by the Secretary for the tax rate category in  
15 which such taxpayer falls.”.

16           (4) Section 861(b) is amended by striking the  
17 last sentence.

18           (5) Section 862(b) is amended by striking the  
19 last sentence.

20           (6) Section 1398(c) is amended—

21                   (A) by striking paragraph (3) and insert-  
22 ing the following:

23           “(3) FAMILY ALLOWANCE AMOUNT.—The fam-  
24 ily allowance amount under section 63(b) taken into  
25 account for the estate for the taxable year shall be

1 the same as for a taxpayer who is single or married  
2 filing separately.”, and

3 (B) by striking “BASIC STANDARD DE-  
4 DUCTION” in the heading and inserting “FAM-  
5 ILY ALLOWANCE AMOUNT”.

6 (7) Section 6212(c)(2) is amended by striking  
7 subparagraph (A) and by redesignating subpara-  
8 graphs (B) and (C) as subparagraphs (A) and (B),  
9 respectively.

10 (8) Section 6014(b)(4) is amended by striking  
11 “deductions” and all that follows and inserting “de-  
12 ductions.”.

13 (9) Section 6504 is amended by striking para-  
14 graph (2) and by redesignating paragraphs (3), (4),  
15 (5), (6), (7), (8), (9), (10), and (11) as paragraphs  
16 (2), (3), (4), (5), (6), (7), (8), (9), and (10), respec-  
17 tively.

18 (d) EFFECTIVE DATE.—The amendments made by  
19 this section shall apply to taxable years beginning after  
20 December 31, 2015.

21 **SEC. 203. REPEAL OF LIMITATIONS RELATING TO ITEMIZED**  
22 **DEDUCTIONS.**

23 (a) IN GENERAL.—Sections 67 and 68 are repealed.

24 (b) CONFORMING AMENDMENTS.—

1           (1) Section 162(o) is amended by striking para-  
2           graph (2) and redesignating paragraph (3) as para-  
3           graph (2).

4           (2) Section 164(b)(5)(H)(ii) is amended—

5                 (A) by striking the comma at the end of  
6                 subclause (I) and inserting “, and”,

7                 (B) by striking “, and” at the end of sub-  
8                 clause (II) and inserting a period, and

9                 (C) by striking subclause (III).

10          (3) Section 302(b)(5) is amended by inserting  
11          “, as in effect on December 31, 2015” after  
12          “67(c)(2)(B)”.

13          (4) Section 562(c) is amended by inserting “,  
14          as in effect on December 31, 2015” after  
15          “67(c)(2)(B)”.

16          (5) Section 642(b)(2)(C)(i)(II) is amended by  
17          inserting “, and as in effect on December 31, 2015”  
18          after “642(b)”.

19          (6) Section 772(c)(3) is amended—

20                 (A) by striking subparagraph (B), and

21                 (B) by striking “INCOME OR LOSS FROM  
22                 OTHER ACTIVITIES.—” and all that follows  
23                 through “For purposes of this chapter” and in-  
24                 serting “INCOME OR LOSS FROM OTHER ACTIVI-  
25                 TIES.—For purposes of this chapter”.





1           (1) Subpart A of part IV of subchapter A of  
2 chapter 1 (relating to nonrefundable personal cred-  
3 its).

4           (2) Subpart B of part IV of subchapter A of  
5 chapter 1 (relating to other credits), other than sec-  
6 tion 27 (relating to taxes of foreign countries and  
7 possessions of the United States; possession tax  
8 credit).

9           (3) Subpart C of part IV of subchapter A of  
10 chapter 1 (relating to refundable credits), other than  
11 sections 32 (relating to earned income) and 36B (re-  
12 lating to refundable credit for coverage under a  
13 qualified health plan).

14           (4) Part VI of subchapter A of chapter 1 (relat-  
15 ing to alternative minimum tax).

16           (5) Section 217 (relating to moving expenses).

17           (6) Section 221 (relating to interest on edu-  
18 cation loans).

19           (7) Section 222 (relating to qualified tuition  
20 and related expenses).

21           (8) Chapter 2A (relating to unearned income  
22 medicare contribution).

23           (b) EFFECTIVE DATE.—The repeals made by sub-  
24 section (a) shall take effect for taxable years beginning  
25 after December 31, 2015.

1 **SEC. 206. ESTABLISHMENT OF PROGRESSIVE TAX REBATE.**

2 (a) IN GENERAL.—Section 32 is amended to read as  
3 follows:

4 **“SEC. 32. PROGRESSIVE TAX REBATE.**

5 “(a) ALLOWANCE OF CREDIT.—In the case of an eli-  
6 gible taxpayer, there shall be allowed as a credit against  
7 the tax imposed by this subtitle for the taxable year an  
8 amount equal to the sum of—

9 “(1) the earned income amount (as determined  
10 under subsection (b)),

11 “(2) the child benefit amount (as determined  
12 under subsection (c)), plus

13 “(3) the additional child benefit amount (as de-  
14 termined under subsection (d)).

15 “(b) EARNED INCOME AMOUNT.—

16 “(1) SINGLE WORKERS.—In the case of an eli-  
17 gible taxpayer (other than a head of a household as  
18 defined in section 2(b)) who is not filing a joint re-  
19 turn for the taxable year under section 6013, the  
20 earned income amount shall be equal to—

21 “(A) in the case of a taxpayer whose  
22 earned income for the taxable year does not ex-  
23 ceed \$6,100, 25.1 percent of such earned in-  
24 come,

25 “(B) in the case of a taxpayer whose  
26 earned income for the taxable year exceeds

1           \$6,100 but does not exceed \$9,000, \$1,530 plus  
2           17.1 percent of such earned income in excess of  
3           \$6,100,

4           “(C) in the case of a taxpayer whose  
5           earned income (or, if greater, adjusted gross in-  
6           come) for the taxable year exceeds \$9,000, but  
7           does not exceed \$49,494, \$2,025 minus 5 per-  
8           cent of such earned income or adjusted gross  
9           income in excess of \$9,000, or

10           “(D) in the case of a taxpayer whose  
11           earned income (or, if greater, adjusted gross in-  
12           come) for the taxable year exceeds \$49,494, \$0.

13           “(2) HEAD OF HOUSEHOLD.—In the case of an  
14           eligible taxpayer who is a head of a household (as  
15           defined in section 2(b)), the earned income amount  
16           shall be equal to—

17           “(A) in the case of a taxpayer whose  
18           earned income for the taxable year does not ex-  
19           ceed \$9,150, 25.1 percent of such earned in-  
20           come,

21           “(B) in the case of a taxpayer whose  
22           earned income for the taxable year exceeds  
23           \$9,150 but does not exceed \$13,500, \$2,294  
24           plus 17.1 percent of such earned income in ex-  
25           cess of \$9,150,

1           “(C) in the case of a taxpayer whose  
2           earned income (or, if greater, adjusted gross in-  
3           come) for the taxable year exceeds \$13,500, but  
4           does not exceed \$74,241, \$3,037 minus 5 per-  
5           cent of such earned income or adjusted gross  
6           income in excess of \$13,500, or

7           “(D) in the case of a taxpayer whose  
8           earned income (or, if greater, adjusted gross in-  
9           come) for the taxable year exceeds \$74,241, \$0.

10          “(3) MARRIED FILING JOINTLY.—In the case of  
11          an eligible taxpayer filing a joint return under sec-  
12          tion 6013, the earned income amount shall be deter-  
13          mined pursuant to paragraph (1), except that the  
14          dollar amounts in effect under such paragraph shall  
15          be multiplied by 2.

16          “(c) CHILD BENEFIT AMOUNT.—

17                 “(1) IN GENERAL.—In the case of an eligible  
18                 taxpayer with a qualifying child, the child benefit  
19                 amount shall be equal to 15 percent of the earned  
20                 income of such taxpayer for the taxable year.

21                 “(2) LIMITATIONS.—

22                         “(A) LIMITATION BASED ON NUMBER OF  
23                         CHILDREN.—The child benefit amount deter-  
24                         mined under paragraph (1) shall not exceed an  
25                         amount equal to the product of—

1                   “(i) the number of qualifying children  
2                   of the taxpayer, multiplied by

3                   “(ii) \$1,590.

4                   “(B) REDUCTION BASED ON EARNINGS OR  
5                   ADJUSTED GROSS INCOME.—The child benefit  
6                   amount determined under this subsection (as  
7                   determined after application of subparagraph  
8                   (A)) shall be reduced (but not below zero) by an  
9                   amount equal to 5 percent of the earned income  
10                  (or, if greater, the adjusted gross income) of  
11                  the taxpayer for the taxable year in excess of  
12                  \$75,000 (\$110,000 in the case of a joint re-  
13                  turn).

14                  “(d) ADDITIONAL CHILD BENEFIT AMOUNT.—

15                  “(1) IN GENERAL.—In the case of an eligible  
16                  taxpayer with a qualifying child, the additional child  
17                  benefit amount shall be equal to—

18                         “(A) in the case of a taxpayer whose  
19                         earned income for the taxable year does not ex-  
20                         ceed \$20,000, the applicable percentage of such  
21                         earned income,

22                         “(B) in the case of a taxpayer whose  
23                         earned income exceeds \$20,000 but does not ex-  
24                         ceed \$25,000, the applicable percentage of  
25                         \$20,000,

1           “(C) in the case of a taxpayer whose  
2 earned income (or, if greater, adjusted gross in-  
3 come) exceeds \$25,000 but does not exceed the  
4 applicable amount, an amount equal to—

5                   “(i) the applicable percentage of  
6 \$20,000, minus

7                   “(ii) 15 percent of such earned in-  
8 come or adjusted gross income in excess of  
9 \$25,000, or

10           “(D) in the case of a taxpayer whose  
11 earned income (or, if greater, adjusted gross in-  
12 come) exceeds the applicable amount, \$0.

13           “(2) APPLICABLE PERCENTAGE.—For purposes  
14 of paragraph (1), the applicable percentage is—

15                   “(A) in the case of a taxpayer with 1  
16 qualifying child, 11 percent,

17                   “(B) in the case of a taxpayer with 2  
18 qualifying children, 17 percent, and

19                   “(C) in the case of a taxpayer with 3 or  
20 more qualifying children, 19 percent.

21           “(3) APPLICABLE AMOUNT.—For purposes of  
22 paragraph (1), the applicable amount is—

23                   “(A) in the case of a taxpayer with 1  
24 qualifying child, \$39,667,

1           “(B) in the case of a taxpayer with 2  
2           qualifying children, \$47,667, and

3           “(C) in the case of a taxpayer with 3 or  
4           more qualifying children, \$50,333.

5           “(e) ELIGIBLE TAXPAYER.—

6           “(1) IN GENERAL.—The term ‘eligible taxpayer’  
7           means an individual—

8           “(A) whose principal place of abode is in  
9           the United States for more than one-half of  
10          such taxable year, and

11          “(B) is not a dependent (as defined under  
12          section 152) to another taxpayer for any tax-  
13          able year beginning in the same calendar year  
14          as such taxable year.

15          “(2) QUALIFYING CHILD INELIGIBLE.—If an  
16          individual is the qualifying child of a taxpayer for  
17          any taxable year of such taxpayer beginning in a cal-  
18          endar year, such individual shall not be treated as  
19          an eligible taxpayer for any taxable year of such in-  
20          dividual beginning in such calendar year.

21          “(3) EXCEPTION FOR TAXPAYER CLAIMING  
22          BENEFITS UNDER SECTION 911.—The term ‘eligible  
23          taxpayer’ does not include any taxpayer who claims  
24          the benefits of section 911 for the taxable year.

1           “(4) LIMITATION ON ELIGIBILITY OF NON-  
2 RESIDENT ALIENS.—The term ‘eligible taxpayer’  
3 shall not include any individual who is a nonresident  
4 alien individual for any portion of the taxable year  
5 unless such individual is treated for such taxable  
6 year as a resident of the United States for purposes  
7 of this chapter by reason of an election under sub-  
8 section (g) or (h) of section 6013.

9           “(5) IDENTIFICATION NUMBER REQUIRE-  
10 MENT.—No credit shall be allowed under this section  
11 to an eligible taxpayer who does not include on the  
12 return of tax for the taxable year—

13                   “(A) such individual’s taxpayer identifica-  
14 tion number, and

15                   “(B) if the individual is married (within  
16 the meaning of section 7703), the taxpayer  
17 identification number of such individual’s  
18 spouse.

19           “(6) TAXPAYERS WHO DO NOT INCLUDE TIN,  
20 ETC., OF ANY QUALIFYING CHILD.—No credit shall  
21 be allowed under this section to any eligible taxpayer  
22 who has one or more qualifying children if no quali-  
23 fying child of such taxpayer is taken into account  
24 under subsection (c) or (d) by reason of subsection  
25 (f)(4).



1           “(7) TREATMENT OF MILITARY PERSONNEL  
2 STATIONED OUTSIDE OF THE UNITED STATES.—For  
3 purposes of paragraph (1)(A) and subsection (f)(3),  
4 the principal place of abode of a member of the  
5 Armed Forces of the United States shall be treated  
6 as in the United States during any period during  
7 which such member is stationed outside the United  
8 States while serving on extended active duty with  
9 the Armed Forces of the United States. For pur-  
10 poses of the preceding sentence, the term ‘extended  
11 active duty’ means any period of active duty pursu-  
12 ant to a call or order to such duty for a period in  
13 excess of 90 days or for an indefinite period.

14           “(8) JOINT RETURN.—

15           “(A) MARRIED INDIVIDUALS.—In the case  
16 of an individual who is married (within the  
17 meaning of section 7703), this section shall  
18 apply only if a joint return is filed for the tax-  
19 able year under section 6013.

20           “(B) OTHER.—In the case of taxpayer fil-  
21 ing a joint return under section 6013, such tax-  
22 payer shall not be treated as an eligible tax-  
23 payer for purposes of this section unless either  
24 the taxpayer or the taxpayer’s spouse satisfies  
25 each of the requirements under this subsection.

1 “(f) QUALIFYING CHILD.—

2 “(1) IN GENERAL.—The term ‘qualifying child’  
3 means a qualifying child of the taxpayer (as defined  
4 in section 152(c), determined without regard to  
5 paragraph (1)(D) thereof and section 152(e)).

6 “(2) MARRIED INDIVIDUAL.—The term ‘quali-  
7 fying child’ shall not include an individual who is  
8 married as of the close of the eligible taxpayer’s tax-  
9 able year unless the individual qualifies as a depend-  
10 ent (as defined under section 152) of the taxpayer  
11 for such taxable year.

12 “(3) PLACE OF ABODE.—For purposes of para-  
13 graph (1), the requirements of section 152(c)(1)(B)  
14 shall be met only if the principal place of abode is  
15 in the United States.

16 “(4) IDENTIFICATION REQUIREMENTS.—

17 “(A) IN GENERAL.—A qualifying child  
18 shall not be taken into account under sub-  
19 section (c) or (d) unless the taxpayer includes  
20 the name, age, and TIN of the qualifying child  
21 on the return of tax for the taxable year.

22 “(B) OTHER METHODS.—The Secretary  
23 may prescribe other methods for providing the  
24 information described in subparagraph (A).

25 “(g) EARNED INCOME.—

1           “(1) IN GENERAL.—The term ‘earned income’  
2 means—

3           “(A) wages, salaries, tips, and other em-  
4 ployee compensation, but only if such amounts  
5 are includible in gross income for the taxable  
6 year, plus

7           “(B) the amount of the taxpayer’s net  
8 earnings from self-employment for the taxable  
9 year (within the meaning of section 1402(a)),  
10 but such net earnings shall be determined with  
11 regard to the deduction allowed to the taxpayer  
12 by section 164(f).

13           “(2) SPECIAL RULES.—For purposes of para-  
14 graph (1)—

15           “(A) no amount received as a pension or  
16 annuity shall be taken into account,

17           “(B) no amount to which section 871(a)  
18 applies (relating to income of nonresident alien  
19 individuals not connected with United States  
20 business) shall be taken into account,

21           “(C) no amount received for services pro-  
22 vided by an individual while the individual is an  
23 inmate at a penal institution shall be taken into  
24 account,

1           “(D) no amount described in paragraph  
2           (1) received for service performed in work ac-  
3           tivities as defined in paragraph (4) or (7) of  
4           section 407(d) of the Social Security Act to  
5           which the taxpayer is assigned under any State  
6           program under part A of title IV of such Act  
7           shall be taken into account, but only to the ex-  
8           tent such amount is subsidized under such  
9           State program, and

10           “(E) a taxpayer may elect to treat  
11           amounts excluded from gross income by reason  
12           of section 112 as earned income.

13           “(h) TAXABLE YEAR MUST BE FULL TAXABLE  
14           YEAR.—Except in the case of a taxable year closed by rea-  
15           son of the death of the eligible taxpayer, no credit shall  
16           be allowable under this section in the case of a taxable  
17           year covering a period of less than 12 months.

18           “(i) COORDINATION WITH CERTAIN MEANS-TESTED  
19           PROGRAMS.—For purposes of—

20           “(1) the United States Housing Act of 1937,

21           “(2) title V of the Housing Act of 1949,

22           “(3) section 101 of the Housing and Urban De-  
23           velopment Act of 1965,

24           “(4) sections 221(d)(3), 235, and 236 of the  
25           National Housing Act, and

1           “(5) the Food and Nutrition Act of 2008,  
2 any refund made to a taxpayer by reason of this section  
3 shall not be treated as income (and shall not be taken into  
4 account in determining resources for the month of its re-  
5 ceipt and the following month).

6           “(j) AMOUNT OF CREDIT TO BE DETERMINED  
7 UNDER TABLES.—The amount of the credit allowed by  
8 this section shall be determined under tables prescribed  
9 by the Secretary.

10          “(k) DENIAL OF CREDIT FOR INDIVIDUALS HAVING  
11 EXCESSIVE INVESTMENT INCOME.—

12           “(1) IN GENERAL.—No credit shall be allowed  
13 under subsection (a) for the taxable year if the ag-  
14 gregate amount of disqualified income of the tax-  
15 payer for the taxable year exceeds \$5,000.

16           “(2) DISQUALIFIED INCOME.—For purposes of  
17 paragraph (1), the term ‘disqualified income’  
18 means—

19           “(A) interest or dividends to the extent in-  
20 cludible in income for the taxable year,

21           “(B) interest received or accrued during  
22 the taxable year which is exempt from tax im-  
23 posed by this chapter,

24           “(C) the excess (if any) of—

1           “(i) gross income from rents or royal-  
2           ties not derived in the ordinary course of  
3           a trade or business, over

4           “(ii) the sum of—

5                 “(I) the deductions (other than  
6                 interest) which are clearly and directly  
7                 allocable to such gross income, plus

8                 “(II) interest deductions properly  
9                 allocable to such gross income,

10           “(D) the capital gain net income (as de-  
11           fined in section 1222) of the taxpayer for such  
12           taxable year, and

13           “(E) the excess (if any) of—

14                 “(i) the aggregate income from all  
15                 passive activities for the taxable year (de-  
16                 termined without regard to any amount in-  
17                 cluded in earned income under subsection  
18                 (f) or described in a preceding subpara-  
19                 graph), over

20                 “(ii) the aggregate losses from all pas-  
21                 sive activities for the taxable year (as so  
22                 determined).

23           “(3) PASSIVE ACTIVITY.—For purposes of para-  
24           graph (2)(E), the term ‘passive activity’ has the  
25           meaning given such term by section 469.

1 “(l) INFLATION ADJUSTMENTS.—

2 “(1) IN GENERAL.—In the case of any taxable  
3 year beginning after 2015, each of the dollar  
4 amounts in subsections (b), (c), (d), and (j)(1) shall  
5 each be increased by an amount equal to—

6 “(A) such dollar amount, multiplied by

7 “(B) the cost-of-living adjustment deter-  
8 mined under section 1(f)(3) for the calendar  
9 year in which the taxable year begins, deter-  
10 mined by substituting ‘calendar year 2014’ for  
11 ‘calendar year 1992’ in subparagraph (B)  
12 thereof.

13 “(2) ROUNDING.—If any dollar amount in sub-  
14 sections (b), (c), (d), and (j)(1), after being in-  
15 creased under paragraph (1), is not a multiple of  
16 \$100, such dollar amount shall be rounded to the  
17 nearest multiple of \$100.

18 “(m) RESTRICTIONS ON TAXPAYERS WHO IMPROP-  
19 ERLY CLAIMED CREDIT IN PRIOR YEAR.—

20 “(1) TAXPAYERS MAKING PRIOR FRAUDULENT  
21 OR RECKLESS CLAIMS.—

22 “(A) IN GENERAL.—No credit shall be al-  
23 lowed under this section for any taxable year in  
24 the disallowance period.

1           “(B) DISALLOWANCE PERIOD.—For pur-  
2           poses of subparagraph (A), the disallowance pe-  
3           riod is—

4                   “(i) the period of 10 taxable years  
5                   after the most recent taxable year for  
6                   which there was a final determination that  
7                   the taxpayer’s claim of credit under this  
8                   section was due to fraud, and

9                   “(ii) the period of 2 taxable years  
10                  after the most recent taxable year for  
11                  which there was a final determination that  
12                  the taxpayer’s claim of credit under this  
13                  section was due to reckless or intentional  
14                  disregard of rules and regulations (but not  
15                  due to fraud).

16           “(2) TAXPAYERS MAKING IMPROPER PRIOR  
17           CLAIMS.—In the case of a taxpayer who is denied  
18           credit under this section for any taxable year as a  
19           result of the deficiency procedures under subchapter  
20           B of chapter 63, no credit shall be allowed under  
21           this section for any subsequent taxable year unless  
22           the taxpayer provides such information as the Sec-  
23           retary may require to demonstrate eligibility for  
24           such credit.”.

25           (b) CONFORMING AMENDMENTS.—



1           (1) Section 86(f)(2) is amended by striking  
2           “section 32(c)(2)” and inserting “section 32(g)”.

3           (2) Section 129(e)(2) is amended by striking  
4           “section 32(c)(2)” and inserting “section 32(g)”.

5           (3) Section 6213(g)(2) is amended—

6                   (A) in subparagraph (G), by striking “sec-  
7                   tion 32(c)(2)(A)” and inserting “section  
8                   32(g)(1)”, and

9                   (B) in subparagraph (K), by striking “sec-  
10                   tion 32(k)(2)” and inserting “section  
11                   32(m)(2)”.

12           (4) Paragraph (2) of section 1324(b) of title  
13           31, United States Code, is amended by inserting  
14           “32,” after “25A,”.

15           (5) The table of sections for subpart C of part  
16           IV of subchapter A of chapter 1 of subtitle A is  
17           amended by striking the item relating to section 32  
18           and inserting the following:

“Sec. 32. Progressive tax rebate.”.

19           (c) EFFECTIVE DATE.—The amendments made by  
20           this section shall apply to taxable years beginning after  
21           December 31, 2015.

22           **SEC. 207. TECHNICAL AND CONFORMING AMENDMENTS.**

23           The Secretary of the Treasury or the Secretary’s del-  
24           egate shall, not later than 90 days after the date of the  
25           enactment of this Act, submit to the Committee on Ways

1 and Means of the House of Representatives and the Com-  
2 mittee on Finance of the Senate a draft of any technical  
3 and conforming changes in the Internal Revenue Code of  
4 1986 which are necessary to reflect throughout such Code  
5 the purposes of the provisions of, and amendments made  
6 by, this title.

## 7 **Subtitle B—Corporate Tax Reforms**

### 8 **SEC. 211. CORPORATE INCOME TAX RATE REDUCTION.**

9 (a) IN GENERAL.—Subsection (b) of section 11 is  
10 amended to read as follows:

11 “(b) AMOUNT OF TAX.—The amount of the tax im-  
12 posed by subsection (a) shall be an amount equal to 17  
13 percent of the taxable income.”.

14 (b) CONFORMING AMENDMENT.—Section 1551 is  
15 amended—

16 (1) by striking “**BENEFITS OF THE GRAD-**  
17 **UATED CORPORATE RATES AND**” in the heading,

18 (2) by striking “the benefits of the rates con-  
19 tained in section 11(b) which are lower than the  
20 highest rate specified in such section, or” in sub-  
21 section (a), and

22 (3) by striking “such benefits or credit” in sub-  
23 section (a) and inserting “such credit”.

1 (c) EFFECTIVE DATE.—The amendments made by  
 2 this section shall apply to taxable years beginning after  
 3 December 31, 2015.

4 **TITLE III—REFUND OF EXCESS**  
 5 **CONSUMPTION TAX REVENUE**

6 **SEC. 301. REFUNDS OF EXCESS CONSUMPTION TAX REV-**  
 7 **ENUE.**

8 (a) IN GENERAL.—Subchapter B of chapter 65 is  
 9 amended by adding at the end the following new section:  
 10 **“SEC. 6433. REFUNDS OF EXCESS CONSUMPTION TAX REV-**  
 11 **ENUE.**

12 “(a) IN GENERAL.—In the case of any qualifying ex-  
 13 cess consumption tax revenue year, the Secretary shall pay  
 14 to each eligible filer an amount equal to the consumption  
 15 tax refund amount.

16 “(b) QUALIFYING EXCESS CONSUMPTION TAX REV-  
 17 ENUE YEAR.—For purposes of this section—

18 “(1) IN GENERAL.—The term ‘qualifying excess  
 19 consumption tax revenue year’ means any calendar  
 20 year for which the net consumption tax revenues ex-  
 21 ceed 10 percent of gross domestic product for such  
 22 year.

23 “(2) NET CONSUMPTION TAX REVENUES.—The  
 24 net consumption tax revenues for any calendar year  
 25 shall be the excess of—

1           “(A) the tax imposed under section 3901  
2           with respect to taxable supplies the tax point  
3           for which is during such calendar year, over

4           “(B) the credits allowed under section  
5           3916 for such calendar year.

6           “(3) GROSS DOMESTIC PRODUCT.—The gross  
7           domestic product for any calendar year shall be the  
8           last estimate of the gross domestic product for such  
9           calendar year by the Department of Commerce  
10          which is published before the date that is 3 months  
11          after the close of such calendar year.

12          “(c) ELIGIBLE FILER.—For purposes of this sec-  
13          tion—

14           “(1) DEFINITION.—

15           “(A) IN GENERAL.—The term ‘eligible  
16           filer’ means, with respect to any qualifying ex-  
17           cess consumption tax revenue year, any indi-  
18           vidual (other than an individual described in  
19           paragraph (2)) who filed a return of income tax  
20           for the individual’s qualifying rebate taxable  
21           year.

22           “(B) EXCLUSION.—The term ‘eligible filer’  
23           shall not include—

24           “(i) any nonresident alien individual,

1           “(ii) any individual who is a depend-  
2           ent (as defined in section 152) of another  
3           taxpayer for the individual’s qualifying re-  
4           bate taxable year, or

5           “(iii) an estate or trust.

6           “(2) QUALIFYING REBATE TAXABLE YEAR.—

7           The term ‘qualifying rebate taxable year’ means,  
8           with respect to any individual in connection with a  
9           qualifying excess consumption tax revenue year, the  
10          taxable year of such individual which contains 6 or  
11          more months of such qualifying excess consumption  
12          tax revenue year.

13          “(3) IDENTIFICATION REQUIREMENT.—

14          “(A) IN GENERAL.—An individual shall  
15          not be treated as an eligible filer for any year  
16          unless such individual includes on the return of  
17          tax for such year—

18                 “(i) such individual’s valid identifica-  
19                 tion number,

20                 “(ii) in the case of a joint return, the  
21                 valid identification number of such individ-  
22                 ual’s spouse, and

23                 “(iii) the valid identification number  
24                 of any qualifying child (as defined in sec-  
25                 tion 32(f)) claimed on such return.

1           “(B) VALID IDENTIFICATION NUMBER.—  
2           For purposes of subparagraph (A), the term  
3           ‘valid identification number’ means a social se-  
4           curity number issued to an individual by the  
5           Social Security Administration. Such term shall  
6           not include a TIN issued by the Internal Rev-  
7           enue Service.

8           “(C) SPECIAL RULE FOR MEMBERS OF  
9           THE ARMED FORCES.—Subparagraph (A) shall  
10          not apply to a joint return where at least 1  
11          spouse was a member of the Armed Forces of  
12          the United States at any time during the tax-  
13          able year.

14          “(d) CONSUMPTION TAX REFUND AMOUNT.—

15               “(1) IN GENERAL.—The consumption tax re-  
16               fund amount for any eligible filer for any qualifying  
17               excess consumption tax year shall be the product  
18               of—

19                       “(A) the applicable amount, times

20                       “(B) the applicable shares of the eligible  
21                       filer.

22               “(2) APPLICABLE AMOUNT.—The applicable  
23               amount for any qualifying excess revenue consump-  
24               tion tax year is an amount equal to—

1           “(A) the excess described in subsection  
2           (b)(1), divided by

3           “(B) the total number of applicable shares  
4           of all eligible filers for such year.

5           “(3) APPLICABLE SHARE.—The number of ap-  
6           plicable shares for any eligible filer shall be the sum  
7           of—

8           “(A) 1 (2 in the case of a joint return),  
9           plus

10           “(B)  $\frac{1}{2}$  of the number of qualifying chil-  
11           dren (as defined in section 32(f)) claimed on  
12           the eligible filer’s return for the filer’s quali-  
13           fying rebate taxable year.

14           “(e) TIME FOR PAYMENT.—Payments under sub-  
15           section (a) shall be made as soon as practical after the  
16           Secretary has determined the consumption tax refund  
17           amount.”.

18           (b) CONFORMING AMENDMENTS.—

19           (1) Section 1324(b)(2) of title 31, United  
20           States Code, is amended by striking “or 6431” and  
21           inserting “6431, or 6433”.

22           (2) The table of sections for subchapter B of  
23           chapter 65 is amended by adding at the end the fol-  
24           lowing new item:

“Sec. 6433. Refunds of excess consumption tax revenue.”.

1       (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to calendar years beginning after  
3 the date of the enactment of this Act.

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