child credit. My bill will begin to alleviate the problems related to the current EITC such as the marriage tax penalty, the lack of additional help to low-income families with more than two children and especially the high marginal tax rates in the phaseout range. It will give families with children a tax break just as was the intent of the $500-per-child credit but will do so in a more equitable way with most of the benefits targeted to the lower half of the income scale.

I ask that a description of the bill and a copy of a letter from the Joint Committee on Taxation scoring my bill be printed in the RECORD.

INTEGRATING THE $500-PER-CHILD CREDIT WITH THE EITC TO IMPROVE BOTH

Problems to be solved:

1. Current earned income tax credit (EITC)—a vital adjunct to welfare reform because it enables low-skilled people with kids to support themselves by working—has 3 big flaws:

a. contains high marginal tax rates (21% or 16%) during phaseout—when combined with other taxes and phaseouts (i.e. food stamps, housing subsidies, and a possible medicaid voucher), removes any incentive to get ahead because total marginal tax rate can top 100%;

b. contains high marriage penalties ($6018 + $750 income tax penalty in extreme case this year);

c. provides no extra help to larger families with greatest need.

2. $500 per child tax credit in Balanced Budget Act (BBA) was skewed toward upper half of income distribution because it wasn't refundable. Almost half of all children wouldn't get full credit, including all in 2 parent families below following income thresholds (single parent thresholds are each $3350 lower, but they are more likely to take full dependent care credit):

	With no dependent care credit	With full dependent care credit
1 child	$17,684	$21,524
2 children	23,567	29,967
3 children	29,450	35,850
4 children	35,333	41,733
5 children	41,216	47,616
6 children	47,099	53,499
7 children	52,982	59,382
8 children	58,865	65,265

At same time, EITC cuts in BBA hit families hard in upper 'teens and 20's. Example: couple with 2 kids, $25,000 income, and no dependent care credit gets full $1000 child credit but loses $642 of EITC, for net tax cut of only $358.

Solution:

1. For kids under 18, eliminate personal exemption ($2550 in '96) and substitute $1000 credit—provides net tax cuts per child as follows:

15% bracket (about 0 to $40K taxable 1996 joint return income)—$618.

28% bracket (about 40K to 97K taxable 1996 joint return income)—$286.

Upper brackets—credit phases down to same value as a personal exemption for AGIs above $110,000 (joint) & $75,000 (household head), thereby providing no tax cut for families above those thresholds.

2. Universal $1000 credit is refundable for those with earned income and substitutes for a major portion of the EITC—NO PHASE-OUT NECESSARY BECAUSE EVERYONE GETS IT. Provide extra EITC to PARENTS—maximum of $1665 for couples and net of $1267 for single parents (due to their lowered tax threshold), phased out at 10% for couples and 11% for single parents.

Advantages:

1. Costs $11 billion less than $500 credit + EITC cuts in '97 Budget Res.;

2. Tax cut is progressive;

3. Credit itself is doubled;

4. Maximum EITC marriage penalty cut from $6018 to $2770 in '96 & more later;

5. EITC marginal tax (i.e. phaseout) rates cut from 16% & 21% (current law) or 34% (BBA conference report maximum) to 10 and 11%;

6. Provides extra $618 per child for WORKING poor families with more than two kids;

7. Supports welfare reform in which basic income of able-bodied is wages plus general tax credits plus a general health plan voucher.

JOINT COMMITTEE ON TAXATION,
Washington, DC, June 13, 1996.

Hon. THOMAS PETRI,
House of Representatives,
Washington, DC.

DEAR MR. PETRI: This letter is in response to your request of May 22, 1996, for a revenue estimate of a proposal to provide tax credits for certain families with children. The proposal would change the present-law earned income tax credit into a refundable parental credit and would replace the personal exemption applicable to dependents under the age of 18 with a refundable dependent credit.

The new dependent credit would allow a taxpayer a credit equal to 12.5 percent of earned income up to $8,000 for each of two dependents under the age of 18, the credit would be equal to 4 percent of earned income up to $25,000. For all other dependents under the age of 18, the credit would be 3.33 percent of earned income up to $30,000. The maximum credit would be $1,000 for each eligible dependent.

The new parental credit would be 15 percent of earned income up to $11,000 for non-joint returns. The maximum credit would be $1,650. For joint returns, the parental credit would be 18.5 percent of earned income up to $9,000. The maximum credit would be $1,665.

The dependent credit would be phased out in two stages. The initial phasedown would reduce the credit for each dependent by 5 percent of modified adjusted gross income ("AGI") in excess of $75,000 ($110,000 for joint returns) up to a maximum reduction of $272. The remaining credit would be phased out as is the present law dependent exemption. That is, the credit would be reduced by 2 percent for every $2,500 or part thereof by which the taxpayer's AGI exceeds the threshold amount ($118,150 for single returns, $177,250 for joint returns and $147,700 for head of household returns in 1996).

The parental credit would be phased out at a rate of 11 percent of modified AGI in excess of $11,600 for non-joint returns and 10 percent of modified AGI in excess of $12,000 for joint returns.

Modified AGI would be equal in AGI plus nontaxable Social Security benefits, certain alimony and child support payments in excess of $6,000 per year, tax-exempt interest, certain nontaxable pension income and minus certain capital and business losses.

In general, the dependent credit would not be indexed. The second stage phaseout level would continue to be indexed as under present law.

In the case of the parental credit, the credit percentage and phaseout threshold for non-joint returns would be indexed beginning in 1999 at a rate 2 percentage points lower than that applicable to other tax parameters. For other returns the credit percentage and phaseout threshold would be indexed beginning in 1998 at a rate 1 percentage point higher than the rate applicable to other tax parameters.

This proposal, effective for taxable years beginning after December 31, 1996, would have the following effect on Federal fiscal year budget receipts:

[In billions of dollars]

Fiscal years						
1997	1998	1999	2000	2001	2002	1997–2002
3.5	−19.9	−18.4	−17.1	−15.9	−14.9	−89.7.

Note.—Details do not add to total due to rounding.

I hope this information is helpful to you. If we can be of further assistance in this matter, please let me know.

Sincerely,

KENNETH J. KIES.

OPPOSES MINIMUM WAGE INCREASE

HON. ENID GREENE

OF UTAH

IN THE HOUSE OF REPRESENTATIVES

Friday, August 2, 1996

Ms. ENID GREENE of Utah. Mr. Speaker, 2 months ago, I voted against the Riggs amendment to increase the minimum wage because I believed it will have negative consequences—particularly for those it portends to help.

I remain convinced that, on its own, increasing the minimum wage will result in the loss of thousands of entry-level and low-wage jobs, which are needed not only by young people but also by those who are seeking to reenter the work force.

Raising the minimum wage is a tax on an employer who is offering someone a job. It is not paid by all Americans, but only by those who seek to employ others. The natural result is that there will be fewer jobs available.

History shows that raising the minimum wage costs jobs. In fact, since 1973, congress has increased the minimum wage nine times. In each case, except one, unemployment increased. The one exception was during the period 1977–79, when the economy was growing robustly at over 5 percent annually. We are not now enjoying such growth. While I sincerely hope to be proven wrong, I remain concerned that raising the minimum wage will cost jobs.

Nevertheless, I voted for the Small Business Job Protection Act today because I believe that the construction of job opportunities for those who seek work will be at least partially offset by the tax breaks for small business that have been added to the bill in conference. Since it is clear that Congress will raise the minimum wage, I voted for this conference report, with its added tax relief provisions because I believe it encompasses the best means we have of softening the negative effects—that is, job loss—of a minimum wage increase during these lethargic economic times.

In addition, Mr. Chairman, I am particularly pleased that this bill contains key provisions from the Adoption Promotion and Stability Act to assist loving, caring Americans who are willing to open their homes and provide permanent, loving and stable homes for adoptive children.

In a successful adoption, everyone wins—the dearly wanted child, who is brought into a loving home; the adoptive parents, who have welcomed the child into their lives; and the birth parents, who know that their child is well cared for. Unfortunately, there are barriers that reduce the number of successful adoptions such as adoption fees, court costs, and attorney's fees.

As a result, one in seven children in foster care is waiting for adoption, and will wait for up to 6 years. At a time when adoption costs can reach upward of $20,000, providing a $5,000 per eligible child deduction to middle and low-income families for qualified adoption expenses offers valuable assistance to those who are willing to give so much to our most vulnerable children.

MICHELLE DORAN McBEAN, A WOMAN OF CONVICTION

HON. DONALD M. PAYNE

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Friday, August 2, 1996

Mr. PAYNE. of New Jersey. Mr. Speaker, my constituent, Michelle Doran McBean, will celebrate her 50th birthday on August 5. This event is a significant one for her since she was not expected to live beyond her 30th year. She was born to Frederick Carl Doran and Pauline Dean Doran in Alexandria, VA. She grew up in Boston where she was educated. It was through her family life that she came to appreciate the family home center that instilled the importance of interrelationships. It was through her environment at Harvard University that the fusion of spirit and intellect was affirmed.

Michelle Doran McBean is a woman of conviction. To best know her is to simply witness her walk of life. It is a simple life based on truth, equality, and peace. It is a life that supports and advocates for others. It is a life that often stimulates and challenges perceptions, assumptions, and agendas for the betterment of all people.

Those who walk along with Michelle eventually come to know a very important principle that governs her life. It is the principle of truth that is most evident and appreciated by her husband, Nathan, and son, Michael.

An integral part of Michelle's spiritual growth was supported in her acceptance to the Friends School of the Spirit, a national 2-year program. Consistent with who she is, Michelle is formalizing a place, a sanctuary, where people can get spiritual direction when struggling with ethical decisions.

Mr. Speaker, I am sure my colleagues will want to join me as I offer my best wishes to Michelle Doran McBean and her family.