

103<sup>D</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 2228

To amend the Internal Revenue Code of 1986 to increase the amount of the earned income tax credit for taxpayers with school age or preschool age children, to repeal the health insurance credit thereunder, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 20, 1993

Mr. PETRI (for himself, Mr. MURPHY, Mr. BALLENGER, Mr. PENNY, Mr. GUNDERSON, Mr. GOODLING, and Mr. FAWELL) 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 increase the amount of the earned income tax credit for taxpayers with school age or preschool age children, to repeal the health insurance credit thereunder, and for other purposes.

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 “Family Living Wage  
5 Act”.

1 **SEC. 2. INCREASE IN EARNED INCOME TAX CREDIT.**

2 (a) GENERAL RULE.—Subsections (a) and (b) of sec-  
3 tion 32 of the Internal Revenue Code of 1986 (relating  
4 to earned income tax credit) are amended to read as fol-  
5 lows:

6 “(a) ALLOWANCE OF CREDIT.—

7 “(1) IN GENERAL.—In the case of an eligible  
8 individual, there shall be allowed as a credit against  
9 the tax imposed by this subtitle for the taxable year  
10 an amount equal to the credit percentage of so much  
11 of the earned income for the taxable year as does  
12 not exceed \$8,000.

13 “(2) LIMITATION.—The amount of the credit  
14 allowable to a taxpayer under this subsection for any  
15 taxable year shall not exceed the excess (if any) of—

16 “(A) the credit percentage of \$8,000, over

17 “(B) the phaseout percentage of so much  
18 of the adjusted gross income (or, if greater, the  
19 earned income) of the taxpayer for the taxable  
20 year as exceeds \$10,000.

21 “(b) PERCENTAGES.—For purposes of subsection  
22 (a)—

23 “(1) CREDIT PERCENTAGE.—

24 “(A) IN GENERAL.—The credit percentage  
25 is the percentage equal to the sum of—

26 “(i) 20 percent,

1 “(ii) 5 percent for each school age  
2 qualifying child, plus

3 “(iii) 10 percent for each preschool  
4 age qualifying child.

5 “(B) NOT MORE THAN 4 CHILDREN TAKEN  
6 INTO ACCOUNT.—Not more than 4 children  
7 shall be taken into account under subparagraph  
8 (A), and preschool age qualifying children shall  
9 be taken into account before any other children  
10 are taken into account.

11 “(2) PHASEOUT PERCENTAGE.—

12 “(A) PHASEDOWN TO MINIMUM BENE-  
13 FIT.—

14 “(i) IN GENERAL.—The phaseout per-  
15 centage is the percentage determined in ac-  
16 cordance with the following table:

<b>“If the combination of qualifying children taken into account under paragraph (1) is—</b>	<b>The phaseout percentage is—</b>
1 S .....	13
2 S, or 1 P .....	14
3 S, or 1 S and 1 P .....	15
4 S, or 2 S and 1 P, or 2 P .....	16
3 S and 1 P, or 1 S and 2 P .....	17
2 S and 2 P, or 3 P .....	18
1 S and 3 P .....	19
4 P .....	20.

17 “(ii) SYMBOLS USED IN TABLE.—For  
18 purposes of clause (i)—

19 “(I) S means school age qualify-  
20 ing child, and

1                   “(II) P means preschool age  
2                   qualifying child.

3                   “(B) MINIMUM BENEFIT FOR TAXPAYERS  
4                   WITH INCOMES BELOW \$50,000.—Except as pro-  
5                   vided in subparagraph (C), subparagraph (A)  
6                   shall not apply so as to reduce the credit al-  
7                   lowed by this section to a taxpayer to less than  
8                   the minimum benefit determined in accordance  
9                   with the following table:

<b>“If the phaseout percentage applicable to the taxpayer is—</b>	<b>The minimum benefit is—</b>
13 .....	\$200
14 .....	400
15 .....	600
16 .....	800
17 .....	1,000
18 .....	1,200
19 .....	1,400
20 .....	1,600.

10                   “(C) PHASEOUT OF MINIMUM BENEFIT.—  
11                   If the adjusted gross income (or, if greater, the  
12                   earned income) of the taxpayer for the taxable  
13                   year exceeds \$50,000, the minimum benefit de-  
14                   termined under subparagraph (B) shall be re-  
15                   duced by 15 percent of such excess.

16                   “(3) SPECIAL RULES FOR INDIVIDUAL WHOSE  
17                   ONLY CHILDREN HAVE ATTAINED AGE 16.—For pur-  
18                   poses of this section, in the case of an individual  
19                   who is an eligible individual solely by reason of chil-

1       dren each of whom has attained age 16 as of the  
2       close of the taxable year—

3               “(A) the credit percentage shall be 20 per-  
4       cent,

5               “(B) the phaseout percentage shall be 12  
6       percent, and

7               “(C) subparagraphs (B) and (C) of para-  
8       graph (2) shall not apply.”

9       (b) PRESCHOOL AGE AND SCHOOL AGE QUALIFYING  
10 CHILDREN DEFINED.—Subsection (c) of section 32 of  
11 such Code is amended by adding at the end the following  
12 new paragraph:

13               “(4) PRESCHOOL AGE AND SCHOOL AGE QUALI-  
14 FYING CHILDREN.—

15               “(A) PRESCHOOL AGE QUALIFYING  
16 CHILD.—The term ‘preschool age qualifying  
17 child’ means any qualifying child who has not  
18 attained age 6 as of the close of the taxable  
19 year.

20               “(B) SCHOOL AGE QUALIFYING CHILD.—  
21 The term ‘school age qualifying child’ means  
22 any qualifying child who has attained age 6 but  
23 not age 16 as of the close of the taxable year.”

24       (c) ADVANCE PAYMENT PROVISIONS.—

1           (1) Subsection (b) of section 3507 of such Code  
2 is amended by striking “and” at the end of para-  
3 graph (2), by striking the period at the end of para-  
4 graph (3) and inserting “, and”, and by inserting  
5 after paragraph (3) the following new paragraph:

6           “(4) states the number and ages of qualifying  
7 children (as defined in section 32(c)) of the em-  
8 ployee for the taxable year.”

9           (2) Paragraph (2) of section 3507(c) of such  
10 Code is amended—

11           (A) in subparagraph (B)(i), by striking  
12 “(without regard to subparagraph (D))” and by  
13 striking “section 32(a)(1)” and inserting “sec-  
14 tion 32(a)”,

15           (B) in subparagraph (B)(ii), by striking  
16 “section 32(b)(1)(B)(ii)” and inserting “section  
17 32(a)(2)” and by striking “section 32(a)(1)”  
18 and inserting “section 32(a)”, and

19           (C) by adding at the end the following new  
20 sentence:

21           “For purposes of this paragraph, the credit percent-  
22 age shall be determined under section 32(b) on the  
23 basis of the number and ages of qualifying children  
24 specified in the earned income eligibility certificate  
25 and the determination of the amounts referred to in

1 subparagraph (B)(ii) shall be made on the basis of  
2 the number and ages of qualifying children so speci-  
3 fied.”

4 (3) Clause (i) of section 3507(e)(3)(A) of such  
5 Code is amended by inserting before “, or” the fol-  
6 lowing: “(or changing the percentages applicable to  
7 the employee under section 32(b) for the taxable  
8 year)”.

9 (d) CONFORMING AMENDMENTS.—

10 (1) Paragraph (2) of section 32(f) of such Code  
11 is amended—

12 (A) by striking “subsection (b)” each place  
13 it appears in subparagraphs (A) and (B) and  
14 inserting “subsection (a)(2)”, and

15 (B) by adding at the end the following new  
16 sentence:

17 “Separate tables shall be prescribed for each of the  
18 phaseout percentages specified in the table contained  
19 in subsection (b)(2)(A)(i).”

20 (2) Paragraphs (1) and (2) of section 32(i) of  
21 such Code are amended to read as follows:

22 “(1) IN GENERAL.—In the case of any taxable  
23 year beginning after 1995, each amount referred to  
24 in paragraph (2) shall be increased by an amount  
25 equal to—

1 “(A) such amount, multiplied by

2 “(B) the cost-of-living adjustment deter-  
3 mined under section 1(f)(3) for the calendar  
4 year in which the taxable year begins by sub-  
5 stituting ‘1994’ for ‘1989’ in subparagraph (B)  
6 thereof.

7 “(2) AMOUNTS.—The amounts referred to in  
8 this paragraph are—

9 “(A) the credit percentages used for pur-  
10 poses of subsection (a),

11 “(B) the \$10,000 amount contained in  
12 subsection (a)(2)(B), and

13 “(C) the \$50,000 amount contained in  
14 subsection (b)(2)(C).”

15 (3) Section 213 of such Code (relating to medi-  
16 cal, dental, etc., expenses) is amended by striking  
17 subsection (f).

18 (4) Paragraph (3) of section 162(l) of such  
19 Code is amended to read as follows:

20 “(3) COORDINATION WITH MEDICAL DEDUC-  
21 TION.—Any amount paid by a taxpayer for insur-  
22 ance to which paragraph (1) applies shall not be  
23 taken into account in computing the amount allow-  
24 able to the taxpayer as a deduction under section  
25 213(a).”

1 (e) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 1993; except that the amendments made  
4 by subsection (c) shall take effect on January 1, 1994.

5 **SEC. 3. DEPENDENT CARE CREDIT LIMITED TO HANDI-**  
6 **CAPPED DEPENDENTS AND SPOUSES.**

7 (a) IN GENERAL.—Paragraph (1) of section 21(b) of  
8 the Internal Revenue Code of 1986 (defining qualifying  
9 individual and employment-related expenses) is amended  
10 by striking subparagraph (A), by redesignating subpara-  
11 graphs (B) and (C) as subparagraphs (A) and (B), respec-  
12 tively, and by adding at the end the following new sen-  
13 tence:

14 “In the case of an individual described in subpara-  
15 graph (A) who has not attained age 16 as of the  
16 close of the taxable year, such individual may be  
17 treated as a qualifying individual for purposes of  
18 this section only if the taxpayer elects not to treat  
19 such individual as a qualifying child under section  
20 32 for such year.”

21 (b) CONFORMING AMENDMENTS.—

22 (1) Subparagraph (B) of section 21(b)(2) of  
23 such Code is amended by striking “care of—” and  
24 all that follows and inserting “care of a qualifying

1 individual who regularly spends at least 8 hours  
2 each day in the taxpayer's household."

3 (2) Paragraph (2) of section 21(d) of such Code  
4 is amended by striking "subsection (b)(1)(C)" and  
5 inserting "subsection (b)(1)(B)".

6 (3) Paragraph (5) of section 21(e) of such Code  
7 is amended—

8 (A) by striking "is under the age of 13 or"  
9 in subparagraph (B), and

10 (B) by striking "subparagraph (A) or (B)  
11 of subsection (b)(1) (whichever is appropriate)"  
12 and inserting "subsection (b)(1)(A)".

13 (c) EFFECTIVE DATE.—The amendments made by  
14 this section shall apply to taxable years beginning after  
15 December 31, 1993.

16 **SEC. 4. ELIMINATION OF PROPOSED CHANGES IN TREAT-**  
17 **MENT OF EARNED INCOME CREDIT IN DE-**  
18 **TERMINING CERTAIN WELFARE BENEFITS.**

19 Paragraphs (1) and (2)(A) of section 402(c) of the  
20 Family Support Act of 1988 are repealed.

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