

116TH CONGRESS
1ST SESSION

S. 690

To amend the Internal Revenue Code of 1986 to make the child tax credit fully refundable, establish an increased child tax credit for young children, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 6, 2019

Mr. BENNET (for himself, Mr. BROWN, Ms. BALDWIN, Mr. BLUMENTHAL, Mr. BOOKER, Mr. CARDIN, Mr. CASEY, Mr. COONS, Ms. CORTEZ MASTO, Ms. DUCKWORTH, Mr. DURBIN, Mrs. GILLIBRAND, Ms. HARRIS, Ms. HASSAN, Mr. HEINRICH, Ms. HIRONO, Mr. JONES, Ms. KLOBUCHAR, Mr. LEAHY, Mr. MARKEY, Mr. MENENDEZ, Mr. MERKLEY, Mr. MURPHY, Mrs. MURRAY, Mr. PETERS, Mr. REED, Mr. SANDERS, Mr. SCHATZ, Mr. SCHUMER, Mrs. SHAHEEN, Ms. SMITH, Ms. STABENOW, Mr. TESTER, Mr. VAN HOLLEN, Ms. WARREN, Mr. WHITEHOUSE, and Mr. WYDEN) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to make the child tax credit fully refundable, establish an increased child tax credit for young children, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “American Family Act
3 of 2019”.

4 **SEC. 2. ESTABLISHMENT OF FULLY REFUNDABLE CHILD**
5 **TAX CREDIT.**

6 (a) **ELIMINATION OF EXISTING CHILD TAX CRED-**
7 **IT.**—Subpart A of part IV of subchapter A of chapter 1
8 of subtitle A of the Internal Revenue Code of 1986 is
9 amended by striking section 24.

10 (b) **ESTABLISHMENT OF FULLY REFUNDABLE**
11 **CHILD TAX CREDIT.**—Subpart C of part IV of subchapter
12 A of chapter 1 of subtitle A of such Code is amended by
13 inserting after section 36B the following new section:

14 **“SEC. 36C. CHILD TAX CREDIT.**

15 “(a) **ALLOWANCE OF CREDIT.**—There shall be al-
16 lowed as a credit against the tax imposed by this chapter
17 for the taxable year an amount equal to the sum of—

18 “(1) with respect to each qualifying child of the
19 taxpayer who has attained 6 years of age before the
20 close of such taxable year and for which the tax-
21 payer is allowed a deduction under section 151, an
22 amount equal to \$3,000, and

23 “(2) with respect to each qualifying child of the
24 taxpayer who has not attained 6 years of age before
25 the close of such taxable year and for which the tax-
26 payer is allowed a deduction under section 151, an

1 amount equal to 120 percent of the dollar amount
2 in paragraph (1).

3 “(b) LIMITATION.—

4 “(1) IN GENERAL.—The amount of the credit
5 allowable under subsection (a) shall be reduced (but
6 not below zero) by the applicable amount for each
7 \$1,000 (or fraction thereof) by which the taxpayer’s
8 modified adjusted gross income exceeds the thresh-
9 old amount. For purposes of the preceding sentence,
10 the term ‘modified adjusted gross income’ means ad-
11 justed gross income increased by any amount ex-
12 cluded from gross income under section 911, 931, or
13 933.

14 “(2) THRESHOLD AMOUNT.—

15 “(A) IN GENERAL.—For purposes of para-
16 graph (1), the term ‘threshold amount’
17 means—

18 “(i) \$180,000 in the case of a joint
19 return,

20 “(ii) \$130,000 in the case of an indi-
21 vidual who is not married, and

22 “(iii) \$90,000 in the case of a married
23 individual filing a separate return.

1 “(B) MARITAL STATUS.—For purposes of
2 this paragraph, marital status shall be deter-
3 mined under section 7703.

4 “(3) APPLICABLE AMOUNT.—For purposes of
5 paragraph (1), the term ‘applicable amount’ means
6 an amount equal to the quotient of—

7 “(A) the amount of the credit allowable
8 under subsection (a), as determined without re-
9 gard to this subsection, divided by

10 “(B) an amount equal to the product of—

11 “(i) \$20, multiplied by

12 “(ii) the total number of qualifying
13 children of the taxpayer.

14 “(c) QUALIFYING CHILD.—

15 “(1) IN GENERAL.—In this section, the term
16 ‘qualifying child’ means a qualifying child of the tax-
17 payer (as defined in section 152(c)) who has not at-
18 tained 17 years of age.

19 “(2) EXCEPTION FOR CERTAIN NON-CITI-
20 ZENS.—The term ‘qualifying child’ shall not include
21 any individual who would not be a dependent if sub-
22 paragraph (A) of section 152(b)(3) were applied
23 without regard to all that follows ‘resident of the
24 United States’.

25 “(d) INFLATION ADJUSTMENT.—

1 “(1) IN GENERAL.—In the case of any taxable
2 year beginning after 2020, the \$3,000 amount in
3 subsection (a)(1) shall be increased by an amount
4 equal to—

5 “(A) such dollar amount, multiplied by

6 “(B) the cost-of-living adjustment deter-
7 mined under paragraph (2) for the calendar
8 year in which the taxable year begins.

9 “(2) COST-OF-LIVING ADJUSTMENT.—For pur-
10 poses of paragraph (1), the cost-of-living adjustment
11 for any calendar year is the percentage (if any) by
12 which—

13 “(A) the CPI for the preceding calendar
14 year (as determined pursuant to section
15 1(f)(4)), exceeds

16 “(B) the CPI for calendar year 2019.

17 “(3) ROUNDING.—If any increase determined
18 under paragraph (1) is not a multiple of \$50, such
19 increase shall be rounded to the nearest multiple of
20 \$50.

21 “(e) PARTIAL NON-REFUNDABLE CREDIT ALLOWED
22 FOR CERTAIN OTHER DEPENDENTS.—

23 “(1) IN GENERAL.—In the case of a taxable
24 year beginning after December 31, 2019, and before
25 January 1, 2026, the aggregate credits allowed to a

1 taxpayer under subpart A shall be increased by \$500
2 for each dependent of the taxpayer (as defined in
3 section 152) other than a qualifying child described
4 in subsection (c). The amount of the credit allowed
5 under this subsection shall not be treated as a credit
6 allowed under this subpart.

7 “(2) EXCEPTION FOR CERTAIN NONCITIZENS.—
8 Paragraph (1) shall not apply with respect to any
9 individual who would not be a dependent if subpara-
10 graph (A) of section 152(b)(3) were applied without
11 regard to all that follows ‘resident of the United
12 States’.

13 “(3) LIMITATION.—

14 “(A) IN GENERAL.—The amount of the
15 credit allowable under paragraph (1) shall be
16 reduced (but not below zero) by \$50 for each
17 \$1,000 (or fraction thereof) by which the tax-
18 payer’s modified adjusted gross income exceeds
19 the threshold amount.

20 “(B) MODIFIED ADJUSTED GROSS IN-
21 COME.—For purposes of subparagraph (A), the
22 term ‘modified adjusted gross income’ means
23 adjusted gross income increased by any amount
24 excluded from gross income under section 911,
25 931, or 933.

1 “(C) THRESHOLD AMOUNT.—

2 “(i) IN GENERAL.—For purposes of
3 subparagraph (A), the term ‘threshold
4 amount’ means—

5 “(I) \$200,000 in the case of a
6 joint return,

7 “(II) \$150,000 in the case of an
8 individual who is not married, and

9 “(III) \$100,000 in the case of a
10 married individual filing a separate
11 return.

12 “(ii) MARTIAL STATUS.—For pur-
13 poses of this subparagraph, marital status
14 shall be determined under section 7703.

15 “(f) IDENTIFICATION REQUIREMENTS.—

16 “(1) QUALIFYING CHILD AND DEPENDENT
17 IDENTIFICATION REQUIREMENT.—No credit shall be
18 allowed under this section to a taxpayer with respect
19 to any qualifying child or dependent unless the tax-
20 payer includes the name and taxpayer identification
21 number of such qualifying child or dependent on the
22 return of tax for the taxable year and such taxpayer
23 identification number was issued on or before the
24 due date for filing such return.

1 “(2) TAXPAYER IDENTIFICATION REQUIRE-
2 MENT.—No credit shall be allowed under this section
3 if the taxpayer identification number of the taxpayer
4 was issued after the due date for filing the return
5 for the taxable year.

6 “(g) TAXABLE YEAR MUST BE FULL TAXABLE
7 YEAR.—Except in the case of a taxable year closed by rea-
8 son of the death of the taxpayer, no credit shall be allow-
9 able under this section in the case of a taxable year cov-
10 ering a period of less than 12 months.

11 “(h) RESTRICTIONS ON TAXPAYERS WHO IMPROP-
12 ERLY CLAIMED CREDIT IN PRIOR YEAR.—

13 “(1) TAXPAYERS MAKING PRIOR FRAUDULENT
14 OR RECKLESS CLAIMS.—

15 “(A) IN GENERAL.—No credit shall be al-
16 lowed under this section for any taxable year in
17 the disallowance period.

18 “(B) DISALLOWANCE PERIOD.—For pur-
19 poses of subparagraph (A), the disallowance pe-
20 riod is—

21 “(i) the period of 10 taxable years
22 after the most recent taxable year for
23 which there was a final determination that
24 the taxpayer’s claim of credit under this
25 section was due to fraud, and

1 “(ii) the period of 2 taxable years
2 after the most recent taxable year for
3 which there was a final determination that
4 the taxpayer’s claim of credit under this
5 section was due to reckless or intentional
6 disregard of rules and regulations (but not
7 due to fraud).

8 “(2) TAXPAYERS MAKING IMPROPER PRIOR
9 CLAIMS.—In the case of a taxpayer who is denied
10 credit under this section for any taxable year as a
11 result of the deficiency procedures under subchapter
12 B of chapter 63, no credit shall be allowed under
13 this section for any subsequent taxable year unless
14 the taxpayer provides such information as the Sec-
15 retary may require to demonstrate eligibility for
16 such credit.

17 “(i) RECONCILIATION OF CREDIT AND ADVANCE
18 CREDIT.—

19 “(1) IN GENERAL.—The amount of the credit
20 allowed under this section for any taxable year shall
21 be reduced (but not below zero) by the aggregate
22 amount of any advance payments of such credit
23 under section 7527A for such taxable year.

24 “(2) EXCESS ADVANCE PAYMENTS.—If the ag-
25 gregate amount of advance payments under section

1 7527A for the taxable year exceed the amount of the
2 credit allowed under this section for such taxable
3 year (determined without regard to paragraph (1)),
4 the tax imposed by this chapter for such taxable
5 year shall be increased by the amount of such ex-
6 cess”.

7 (c) **ADVANCE PAYMENT OF CREDIT.**—Chapter 77 of
8 the Internal Revenue Code of 1986 is amended by insert-
9 ing after section 7527 the following new section:

10 **“SEC. 7527A. ADVANCE PAYMENT OF CHILD TAX CREDIT.**

11 “(a) **IN GENERAL.**—As soon as practicable and not
12 later than 1 year after the date of the enactment of this
13 section, the Secretary shall establish a program for mak-
14 ing advance payments of the credit allowed under sub-
15 section (a) of section 36C on a monthly basis (determined
16 without regard to subsection (i)(1) of such section), or as
17 frequently as the Secretary determines to be administra-
18 tively feasible, to taxpayers allowed such credit.

19 “(b) **LIMITATION.**—

20 “(1) **IN GENERAL.**—The Secretary may make
21 payments under subsection (a) only to the extent
22 that the total amount of such payments made to any
23 taxpayer during the taxable year does not exceed an
24 amount equal to the excess, if any, of—

1 “(A) subject to paragraph (2), the amount
2 determined under subsection (a) of section 36C
3 with respect to such taxpayer (determined with-
4 out regard to subsection (i) of such section) for
5 such taxable year, over

6 “(B) the estimated tax imposed by subtitle
7 A, as reduced by the credits allowable under
8 subparts A and C (with the exception of section
9 36C) of such part IV, with respect to such tax-
10 payer for such taxable year, as determined in
11 such manner as the Secretary deems appro-
12 priate.

13 “(2) APPLICATION OF THRESHOLD AMOUNT
14 LIMITATION.—The program described in subsection
15 (a) shall make reasonable efforts to apply the limita-
16 tion of section 36C(b) with respect to payments
17 made under such program.”.

18 (d) CONFORMING AMENDMENTS.—

19 (1) The table of sections for subpart A of part
20 IV of subchapter A of chapter 1 of subtitle A of the
21 Internal Revenue Code of 1986 is amended by strik-
22 ing the item relating to section 24.

23 (2) The table of sections for subpart C of part
24 IV of subchapter A of chapter 1 of subtitle A of

1 such Code is amended by inserting after the item re-
2 lating to section 36B the following:

“Sec. 36C. Child tax credit.”.

3 (3) The table of sections for chapter 77 of such
4 Code is amended by inserting after the item relating
5 to section 7527 the following new item:

“Sec. 7527A. Advance payment of child tax credit.”.

6 (4) Subparagraph (B) of section 45R(f)(3) of
7 such Code is amended to read as follows:

8 “(B) SPECIAL RULE.—Any amounts paid
9 pursuant to an agreement under section 3121(l)
10 (relating to agreements entered into by Amer-
11 ican employers with respect to foreign affiliates)
12 which are equivalent to the taxes referred to in
13 subparagraph (A) shall be treated as taxes re-
14 ferred to in such subparagraph.”.

15 (5) Section 152(f)(6)(B)(ii) of such Code is
16 amended by striking “section 24” and inserting
17 “section 36C”.

18 (6) Paragraph (26) of section 501(c) of such
19 Code is amended in the flush matter at the end by
20 striking “section 24(c)” and inserting “section
21 36C(c)”.

22 (7) Section 6211(b)(4)(A) of such Code is
23 amended—

24 (A) by striking “24(d),” and

1 (B) by inserting “36C(a),” after “36B,”.

2 (8) Section 6213(g)(2) of such Code is amend-
3 ed—

4 (A) in subparagraph (I), by striking “sec-
5 tion 24(e)” and inserting “section 36C(f)”, and

6 (B) in subparagraph (L), by striking “24,
7 or 32” and inserting “32, or 36C”.

8 (9) Paragraph (2) of section 1324(b) of title
9 31, United States Code, is amended by inserting
10 “36C(a),” after “36B,”.

11 (e) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to taxable years beginning after
13 December 31, 2019.

14 **SEC. 3. PAYMENTS TO POSSESSIONS.**

15 (a) MIRROR CODE POSSESSION.—The Secretary of
16 the Treasury shall pay to each possession of the United
17 States with a mirror code tax system amounts equal to
18 the loss to that possession by reason of the application
19 of section 36C of the Internal Revenue Code of 1986 (as
20 added by section 2) with respect to taxable years begin-
21 ning after 2019. Such amounts shall be determined by the
22 Secretary of the Treasury based on information provided
23 by the government of the respective possession.

24 (b) OTHER POSSESSIONS.—The Secretary of the
25 Treasury shall pay to each possession of the United States

1 which does not have a mirror code tax system amounts
2 estimated by the Secretary of the Treasury as being equal
3 to the aggregate benefits that would have been provided
4 to residents of such possession by reason of the application
5 of section 36C of such Code (as so added) for taxable
6 years beginning after 2019 if a mirror code tax system
7 had been in effect in such possession. The preceding sen-
8 tence shall not apply with respect to any possession of the
9 United States unless such possession has a plan, which
10 has been approved by the Secretary of the Treasury, under
11 which such possession will promptly distribute such pay-
12 ments to the residents of such possession.

13 (c) COORDINATION WITH CREDIT ALLOWED
14 AGAINST UNITED STATES INCOME TAXES.—No credit
15 shall be allowed against United States income taxes for
16 any taxable year under section 36C of the Internal Rev-
17 enue Code of 1986 (as so added) to any person—

18 (1) to whom a credit is allowed against taxes
19 imposed by the possession by reason of the amend-
20 ments made by this section for such taxable year, or

21 (2) who is eligible for a payment under a plan
22 described in subsection (b) with respect to such tax-
23 able year.

24 (d) DEFINITIONS AND SPECIAL RULES.—

1 (1) POSSESSION OF THE UNITED STATES.—For
2 purposes of this section, the term “possession of the
3 United States” includes the Commonwealth of Puer-
4 to Rico and the Commonwealth of the Northern
5 Mariana Islands.

6 (2) MIRROR CODE TAX SYSTEM.—For purposes
7 of this section, the term “mirror code tax system”
8 means, with respect to any possession of the United
9 States, the income tax system of such possession if
10 the income tax liability of the residents of such pos-
11 session under such system is determined by ref-
12 erence to the income tax laws of the United States
13 as if such possession were the United States.

14 (3) TREATMENT OF PAYMENTS.—For purposes
15 of section 1324(b)(2) of title 31, United States
16 Code, the payments under this section shall be treat-
17 ed in the same manner as a refund due from the
18 credit allowed under section 36C of the Internal
19 Revenue Code of 1986.

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