

110TH CONGRESS
1ST SESSION

H. R. 3431

To amend the Internal Revenue Code of 1986 to make residents of Puerto Rico eligible for the earned income tax credit.

IN THE HOUSE OF REPRESENTATIVES

AUGUST 3, 2007

Mr. PASCRELL 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 make residents of Puerto Rico eligible for the earned income tax 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.**

4 This Act may be cited as the “Puerto Rico Work and
5 Empowerment Act of 2007”.

6 **SEC. 2. PUERTO RICO RESIDENTS ELIGIBLE FOR EARNED**
7 **INCOME TAX CREDIT.**

8 (a) IN GENERAL.—Section 32 of the Internal Rev-
9 enue Code of 1986 (relating to earned income) is amended
10 by adding at the end the following new subsection:

1 “(n) RESIDENTS OF PUERTO RICO.—

2 “(1) IN GENERAL.—In the case of residents of
3 Puerto Rico—

4 “(A) the United States shall be treated as
5 including Puerto Rico for purposes of sub-
6 sections (c)(1)(A)(ii)(I) and (c)(3)(C),

7 “(B) subsection (c)(1)(D) shall not apply
8 to nonresident alien individuals who are resi-
9 dents of Puerto Rico, and

10 “(C) adjusted gross income and gross in-
11 come shall be computed without regard to sec-
12 tion 933 for purposes of subsections (a)(2)(B)
13 and (c)(2)(A)(i).

14 “(2) LIMITATION ON CREDIT.—

15 “(A) IN GENERAL.—The credit allowed
16 under this section by reason of this subsection
17 for any taxable year shall not exceed the tax-
18 payer’s social security taxes for such year.

19 “(B) SOCIAL SECURITY TAXES.—For pur-
20 poses of subparagraph (A)—

21 “(i) IN GENERAL.—The term ‘social
22 security taxes’ means, with respect to any
23 taxpayer for any taxable year—

24 “(I) the amount of the taxes im-
25 posed by sections 3101 and 3201(a)

1 on amounts received by the taxpayer
2 during the calendar year in which the
3 taxable year begins,

4 “(II) the amount of the taxes im-
5 posed on employers by section 3111
6 and 3221(a) on amounts received by
7 the taxpayer during the calendar year
8 which the taxable year begins,

9 “(III) the amount of the taxes
10 imposed by section 1401 on the self-
11 employment income of the taxpayer
12 for the taxable year, and

13 “(IV) the amount of the taxes
14 imposed by section 3211(a) on
15 amounts received by the taxpayer dur-
16 ing the calendar year in which the
17 taxable year begins.

18 “(ii) COORDINATION WITH SPECIAL
19 REFUND OF SOCIAL SECURITY TAXES.—
20 The term ‘social security taxes’ shall not
21 include any taxes to the extent the tax-
22 payer is entitled to a special refund of such
23 taxes under section 6413(c).

24 “(iii) SPECIAL RULE.—Any amounts
25 paid pursuant to an agreement under sec-

1 tion 3121(l) (relating to agreements en-
2 tered into by American employers with re-
3 spect to foreign affiliates) which are equiv-
4 alent to the taxes imposed by sections
5 3101 and 3111 shall be treated as such
6 taxes for purpose of clause (i).”.

7 (b) CHILD TAX CREDIT NOT REDUCED.—Subclause
8 (II) of section 24(d)(1)(B)(ii) of such Code (relating to
9 child tax credit) is amended by inserting before the period
10 “(determined without regard to section 32(n) in the case
11 of residents of Puerto Rico)”.

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to taxable years beginning after
14 December 31, 2007.

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