

106TH CONGRESS  
1ST SESSION

# H. R. 2085

To amend the Internal Revenue Code of 1986 to end the marriage penalty, to provide estate tax relief for family-owned farms and other family-owned businesses, to provide a tax credit for long term care needs, to expand the child and dependent care tax credit, to increase the deduction for health insurance costs for self-employed individuals, and to adjust for inflation the exemption amounts used to calculate the individual alternative minimum tax.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 9, 1999

Ms. HOOLEY of Oregon (for herself and Mr. WALDEN of Oregon) 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 end the marriage penalty, to provide estate tax relief for family-owned farms and other family-owned businesses, to provide a tax credit for long term care needs, to expand the child and dependent care tax credit, to increase the deduction for health insurance costs for self-employed individuals, and to adjust for inflation the exemption amounts used to calculate the individual alternative minimum tax.

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 “Family Tax Reduction  
3 Act of 1999”.

4 **SEC. 2. INCREASE OF STANDARD DEDUCTION FOR JOINT**  
5 **RETURNS TO END MARRIAGE PENALTY.**

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

9 “(2) BASIC STANDARD DEDUCTION.—For pur-  
10 poses of paragraph (1), the basic standard deduction  
11 is—

12 “(A) \$8,600 in the case of—

13 “(i) a joint return, or

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

16 “(B) \$6,350 in the case of a head of  
17 household (as defined in section 2(b)), and

18 “(C) ½ the dollar amount applicable under  
19 subparagraph (A) in any other case.”

20 (b) INFLATION ADJUSTMENT.—Paragraph (4) of sec-  
21 tion 63(c) of such Code is amended to read as follows:

22 “(4) ADJUSTMENTS FOR INFLATION.—

23 “(A) ADJUSTMENT OF BASIC STANDARD  
24 DEDUCTION.—In the case of any taxable year  
25 beginning in a calendar year after 2000, each

1 dollar amount contained in paragraph (2) shall  
 2 be increased by an amount equal to—

3 “(i) such dollar amount, multiplied by

4 “(ii) the cost-of-living adjustment de-  
 5 termined under section 1(f)(3) for the cal-  
 6 endar year in which the taxable year be-  
 7 gins by substituting ‘calendar year 1999’  
 8 for ‘calendar year 1992’ in subparagraph  
 9 (B) thereof.

10 “(B) ADJUSTMENT OF OTHER  
 11 AMOUNTS.—In the case of any taxable year be-  
 12 ginning in a calendar year after 1988, each dol-  
 13 lar amount contained in paragraph (5)(A) or  
 14 subsection (f) shall be increased by an amount  
 15 equal to—

16 “(i) such dollar amount, multiplied by

17 “(ii) the cost-of-living adjustment de-  
 18 termined under section 1(f)(3) for the cal-  
 19 endar year in which the taxable year be-  
 20 gins by substituting ‘calendar year 1987’  
 21 for ‘calendar year 1992’ in subparagraph  
 22 (B) thereof.”

23 (c) EFFECTIVE DATE.—The amendments made by  
 24 this section shall apply to taxable years beginning after  
 25 December 31, 1999.

1 **SEC. 3. INCREASE IN DEDUCTION FROM ESTATE TAX FOR**  
 2 **FAMILY-OWNED FARMS AND OTHER FAMILY-**  
 3 **OWNED BUSINESS INTERESTS.**

4 (a) IN GENERAL.—Subsection (a) of section 2057 of  
 5 the Internal Revenue Code of 1986 (relating to family-  
 6 owned business interests) is amended—

7 (1) in paragraph (2), by striking “\$675,000”  
 8 and inserting “\$5,000,000”; and

9 (2) by striking paragraph (3).

10 (b) CHANGE IN PERIOD OF OWNERSHIP AND MATE-  
 11 RIAL PARTICIPATION.—Subparagraph (D) of section  
 12 2057(b)(1) of such Code (relating to estates to which sec-  
 13 tion applies) is amended—

14 (1) by striking “8-year period” and inserting  
 15 “7-year period”; and

16 (2) by striking “5 years” and inserting “4  
 17 years”.

18 (c) EFFECTIVE DATE.—The amendment made by  
 19 subsection (a) shall apply to estates of decedents dying  
 20 after December 31, 2000.

21 **SEC. 4. CREDIT FOR TAXPAYERS WITH LONG-TERM CARE**  
 22 **NEEDS.**

23 (a) ALLOWANCE OF CREDIT.—

24 (1) IN GENERAL.—Section 24(a) of the Internal  
 25 Revenue Code of 1986 (relating to allowance of child  
 26 tax credit) is amended to read as follows:

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

4               “(1) \$500 multiplied by the number of quali-  
 5       fying children of the taxpayer, plus

6               “(2) \$1,000 multiplied by the number of appli-  
 7       cable individuals with respect to whom the taxpayer  
 8       is an eligible caregiver for the taxable year.

9       In any case in which the applicable individual and the eli-  
 10      gible caregiver are the same individual, the credit allowed  
 11      by paragraph (2) with respect to such individual shall not  
 12      exceed the aggregate amount paid by the taxpayer during  
 13      the taxable year (not compensated for by insurance or oth-  
 14      erwise) for qualified long-term care services (as defined  
 15      in section 7702B(c)) for such individual.”

16              (2) ADDITIONAL CREDIT FOR TAXPAYER WITH  
 17      3 OR MORE SEPARATE CREDIT AMOUNTS.—So much  
 18      of section 24(d) of such Code as precedes paragraph  
 19      (1)(A) thereof is amended to read as follows:

20              “(d) ADDITIONAL CREDIT FOR TAXPAYERS WITH 3  
 21      OR MORE SEPARATE CREDIT AMOUNTS.—

22              “(1) IN GENERAL.—If the sum of the number  
 23      of qualifying children of the taxpayer and the num-  
 24      ber of applicable individuals with respect to which  
 25      the taxpayer is an eligible caregiver is 3 or more for

1 any taxable year, the aggregate credits allowed  
 2 under subpart C shall be increased by the lesser  
 3 of—”.

4 (3) CONFORMING AMENDMENTS.—

5 (A) The heading for section 32(n) of such  
 6 Code is amended by striking “CHILD” and in-  
 7 serting “FAMILY CARE”.

8 (B) The heading for section 24 is amended  
 9 to read as follows:

10 **“SEC. 24. FAMILY CARE CREDIT.”**

11 (C) The table of sections for subpart A of  
 12 part IV of subchapter A of chapter 1 of such  
 13 Code is amended by striking the item relating  
 14 to section 24 and inserting the following new  
 15 item:

“Sec. 24. Family care credit.”.

16 (b) DEFINITIONS.—Section 24(c) of such Code (de-  
 17 fining qualifying child) is amended to read as follows:

18 “(c) DEFINITIONS.—For purposes of this section—

19 “(1) QUALIFYING CHILD.—

20 “(A) IN GENERAL.—The term ‘qualifying  
 21 child’ means any individual if—

22 “(i) the taxpayer is allowed a deduc-  
 23 tion under section 151 with respect to such  
 24 individual for the taxable year,

1 “(ii) such individual has not attained  
 2 the age of 17 as of the close of the cal-  
 3 endar year in which the taxable year of the  
 4 taxpayer begins, and

5 “(iii) such individual bears a relation-  
 6 ship to the taxpayer described in section  
 7 32(c)(3)(B).

8 “(B) EXCEPTION FOR CERTAIN NONCITI-  
 9 ZENS.—The term ‘qualifying child’ shall not in-  
 10 clude any individual who would not be a de-  
 11 pendent if the first sentence of section  
 12 152(b)(3) were applied without regard to all  
 13 that follows ‘resident of the United States’.

14 “(2) APPLICABLE INDIVIDUAL.—

15 “(A) IN GENERAL.—The term ‘applicable  
 16 individual’ means, with respect to any taxable  
 17 year, any individual who has been certified, be-  
 18 fore the due date for filing the return of tax for  
 19 the taxable year (without extensions), by a phy-  
 20 sician (as defined in section 1861(r)(1) of the  
 21 Social Security Act) as being an individual with  
 22 long-term care needs described in subparagraph  
 23 (B) for a period—

24 “(i) which is at least 180 consecutive  
 25 days, and

1 “(ii) a portion of which occurs within  
2 the taxable year.

3 Such term shall not include any individual oth-  
4 erwise meeting the requirements of the pre-  
5 ceding sentence unless within the 12 month pe-  
6 riod ending on such due date (or such other pe-  
7 riod as the Secretary prescribes) a physician (as  
8 so defined) has certified that such individual  
9 meets such requirements.

10 “(B) INDIVIDUALS WITH LONG-TERM CARE  
11 NEEDS.—An individual is described in this sub-  
12 paragraph if the individual meets any of the fol-  
13 lowing requirements:

14 “(i) The individual is at least 6 years  
15 of age and—

16 “(I) is unable to perform (with-  
17 out substantial assistance from an-  
18 other individual) at least 3 activities  
19 of daily living (as defined in section  
20 7702B(c)(2)(B)) due to a loss of  
21 functional capacity, or

22 “(II) requires substantial super-  
23 vision to protect such individual from  
24 threats to health and safety due to se-  
25 vere cognitive impairment and is un-

1                   able to perform at least 1 activity of  
2                   daily living (as so defined).

3                   “(ii) The individual is at least 2 but  
4                   not 6 years of age and is unable due to a  
5                   loss of functional capacity to perform  
6                   (without substantial assistance from an-  
7                   other individual) at least 2 of the following  
8                   activities: eating, transferring, or mobility.

9                   “(iii) The individual is under 2 years  
10                  of age and requires specific durable med-  
11                  ical equipment by reason of a severe health  
12                  condition or requires a skilled practitioner  
13                  trained to address the individual’s condi-  
14                  tion to be available if the individual’s par-  
15                  ents or guardians are absent.

16                  “(3) ELIGIBLE CAREGIVER.—

17                  “(A) IN GENERAL.—A taxpayer shall be  
18                  treated as an eligible caregiver for any taxable  
19                  year with respect to the following individuals:

20                         “(i) The taxpayer.

21                         “(ii) The taxpayer’s spouse.

22                         “(iii) An individual with respect to  
23                         whom the taxpayer is allowed a deduction  
24                         under section 151 for the taxable year.

1 “(iv) An individual who would be de-  
2 scribed in clause (iii) for the taxable year  
3 if section 151(c)(1)(A) were applied by  
4 substituting for the exemption amount an  
5 amount equal to the sum of the exemption  
6 amount, the standard deduction under sec-  
7 tion 63(c)(2)(C), and any additional stand-  
8 ard deduction under section 63(c)(3) which  
9 would be applicable to the individual if  
10 clause (iii) applied.

11 “(v) An individual who would be de-  
12 scribed in clause (iii) for the taxable year  
13 if—

14 “(I) the requirements of clause  
15 (iv) are met with respect to the indi-  
16 vidual, and

17 “(II) the requirements of sub-  
18 paragraph (B) are met with respect to  
19 the individual in lieu of the support  
20 test of section 152(a).

21 “(B) RESIDENCY TEST.—The require-  
22 ments of this subparagraph are met if an indi-  
23 vidual has as his principal place of abode the  
24 home of the taxpayer and—

1 “(i) in the case of an individual who  
2 is an ancestor or descendant of the tax-  
3 payer or the taxpayer’s spouse, is a mem-  
4 ber of the taxpayer’s household for over  
5 half the taxable year, or

6 “(ii) in the case of any other indi-  
7 vidual, is a member of the taxpayer’s  
8 household for the entire taxable year.

9 “(C) SPECIAL RULES WHERE MORE THAN  
10 1 ELIGIBLE CAREGIVER.—

11 “(i) IN GENERAL.—If more than 1 in-  
12 dividual is an eligible caregiver with re-  
13 spect to the same applicable individual for  
14 taxable years ending with or within the  
15 same calendar year, a taxpayer shall be  
16 treated as the eligible care giver if each  
17 such individual (other than the taxpayer)  
18 files a written declaration (in such form  
19 and manner as the Secretary may pre-  
20 scribe) that such individual will not claim  
21 such applicable individual for the credit  
22 under this section.

23 “(ii) NO AGREEMENT.—If each indi-  
24 vidual required under clause (i) to file a  
25 written declaration under clause (i) does

1 not do so, the individual with the highest  
2 modified adjusted gross income (as defined  
3 in section 32(c)(5)) shall be treated as the  
4 eligible caregiver.

5 “(iii) MARRIED INDIVIDUALS FILING  
6 SEPARATELY.—In the case of married indi-  
7 viduals filing separately, the determination  
8 under this subparagraph as to whether the  
9 husband or wife is the eligible caregiver  
10 shall be made under the rules of clause (ii)  
11 (whether or not one of them has filed a  
12 written declaration under clause (i)).”.

13 (c) IDENTIFICATION REQUIREMENTS.—

14 (1) IN GENERAL.—Section 24(e) of such Code  
15 is amended by adding at the end the following new  
16 sentence: “No credit shall be allowed under this sec-  
17 tion to a taxpayer with respect to any applicable in-  
18 dividual unless the taxpayer includes the name and  
19 taxpayer identification number of such individual,  
20 and the identification number of the physician certi-  
21 fying such individual, on the return of tax for the  
22 taxable year.”.

23 (2) ASSESSMENT.—Section 6213(g)(2)(I) of  
24 such Code is amended—

1 (A) by inserting “or physician identifica-  
 2 tion” after “correct TIN”, and

3 (B) by striking “child” and inserting  
 4 “family care”.

5 (d) EFFECTIVE DATE.—The amendments made by  
 6 this section shall apply to taxable years beginning after  
 7 December 31, 1999.

8 **SEC. 5. EXPANSION OF CHILD AND DEPENDENT CARE TAX**  
 9 **CREDIT.**

10 (a) INCREASE OF MAXIMUM CREDIT RATE.—Para-  
 11 graph (2) of section 21(a) of the Internal Revenue Code  
 12 of 1986 (relating to expenses for household and dependent  
 13 care services necessary for gainful employment) is amend-  
 14 ed to read as follows:

15 “(2) APPLICABLE PERCENTAGE DEFINED.—For  
 16 purposes of paragraph (1), the term ‘applicable per-  
 17 centage’ means 50 percent reduced (but not below  
 18 20 percent) by 1 percentage point for each \$1,000  
 19 (or fraction thereof) by which the taxpayer’s ad-  
 20 justed gross income for the taxable year exceeds  
 21 \$30,000.”.

22 (b) CREDIT ALLOWED BASED ON RESIDENCY IN  
 23 CERTAIN CASES.—Subsection (e) of section 21 of such  
 24 Code is amended by adding at the end the following new  
 25 paragraph:

1           “(11) CREDIT ALLOWED BASED ON RESIDENCY  
2           IN CERTAIN CASES.—In the case of a taxpayer—

3                   “(A) who does not satisfy the household  
4           maintenance test of subsection (a) for any pe-  
5           riod, but

6                   “(B) whose principal place of abode for  
7           such period is also the principal place of abode  
8           of any qualifying individual,

9           then such taxpayer shall be treated as satisfying  
10          such test for such period but the amount of credit  
11          allowable under this section with respect to such in-  
12          dividual shall be determined by allowing only  $\frac{1}{12}$  of  
13          the limitation under subsection (c)(1) for each full  
14          month that the requirement of subparagraph (B) is  
15          met.”

16          (c)   INFLATION   ADJUSTMENT   OF   DOLLAR  
17   AMOUNTS.—

18               (1) Section 21 of such Code is amended by re-  
19          designating subsection (f) as subsection (g) and by  
20          inserting after subsection (e) the following new sub-  
21          section:

22               “(f) INFLATION ADJUSTMENT.—In the case of any  
23   taxable year beginning in a calendar year after 2000, the  
24   \$30,000 amount contained in subsection (a), the \$2,400

1 amount in subsection (c), and the \$500 amount in sub-  
2 section (f) shall be increased by an amount equal to—

3 “(1) such dollar amount, multiplied by

4 “(2) the cost-of-living adjustment determined  
5 under section 1(f)(3) for such calendar year by sub-  
6 stituting ‘calendar year 1999’ for ‘calendar year  
7 1992’ in subparagraph (B) thereof.

8 If the increase determined under the preceding sentence  
9 is not a multiple of \$50, such amount shall be rounded  
10 to the next lowest multiple of \$50.”

11 (2) Paragraph (2) of section 21(c) of such Code  
12 is amended by striking “\$4,800” and inserting  
13 “twice the dollar amount applicable under paragraph  
14 (1)”.

15 (3) Paragraph (2) of section 21(d) of such Code  
16 is amended by striking “less than—” and all that  
17 follows through the end of the first sentence and in-  
18 serting “less than  $\frac{1}{12}$  of the amount which applies  
19 under subsection (c) to the taxpayer for the taxable  
20 year.”

21 (d) EFFECTIVE DATE.—The amendments made by  
22 this section shall apply to taxable years beginning after  
23 December 31, 1999.

1 **SEC. 6. DEDUCTION FOR HEALTH INSURANCE COSTS FOR**  
2 **SELF-EMPLOYED INDIVIDUALS.**

3 (a) IN GENERAL.—Paragraph (1) of section 162(l)  
4 of the Internal Revenue Code of 1986 is amended to read  
5 as follows:

6 “(1) ALLOWANCE OF DEDUCTION.—In the case  
7 of an individual who is an employee within the  
8 meaning of section 401(c)(1), there shall be allowed  
9 as a deduction under this section 100 percent of the  
10 amount paid during the taxable year for insurance  
11 which constitutes medical care for the taxpayer, his  
12 spouse, and dependents.”

13 (b) EFFECTIVE DATE.—The amendment made by  
14 subsection (a) shall apply to taxable years beginning after  
15 December 31, 1999.

16 **SEC. 7. INFLATION ADJUSTMENT FOR ALTERNATIVE MIN-**  
17 **IMUM TAX EXEMPTION AMOUNT FOR INDIV-**  
18 **IDUALS.**

19 (a) IN GENERAL.—Section 55(d) of the Internal Rev-  
20 enue Code of 1986 (relating to exemption amount) is  
21 amended by adding at the end the following:

22 “(4) INFLATION ADJUSTMENT.—

23 “(A) IN GENERAL.—In the case of any  
24 taxable year beginning in a calendar year after  
25 2002, each of the dollar amounts contained in

1 paragraphs (1) and (3) shall be increased by an  
 2 amount equal to—

3 “(i) such dollar amount, multiplied by

4 “(ii) the cost-of-living adjustment de-  
 5 termined under section 1(f)(3) for the cal-  
 6 endar year in which the taxable year be-  
 7 gins by substituting ‘calendar year 2000’  
 8 for ‘calendar year 1992’ in subparagraph  
 9 (B) thereof.

10 “(B) ROUNDING.—If any increase deter-  
 11 mined under subparagraph (A) is not a multiple  
 12 of \$50, such increase shall be rounded to the  
 13 nearest multiple of \$50.”

14 (b) EFFECTIVE DATE.—The amendment made by  
 15 this section shall apply to taxable years beginning after  
 16 December 31, 2002.

17 **SEC. 8. EFFECTIVE DATE SUBJECT TO ENACTMENT OF LEG-**  
 18 **ISLATION EXTENDING THE SOLVENCY OF SO-**  
 19 **CIAL SECURITY AND MEDICARE.**

20 Notwithstanding any other effective date provision in  
 21 this Act, this Act and the amendments made by this Act  
 22 shall not take effect until after the enactment of legislation  
 23 to extend the solvency of the Federal Old-Age and Sur-  
 24 vivors Insurance Trust Fund, the Federal Disability In-  
 25 surance Trust Fund, and the Federal Hospital Insurance

- 1 Trust Fund, and to ensure that no funds from such trust
- 2 funds are used to pay for any tax expenditure resulting
- 3 from the provisions of this Act.

