

106TH CONGRESS  
2D SESSION

# H. R. 5524

To amend the Internal Revenue Code of 1986 to strengthen the effectiveness of the earned income tax credit in reducing child poverty and promoting work.

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## IN THE HOUSE OF REPRESENTATIVES

OCTOBER 23, 2000

Mr. CARDIN (for himself, Mr. STARK, Mr. MENENDEZ, Mr. LEVIN, Mr. LEWIS of Georgia, Mr. BECERRA, Mr. DOGGETT, and Ms. ROYBAL-ALLARD) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to strengthen the effectiveness of the earned income tax credit in reducing child poverty and promoting work.

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.**

4 This Act may be cited as the “Tax Relief for Working  
5 Families Act of 2000”.

1 **SEC. 2. INCREASED EARNED INCOME TAX CREDIT FOR 2 OR**  
 2 **MORE QUALIFYING CHILDREN.**

3 (a) IN GENERAL.—The table in section 32(b)(1)(A)  
 4 of the Internal Revenue Code of 1986 (relating to percent-  
 5 ages) is amended—

6 (1) in the second item—

7 (A) by striking “or more”, and

8 (B) by striking “21.06” and inserting  
 9 “19.06”, and

10 (2) by inserting after the second item the fol-  
 11 lowing new item:

“3 or more qualifying children 45 ..... 19.06”

12 (b) EFFECTIVE DATE.—The amendments made by  
 13 this section shall apply to taxable years beginning after  
 14 December 31, 2000.

15 **SEC. 3. SIMPLIFICATION OF DEFINITION OF EARNED IN-**  
 16 **COME.**

17 (a) IN GENERAL.—Section 32(c)(2)(A)(i) of the In-  
 18 ternal Revenue Code of 1986 (defining earned income) is  
 19 amended by inserting “, but only if such amounts are in-  
 20 cludible in gross income for the taxable year” after “other  
 21 employee compensation”.

22 (b) CONFORMING AMENDMENT.—Section  
 23 32(c)(2)(B) of the Internal Revenue Code of 1986 is  
 24 amended by striking “and” at the end of clause (iv), by

1 striking the period at the end of clause (v) and inserting  
2 “, and”, and by adding at the end the following new  
3 clause:

4                   “(vi) the requirement under subparagraph  
5                   (A)(i) that an amount be includible in  
6                   gross income shall not apply if such  
7                   amount is exempt from tax under section  
8                   7873 or is derived directly from restricted  
9                   and allotted land under the Act of Feb-  
10                   ruary 8, 1887 (commonly known as the In-  
11                   dian General Allotment Act) (25 U.S.C.  
12                   331 et seq.) or from land held under Acts  
13                   or treaties containing an exception provi-  
14                   sion similar to the Indian General Allot-  
15                   ment Act.”

16           (c) EFFECTIVE DATE.—The amendment made by  
17 this section shall apply to amounts received in taxable  
18 years beginning after December 31, 2000.

19 **SEC. 4. SIMPLIFICATION OF DEFINITION OF CHILD DE-**  
20 **PENDENT.**

21           (a) REMOVAL OF SUPPORT TEST FOR CERTAIN INDI-  
22 VIDUALS.—Section 152(a) of the Internal Revenue Code  
23 of 1986 (relating to definition of dependent) is amended  
24 to read as follows:

1       “(a) GENERAL DEFINITION.—For purposes of this  
2 subtitle—

3           “(1) DEPENDENT.—The term ‘dependent’  
4 means—

5           “(A) any individual described in paragraph  
6 (2) over half of whose support, for the calendar  
7 year in which the taxable year of the taxpayer  
8 begins, was received from the taxpayer (or is  
9 treated under subsection (c) as received from  
10 the taxpayer), or

11           “(B) any individual described in subsection  
12 (f).

13           “(2) INDIVIDUALS.—An individual is described  
14 in this paragraph if such individual is—

15           “(A) a brother, sister, stepbrother, or step-  
16 sister of the taxpayer,

17           “(B) the father or mother of the taxpayer,  
18 or an ancestor of either,

19           “(C) a stepfather or stepmother of the tax-  
20 payer,

21           “(D) a son or daughter of a brother or sis-  
22 ter of the taxpayer,

23           “(E) a brother or sister of the father or  
24 mother of the taxpayer,

1           “(F) a son-in-law, daughter-in-law, father-  
2           in-law, mother-in-law, brother-in-law, or sister-  
3           in-law of the taxpayer, or

4           “(G) an individual (other than an indi-  
5           vidual who at any time during the taxable year  
6           was the spouse, determined without regard to  
7           section 7703, of the taxpayer) who, for the tax-  
8           able year of the taxpayer, has as their principal  
9           place of abode the home of the taxpayer and is  
10          a member of the taxpayer’s household.”.

11          (b) OTHER MODIFICATIONS.—Section 152 of the In-  
12          ternal Revenue Code of 1986 is amended by adding at the  
13          end the following:

14          “(f) SUBSECTION (f) DEPENDENTS.—

15                 “(1) IN GENERAL.—An individual is described  
16                 in this subsection for the taxable year if such  
17                 individual—

18                         “(A) bears a relationship to the taxpayer  
19                         described in paragraph (2),

20                         “(B) except in the case of an eligible foster  
21                         child or as provided in subsection (e), has the  
22                         same principal place of abode as the taxpayer  
23                         for more than one-half of such taxable year,  
24                         and

1           “(C)(i) has not attained the age of 19 at  
2           the close of the calendar year in which the tax-  
3           able year begins, or

4           “(ii) is a student (within the meaning of  
5           section 151(c)(4)) who has not attained the age  
6           of 24 at the close of such calendar year.

7           “(2) RELATIONSHIP TEST.—An individual bears  
8           a relationship to the taxpayer described in this para-  
9           graph if such individual is—

10           “(A) a son or daughter of the taxpayer, or  
11           a descendant of either, or

12           “(B) a stepson or stepdaughter of the tax-  
13           payer.

14           “(3) SPECIAL RULES.—

15           “(A) 2 OR MORE CLAIMING DEPENDENT.—  
16           Except as provided in subparagraph (B), if an  
17           individual may be claimed as a dependent by 2  
18           or more taxpayers (but for this subparagraph)  
19           for a taxable year beginning in the same cal-  
20           endar year, only the taxpayer with the highest  
21           adjusted gross income for such taxable year  
22           shall be allowed the deduction with respect to  
23           such individual.

1           “(B) RELEASE OF CLAIM TO EXEMP-  
2           TION.—Subparagraph (A) shall not apply with  
3           respect to an individual if—

4                   “(i) the taxpayer with the highest ad-  
5                   justed gross income under subparagraph  
6                   (A), for any calendar year signs a written  
7                   declaration (in such manner and form as  
8                   the Secretary may by regulations pre-  
9                   scribe) that such taxpayer will not claim  
10                  such individual as a dependent for any tax-  
11                  able year beginning in such calendar year,

12                   “(ii) the other taxpayer provides over  
13                   half of such individual’s support for the  
14                   calendar year in which the taxable year of  
15                   such other taxpayer begins, and

16                   “(iii) such other taxpayer attaches  
17                   such written declaration to such taxpayer’s  
18                   return for the taxable year beginning dur-  
19                   ing such calendar year.”.

20           (c) RULES RELATING TO FOSTER CHILD.—Section  
21   152(b)(2) (relating to rules relating to general definition)  
22   is amended by striking “a foster child” and all that follows  
23   through “individual” and inserting “an eligible foster  
24   child (as defined in section 32(c)(3)(B)(iii)) of an indi-  
25   vidual”.

1 (d) EXEMPTION FROM GROSS INCOME TEST.—Sec-  
2 tion 151(c)(3) (relating to definition of child) is amended  
3 by striking “or stepdaughter” and inserting “step-  
4 daughter, or a descendant of such individual”.

5 (e) WAIVER OF DEDUCTION FOR DIVORCED PAR-  
6 ENTS.—

7 (1) IN GENERAL.—So much of section 152(e)  
8 as precedes paragraph (4) (relating to support test  
9 in case of child of divorced parents, etc.) is amended  
10 to read as follows:

11 “(e) SPECIAL RULES FOR CHILD OF DIVORCED PAR-  
12 ENTS.—

13 “(1) RELEASE OF CLAIM TO EXEMPTION.—In  
14 the case of a child (as defined in section 151(c)(3))  
15 of parents—

16 “(A) who are divorced or legally separated  
17 under a decree of divorce or separate mainte-  
18 nance,

19 “(B) who are separated under a written  
20 separation agreement, or

21 “(C) who live apart at all times during the  
22 last 6 months of the calendar year,

23 the custodial parent who is entitled to the deduction  
24 under section 151 for a taxable year with respect to



1 such child may release such deduction to the non-  
2 custodial parent.

3 “(2) PROCEDURE.—The noncustodial parent  
4 may claim a child described in paragraph (1) as a  
5 dependent for the taxable year if—

6 “(A) the custodial parent signs a written  
7 declaration (in such manner and form as the  
8 Secretary may by regulations prescribe) that  
9 such custodial parent will not claim such child  
10 as a dependent for any taxable year beginning  
11 in such calendar year,

12 “(B) the custodial parent and the non-  
13 custodial parent provide over half of such  
14 child’s support for the calendar year in which  
15 the taxable years of such parents begin, and

16 “(C) the noncustodial parent attaches such  
17 written declaration to such noncustodial par-  
18 ent’s return for the taxable year beginning dur-  
19 ing such calendar year.

20 “(3) DEFINITIONS.—For purposes of this  
21 subsection—

22 “(A) CUSTODIAL PARENT.—The term ‘cus-  
23 todial parent’ means, with regard to an indi-  
24 vidual, a parent who has custody of such indi-

1           vidual for a greater portion of the calendar year  
2           than the noncustodial parent.

3           “(B) NONCUSTODIAL PARENT.—The term  
4           ‘noncustodial parent’ means the parent who is  
5           not the custodial parent.”.

6           (2)        PRE-1985        INSTRUMENTS.—Section  
7           152(e)(4)(A) of such Code is amended by striking  
8           “A child” and all that follows through “noncustodial  
9           parent” and inserting “A noncustodial parent de-  
10          scribed in paragraph (1) shall be entitled to the de-  
11          duction under section 151 for a taxable year with re-  
12          spect to a child if”.

13          (f) CONFORMING AMENDMENTS.—

14               (1) Section 1(g)(5)(A) of the Internal Revenue  
15               Code of 1986 is amended by inserting “as in effect  
16               on the day before the date of the enactment of the  
17               Tax Relief for Working Families Act of 2000” after  
18               “152(e)”.

19               (2) Section 2(b)(1)(A)(i) of such Code is  
20               amended by striking “paragraph (2) or (4) of”.

21               (3) Section 2(b)(3)(B)(i) of such Code is  
22               amended by striking “paragraph (9)” and inserting  
23               “paragraph (2)(G)”.

24               (4) Section 21(e)(5)(A) of such Code is amend-  
25               ed by striking “paragraph (2) or (4) of”.

1           (5) Section 21(e)(5) of such Code is amended  
2           in the matter following subclause (B) by inserting  
3           “as in effect on the day before the date of the enact-  
4           ment of the Tax Relief for Working Families Act of  
5           2000” after “152(e)(1)”.

6           (6) Section 32(c)(1)(G) of such Code is amend-  
7           ed by striking “(3)(D).” and inserting “(1)(C). An  
8           individual whose qualifying child or qualifying chil-  
9           dren are not taken into account under subsection (b)  
10          solely by reason of paragraph (3)(D) shall be treated  
11          as an eligible individual if such individual otherwise  
12          meets the requirements of subparagraph (A)(ii).”.

13          (7) Section 32(c)(3)(B)(ii) of such Code is  
14          amended by striking “paragraph (2) or (4) of”.

15          (8) Section 51(i)(1)(C) of such Code is amend-  
16          ed by striking “152(a)(9)” and inserting  
17          “152(a)(2)(G)”.

18          (9) Section 152(b) of such Code is amended by  
19          striking “specified in subsection (a)” and inserting  
20          “specified in subsection (a)(2) or (f)(2)”.

21          (10) Section 152(c) of such Code is amended by  
22          striking “(a)” and inserting “(a)(1)”.

23          (11) Section 7703(b)(1) of such Code is amend-  
24          ed by striking “paragraph (2) or (4) of”.

1           (12) The following provisions of such Code are  
2 each amended by striking “paragraphs (1) through  
3 (8) of section 152(a)” and inserting “subparagraphs  
4 (A) through (F) of subsection (a)(2) or subsection  
5 (f)(2) of section 152”:

6                   (A) Section 170(g)(3).

7                   (B) Subparagraphs (A) and (B) of section  
8 51(i)(1).

9                   (C) The second sentence of section  
10 213(d)(11).

11                   (D) Section 529(e)(2)(B).

12                   (E) Section 7702B(f)(2)(C)(iii).

13           (g) EFFECTIVE DATE.—The amendments made by  
14 this section shall apply to taxable years beginning after  
15 December 31, 2000.

16 **SEC. 5. OTHER MODIFICATIONS TO EARNED INCOME TAX**  
17 **CREDIT.**

18           (a) MODIFICATION OF JOINT RETURN REQUIRE-  
19 MENT.—Subsection (d) of section 32 of the Internal Rev-  
20 enue Code of 1986 is amended to read as follows:

21                   “(d) MARRIED INDIVIDUALS.—

22                           “(1) IN GENERAL.—If the taxpayer is married  
23 at the close of the taxable year, the credit shall be  
24 allowed under subsection (a) only if the taxpayer

1 and his spouse file a joint return for the taxable  
2 year.

3 “(2) MARITAL STATUS.—For purposes of para-  
4 graph (1), an individual legally separated from his  
5 spouse under a decree of divorce or of separate  
6 maintenance shall not be considered as married.

7 “(3) CERTAIN MARRIED INDIVIDUALS LIVING  
8 APART.—For purposes of paragraph (1), if—

9 “(A) an individual —

10 “(i) is married and files a separate re-  
11 turn, and

12 “(ii) has a qualifying child who is a  
13 son, daughter, stepson, or stepdaughter of  
14 such individual, and

15 “(B) during the last 6 months of such tax-  
16 able year, such individual and such individual’s  
17 spouse do not have the same principal place of  
18 abode,

19 such individual shall not be considered as married.”

20 (b) MODIFICATION OF RULE WHERE THERE ARE 2  
21 OR MORE ELIGIBLE INDIVIDUALS.—Subparagraph (C) of  
22 section 32(c)(1) of such Code is amended to read as fol-  
23 lows:

24 “(C) 2 OR MORE ELIGIBLE INDIVIDUALS.—

1           “(i) IN GENERAL.—Except as pro-  
2           vided in clause (ii), if 2 or more individuals  
3           would (but for this subparagraph and after  
4           application of subparagraph (B)) be treat-  
5           ed as eligible individuals with respect to  
6           the same qualifying child for taxable years  
7           beginning in the same calendar year, only  
8           the individual with the highest modified  
9           adjusted gross income for such taxable  
10          years shall be treated as an eligible indi-  
11          vidual with respect to such qualifying  
12          child.

13           “(ii) EXCEPTION FOR CERTAIN PAR-  
14          ENTS.—An otherwise eligible individual  
15          who is not treated under clause (i) as the  
16          only eligible individual with respect to any  
17          qualifying child shall be treated as an eligi-  
18          ble individual with respect to such child  
19          if—

20                   “(I) such child is the son, daugh-  
21                   ter, stepson, or stepdaughter of such  
22                   individual,

23                   “(II) such child is not taken into  
24                   account under subsection (b) by any  
25                   other individual, and

1                   “(III) the limitation under sub-  
2                   section (a)(2) for the individual who  
3                   would (but for this clause) be treated  
4                   under clause (i) as the only eligible in-  
5                   dividual with respect to such child  
6                   would be greater than zero (deter-  
7                   mined as if such individual had 2  
8                   qualifying children).”

9           (c) EXPANSION OF MATHEMATICAL ERROR AUTHOR-  
10   ITY.—Paragraph (2) of section 6213(g) of such Code is  
11   amended by striking “and” at the end of subparagraph  
12   (K), by striking the period at the end of subparagraph  
13   (L) and inserting “, and”, and by inserting after subpara-  
14   graph (L) the following new subparagraph:

15                   “(M) the entry on the return claiming the  
16                   credit under section 32 with respect to a child  
17                   if, according to the Federal Case Registry of  
18                   Child Support Orders established under section  
19                   453(h) of the Social Security Act, the taxpayer  
20                   is a noncustodial parent of such child.”

21   (d) EFFECTIVE DATES.—

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

1           (2) EXPANSION OF MATHEMATICAL ERROR AU-  
2           THORITY.—The amendment made by subsection (c)  
3           shall apply to taxable years beginning after Decem-  
4           ber 31, 2001.

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