

CHILD TAX CREDIT IMPROVEMENT ACT OF 2014

JULY 17, 2014.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. CAMP, from the Committee on Ways and Means,  
 submitted the following

R E P O R T

together with

DISSENTING VIEWS

[To accompany H.R. 4935]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 4935) to amend the Internal Revenue Code of 1986 to make improvements to the child tax credit, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

CONTENTS

	Page
I. SUMMARY AND BACKGROUND .....	2
A. Purpose and Summary .....	2
B. Background and Need for Legislation .....	2
C. Legislative History .....	3
II. EXPLANATION OF THE BILL .....	3
A. Modification of Child Tax Credit (sec. 24 of the Code) .....	3
III. VOTES OF THE COMMITTEE .....	4
IV. BUDGET EFFECTS OF THE BILL .....	5
A. Committee Estimate of Budgetary Effects .....	5
B. Statement Regarding New Budget Authority and Tax Expenditures Budget Authority .....	7
C. Cost Estimate Prepared by the Congressional Budget Office .....	7
D. Macroeconomic Impact Analysis .....	10
V. OTHER MATTERS TO BE DISCUSSED UNDER THE RULES OF THE HOUSE .....	10
A. Committee Oversight Findings and Recommendations .....	10
B. Statement of General Performance Goals and Objectives .....	10
C. Information Relating to Unfunded Mandates .....	10

D. Applicability of House Rule XXI 5(b) .....	10
E. Tax Complexity Analysis .....	10
F. Congressional Earmarks, Limited Tax Benefits, and Limited Tariff Benefits .....	14
G. Duplication of Federal Programs .....	14
H. Disclosure of Directed Rule Makings .....	14
VI. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED	14
VII. DISSENTING VIEWS .....	16

The amendment is as follows:

Strike all after the enacting clause and insert the following:

**SECTION 1. SHORT TITLE.**

This Act may be cited as the “Child Tax Credit Improvement Act of 2014”.

**SEC. 2. IMPROVEMENTS TO CHILD TAX CREDIT.**

(a) **ELIMINATION OF MARRIAGE PENALTY.**—Section 24(b)(2) of the Internal Revenue Code of 1986 is amended by striking “means—” and all that follows and inserting “means \$75,000 (twice such amount in the case of a joint return).”

(b) **INFLATION ADJUSTMENT OF CREDIT AMOUNT AND PHASEOUT THRESHOLDS.**—Section 24 of such Code is amended by adding at the end the following new subsection:

“(g) **INFLATION ADJUSTMENT.**—

“(1) **IN GENERAL.**—In the case of any taxable year beginning after 2014, the \$1,000 amount in subsection (a) and the \$75,000 amount in subsection (b)(2) 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 ‘calendar year 2013’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(2) **ROUNDING.**—Any increase determined under paragraph (1) shall be rounded—

“(A) in the case of the \$1,000 amount in subsection (a), to the nearest multiple of \$50, and

“(B) in the case of the \$75,000 amount in subsection (b)(2), to the nearest multiple of \$1,000.”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2014.

## I. SUMMARY AND BACKGROUND

### A. PURPOSE AND SUMMARY

H.R. 4935, reported by the Committee on Ways and Means, provides for elimination of the marriage penalty within the child tax credit by raising the phaseout threshold for joint filers from \$110,000 to \$150,000. H.R. 4935 also indexes the phaseout thresholds and the \$1,000 credit amount for inflation for taxable years beginning after December 31, 2014.

### B. BACKGROUND AND NEED FOR LEGISLATION

While the Committee continues actively to pursue comprehensive tax reform as a critical means of promoting economic growth, job creation, and tax simplification, the Committee also believes that it is important to act immediately to provide permanent tax relief for American families. By eliminating the marriage penalty in the child tax credit and indexing the \$1,000 credit amount and income phase-outs for inflation, H.R. 4935 would treat married couples raising children more fairly, while also ensuring that the value of the child credit is not eroded by inflation.

## C. LEGISLATIVE HISTORY

*Background*

H.R. 4935 was introduced on June 23, 2014, and was referred to the Committee on Ways and Means.

*Committee action*

The Committee on Ways and Means marked up H.R. 4935, the “Child Tax Credit Improvement Act of 2014,” on June 25, 2014, and ordered the bill, as amended, favorably reported (with a quorum being present).

*Committee hearings*

The importance of, and need for improvements in, the child tax credit were discussed at no fewer than three hearings during the 112th and 113th Congresses:

- Full Committee hearing on How the Tax Code’s Burdens on Individuals and Families Demonstrate the Need for Comprehensive Tax Reform (April 13, 2011).
- Oversight Subcommittee hearing on Improper Payments in the Administration of Refundable Tax Credits (May 25, 2011).
- Full Committee hearing on the President’s Fiscal Year 2015 Budget Proposal with the U.S. Department of the Treasury Secretary Jacob J. Lew (Mar. 6, 2014).

**II. EXPLANATION OF THE BILL****A. MODIFICATION OF CHILD TAX CREDIT (SEC. 24 OF THE CODE)**

## PRESENT LAW

An individual may claim a tax credit for each qualifying child under the age of 17.<sup>1</sup> The amount of the credit per child is \$1,000.<sup>2</sup> A child who is not a citizen, national, or resident of the United States cannot be a qualifying child.

The aggregate amount of child credits that may be claimed is phased out for individuals with modified adjusted gross income (“MAGI”) over a threshold amount. Specifically, the otherwise allowable child tax credit is reduced by \$50 for each \$1,000 (or fraction thereof) of MAGI over \$75,000 for unmarried taxpayers, \$110,000 for married individuals filing joint returns, and \$55,000 for married individuals filing separate returns. For purposes of this limitation, MAGI includes certain otherwise excludable income earned by U.S. citizens or residents living abroad or in certain U.S. territories. These dollar amounts are not indexed for inflation.

The credit is allowable against both the regular tax and the alternative minimum tax. To the extent the child credit exceeds the taxpayer’s tax liability, the credit is refundable in an amount equal to 15 percent of the taxpayer’s earned income in excess of a threshold dollar amount (the “earned income” formula).<sup>3</sup> For taxable years beginning before January 1, 2018, the dollar amount is \$3,000 (not indexed for inflation). For taxable years beginning after

<sup>1</sup>Sec. 24(c)(1). Unless otherwise stated, all section references are to the Internal Revenue Code of 1986, as amended (the “Code”).

<sup>2</sup>Sec. 24(a).

<sup>3</sup>Sec. 24(d). The refundable portion of the credit is referred to as the “additional child tax credit.”

December 31, 2017, the dollar amount is \$10,000 (indexed for inflation after 2000). The staff of the Joint Committee on Taxation estimates that the indexed \$10,000 amount would be \$13,600 in 2014.

A taxpayer with three or more children may determine the refundable portion of the child tax credit using an “alternative formula,” if it results in a larger refundable credit than determined under the earned income formula. Under the alternative formula, the additional child tax credit equals the amount by which the employee share of the taxpayer’s Social Security taxes exceed the taxpayer’s earned income credit.<sup>4</sup>

Earned income is defined as the sum of wages, salaries, tips, and other taxable employee compensation plus net self-employment earnings which are taken into account in computing the individual’s taxable income. Otherwise excludable combat pay is treated as earned income for these purposes.

For a credit to be allowable with respect to any child, the name and taxpayer identification number of the child must be included on the taxpayer’s tax return.<sup>5</sup>

#### REASONS FOR CHANGE

The Committee believes that a tax credit for families with children recognizes the expense of raising children and the importance of helping families raise children. Accordingly, the Committee believes that indexing for inflation both the credit amount and the phaseout thresholds of the child tax credit is an important means of ensuring that the value of the credit is not diluted.

Additionally, the Committee believes that, where possible, marriage penalties in the tax code should be eliminated. By increasing the phaseout threshold for married taxpayers who file joint returns to twice that of unmarried taxpayers, the bill eliminates marriage penalties with respect to the child credit.

#### EXPLANATION OF PROVISION

The proposal modifies the child tax credit in three ways. First, the \$1,000 credit amount is indexed for inflation to the nearest multiple of \$50 in calendar years beginning after 2014. Second, the beginning of the child credit phaseout for joint filers is increased from \$110,000 to \$150,000 (for married individuals filing separate returns, the amount applicable to an unmarried individual, i.e., \$75,000, applies). Third, the income phaseout thresholds are indexed for inflation to the nearest \$1,000 in calendar years beginning after 2014.

#### EFFECTIVE DATE

The proposal applies to taxable years beginning after December 31, 2014.

### III. VOTES OF THE COMMITTEE

In compliance with clause 3(b) of rule XIII of the Rules of the House of Representatives, the following statement is made concerning the vote of the Committee on Ways and Means in its con-

<sup>4</sup>Sec. 24(d)(1)(B)(ii).

<sup>5</sup>Sec. 24(e).

sideration of H.R. 4935, the Child Tax Credit Improvement Act of 2014, on June 25, 2014.

The bill, H.R. 4935, was ordered favorably reported as amended by a roll call vote of 22 yeas to 15 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Camp .....	X	.....	.....	Mr. Levin .....	.....	X	.....
Mr. Johnson .....	X	.....	.....	Mr. Rangel .....	.....	.....	.....
Mr. Brady .....	X	.....	.....	Mr. McDermott .....	.....	X	.....
Mr. Ryan .....	X	.....	.....	Mr. Lewis .....	.....	X	.....
Mr. Nunes .....	X	.....	.....	Mr. Neal .....	.....	X	.....
Mr. Tiberi .....	X	.....	.....	Mr. Becerra .....	.....	X	.....
Mr. Reichert .....	X	.....	.....	Mr. Doggett .....	.....	X	.....
Mr. Boustany .....	X	.....	.....	Mr. Thompson .....	.....	X	.....
Mr. Roskam .....	X	.....	.....	Mr. Larson .....	.....	X	.....
Mr. Gerlach .....	X	.....	.....	Mr. Blumenauer .....	.....	X	.....
Mr. Price .....	X	.....	.....	Mr. Kind .....	.....	X	.....
Mr. Buchanan .....	X	.....	.....	Mr. Pascrell .....	.....	X	.....
Mr. Smith .....	X	.....	.....	Mr. Crowley .....	.....	X	.....
Mr. Schock .....	X	.....	.....	Ms. Schwartz .....	.....	X	.....
Ms. Jenkins .....	X	.....	.....	Mr. Davis .....	.....	X	.....
Mr. Paulsen .....	X	.....	.....	Ms. Sanchez .....	.....	X	.....
Mr. Marchant .....	X	.....	.....				
Ms. Black .....	X	.....	.....				
Mr. Reed .....	.....	.....	.....				
Mr. Young .....	X	.....	.....				
Mr. Kelly .....	X	.....	.....				
Mr. Griffin .....	X	.....	.....				
Mr. Renacci .....	X	.....	.....				

#### IV. BUDGET EFFECTS OF THE BILL

##### A. COMMITTEE ESTIMATE OF BUDGETARY EFFECTS

In compliance with clause 3(d) of rule XIII of the Rules of the House of Representatives, the following statement is made concerning the effects on the budget of the bill, H.R. 4935, as reported.

The bill, as reported, is estimated to have the following effect on Federal budget receipts for fiscal years 2014–2024 (with no effect on such receipts in fiscal year 2014):

**FISCAL YEARS**  
[Billions of dollars]

Item	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2015-19	2015-24
Revenues <sup>1</sup> .....	-0.7	-4.7	-7.8	-9.4	-10.9	-12.4	-14.6	-16.1	-18.4	-20.0	-33.5	-114.9
NOTE: Details do not add to total due to rounding.												
2015 .....	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2015-19	2015-24
1 Estimate contains the following outlay effects: . . .	2	1.6	1.6	1.6	2.0	2.0	2.9	3.0	4.0	4.0	5.2	21.0
2 Gain of less than \$50 million.												

B. STATEMENT REGARDING NEW BUDGET AUTHORITY AND TAX  
EXPENDITURES BUDGET AUTHORITY

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee states that the bill involves new or increased budget authority. The Committee further states that the revenue-reducing tax provisions involve increased tax expenditures. (See amounts in table in Part IV.A, above.)

C. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET  
OFFICE

In compliance with clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, requiring a cost estimate prepared by the CBO, the following statement by CBO is provided:

U.S. CONGRESS,  
CONGRESSIONAL BUDGET OFFICE,  
*Washington, DC, July 3, 2014.*

Hon. DAVE CAMP,  
*Chairman, Committee on Ways and Means,  
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 4935, the Child Tax Credit Improvement Act of 2014.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Logan Timmerhoff.

Sincerely,

DOUGLAS W. ELMENDORF.

Enclosure.

*H.R. 4935—Child Tax Credit Improvement Act of 2014*

H.R. 4935 would increase the amount of the child tax credit and the income thresholds at which the credit begins to phase out for taxpayers. Under current law, an individual may claim a tax credit of \$1,000 for each qualifying child under the age of 17. H.R. 4935 would index the \$1,000 amount for inflation starting in 2015. In addition, under current law the aggregate amount of child credits that may be claimed is phased out for married individuals filing joint tax returns with modified adjusted gross income over \$110,000 and for unmarried individuals with such income over \$75,000. H.R. 4935 would increase the beginning of the phaseout for joint filers to \$150,000, and it would index for inflation the beginning points of the income phaseouts for all taxpayers starting in 2015. For married taxpayers filing separately, the beginning of the income phaseout would increase from \$55,000 under current law to \$75,000, indexed for inflation.

The staff of the Joint Committee on Taxation (JCT) estimates that enacting H.R. 4935 would reduce revenues over the 2014–2024 period by about \$93.9 billion, and increase direct spending by about \$21.0 billion over that period. JCT therefore estimates that enacting the legislation would increase federal budget deficits by about \$114.9 billion over the 2014–2024 period.

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending and revenues. Because enacting H.R. 4935 would affect

revenues and direct spending, pay-as-you-go procedures apply. The net changes in revenues and outlays that are subject to pay-as-you-go procedures are shown in the following table.

JCT has determined that the bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

The CBO staff contact for this estimate is Logan Timmerhoff. The estimate was approved by David Weiner, Assistant Director for Tax Analysis.





#### D. MACROECONOMIC IMPACT ANALYSIS

In compliance with clause 3(h)(2) of rule XIII of the Rules of the House of Representatives, the following statement is made by the Joint Committee on Taxation with respect to the provisions of the bill amending the Internal Revenue Code of 1986: the effects of the bill on economic activity are so small as to be incalculable within the context of a model of the aggregate economy.

### V. OTHER MATTERS TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

#### A. COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS

With respect to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives (relating to oversight findings), the Committee advises that it was as a result of the Committee's review of the provisions of H.R. 4935 that the Committee concluded that it is appropriate to report the bill, as amended, favorably to the House of Representatives with the recommendation that the bill do pass.

#### B. STATEMENT OF GENERAL PERFORMANCE GOALS AND OBJECTIVES

With respect to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee advises that the bill contains no measure that authorizes funding, so no statement of general performance goals and objectives for which any measure authorizes funding is required.

#### C. INFORMATION RELATING TO UNFUNDED MANDATES

This information is provided in accordance with section 423 of the Unfunded Mandates Reform Act of 1995 (Pub. L. No. 104-4).

The Committee has determined that the bill does not contain Federal mandates on the private sector. The Committee has determined that the bill does not impose a Federal intergovernmental mandate on State, local, or tribal governments.

#### D. APPLICABILITY OF HOUSE RULE XXI 5(b)

Rule XXI 5(b) of the Rules of the House of Representatives provides, in part, that "A bill or joint resolution, amendment, or conference report carrying a Federal income tax rate increase may not be considered as passed or agreed to unless so determined by a vote of not less than three-fifths of the Members voting, a quorum being present." The Committee has carefully reviewed the bill, and states that the bill does not involve any Federal income tax rate increases within the meaning of the rule.

#### E. TAX COMPLEXITY ANALYSIS

The following statement is made pursuant to clause 3(h)(1) of rule XIII of the Rules of the House of Representatives. Section 4022(b) of the Internal Revenue Service Restructuring and Reform Act of 1998 requires the staff of the Joint Committee on Taxation (in consultation with the Internal Revenue Service and the Treasury Department) to provide a tax complexity analysis. The complexity analysis is required for all legislation reported by the Sen-

ate Committee on Finance, the House Committee on Ways and Means, or any committee of conference if the legislation includes a provision that directly or indirectly amends the Internal Revenue Code and has widespread applicability to individuals or small businesses. For each such provision identified by the staff of the Joint Committee on Taxation a summary description of the provision is provided along with an estimate of the number and type of affected taxpayers, and a discussion regarding the relevant complexity and administrative issues.

Following the analysis of the staff of the Joint Committee on Taxation are the comments of the IRS and Treasury regarding each of the provisions included in the complexity analysis.

#### 1. Modifications to child tax credit

##### *Summary description of the provisions*

The proposal modifies the child tax credit in three ways. First, the \$1,000 credit amount is indexed for inflation to the nearest multiple of \$50 in calendar years beginning after 2014. Second, the beginning of the child credit phaseout for joint filers is increased from \$110,000 to \$150,000 (for married individuals filing separate returns, the amount applicable to an unmarried individual, i.e., \$75,000, applies). Third, the income phaseout thresholds are indexed for inflation to the nearest \$1,000 in calendar years beginning after 2014.

##### *Number of affected taxpayers*

It is estimated that the provision will affect over ten percent of small business tax returns.

##### *Discussion*

While many taxpayers claim the child tax credit, the modifications to the child tax credit contained in the bill are not likely to either increase or reduce the compliance burden on affected taxpayers.



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

June 30, 2014

Mr. Thomas A. Barthold  
Chief of Staff  
Joint Committee on Taxation  
Washington, D.C. 20515

Dear Mr. Barthold:

I am responding to your letter dated June 25, 2014, in which you requested a complexity analysis related to H.R. 4935, Child Tax Credit Improvement Act of 2014.

Enclosed are the combined comments of the Internal Revenue Service and the Treasury Department for inclusion in the complexity analysis in the House Committee on Ways and Means report on H.R. 4935, Child Tax Credit Improvement Act of 2014. Our analysis covers one provision that you preliminarily identified in your letter: H.R. 4935, Child Tax Credit Improvement Act of 2014. Please note that for purposes of this complexity analysis, IRS staff assumed timely enactment of this legislation. If legislation is not enacted before the end of the year, there would be complexity for IRS and for taxpayers that is not addressed in this response.

Our comments are based on the description of the provision provided in your letter. This analysis does not include administrative cost estimates for the changes that would be required. Due to the short turnaround time, our comments are provisional and subject to change upon a more complete and in-depth analysis of the provisions.

Sincerely,

A handwritten signature in black ink, appearing to read "John A. Koskinen".

John A. Koskinen

Enclosure

**COMPLEXITY ANALYSIS OF THE COMMITTEE REPORT ON  
H.R. 4935, CHILD TAX CREDIT IMPROVEMENT ACT OF 2014**

**H.R. 4935, Child Tax Credit Improvement Act of 2014**

The bill modifies the child tax credit in three ways. First, the \$1,000 credit amount is indexed for inflation to the nearest multiple of \$50 in calendar years beginning after 2014. Second, the beginning of the child credit phaseout for joint filers is increased from \$110,000 to \$150,000 (for married individuals filing separate returns, the amount applicable to an unmarried individual, *i.e.*, \$75,000, applies). Third, the beginning point of the income phaseouts is indexed for inflation to the nearest \$1,000 in calendar years beginning after 2014.

**IRS/Treasury Comments:**

- The proposal to (1) index the \$1,000 credit amount for inflation, (2) increase the child credit phaseout for joint filers to twice the threshold for a single filer, and (3) index the phaseout amounts for inflation would have minimal impact on the forms and worksheets that are used to figure the child tax credit.
- Schedule 8812, Publications 972, 4012, 4491 and the Instructions for Form 1040, 1040A, and 1040NR would be revised to reflect the increased or indexed amounts.
- Indexing the credit amount and the phaseout amounts would require an annual calculation and publication by the IRS of the updated amounts.
- Internal Revenue Manuals, employee and partner training would be updated as part of the normal annual updates.
- Some information technology programming changes would be required to incorporate the changes into the appropriate processing and compliance systems. If the legislation is not passed in time to get into the January Filing Season release, it will have to be implemented in an out of cycle release.
- The proposed statutory changes should not require any additional taxpayer record keeping relative to current law, and should not lead to additional disputes between taxpayers and the IRS.

F. CONGRESSIONAL EARMARKS, LIMITED TAX BENEFITS, AND  
LIMITED TARIFF BENEFITS

With respect to clause 9 of rule XXI of the Rules of the House of Representatives, the Committee has carefully reviewed the provisions of the bill, and states that the provisions of the bill do not contain any congressional earmarks, limited tax benefits, or limited tariff benefits within the meaning of the rule.

G. DUPLICATION OF FEDERAL PROGRAMS

In compliance with sec. 3(j)(2) of H. Res. 5 (113th Congress), the Committee states that no provision of the bill establishes or reauthorizes: (1) a program of the Federal Government known to be duplicative of another Federal program, (2) a program included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111-139, or (3) a program related to a program identified in the most recent Catalog of Federal Domestic Assistance, published pursuant to the Federal Program Information Act (Pub. L. No. 95-220, as amended by Pub. L. No. 98-169).

H. DISCLOSURE OF DIRECTED RULE MAKINGS

In compliance with sec. 3(k) of H. Res. 5 (113th Congress), the following statement is made concerning directed rule makings: The Committee estimates that the bill requires no directed rule makings within the meaning of such section.

**VI. CHANGES IN EXISTING LAW MADE BY THE BILL, AS  
REPORTED**

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

**SECTION 24 OF THE INTERNAL REVENUE CODE OF 1986**

**SEC. 24. CHILD TAX CREDIT.**

(a) \* \* \*

(b) LIMITATIONS.—

(1) \* \* \*

(2) THRESHOLD AMOUNT.—For purposes of paragraph (1), the term “threshold amount” [means—

[(A) \$110,000 in the case of a joint return,

[(B) \$75,000 in the case of an individual who is not married, and

[(C) \$55,000 in the case of a married individual filing a separate return.

For purposes of this paragraph, marital status shall be determined under section 7703.] *means \$75,000 (twice such amount in the case of a joint return).*

\* \* \* \* \*

(g) INFLATION ADJUSTMENT.—

(1) *IN GENERAL.*—*In the case of any taxable year beginning after 2014, the \$1,000 amount in subsection (a) and the \$75,000 amount in subsection (b)(2) 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 “calendar year 2013” for “calendar year 1992” in subparagraph (B) thereof.*

(2) *ROUNDING.*—*Any increase determined under paragraph (1) shall be rounded—*

*(A) in the case of the \$1,000 amount in subsection (a), to the nearest multiple of \$50, and*

*(B) in the case of the \$75,000 amount in subsection (b)(2), to the nearest multiple of \$1,000.*

## VII. DISSENTING VIEWS

Notwithstanding that there is strong support for making improvements to the Child Tax Credit, we opposed this bill because it leaves behind the expansions to the refundable portion of the Child Tax Credit that will expire in 2017.

The bill does nothing to provide certainty to, and address the child-rearing costs of, low-income working families in the future, because it does not make permanent the expansions to the refundable portion of the Child Tax Credit. The expansions ensure that low-income families are able to benefit from this credit. One of these expansions reduces the threshold level of income that must be earned to qualify for the refundable portion of the Child Tax Credit. The reduction in the threshold is vitally important for low-income families.

While failing to make permanent the expansions that benefit low-income families, the bill expands and makes permanent the availability of the Child Tax Credit to many new, upper middle-income families whose incomes are too high to qualify for the credit under current law. Under the bill, families making between \$150,000 and \$205,000 who have children would be newly eligible for the Child Tax Credit, and will continue to be eligible for the Child Tax Credit in 2018 and beyond. However, because the bill does not make permanent the expansions that benefit low-income families, a family making minimum wage would lose a portion of their credit in 2018 and going forward due to the increased threshold for the refundable portion of the credit. We oppose this disparity in the treatment of these families.

In addition to our substantive concerns with the bill, we also believe that it should not be made permanent by adding to the deficit without any revenue offset. In three short months, Republicans on the Committee have approved 14 tax bills that would add a stunning \$825 billion to the deficit and there does not appear to be an end in sight. Chairman Camp's Tax Reform Act of 2014 discussion draft (the "Republican tax reform plan") was revenue neutral and did not add to the deficit. These bills are going in the opposite direction. We should be considering these bills in the context of a revenue-neutral, bipartisan tax reform plan.

To put the combined \$825 billion cost into context, it is 1.7 times the entire projected federal deficit for this year and \$241 billion more than what the total non-defense discretionary spending (e.g., medical research, education, veterans' pensions and health care, transportation, etc.) will be in 2014. It is more than nine times what we spend annually on education, job training, and social services. It is almost 14 times what we appropriate for veterans' health care and benefits in a year, and it is 27 times more than we spend on medical research. It is more than we spend to pay earned Social Security benefits to 58 million Americans—one in four American



families—for a year. Unoffset tax cuts amounting to \$825 billion is \$2,600 in debt for every man, woman, and child in the United States.

Make no mistake, this is part of the Republicans' bigger plan to force cuts in spending in response to the increased deficit from their reckless tax cuts. Republicans already have cut non-defense appropriations below the level needed to keep up with inflation every year since 2011, putting us on a path to the lowest level of domestic investment (as a percent of GDP) since we began tracking it in 1962. By 2018, real non-defense discretionary spending is projected to be 18 percent lower than it was in 2010. Americans feel those cuts every day. They result in overcrowded classrooms for our children, fewer food safety inspections, slower progress on medical research to fight deadly diseases, delays in highway repairs, waiting lists for child care, early national park closings, reduced investment in small businesses, and delays in awarding earned Medicare and Social Security benefits.

We found it hypocritical that, six months ago, Republicans let emergency unemployment insurance expire for more than 1.3 million Americans, a number that has now grown to 3 million, by arguing that an adequate offset had yet to be proposed. In early April, the Senate came to a bipartisan agreement on an offset after months of painstaking negotiations. Yet House Republicans still refuse to act.

Sincerely,

SANDER M. LEVIN,  
*Ranking Member.*

○