

PROVIDING FOR CONSIDERATION OF H.R. 4181—TO AMEND THE INTERNAL REVENUE CODE OF 1986 TO PERMANENTLY EXTEND THE INCREASED STANDARD DEDUCTION, AND THE 15-PERCENT INDIVIDUAL INCOME TAX RATE BRACKET EXPANSION, FOR MARRIED TAXPAYERS FILING JOINT RETURNS

APRIL 27, 2004.—Referred to the House Calendar and ordered to be printed

Mrs. MYRICK, from the Committee on Rules,
submitted the following

R E P O R T

[To accompany H. Res. 607]

The Committee on Rules, having had under consideration House Resolution 607, by a nonrecord vote, report the same to the House with the recommendation that the resolution be adopted.

SUMMARY OF PROVISIONS OF THE RESOLUTION

The resolution provides for the consideration of H.R. 4181, to amend the Internal Revenue Code of 1986 to permanently extend the increased standard deduction, and the 15-percent individual income tax rate bracket expansion, for married taxpayers filing joint returns, under a modified closed rule. The rule provides one hour of debate in the House equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means.

The rule provides that the amendment printed in part A of this report shall be considered as adopted, and that the bill shall be considered as read. The rule provides for consideration of the amendment printed in part B of this report, if offered by Representative Rangel of New York or his designee, which shall be considered as read, and shall be separately debatable for one hour equally divided and controlled by the proponent and an opponent. The rule waives all points of order against the amendment printed in part B of this report.

Finally, the rule provides one motion to recommit with or without instructions.

PART A—SUMMARY OF AMENDMENT CONSIDERED AS ADOPTED

Makes permanent the Economic Growth and Tax Relief Reconciliation Act of 2001 increase in the phase out of the earned in-

come credit for joint filers, in addition to making permanent the increased standard deduction and the broader 15% bracket for joint filers. Under current law, the phase out range for joint filers will increase by \$2,000 in 2005, 2006 and 2007 and to \$3,000 for tax years after 2007. The earned income credit phase out will sunset under the 2001 act in 2010.

PART B—SUMMARY OF AMENDMENT MADE IN ORDER

(Summary derived from information provided by the amendment sponsor.)

Rangel: Amendment in the Nature of a Substitute. Makes permanent the marriage penalty provisions related to the standard deduction and 15% bracket. Accelerates and makes permanent marriage penalty relief for low-income working families receiving the benefits of the earned income tax credit. Contains provisions to ensure that the minimum tax will not deny any of the promised benefits. Its cost would be offset by eliminating some of the recent tax cuts enjoyed by families with incomes over \$1 million.

PART A—TEXT OF AMENDMENT CONSIDERED AS ADOPTED

Page 4, strike lines 11 through 14 (section 3 of the bill) and insert the following:

SEC. 3. REPEAL OF SUNSET.

Title IX of the Economic Growth and Tax Relief Reconciliation Act of 2001 shall not apply to the amendments made by title III of such Act.

PART B—TEXT OF AMENDMENT MADE IN ORDER

Strike all after the enacting clause and insert the following:

SECTION 1. EXTENSION OF INCREASED STANDARD DEDUCTION FOR MARRIED TAXPAYERS FILING JOINT RETURNS.

(a) IN GENERAL.—Paragraph (2) of section 63(c) of the Internal Revenue Code of 1986 (relating to basic standard deduction) is amended to read as follows:

“(2) BASIC STANDARD DEDUCTION.—For purposes of paragraph (1), the basic standard deduction is—

“(A) 200 percent of the dollar amount in effect under subparagraph (C) for the taxable year in the case of—

“(i) a joint return, or

“(ii) a surviving spouse (as defined in section 2(a)),

“(B) \$4,400 in the case of a head of household (as defined in section 2(b)), or

“(C) \$3,000 in any other case.”.

(b) CONFORMING AMENDMENTS.—

(1) Section 63(c)(4) of such Code is amended by striking “(2)(D)” each place it occurs and inserting “(2)(C)”.

(2) Section 63(c) of such Code is amended by striking paragraph (7).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2004.

SEC. 2. EXTENSION OF INCREASED EARNED INCOME CREDIT FOR MARRIED TAXPAYERS FILING JOINT RETURNS.

(a) **IN GENERAL.**—Subparagraph (B) of section 32(b)(2) of the Internal Revenue Code of 1986 is amended to read as follows:

“(B) **JOINT RETURNS.**—In the case of a joint return filed by an eligible individual and such individual’s spouse, the phaseout amount determined under subparagraph (A) shall be increased by \$3,000.”

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to taxable years beginning after December 31, 2004.

SEC. 3. EXTENSION OF 15-PERCENT INDIVIDUAL INCOME TAX RATE BRACKET EXPANSION FOR MARRIED TAXPAYERS FILING JOINT RETURNS.

(a) **IN GENERAL.**—Paragraph (8) of section 1(f) of the Internal Revenue Code of 1986 (relating to phaseout of marriage penalty in 15-percent bracket) is amended to read as follows:

“(8) **ELIMINATION OF MARRIAGE PENALTY IN 15-PERCENT BRACKET.**—With respect to taxable years beginning after December 31, 2004, in prescribing the tables under paragraph (1)—

“(A) the maximum taxable income in the 15-percent rate bracket in the table contained in subsection (a) (and the minimum taxable income in the next higher taxable income bracket in such table) shall be 200 percent of the maximum taxable income in the 15-percent rate bracket in the table contained in subsection (c) (after any other adjustment under this subsection), and

“(B) the comparable taxable income amounts in the table contained in subsection (d) shall be $\frac{1}{2}$ of the amounts determined under subparagraph (A).”.

(b) **CONFORMING AMENDMENT.**—The heading for subsection (f) of section 1 of such Code is amended by striking “PHASEOUT” and inserting “ELIMINATION”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2004.

SEC. 4. BENEFITS EXTENSION NOT TO INCREASE FEDERAL BUDGET DEFICIT.

(a) **IN GENERAL.**—Section 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

“(j) **ADDITIONAL TAX ON HIGH INCOME TAXPAYERS.**—The amount determined under subsection (a), (b), (c), or (d), as the case may be, shall be increased by 3.6 percent of so much of adjusted gross income as exceeds \$1,000,000 in the case of individuals to whom subsection (a) applies (\$500,000 in any other case).”

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to taxable years beginning after December 31, 2004.

SEC. 5. REPEAL OF SUNSET APPLICABLE TO BENEFITS EXTENDED BY THIS ACT.

Title IX of the Economic Growth and Tax Relief Reconciliation Act of 2001 shall not apply to the amendments made by sections 301, 302, and 303 of such Act.

SEC. 6. BENEFITS OF ACT NOT DENIED BY REASON OF ALTERNATIVE MINIMUM TAX.

(a) **MINIMUM TAX.**—The amount of the minimum tax imposed by section 55 of the Internal Revenue Code of 1986 shall be determined as if sections 1, 3, and 5 of this Act had not been enacted.

(b) **CREDITS.**—In applying section 26(a)(1) of such Code, the amount referred to in subparagraph (B) thereof shall be reduced (but not below zero) by the amount of the reduction in the taxpayer's regular tax liability by reason of sections 1, 3, and 5 of this Act.

Amend the title so as to read: "A bill to amend the Internal Revenue Code of 1986 to permanently extend all marriage penalty relief including such relief in the earned income credit, to ensure that the alternative minimum tax does not deny those benefits, and to provide those benefits without increasing the Federal budget deficit by reducing the benefits of recent income tax rate reductions for individuals having incomes of more than \$1,000,000."