IB

Union Calendar No. 307

116TH CONGRESS
2D SESSION

H. R. 3300

[Report No. 116–384]

To amend the Internal Revenue Code of 1986 to provide tax relief for workers and families, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 18, 2019

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

FEBRUARY 4, 2020

Additional sponsors: Mr. SAN NICOLAS and Mr. NORCROSS

FEBRUARY 4, 2020

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on June 18, 2019]

A BILL

To amend the Internal Revenue Code of 1986 to provide tax relief for workers and families, and for other purposes.

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

SECTION 1. SHORT TITLE; ETC.

(a) SHORT TITLE.—This Act may be cited as the "Economic Mobility Act of 2019".

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

(c) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

TITLE I—EARNED INCOME TAX CREDIT

SEC. 101. STRENGTHENING THE EARNED INCOME TAX CREDIT FOR INDIVIDUALS WITH NO QUALIFYING CHILDREN.

(a) SPECIAL RULES FOR 2019 AND 2020.—Section 32 is amended by adding at the end the following new subsection:

“(n) SPECIAL RULES FOR INDIVIDUALS WITHOUT QUALIFYING CHILDREN.—In the case of any taxable year beginning in 2019 or 2020—

“(1) CREDIT ALLOWED FOR CERTAIN INDIVIDUALS OVER AGE 18.—

“(A) IN GENERAL.—Except in the case of a full-time student (or, in the case of a married individual, except if both the individual and the individual’s spouse are full-time students), subsection (c)(1)(A)(ii)(II) shall be applied by substituting ‘age 19’ for ‘age 25’.

“(B) FULL-TIME STUDENT.—For purposes of this paragraph, the term ‘full-time student’ means, with respect to a taxable year, an individual who is an eligible student (as defined in section 25A(b)(3)) during at least 5 calendar months during the taxable year.

"(2) INCREASE IN MAXIMUM AGE FOR CREDIT.—Subsection (c)(1)(A)(ii)(II) shall be applied by substituting 'age 66' for 'age 65'.

"(3) INCREASE IN CREDIT AND PHASEOUT PERCENTAGES.—The table contained in subsection (b)(1) shall be applied by substituting '15.3' for '7.65' each place it appears therein.

"(4) INCREASE IN EARNED INCOME AND PHASEOUT AMOUNTS.—

"(A) IN GENERAL.—The table contained in subsection (b)(2)(A) shall be applied—

"(i) by substituting '$9,570' for '$4,220', and

"(ii) by substituting '$11,310' for '$5,280'.

"(B) COORDINATION WITH INFLATION ADJUSTMENT.—

"(i) IN GENERAL.—In the case of any taxable year beginning after 2019, the $9,570 and $11,310 amounts in subparagraph (A) shall each be increased by an amount equal to—

"(I) such dollar amount, multiplied by

"(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting '2018' for '2016' in subparagraph (A)(ii) thereof.

"(ii) ROUNDING.—If any increase under clause (i) is not a multiple of $10, such increase shall be rounded to the nearest multiple of $10.

"(iii) COORDINATION WITH OTHER INFLATION ADJUSTMENT.—Subsection (j) shall not apply to any dollar amount specified in this paragraph.".

(b) INFORMATION RETURN MATCHING.—As soon as practicable, the Secretary of the Treasury (or the Secretary's delegate) shall develop and implement procedures for checking an individual's claim for a credit under section 32 of the Internal Revenue Code of 1986, by reason of subsection (n)(1) thereof, against any information return made with respect to such individual under section 6050S (relating to returns relating to higher education tuition and related expenses).

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2018.

SEC. 102. TAXPAYER ELIGIBLE FOR CHILDLESS EARNED INCOME CREDIT IN CASE OF QUALIFYING CHILDREN WHO FAIL TO MEET CERTAIN IDENTIFICATION REQUIREMENTS.

(a) IN GENERAL.—Section 32(c)(1) is amended by striking subparagraph (F).

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 103. CREDIT ALLOWED IN CASE OF CERTAIN SEPARATED SPOUSES.

(a) IN GENERAL.—Section 32(d) is amended—

(1) by striking "MARRIED INDIVIDUALS.—In the case of" and inserting the following: "MARRIED INDIVIDUALS.—

"(1) IN GENERAL.—In the case of", and

(2) by adding at the end the following new paragraph:

"(2) DETERMINATION OF MARITAL STATUS.—For purposes of this section—

"(A) IN GENERAL.—Except as provided in subparagraph (B), marital status shall be determined under section 7703(a).

"(B) SPECIAL RULE FOR SEPARATED SPOUSE.—An individual shall not be treated as married if such individual—

"(i) is married (as determined under section 7703(a)) and does not file a joint 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 decree, instrument, or agreement (other than a decree of divorce) described in section 121(d)(3)(C) with respect to 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.".

(b) CONFORMING AMENDMENTS.—

(1) Section 32(c)(1)(A) of such Code is amended by striking the last sentence.

(2) Section 32(c)(1)(E)(ii) of such Code is amended by striking "(within the meaning of section 7703)".

(3) Section 32(d)(1) of such Code, as amended by subsection (a), is amended by striking "(within the meaning of section 7703)".

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

SEC. 104. ELIMINATION OF DISQUALIFIED INVESTMENT INCOME TEST.

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

(b) CONFORMING AMENDMENTS.—

(1) Section 32(j)(1) of such Code is amended by striking "subsections (b)(2) and (i)(1)" and inserting "subsection (b)(2)".

(2) Section 32(j)(1)(B)(i) of such Code is amended by striking "subsections (b)(2)(A) and (i)(1)" and inserting "subsection (b)(2)(A)".

(3) Section 32(j)(2) of such Code is amended—

(A) by striking subparagraph (B), and

(B) by striking "ROUNDING.—" and all that follows through "If any dollar amount" and inserting the following: "ROUNDING.—If any dollar amount".

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

SEC. 105. APPLICATION OF EARNED INCOME TAX CREDIT IN POSSESSIONS OF THE UNITED STATES.

(a) IN GENERAL.—Chapter 77 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

"SEC. 7529. APPLICATION OF EARNED INCOME TAX CREDIT TO POSSESSIONS OF THE UNITED STATES.

"(a) PUERTO RICO.—

"(1) IN GENERAL.—With respect to calendar year 2020 and each calendar year thereafter, the Secretary shall, except as otherwise provided in this subsection, make payments to Puerto Rico equal to—

"(A) the specified matching amount for such calendar year, plus

"(B) in the case of calendar years 2020 through 2024, the lesser of—

"(i) the expenditures made by Puerto Rico during such calendar year for edu-

cation efforts with respect to individual taxpayers and tax return preparers relating to the earned income tax credit, or

"(ii) $1,000,000.

"(2) REQUIREMENT TO REFORM EARNED INCOME TAX CREDIT.—The Secretary shall not make any payments under paragraph (1) with respect to any calendar year unless Puerto Rico has in effect an earned income tax credit for taxable years beginning in or with such calendar year which (relative to the earned income tax credit which was in effect for taxable years beginning in or with calendar year 2019) increases the percentage of earned income which is allowed as a credit for each group of individuals with respect to which such percentage is separately stated or determined in a manner designed to substantially increase workforce participation.

"(3) SPECIFIED MATCHING AMOUNT.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'specified matching amount' means, with respect to any calendar year, the lesser of—

"(i) the excess (if any) of—

"(I) the cost to Puerto Rico of the earned income tax credit for taxable

years beginning in or with such calendar year, over

"(II) the base amount for such calendar year, or

"(ii) the product of 3, multiplied by the base amount for such calendar year.

"(B) BASE AMOUNT.—

"(i) BASE AMOUNT FOR 2020.—In the case of calendar year 2020, the term 'base amount' means the greater of—

"(I) the cost to Puerto Rico of the earned income tax credit for taxable years beginning in or with calendar year 2019 (rounded to the nearest multiple of $1,000,000), or

"(II) $200,000,000.

"(ii) INFLATION ADJUSTMENT.—In the case of any calendar year after 2020, the term 'base amount' means the dollar amount determined under clause (i) increased by an amount equal to—

"(I) such dollar amount, multiplied by—

"(II) the cost-of-living adjustment determined under section 1(f)(3) for

such calendar year, determined by substituting 'calendar year 2019' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

Any amount determined under this clause shall be rounded to the nearest multiple of $1,000,000.

"(4) RULES RELATED TO PAYMENTS AND REPORTS.—

"(A) TIMING OF PAYMENTS.—The Secretary shall make payments under paragraph (1) for any calendar year—

"(i) after receipt of the report described in subparagraph (B) for such calendar year, and

"(ii) except as provided in clause (i), within a reasonable period of time before the due date for individual income tax returns (as determined under the laws of Puerto Rico) for taxable years which began on the first day of such calendar year.

"(B) ANNUAL REPORTS.—With respect to calendar year 2020 and each calendar year thereafter, Puerto Rico shall provide to the Secretary a report which shall include—

"(i) an estimate of the costs described in paragraphs (1)(B)(i) and (3)(A)(i)(I) with respect to such calendar year, and

"(ii) a statement of such costs with respect to the preceding calendar year.

"(C) ADJUSTMENTS.—

"(i) IN GENERAL.—In the event that any estimate of an amount is more or less than the actual amount as later determined and any payment under paragraph (1) was determined on the basis of such estimate, proper payment shall be made by, or to, the Secretary (as the case may be) as soon as practicable after the determination that such estimate was inaccurate. Proper adjustment shall be made in the amount of any subsequent payments made under paragraph (1) to the extent that proper payment is not made under the preceding sentence before such subsequent payments.

"(ii) ADDITIONAL REPORTS.—The Secretary may require such additional periodic reports of the information described in subparagraph (B) as the Secretary determines

appropriate to facilitate timely adjustments under clause (i).

"(D) DETERMINATION OF COST OF EARNED INCOME TAX CREDIT.—For purposes of this subsection, the cost to Puerto Rico of the earned income tax credit shall be determined by the Secretary on the basis of the laws of Puerto Rico and shall include reductions in revenues received by Puerto Rico by reason of such credit and refunds attributable to such credit, but shall not include any administrative costs with respect to such credit.

"(E) PREVENTION OF MANIPULATION OF BASE AMOUNT.—No payments shall be made under paragraph (1) if the earned income tax credit as in effect in Puerto Rico for taxable years beginning in or with calendar year 2019 is modified after the date of the enactment of this subsection.

"(b) POSSESSIONS WITH MIRROR CODE TAX SYSTEMS.—

"(1) IN GENERAL.—With respect to calendar year 2020 and each calendar year thereafter, the Secretary shall, except as otherwise provided in this subsection, make payments to the Virgin Islands, Guam,

and the Commonwealth of the Northern Mariana Islands equal to—

“(A) 75 percent of the cost to such possession of the earned income tax credit for taxable years beginning in or with such calendar year, plus

“(B) in the case of calendar years 2020 through 2024, the lesser of—

“(i) the expenditures made by such possession during such calendar year for education efforts with respect to individual taxpayers and tax return preparers relating to such earned income tax credit, or

“(ii) $50,000.

“(2) APPLICATION OF CERTAIN RULES.—Rules similar to the rules of subparagraphs (A), (B), (C), and (D) of subsection (a)(4) shall apply for purposes of this subsection.

“(c) AMERICAN SAMOA.—

“(1) IN GENERAL.—With respect to calendar year 2020 and each calendar year thereafter, the Secretary shall, except as otherwise provided in this subsection, make payments to American Samoa equal to—

“(A) the lesser of—

"(i) 75 percent of the cost to American Samoa of the earned income tax credit for taxable years beginning in or with such calendar year, or

"(ii) $12,000,000, plus

"(B) in the case of calendar years 2020 through 2024, the lesser of—

"(i) the expenditures made by American Samoa during such calendar year for education efforts with respect to individual taxpayers and tax return preparers relating to such earned income tax credit, or

"(ii) $50,000.

"(2) REQUIREMENT TO ENACT AND MAINTAIN AN EARNED INCOME TAX CREDIT.—The Secretary shall not make any payments under paragraph (1) with respect to any calendar year unless American Samoa has in effect an earned income tax credit for taxable years beginning in or with such calendar year which allows a refundable tax credit to individuals on the basis of the taxpayer's earned income which is designed to substantially increase workforce participation.

"(3) INFLATION ADJUSTMENT.—In the case of any calendar year after 2020, the $12,000,000

amount in paragraph (1)(A)(ii) shall 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 such calendar year, determined by substituting ‘calendar year 2019’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

Any increase determined under this clause shall be rounded to the nearest multiple of $100,000.

“(4) APPLICATION OF CERTAIN RULES.—Rules similar to the rules of subparagraphs (A), (B), (C), and (D) of subsection (a)(4) shall apply for purposes of this subsection.

“(d) TREATMENT OF PAYMENTS.—For purposes of section 1324 of title 31, United States Code, the payments under this section shall be treated in the same manner as a refund due from a credit provision referred to in subsection (b)(2) of such section.”.

(b) CLERICAL AMENDMENT.—The table of sections for chapter 77 of such Code is amended by adding at the end the following new item:

“Sec. 7529. Application of earned income tax credit to possessions of the United States.”.

TITLE II—CHILD TAX CREDIT

SEC. 201. CHILD TAX CREDIT FULLY REFUNDABLE FOR 2019 AND 2020.

(a) IN GENERAL.—Section 24(h) is amended by adding at the end the following new paragraph:

"(8) CREDIT FULLY REFUNDABLE FOR 2019 AND 2020.—In the case of an individual other than a nonresident alien, for any taxable year beginning in 2019 or 2020—

"(A) paragraph (5) of this subsection shall not apply, and

"(B) the increase determined under the first sentence of subsection (d)(1) shall be the amount determined under subparagraph (A) of such subsection (determined without regard to paragraph (4) of this subsection).".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2018.

SEC. 202. PAYMENTS TO POSSESSIONS.

(a) MIRROR CODE POSSESSION.—The Secretary of the Treasury shall pay to each possession of the United States with a mirror code tax system amounts equal to the loss to that possession by reason of the application of section 24 of the Internal Revenue Code of 1986 with respect to

taxable years beginning after 2018. Such amounts shall be determined by the Secretary of the Treasury based on information provided by the government of the respective possession.

(b) OTHER POSSESSIONS.—The Secretary of the Treasury shall pay to each possession of the United States which does not have a mirror code tax system amounts estimated by the Secretary of the Treasury as being equal to the aggregate benefits that would have been provided to residents of such possession by reason of the application of section 24 of such Code for taxable years beginning after 2018 if the provisions of such section had been in effect in such possession. The preceding sentence shall not apply with respect to any possession of the United States unless such possession has a plan, which has been approved by the Secretary of the Treasury, under which such possession will promptly distribute such payments to the residents of such possession in a manner which replicates to the greatest degree practicable the benefits that would have been so provided to each such resident.

(c) COORDINATION WITH CREDIT ALLOWED AGAINST UNITED STATES INCOME TAXES.—

(1) IN GENERAL.—No credit shall be allowed against United States income taxes for any taxable

year under section 24 of the Internal Revenue Code of 1986 to any person—

(A) to whom a credit is allowed against taxes imposed by a possession with a mirror code tax system by reason of the application of section 24 of such Code in such possession for such taxable year, or

(B) who is eligible for a payment under a plan described in subsection (b) with respect to such taxable year.

(2) RESTRICTION ON REFUNDABLE CREDIT.—In the case of any person to whom a credit would be allowed against taxes imposed by a possession which does not have a mirror code tax system if the provisions of such section 24 had been in effect in such possession for the taxable year (and who is not described in paragraph (1)(B)), section 24(h)(8) of such Code (as added by this Act) shall not apply to such person for such taxable year.

(d) DEFINITIONS AND SPECIAL RULES.—

(1) POSSESSION OF THE UNITED STATES.—For purposes of this section, the term "possession of the United States" includes the Commonwealth of Puerto Rico and the Commonwealth of the Northern Mariana Islands.

(2) MIRROR CODE TAX SYSTEM.—For purposes of this section, the term "mirror code tax system" means, with respect to any possession of the United States, the income tax system of such possession if the income tax liability of the residents of such possession under such system is determined by reference to the income tax laws of the United States as if such possession were the United States.

(3) TREATMENT OF PAYMENTS.—For purposes of section 1324(b)(2) of title 31, United States Code, the payments under this section shall be treated in the same manner as a refund due from the credit allowed under section 24 of the Internal Revenue Code of 1986.

SEC. 203. INCREASED CHILD TAX CREDIT FOR CHILDREN WHO HAVE NOT ATTAINED AGE 4.

(a) IN GENERAL.—Section 24(h)(2) is amended to read to as follows:

"(2) CREDIT AMOUNT.—

"(A) IN GENERAL.—Except as provided in subparagraph (B), subsection (a) shall be applied by substituting '$2,000' for '$1,000'.

"(B) TAXABLE YEARS BEGINNING IN 2019 AND 2020.—In the case of any taxable year beginning in 2019 or 2020, subsection (a) shall be ap-

plied by substituting '$2,000 ($3,000 in the case of a qualifying child who has not attained age 4 as of the close of the calendar year in which the taxable year of the taxpayer begins)' for '$1,000'.".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2018.

TITLE III—DEPENDENT CARE ASSISTANCE

SEC. 301. REFUNDABILITY AND ENHANCEMENT OF CHILD AND DEPENDENT CARE TAX CREDIT.

(a) IN GENERAL.—Section 21 is amended by adding at the end the following new subsection:

"(g) SPECIAL RULES FOR 2019 AND 2020.—In the case of any taxable year beginning in 2019 or 2020—

"(1) CREDIT MADE REFUNDABLE.—In the case of an individual other than a nonresident alien, the credit allowed under subsection (a) shall be treated as a credit allowed under subpart C (and not allowed under this subpart).

"(2) INCREASE IN APPLICABLE PERCENTAGE.—Subsection (a)(2) shall be applied—

"(A) by substituting '50 percent' for '35 percent ', and

"(B) by substituting '$120,000' for '$15,000'.

"(3) INCREASE IN DOLLAR LIMIT ON AMOUNT CREDITABLE.—Subsection (c) shall be applied—

"(A) by substituting '$6,000' for '$3,000' in paragraph (1) thereof, and

"(B) by substituting 'twice the amount in effect under paragraph (1)' for '$6,000' in paragraph (2) thereof.

"(4) INFLATION ADJUSTMENT OF DOLLAR AMOUNTS.—In the case of any taxable year beginning after 2019, the $120,000 amount in paragraph (2)(B) and the $6,000 amount in paragraph (3)(A) 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 '2018' for '2016' in subparagraph (A)(ii) thereof.

If any increase determined under this paragraph is not a multiple of $100, such increase shall be rounded to the next lowest multiple of $100.

"(5) INCOME LIMITATION.—

"(A) IN GENERAL.—Paragraphs (1) through (4) of this subsection shall not apply to any taxpayer for any taxable year if the modified adjusted gross income of such taxpayer for such taxable year exceeds $1,000,000.

"(B) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this paragraph, the term 'modified adjusted gross income' means adjusted gross income determined without regard to sections 911, 931, and 933.".

(b) CONFORMING AMENDMENT.—Section 1324(b)(2) of title 31, United States Code, is amended by inserting "21 (by reason of subsection (g) thereof)," before "25A".

(c) COORDINATION WITH POSSESSION TAX SYSTEMS.—Section 21(g)(1) of the Internal Revenue Code of 1986 (as added by this section) shall not apply to any person—

(1) to whom a credit is allowed against taxes imposed by a possession with a mirror code tax system by reason of the application of section 21 of such Code in such possession for such taxable year, or

(2) to whom a credit would be allowed against taxes imposed by a possession which does not have a mirror code tax system if the provisions of section 21

of such Code had been in effect in such possession for such taxable year.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2018.

SEC. 302. INCREASE IN EXCLUSION FOR EMPLOYER-PROVIDED DEPENDENT CARE ASSISTANCE.

(a) IN GENERAL.—Section 129(a)(2) is amended by adding at the end the following new subparagraph:

"(D) SPECIAL RULE FOR 2020 AND 2021.—In the case of any taxable year beginning in 2020 or 2021—

"(i) IN GENERAL.—Subparagraph (A) shall be applied be substituting '$10,500 (half such dollar amount' for '$5,000 ($2,500'.

"(ii) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2020, the $10,500 amount in clause (i) shall be increased by an amount equal to—

"(I) such dollar amount, multiplied by

"(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable

year begins, determined by substituting '2019' for '2016' in subparagraph (A)(ii) thereof.

Any increase determined under the preceding sentence which is not a multiple of $50, shall be rounded to the nearest multiple of $50.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2019.

TITLE IV—CERTAIN FRINGE BENEFIT EXPENSES

SEC. 401. REPEAL OF INCLUSION OF CERTAIN FRINGE BENEFIT EXPENSES IN UNRELATED BUSINESS TAXABLE INCOME.

(a) IN GENERAL.—Section 512(a) is amended by striking paragraph (7).

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect as if included in the amendments made by section 13703 of Public Law 115–97.

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H. R. 3300

[Report No. 116–384]

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