

107TH CONGRESS
1ST SESSION

S. 853

To amend the Internal Revenue Code of 1986 to reduce the marriage penalty by providing a nonrefundable dual-earner credit and adjustment to the earned income credit.

IN THE SENATE OF THE UNITED STATES

MAY 9, 2001

Mr. BAYH (for himself, Mrs. FEINSTEIN, Mr. KERRY, Mr. LEVIN, Ms. LANDRIEU, Mr. JOHNSON, and Mr. DURBIN) 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 reduce the marriage penalty by providing a nonrefundable dual-earner credit and adjustment to the earned income credit.

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; AMENDMENT OF 1986 CODE.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Targeted Marriage Tax Penalty Relief Act of 2001”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment

1 to, or repeal of, a section or other provision, the reference
 2 shall be considered to be made to a section or other provi-
 3 sion of the Internal Revenue Code of 1986.

4 (c) SECTION 15 NOT TO APPLY.—No amendment
 5 made by section 2 shall be treated as a change in a rate
 6 of tax for purposes of section 15 of the Internal Revenue
 7 Code of 1986 .

8 **SEC. 2. DUAL-EARNER CREDIT.**

9 (a) IN GENERAL.—Subpart A of part IV of sub-
 10 chapter A of chapter 1 (relating to nonrefundable personal
 11 credits) is amended by inserting after section 25A the fol-
 12 lowing new section:

13 **“SEC. 25B. DUAL-EARNER CREDIT.**

14 “(a) ALLOWANCE OF CREDIT.—In the case of a joint
 15 return under section 6013, there shall be allowed as a
 16 credit against the tax imposed by this chapter for the tax-
 17 able year an amount equal to the lesser of the amount
 18 determined under subsection (b) or (c) for the taxable
 19 year.

20 “(b) AMOUNT UNDER SUBSECTION (b).—For pur-
 21 poses of subsection (a), the amount under this subsection
 22 for any taxable year with respect to a taxpayer is deter-
 23 mined in accordance with the following table:

“Taxable year:	Amount:
2002	\$500
2003	\$750
2004	\$1,000
2005 and thereafter	\$1,500.

1 “(c) DETERMINATION OF AMOUNT.—

2 “(1) IN GENERAL.—For purposes of subsection
3 (a), the amount determined under this subsection
4 for any taxable year with respect to a taxpayer is
5 equal to the excess (if any) of—

6 “(A) the joint tentative tax of such tax-
7 payer for such year, over

8 “(B) the combined tentative tax of such
9 taxpayer for such year.

10 “(2) JOINT TENTATIVE TAX.—For purposes of
11 paragraph (1)(A)—

12 “(A) IN GENERAL.—The joint tentative tax
13 of a taxpayer for any taxable year is equal to
14 the tax determined in accordance with the table
15 contained in section 1(a) on the joint tentative
16 taxable income of the taxpayer for such year.

17 “(B) JOINT TENTATIVE TAXABLE IN-
18 COME.—For purposes of subparagraph (A), the
19 joint tentative taxable income of a taxpayer for
20 any taxable year is equal to the excess of—

21 “(i) the earned income (as defined in
22 section 32(c)(2)), and any taxable income
23 received as a pension or annuity which
24 arises from an employer-employee relation-
25 ship (including any social security benefit

1 (as defined in section 86(d)(1)), of such
 2 taxpayer for such year, over

3 “(ii) the sum of—

4 “(I) either—

5 “(aa) the standard deduc-
 6 tion determined under section
 7 63(c)(2)(A)(i) for such taxpayer
 8 for such year, or

9 “(bb) in the case of an elec-
 10 tion under section 63(e), the
 11 total itemized deductions deter-
 12 mined under section 63(d) for
 13 such taxpayer for such year, and

14 “(II) the total exemption amount
 15 for such taxpayer for such year deter-
 16 mined under section 151.

17 “(3) COMBINED TENTATIVE TAX.—For pur-
 18 poses of paragraph (1)(A)—

19 “(A) IN GENERAL.—The combined ten-
 20 tative tax of a taxpayer for any taxable year is
 21 equal to the sum of the taxes determined in ac-
 22 cordance with the table contained in section
 23 1(c) on the individual tentative taxable income
 24 of each spouse for such year.

1 “(B) INDIVIDUAL TENTATIVE TAXABLE IN-
2 COME.—For purposes of subparagraph (A), the
3 individual tentative taxable income of a spouse
4 for any taxable year is equal to the excess of—
5 “(i) the earned income (as defined in
6 section 32(c)(2)), and any taxable income
7 received as a pension or annuity which
8 arises from an employer-employee relation-
9 ship (including any social security benefit
10 (as defined in section 86(d)(1)), of such
11 spouse for such year, over
12 “(ii) the sum of—
13 “(I) either—
14 “(aa) the standard deduc-
15 tion determined under section
16 63(c)(2)(C) for such spouse for
17 such year, or
18 “(bb) in the case of an elec-
19 tion under section 63(e), one-half
20 of the total itemized deductions
21 determined under paragraph
22 (2)(B)(ii)(I)(bb) for such spouse
23 for such year, and

1 “(II) one-half of the total exemp-
 2 tion amount determined under para-
 3 graph (2)(B)(ii)(II) for such year.”.

4 (b) CONFORMING AMENDMENT.—The table of sec-
 5 tions for subpart A of part IV of subchapter A of chapter
 6 1 is amended by inserting after the item relating to section
 7 25A the following new item:

“Sec. 25B. Dual-earner credit.”.

8 (c) EFFECTIVE DATE.—The amendments made by
 9 this section shall apply to taxable years beginning after
 10 December 31, 2001.

11 **SEC. 3. MARRIAGE PENALTY RELIEF FOR EARNED INCOME**
 12 **CREDIT.**

13 (a) REDUCED PHASEOUT PERCENTAGE.—Section
 14 32(b)(1) (relating to percentages) is amended—

15 (1) by striking “PERCENTAGES.—The credit”
 16 and all that follows through “1995:” in subpara-
 17 graph (A) thereof and inserting “PERCENTAGES.—

18 “(A) IN GENERAL.—Subject to subpara-
 19 graph (B), the credit percentage and the phase-
 20 out percentage shall be determined as follows:”,
 21 and

22 (2) by striking subparagraphs (B) and (C) and
 23 inserting the following new subparagraph:

24 “(B) JOINT RETURNS.—In the case of a
 25 joint return filed by an eligible individual and

such individual's spouse, the earned income of each of whom exceeds the exemption amount under section 151, the phaseout percentage determined under subparagraph (A)—

“(i) in the case of an eligible individual with 1 qualifying child shall be decreased by 2.33 percentage points, and

“(ii) in the case of an eligible individual with 2 or more qualifying children shall be decreased by 2.51 percentage points.”.

(b) INCREASED PHASEOUT AMOUNT.—Section 32(b)(2) (relating to amounts) is amended—

(1) by striking “AMOUNTS.—The earned” and inserting “AMOUNTS.—

“(A) IN GENERAL.—Subject to subparagraph (B), the earned”, and

(2) by adding at the end the following new subparagraph:

“(B) JOINT RETURNS.—In the case of a joint return filed by an eligible individual and such individual's spouse, the earned income of each of whom exceeds the exemption amount under section 151, the phaseout amount deter-

1 mined under subparagraph (A) shall be in-
 2 creased by \$2,500.”.

3 (c) INFLATION ADJUSTMENT.—Paragraph (1)(B) of
 4 section 32(j) (relating to inflation adjustments) is amend-
 5 ed to read as follows:

6 “(B) the cost-of-living adjustment deter-
 7 mined under section 1(f)(3) for the calendar
 8 year in which the taxable year begins,
 9 determined—

10 “(i) in the case of amounts in sub-
 11 sections (b)(2)(A) and (i)(1), by sub-
 12 stituting ‘calendar year 1995’ for ‘calendar
 13 year 1992’ in subparagraph (B) thereof,
 14 and

15 “(ii) in the case of the \$2,500 amount
 16 in subsection (b)(2)(B), by substituting
 17 ‘calendar year 2001’ for ‘calendar year
 18 1992’ in subparagraph (B) of such section
 19 1.”.

20 (d) ROUNDING.—Section 32(j)(2)(A) (relating to
 21 rounding) is amended by striking “subsection (b)(2)” and
 22 inserting “subsection (b)(2)(A) (after being increased
 23 under subparagraph (B) thereof)”.

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2001.

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