

106TH CONGRESS  
2D SESSION

# S. 2825

To strengthen the effectiveness of the earned income tax credit in reducing child poverty and promoting work.

---

IN THE SENATE OF THE UNITED STATES

JUNE 29, 2000

Mr. ROCKEFELLER (for himself, Mr. JEFFORDS, and Mr. BREAU) introduced the following bill; which was read twice and referred to the Committee on Finance

---

## A BILL

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”.

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

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

1 (1) in the second item—

2 (A) by striking “or more”, and

3 (B) by striking “21.06” and inserting  
4 “19.06”, and

5 (2) by inserting after the second item the fol-  
6 lowing new item:

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

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

10 **SEC. 3. SIMPLIFICATION OF DEFINITION OF EARNED IN-**  
11 **COME.**

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

17 (b) CONFORMING AMENDMENT.—Section  
18 32(c)(2)(B) of the Internal Revenue Code of 1986 is  
19 amended by striking “and” at the end of clause (iv), by  
20 striking the period at the end of clause (v) and inserting  
21 “, and”, and by adding at the end the following new  
22 clause:

23 “(vi) the requirement under subparagraph  
24 (A)(i) that an amount be includible in

1           gross income shall not apply if such  
2           amount is exempt from tax under section  
3           7873 or is derived directly from restricted  
4           and allotted land under the Act of Feb-  
5           ruary 8, 1887 (commonly known as the In-  
6           dian General Allotment Act) (25 U.S.C.  
7           331 et seq.) or from land held under Acts  
8           or treaties containing an exception provi-  
9           sion similar to the Indian General Allot-  
10          ment Act.”

11          (c) **EFFECTIVE DATE.**—The amendment made by  
12 this section shall apply to amounts received in taxable  
13 years beginning after December 31, 2000.

14 **SEC. 4. SIMPLIFICATION OF DEFINITION OF CHILD DE-**  
15 **PENDENT.**

16          (a) **REMOVAL OF SUPPORT TEST FOR CERTAIN INDI-**  
17 **VIDUALS.**—Section 152(a) of the Internal Revenue Code  
18 of 1986 (relating to definition of dependent) is amended  
19 to read as follows:

20          “(a) **GENERAL DEFINITION.**—For purposes of this  
21 subtitle—

22                 “(1) **DEPENDENT.**—The term ‘dependent’  
23 means—

24                         “(A) any individual described in paragraph

25                                 (2) over half of whose support, for the calendar

1 year in which the taxable year of the taxpayer  
2 begins, was received from the taxpayer (or is  
3 treated under subsection (c) as received from  
4 the taxpayer), or

5 “(B) any individual described in subsection  
6 (f).

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

9 “(A) a brother, sister, stepbrother, or step-  
10 sister of the taxpayer,

11 “(B) the father or mother of the taxpayer,  
12 or an ancestor of either,

13 “(C) a stepfather or stepmother of the tax-  
14 payer,

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

17 “(E) a brother or sister of the father or  
18 mother of the taxpayer,

19 “(F) a son-in-law, daughter-in-law, father-  
20 in-law, mother-in-law, brother-in-law, or sister-  
21 in-law of the taxpayer, or

22 “(G) an individual (other than an indi-  
23 vidual who at any time during the taxable year  
24 was the spouse, determined without regard to  
25 section 7703, of the taxpayer) who, for the tax-

1           able year of the taxpayer, has as their principal  
2           place of abode the home of the taxpayer and is  
3           a member of the taxpayer’s household.”.

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

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

8                   “(1) IN GENERAL.—An individual is described  
9           in this subsection for the taxable year if such  
10          individual—

11                           “(A) bears a relationship to the taxpayer  
12                           described in paragraph (2),

13                           “(B) except in the case of an eligible foster  
14                           child or as provided in subsection (e), has the  
15                           same principal place of abode as the taxpayer  
16                           for more than one-half of such taxable year,  
17                           and

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

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

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

4                   “(A) a son or daughter of the taxpayer, or  
5 a descendant of either, or

6                   “(B) a stepson or stepdaughter of the tax-  
7 payer.

8           “(3) SPECIAL RULES.—

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

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

21                           “(i) the taxpayer with the highest ad-  
22 justed gross income under subparagraph  
23 (A), for any calendar year signs a written  
24 declaration (in such manner and form as  
25 the Secretary may by regulations pre-

1 scribe) that such taxpayer will not claim  
2 such individual as a dependent for any tax-  
3 able year beginning in such calendar year,

4 “(ii) the other taxpayer provides over  
5 half of such individual’s support for the  
6 calendar year in which the taxable year of  
7 such other taxpayer begins, and

8 “(iii) such other taxpayer attaches  
9 such written declaration to such taxpayer’s  
10 return for the taxable year beginning dur-  
11 ing such calendar year.”

12 (c) RULES RELATING TO FOSTER CHILD.—Section  
13 152(b)(2) (relating to rules relating to general definition)  
14 is amended by striking “a foster child” and all that follows  
15 through “individual)” and inserting “an eligible foster  
16 child (as defined in section 32(c)(3)(B)(iii)) of an indi-  
17 vidual”.

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

22 (e) WAIVER OF DEDUCTION FOR DIVORCED PAR-  
23 ENTS.—

24 (1) IN GENERAL.—So much of section 152(e)  
25 as precedes paragraph (4) (relating to support test

1 in case of child of divorced parents, etc.) is amended  
2 to read as follows:

3 “(e) SPECIAL RULES FOR CHILD OF DIVORCED PAR-  
4 ENTS.—

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

8 “(A) who are divorced or legally separated  
9 under a decree of divorce or separate mainte-  
10 nance,

11 “(B) who are separated under a written  
12 separation agreement, or

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

15 the custodial parent who is entitled to the deduction  
16 under section 151 for a taxable year with respect to  
17 such child may release such deduction to the non-  
18 custodial parent.

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

22 “(A) the custodial parent signs a written  
23 declaration (in such manner and form as the  
24 Secretary may by regulations prescribe) that  
25 such custodial parent will not claim such child



1 as a dependent for any taxable year beginning  
2 in such calendar year,

3 “(B) the custodial parent and the non-  
4 custodial parent provide over half of such  
5 child’s support for the calendar year in which  
6 the taxable years of such parents begin, and

7 “(C) the noncustodial parent attaches such  
8 written declaration to such noncustodial par-  
9 ent’s return for the taxable year beginning dur-  
10 ing such calendar year.

11 “(3) DEFINITIONS.—For purposes of this  
12 subsection—

13 “(A) CUSTODIAL PARENT.—The term ‘cus-  
14 todial parent’ means, with regard to an indi-  
15 vidual, a parent who has custody of such indi-  
16 vidual for a greater portion of the calendar year  
17 than the noncustodial parent.

18 “(B) NONCUSTODIAL PARENT.—The term  
19 ‘noncustodial parent’ means the parent who is  
20 not the custodial parent.”.

21 (2) PRE-1985 INSTRUMENTS.—Section  
22 152(e)(4)(A) of such Code is amended by striking  
23 “A child” and all that follows through “noncustodial  
24 parent” and inserting “A noncustodial parent de-  
25 scribed in paragraph (1) shall be entitled to the de-

1       duction under section 151 for a taxable year with re-  
2       spect to a child if”.

3       (f) CONFORMING AMENDMENTS.—

4           (1) Section 1(g)(5)(A) of the Internal Revenue  
5       Code of 1986 is amended by inserting “as in effect  
6       on the day before the date of the enactment of the  
7       Tax Relief for Working Families Act of 2000” after  
8       “152(e)”.

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

11          (3) Section 2(b)(3)(B)(i) of such Code is  
12       amended by striking “paragraph (9)” and inserting  
13       “paragraph (2)(G)”.

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

16          (5) Section 21(e)(5) of such Code is amended  
17       in the matter following subclause (B) by inserting  
18       “as in effect on the day before the date of the enact-  
19       ment of the Tax Relief for Working Families Act of  
20       2000” after “152(e)(1)”.

21          (6) Section 32(c)(1)(G) of such Code is amend-  
22       ed by striking “(3)(D).” and inserting “(1)(C). An  
23       individual whose qualifying child or qualifying chil-  
24       dren are not taken into account under subsection (b)  
25       solely by reason of paragraph (3)(D) shall be treated

1 as an eligible individual if such individual otherwise  
2 meets the requirements of subparagraph (A)(ii).”.

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

5 (8) Section 51(i)(1)(C) of such Code is amend-  
6 ed by striking “152(a)(9)” and inserting  
7 “152(a)(2)(G)”.

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

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

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

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

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

21 (B) Subparagraphs (A) and (B) of section  
22 51(i)(1).

23 (C) The second sentence of section  
24 213(d)(11).

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

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

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

○