

108TH CONGRESS
2D SESSION

H. R. 4135

To amend the Internal Revenue Code of 1986 to simplify the taxation of
minor children.

IN THE HOUSE OF REPRESENTATIVES

APRIL 2, 2004

Mr. HOUGHTON introduced the following bill; which was referred to the
Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to simplify
the taxation of minor children.

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.**

4 This Act may be cited as “Taxation of Minor Chil-
5 dren Simplification Act of 2004”.

6 **SEC. 2. TAXATION OF MINOR CHILDREN.**

7 (a) APPLICATION OF TRUST RATE SCHEDULE TO
8 NET UNEARNED INCOME OF MINOR CHILDREN.—Sub-
9 section (g) of section 1 of the Internal Revenue Code of

1 1986 (relating to certain unearned income of minor chil-
 2 dren taxed as if parent's income) is amended—

3 (1) by striking paragraphs (1), (3), and (5),
 4 (2) by redesignating paragraphs (4), (6), and
 5 (7) as paragraphs (3), (4), and (5), respectively, and
 6 (3) by inserting before paragraph (2) the fol-
 7 lowing new paragraph:

8 “(1) IN GENERAL.—In the case of a child to
 9 whom this subsection applies, the tax imposed by
 10 this section shall be the sum of—

11 “(A) a tax computed at the rates and in
 12 the same manner as if this subsection had not
 13 been enacted on taxable income reduced by net
 14 unearned income, plus

15 “(B) the excess (if any) of the tax deter-
 16 mined under subsection (e) on total taxable in-
 17 come over the tax determined under subsection
 18 (e) on taxable income reduced by net unearned
 19 income.”.

20 (b) EXPANSION OF PARENTAL ELECTION.—Para-
 21 graph (5) of section 1(g) of such Code (as redesignated
 22 under subsection (a)) is amended to read as follows:

23 “(5) ELECTION TO CLAIM INCOME OF CHILD ON
 24 PARENT'S RETURN.—

1 “(A) IN GENERAL.—If the parent of any
2 child to whom this subsection applies elects the
3 application of subparagraph (B), such child—

4 “(i) shall be treated (other than for
5 purposes of this paragraph)—

6 “(I) as having no gross income
7 for such year, and

8 “(II) as not being entitled to any
9 deductions or credits for such year,
10 and

11 “(ii) shall not be required to file a re-
12 turn under section 6012 for such year.

13 “(B) INCOME INCLUDED ON PARENT’S RE-
14 TURN.—In the case of a parent making the
15 election under this paragraph—

16 “(i) the gross income of each child to
17 whom such election applies shall be in-
18 cluded in such parent’s gross income for
19 the taxable year,

20 “(ii) the deductions to which such
21 child would be entitled without regard to
22 such election shall be allowed to such par-
23 ent but only to the extent the aggregate of
24 such deductions does not exceed the gross
25 income of such child,

1 “(iii) any estimated tax payment, and
2 any amount which has been deducted and
3 withheld under chapter 24, for such year
4 that is made in the name and TIN of such
5 child shall be treated as an estimated tax
6 payment or as an amount deducted and
7 withheld in the name and TIN of such par-
8 ent for such year (including for purposes
9 of section 31), and

10 “(iv) any interest which is an item of
11 tax preference under section 57(a)(5) of
12 the child shall be treated as an item of tax
13 preference of such parent (and not of such
14 child).

15 “(C) SPECIAL RULE FOR DETERMINING
16 WHICH PARENT MAY MAKE ELECTION.—For
17 purposes of this paragraph, the parent of a
18 child to whom this subsection applies who may
19 make an election under this paragraph shall
20 be—

21 “(i) in the case of parents who are not
22 married (within the meaning of section
23 7703), the custodial parent (within the
24 meaning of section 152(e)) of the child,
25 and

1 “(ii) in the case of married individuals
2 filing separately, the individual with the
3 greater taxable income.

4 “(D) CARRYOVERS ALLOWED.—Subpara-
5 graph (A)(i)(II) shall not prohibit the carryover
6 of any amount that the child would be entitled
7 to carryover without regard to the election
8 under this paragraph.

9 “(E) REGULATIONS.—The Secretary shall
10 prescribe such regulations as may be necessary
11 or appropriate to carry out the purposes of this
12 paragraph.”.

13 (c) CONFORMING AMENDMENT.—The heading for
14 subsection (g) of section 1 of such Code is amended to
15 read as follows:

16 “(g) TREATMENT OF CERTAIN INCOME OF MINOR
17 CHILDREN.—”.

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

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