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113TH CONGRESS
1ST SESSION

S. 836

To amend the Internal Revenue Code of 1986 to strengthen the earned income tax credit and make permanent certain tax provisions under the American Recovery and Reinvestment Act of 2009.

IN THE SENATE OF THE UNITED STATES

APRIL 25, 2013

Mr. BROWN (for himself, Mr. DURBIN, Mr. SCHUMER, Mr. BAUCUS, Mr. ROCKEFELLER, Mr. WYDEN, Ms. STABENOW, Mr. MENENDEZ, Mr. CARDIN, Mr. CASEY, Mrs. MURRAY, Mr. LAUTENBERG, Mrs. GILLIBRAND, Mr. COWAN, Mr. WHITEHOUSE, Mr. REED, Ms. HIRONO, Mr. HARKIN, Mr. LEVIN, Mrs. BOXER, Mr. BLUMENTHAL, Mr. BEGICH, Mr. SCHATZ, Ms. KLOBUCHAR, Mr. FRANKEN, Mr. BENNET, Ms. WARREN, Mr. JOHNSON of South Dakota, Mr. MERKLEY, and Mr. MURPHY) 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 strengthen the earned income tax credit and make permanent certain tax provisions under the American Recovery and Reinvestment Act of 2009.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Working Families Tax Relief Act of 2013".

SEC. 2. PERMANENT EXTENSION OF AND MODIFICATIONS TO THE CHILD TAX CREDIT.

(a) PERMANENT EXTENSION OF INCREASE IN REFUNDABLE PORTION.—

(1) IN GENERAL.—Clause (i) of section 24(d)(1)(B) of the Internal Revenue Code of 1986 is amended by striking ''$10,000'' and inserting ''$3,000''.

(2) CONFORMING AMENDMENT.—Subsection (d) of section 24 of such Code is amended by striking paragraph (4).

(3) ELIMINATION OF INFLATION ADJUSTMENT.—Subsection (d) of section 24 of such Code is amended by striking paragraph (3).

(b) INFLATION ADJUSTMENTS.—Section 24 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

''(g) INFLATION ADJUSTMENTS.—

''(1) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2012, the $1,000 amount in subsection (a) and each of the dollar amounts in subsection (b)(2) shall each be increased by an amount equal to—

''(A) such dollar amount, multiplied by

''(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar

year in which the taxable year begins, determined by substituting 'calendar year 2011' for 'calendar year 1992' in subparagraph (B) thereof.

"(2) ROUNDING.—Any increase determined under the preceding sentence shall be rounded to the nearest multiple of $50.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2012.

SEC. 3. PERMANENT EXTENSION OF MODIFICATIONS TO EARNED INCOME TAX CREDIT.

(a) INCREASE IN CREDIT PERCENTAGE FOR FAMILIES WITH 3 OR MORE CHILDREN.—Paragraph (1) of section 32(b) of the Internal Revenue Code of 1986 is amended by striking subparagraphs (B) and (C) and inserting the following new subparagraph:

"(B) INCREASED CREDIT PERCENTAGE FOR FAMILIES WITH 3 OR MORE QUALIFYING CHILDREN.—In the case of an eligible individual with 3 or more qualifying children, the table in subparagraph (A) shall be applied by substituting '45' for '40' in the second column thereof.".

(b) JOINT RETURNS.—

(1) IN GENERAL.—Subparagraph (B) of section 32(b)(2) of the Internal Revenue Code of 1986 is amended by striking ''increased by'' and all that follows and inserting ''increased by $5,000.''.

(2) INFLATION ADJUSTMENTS.—Clause (ii) of section 32(j)(1)(B) of such Code is amended—

(A) by striking ''$3,000'' and inserting ''$5,000'',

(B) by striking ''subsection (b)(2)(B)(iii)'' and inserting ''subsection (b)(2)(B)'', and

(C) by striking ''calendar year 2007'' and inserting ''calendar year 2008''.

(c) CONFORMING AMENDMENT.—Section 32(b)of such Code is amended by striking paragraph (3).

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2012.

SEC. 4. STRENGTHENING THE EARNED INCOME TAX CREDIT.

(a) INCREASED CREDIT FOR INDIVIDUALS WITH NO QUALIFYING CHILDREN.—

(1) IN GENERAL.—The table in subparagraph (A) of section 32(b)(2) of the Internal Revenue Code of 1986 is amended—

(A) by striking "$4,220" in the second column and inserting "$8,820", and

(B) by striking "$5,280" in the last column and inserting "$10,425".

(2) INFLATION ADJUSTMENTS.—Subparagraph (B) of section 32(j)(1) of the Internal Revenue Code of 1986, as amended by this Act, is amended—

(A) in clause (i)—

(i) by inserting "(except as provided in clause (iii))" after "(b)(2)(A)", and

(ii) by striking "and" at the end, and

(B) by adding at the end the following new clause:

"(iii) in the case of the $8,820 and $10,4250 amount in the table in subsection (b)(2)(A), by substituting 'calendar year 2012' for 'calendar year 1992' in subparagraph (B) of such section 1.".

(b) CREDIT INCREASE AND REDUCTION IN PHASEOUT FOR INDIVIDUALS WITH NO CHILDREN.—The table contained in section 32(b)(1)(A) of the Internal Revenue Code of 1986 is amended—

(1) by striking "7.65" in the second column of the third row and inserting "15.3", and

(2) by striking ''7.65'' in the third column of the third row and inserting ''15.3''.

(c) CREDIT ALLOWED FOR CERTAIN CHILDLESS INDIVIDUALS OVER AGE 21.—Subclause (II) of section 32(c)(1)(A)(ii) of the Internal Revenue Code of 1986 (relating to eligible individual) is amended by striking ''age 25'' and inserting ''age 21''.

(d) EFFECTIVE DATES.—The amendments made by this section shall apply to taxable years beginning after December 31, 2012.

SEC. 5. SIMPLIFYING THE EARNED INCOME TAX CREDIT.

(a) MODIFICATION OF ABANDONED SPOUSE RULE.—

(1) IN GENERAL.—Section 32(c)(1) of the Internal Revenue Code of 1986 (relating to eligible individual) is amended by adding at the end the following new paragraph:

''(G) CERTAIN MARRIED INDIVIDUALS LIVING APART.—For purposes of this section, an individual who—

''(i) is married (within the meaning of section 7703(a)) and files a separate return for the taxable year,

''(ii) lives with a qualifying child of the individual for more than one-half of such taxable year, and

"(iii)(I) during the last 6 months of such taxable year, does not have the same principal place of abode as the individual's spouse, or

"(II) has a legally binding separation agreement with the individual's spouse and is not a member of the same household with the individual's spouse by the end of the taxable year,

shall not be considered as married.".

(2) CONFORMING AMENDMENTS.—

(A) The last sentence of section 32(c)(1)(A) of the Internal Revenue Code of 1986 is amended by striking "section 7703" and inserting "section 7703(a)".

(B) Section 32(d) of such Code is amended by striking "In the case of an individual who is married (within the meaning of section 7703)" and inserting "In the case of an individual who is married (within the meaning of section 7703(a)) and is not described in subsection (c)(1)(G)".

(b) ELIMINATION OF DISQUALIFIED INVESTMENT INCOME TEST.—

(1) IN GENERAL.—Section 32 of the Internal Revenue Code of 1986 is amended by striking subsection (i).

(2) CONFORMING AMENDMENTS.—

(A) Section 32(j)(1)(B)(i) of such Code, as amended by this Act, is amended—

(i) by striking ''subsections'' and inserting ''subsection'', and

(ii) by striking ''and (i)(1)''.

(B) Section 32(j)(2) of such Code is amended to read as follows:

''(2) ROUNDING.—If any dollar amount in subsection (b)(2)(A) (after being increased under subparagraph (B) thereof), after being increased under paragraph (1), is not a multiple of $10, such amount shall be rounded to the next nearest multiple of $10.''.

(c) SIMPLIFICATION OF RULES REGARDING PRESENCE OF QUALIFYING CHILD.—

(1) TAXPAYER ELIGIBLE FOR CREDIT FOR WORKER WITHOUT QUALIFYING CHILD IF QUALIFYING CHILD CLAIMED BY ANOTHER MEMBER OF FAMILY.—Section 32(c)(1) of the Internal Revenue Code of 1986 (relating to eligible individual), as

amended by this Act, is amended by adding at the end the following new paragraph:

"(H) TAXPAYER ELIGIBLE FOR CREDIT FOR WORKER WITHOUT QUALIFYING CHILD IF QUALIFYING CHILD CLAIMED BY ANOTHER MEMBER OF FAMILY.—

"(i) GENERAL RULE.—Except as provided in clause (ii), in the case of 2 or more eligible individuals who may claim for such taxable year the same individual as a qualifying child, if such individual is claimed as a qualifying child by such an eligible individual, then any other such eligible individual who does not make such a claim of such child or of any other qualifying child may be considered an eligible individual without a qualifying child for purposes of the credit allowed under this section for such taxable year.

"(ii) EXCEPTION IF QUALIFYING CHILD CLAIMED BY PARENT.—If an individual is claimed as a qualifying child for any taxable year by an eligible individual who is a parent of such child, then no other custodial parent of such child who

does not make such a claim of such child may be considered an eligible individual without a qualifying child for purposes of the credit allowed under this section for such taxable year.''.

(2) TAXPAYER ELIGIBLE FOR CREDIT FOR WORKER WITHOUT QUALIFYING CHILD IF QUALIFYING CHILDREN DO NOT HAVE VALID SOCIAL SECURITY NUMBER.—Subparagraph (F) of section 32(c)(1) of the Internal Revenue Code of 1986 is amended to read as follows:

''(F) INDIVIDUALS WHO DO NOT INCLUDE TIN, ETC., OF ANY QUALIFYING CHILD.—In the case of any eligible individual who has one or more qualifying children, if no qualifying child of such individual is taken into account under subsection (b) by reason of paragraph (3)(D), for purposes of the credit allowed under this section, such individual may be considered an eligible individual without a qualifying child.''.

(d) EFFECTIVE DATES.—The amendments made by this section shall apply to taxable years beginning after December 31, 2012.

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