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

A BILL

To amend the Internal Revenue Code of 1986 to increase certain fuel taxes and 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; TABLE OF CONTENTS.

(a) Short Title.—This Act may be cited as the “Tax Relief And #FixTheTrustFund For Infrastructure Certainty Act of 2015” or the “TRAFFIC Relief Act”.

IN THE SENATE OF THE UNITED STATES

AUGUST 5, 2015

Mr. CARPER introduced the following bill; which was read twice and referred to the Committee on Finance
(b) TABLE OF CONTENTS.—The table of contents of this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—FUEL TAXES

Sec. 101. Increase in tax on gasoline.
Sec. 102. Increase in tax on diesel fuel and kerosene.
Sec. 103. Allocation in accounts in highway trust fund.
Sec. 104. Floor stocks taxes.

TITLE II—TAX RELIEF FOR WORKING FAMILIES

Sec. 201. Permanent extension of and modifications to the child tax credit.
Sec. 202. Permanent extension of modifications to earned income tax credit.
Sec. 203. Strengthening the earned income tax credit.
Sec. 204. Simplifying the earned income tax credit.

TITLE I—FUEL TAXES

SEC. 101. INCREASE IN TAX ON GASOLINE.

(a) PHASED-IN INCREASE.—

(1) IN GENERAL.—Clause (i) of section 4081(a)(2)(A) of the Internal Revenue Code of 1986 is amended by striking “aviation gasoline,” and all that follows and inserting “aviation gasoline—

“(I) 22.3 cents per gallon in the case of gasoline removed, entered, or sold in calendar year 2016,

“(II) 26.3 cents per gallon in the case of gasoline removed, entered, or sold in calendar year 2017,

“(III) 30.3 cents per gallon in the case of gasoline removed, entered, or sold in calendar year 2018, and
“(IV) 34.3 cents per gallon in the
case of gasoline removed, entered, or
sold in calendar years beginning after
December 31, 2018,”.

(2) EFFECTIVE DATE.—The amendment made
by this subsection shall apply to gasoline removed,
entered, or sold on or after the first day of the first
calendar quarter beginning not less than 60 days
after the date of the enactment of this Act.

(b) ADJUSTMENT FOR INFLATION.—

(1) IN GENERAL.—Paragraph (2) of section
4081(a) of the Internal Revenue Code of 1986 is
amended by adding at the end the following new
subparagraph:

“(E) ADJUSTMENT FOR INFLATION.—

“(i) IN GENERAL.—In the case of gas-
oline removed, entered, or sold in a cal-
endar year after 2019, the 34.3 cents
amount in subparagraph (A)(i)(IV) shall
be increased by an amount equal to—

“(I) such cents amount, multi-
plied by

“(II) the cost-of-living adjust-
ment determined under section 1(f)(3)
for such calendar year by substituting
‘calendar year 2018’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(ii) Rounding.—If the amount as increased under clause (i) is not a multiple of 0.1 cents, such amount shall be rounded to the nearest multiple of 0.1 cents.”.

(2) Effective Date.—The amendment made by this subsection shall apply to gasoline removed, entered, or sold after December 31, 2018.

(c) Conforming Amendment Relating to Tax on Compressed Natural Gas.—

(1) In General.—The second sentence of subparagraph (A) of section 4041(a)(3) of the Internal Revenue Code of 1986 is amended by striking “18.3 cents” and inserting “equal to the rate of tax in effect under section 4081(a)(2)(A)(i) for the calendar year in which such gas is sold or used,”.

(2) Effective Date.—The amendment made by this subsection shall apply to compressed natural gas sold or used on or after the first day of the first calendar quarter beginning not less than 60 days after the date of the enactment of this Act.

(d) Conforming Amendment Relating to Tax on Methanol and Ethanol.—
(1) **IN GENERAL.**—Paragraph (1) of section 4041(m) of the Internal Revenue Code of 1986 is amended by striking “shall be—” and all that follows and inserting “shall be equal to 61.7 percent of the rate of tax in effect under section 4081(a)(2)(A)(i) for the calendar year in which such fuel is sold or used.”.

(2) **EFFECTIVE DATE.**—The amendment made by this subsection shall apply to methanol and ethanol fuel sold or used on or after the first day of the first calendar quarter beginning not less than 60 days after the date of the enactment of this Act.

**SEC. 102. INCREASE IN TAX ON DIESEL FUEL AND KEROSENE.**

(a) **IN GENERAL.**—Clause (iii) of section 4081(a)(2)(A) of the Internal Revenue Code of 1986 is amended by striking “kerosene” and all that follows and inserting “kerosene—

“(I) 28.3 cents per gallon in the case of diesel fuel or kerosene removed, entered, or sold in calendar year 2016,

“(II) 32.3 cents per gallon in the case of diesel fuel or kerosene re-
moved, entered, or sold in calendar year 2017,

“(III) 36.3 cents per gallon in the case of diesel fuel or kerosene removed, entered, or sold in calendar year 2018, and

“(IV) 40.3 cents per gallon in the case of diesel fuel or kerosene removed, entered, or sold in calendar years beginning after December 31, 2018,”.

(b) ADJUSTMENT FOR INFLATION.—Subparagraph (E) of section 4081(a)(2) of the Internal Revenue Code of 1986, as added by this title, is amended—

(1) by redesignating clause (ii) as clause (iii),

(2) by striking “If the amount as increased under clause (i)” in clause (iii), as so redesignated, and inserting “If any amount as increased under clause (i) or (ii)”,

(3) by striking “IN GENERAL” in the heading of clause (i) and inserting “TAX ON GASOLINE”, and

(4) by inserting after clause (i) the following new clause:

“(ii) TAX ON DIESEL FUEL OR KEROSENE.—In the case of diesel fuel or ker-
osene removed, entered, or sold in a calendar year after 2019, the 40.3 cents amount in subparagraph (A)(iii)(IV) shall be increased by an amount equal to—

“(I) such cents amount, multiplied by

“(II) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting ‘calendar year 2018’ for ‘calendar year 1992’ in subparagraph (B) thereof.”

(c) CONFORMING AMENDMENT RELATING TO TAX ON DIESEL-WATER FUEL EMULSIONS.—Subparagraph (D) of section 4081(a)(2) of the Internal Revenue Code of 1986 is amended by striking “subparagraph (A)(iii) shall be applied by substituting ‘19.7 cents’ for ‘24.3 cents’” and inserting “the rate of tax shall be equal to 81 percent of the rate of tax in effect under subparagraph (A)(iii) for the calendar year in which such emulsion is removed, entered, or sold”.

(d) CONFORMING AMENDMENT RELATING TO TAX ON CERTAIN ALTERNATIVE FUELS.—Clause (ii) of section 4041(a)(2)(B) of the Internal Revenue Code of 1986 is amended by striking “24.3 cents per gallon” and inserting
“the rate of tax specified in section 4081(a)(2)(A)(iii) which is in effect at the time of such sale or use”.

(c) CONFORMING AMENDMENT RELATING TO RATE OF TAX ON BUSES.—

(1) IN GENERAL.—Subparagraph (A) of section 6427(b)(2) of the Internal Revenue Code of 1986 is amended by striking “7.4 cents per gallon less” and all that follows and inserting “the aggregate rate at which tax was imposed on such fuel by section 4041(a) or 4081, as the case may be, reduced by the amount determined under subparagraph (E).”.

(2) AMOUNT DETERMINED.—Paragraph (2) of section 6427(b) of such Code is amended by adding at the end the following new subparagraph:

“(E) AMOUNT DETERMINED.—

“(i) IN GENERAL.—For purposes of subparagraph (A), the amount determined under this paragraph is—

“(I) 8.62 cents per gallon in the case of fuel used in calendar year 2016,

“(II) 9.84 cents per gallon in the case of fuel used in calendar year 2017,
“(III) 11.05 cents per gallon in the case of fuel used in calendar year 2018, and

“(IV) 12.27 cents per gallon in the case of fuel used in calendar years beginning after December 31, 2018.

“(ii) ADJUSTMENT FOR INFLATION.—

In the case of fuel used in a calendar year after 2019, the 12.27 cents amount in clause (i)(IV) shall be increased by an amount equal to—

“(I) such cents amount, multiplied by

“(II) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting ‘calendar year 2018’ for ‘calendar year 1992’ in subparagraph (B) thereof.’.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to diesel fuel, kerosene, and diesel-water fuel emulsions removed, entered, or sold on or after the first day of the first calendar quarter beginning not less than 60 days after the date of the enactment of this Act.
SEC. 103. ALLOCATION IN ACCOUNTS IN HIGHWAY TRUST FUND.

(a) IN GENERAL.—Paragraph (2) of section 9503(e) of the Internal Revenue Code of 1986 is amended by striking subparagraphs (A) through (E) and inserting the following new subparagraphs:

“(A) except as otherwise provided in this sentence—

“(i) 2.86 cents per gallon with respect to taxes imposed during calendar year 2015,

“(ii) 3.66 cents per gallon with respect to taxes imposed during calendar year 2016,

“(iii) 4.46 cents per gallon with respect to taxes imposed during calendar year 2017,

“(iv) 5.26 cents per gallon with respect to taxes imposed during calendar year 2018, and

“(v) 6.06 cents per gallon with respect to taxes imposed during any calendar year after 2018,

“(B) in the case of any partially exempt methanol or ethanol fuel (as defined in section...
none of the alcohol in which consists of ethanol—

“(i) 1.43 cents per gallon with respect to taxes imposed during calendar year 2015,

“(ii) 1.92 cents per gallon with respect to taxes imposed during calendar year 2016,

“(iii) 2.42 cents per gallon with respect to taxes imposed during calendar year 2017,

“(iv) 2.91 cents per gallon with respect to taxes imposed during calendar year 2018, and

“(v) 3.40 cents per gallon with respect to taxes imposed during any calendar year after 2018,

“(C) in the case of liquefied natural gas—

“(i) 1.86 cents per gallon with respect to taxes imposed during calendar year 2015,

“(ii) 2.66 cents per gallon with respect to taxes imposed during calendar year 2016,
“(iii) 3.46 cents per gallon with respect to taxes imposed during calendar year 2017,

“(iv) 4.26 cents per gallon with respect to taxes imposed during calendar year 2018, and

“(v) 5.06 cents per gallon with respect to taxes imposed during any calendar year after 2018,

“(D) in the case of liquefied petroleum gas—

“(i) 2.13 cents per gallon with respect to taxes imposed during calendar year 2015,

“(ii) 2.93 cents per gallon with respect to taxes imposed during calendar year 2016,

“(iii) 3.73 cents per gallon with respect to taxes imposed during calendar year 2017,

“(iv) 4.53 cents per gallon with respect to taxes imposed during calendar year 2018, and
“(v) 5.33 cents per gallon with respect to taxes imposed during any calendar year after 2018, and
“(E) in the case of compressed natural gas—
“(i) 9.71 cents per MCF (determined at standard temperature and pressure) with respect to taxes imposed during calendar year 2015,
“(ii) 10.51 cents per MCF (determined at standard temperature and pressure) with respect to taxes imposed during calendar year 2016,
“(iii) 11.31 cents per MCF (determined at standard temperature and pressure) with respect to taxes imposed during calendar year 2017,
“(iv) 12.11 cents per MCF (determined at standard temperature and pressure) with respect to taxes imposed during calendar year 2018, and
“(v) 12.91 cents per MCF (determined at standard temperature and pressure) with respect to taxes imposed during any calendar year after 2018.”.
(b) **ADJUSTMENT FOR INFLATION.**—Section 9503(e) of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:

“(6) **ADJUSTMENT FOR INFLATION.**—

“(A) **IN GENERAL.**—In the case of any calendar year beginning after 2019, the amounts specified in subparagraphs (A)(v), (B)(v), (C)(v), (D)(v), and (E)(v) of paragraph (2) shall each be increased by an amount equal to—

“(i) such amount, multiplied by

“(ii) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting ‘calendar year 2018’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(B) **ROUNDING.**—Any increase under subparagraph (A) shall be rounded to the nearest 0.1 cents.”.

**SEC. 104. FLOOR STOCKS TAXES.**

(a) **IMPOSITION OF TAX.**—In the case of any taxable fuel which is held on the floor stocks tax date by any person, there is hereby imposed a floor stocks tax equal to the excess of the tax which would be imposed on such fuel under section 4041 or 4081 of the Internal Revenue Code.
of 1986 had the taxable event occurred on the floor stocks
tax date over the tax paid under any such section on such
fuel.

(b) Liability for Tax and Method of Payment.—

(1) Liability for Tax.—A person holding a
fuel on the floor stocks tax date to which the tax im-
posed by subsection (a) applies shall be liable for
such tax.

(2) Method of Payment.—The tax imposed
by subsection (a) shall be paid in such manner as
the Secretary shall prescribe.

(3) Time of Payment.—The tax imposed by
subsection (a) shall be paid on or before the date
which is 6 months after the floor stocks tax date.

(e) Definitions.—For purposes of this section—

(1) Held by a Person.—A fuel shall be con-
sidered as held by a person if title thereto has
passed to such person (whether or not delivery to
the person has been made).

(2) Taxable Fuel.—The term "taxable fuel"
means—

(A) gasoline (other than aviation gasoline),
diesel fuel, kerosene (other than aviation-grade
kerosene), and diesel-water fuel emulsions;
(B) fuel taxed under section 4041(a)(2) of
the Internal Revenue Code of 1986 (including
methanol and ethanol to which section 4041(m)
of such Code applies); and

(C) compressed natural gas.

(3) Floor stocks date.—The term “floor
stocks tax date” means January 1 of any calendar
year beginning after the date of the enactment of
this Act on which a rate of tax under section 4041
or 4081 of such Code increases pursuant to an
amendment made by section 101 or 102.

(4) Secretary.—The term “Secretary” means
the Secretary of the Treasury.

(d) Exception for exempt uses.—The tax im-
posed by subsection (a) shall not apply to taxable fuel held
by any person exclusively for any use to the extent a credit
or refund of the tax imposed by a section of such Code
is allowable for such use.

(e) Exception for fuel held in vehicle
tank.—No tax shall be imposed by subsection (a) on tax-
able fuel held in the tank of a motor vehicle or motorboat.

(f) Exception for certain amounts of fuel.—

(1) In general.—No tax shall be imposed by
subsection (a) on any fuel held on the floor stocks
tax date by any person if the aggregate amount of
fuel held by such person on such date does not exceed 2,000 gallons. The preceding sentence shall apply only if such person submits to the Secretary (at the time and in the manner required by the Secretary) such information as the Secretary shall require for purposes of this paragraph.

(2) Exempt Fuel.—For purposes of paragraph (1), there shall not be taken into account fuel held by any person which is exempt from the tax imposed by subsection (a) by reason of subsection (d) or (e).

(3) Controlled Groups.—For purposes of this section—

(A) Corporations.—

(i) In General.—All persons treated as a controlled group shall be treated as 1 person.

(ii) Controlled Group.—The term “controlled group” has the meaning given to such term by subsection (a) of section 1563 of such Code; except that for such purposes the phrase “more than 50 percent” shall be substituted for the phrase “at least 80 percent” each place it appears in such subsection.
(B) Nonincorporated persons under common control.—Under regulations prescribed by the Secretary, principles similar to the principles of clause (i) shall apply to a group of persons under common control where one or more of such persons is not a corporation.

(g) Other laws applicable.—All provisions of law, including penalties, applicable with respect to the taxes imposed by chapter 31 or 32 of such Code shall, insofar as applicable and not inconsistent with the provisions of this section, apply with respect to the floor stock taxes imposed by subsection (a) to the same extent as if such taxes were imposed by such chapter.

TITLE II—TAX RELIEF FOR WORKING FAMILIES

SEC. 201. 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”.

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(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 2014, 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, 2014.

SEC. 202. 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—

(1) by striking "The credit" and inserting the following:

"(A) In General.—The credit", and

(2) by adding at the end 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 “$3,000” and inserting “$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, 2014.

SEC. 203. 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 2011’ for ‘calendar year 1992’ in subparagraph (B) of such section 1.”.

(b) CREDIT INCREASE AND REDUCTION IN PHASE-OUT FOR INDIVIDUALS WITH NO CHILDREN.—The table contained in section 32(b)(1)(A) of the Internal Revenue Code of 1986, as amended by this Act, 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”.

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(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 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, 2014.

**SEC. 204. 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 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(e)(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 (e)(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.”.

(e) 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, 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, 2014.