

103^D CONGRESS
2^D SESSION

H. R. 5193

To amend the Internal Revenue Code of 1986 to reform the earned income tax credit.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 5, 1994

Mr. PETRI 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 reform 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. MODIFICATIONS TO EARNED INCOME TAX**

4 **CREDIT.**

5 (a) MODIFICATIONS IN COMPUTATION OF CREDIT;

6 SUPPLEMENTAL CHILD CREDIT.—

7 (1) PERCENTAGES.—Subsection (b) of section
8 32 of the Internal Revenue Code of 1986 (relating
9 to earned income tax credit) is amended to read as
10 follows:

1 “(b) PERCENTAGES.—

2 “(1) IN GENERAL.—For purposes of subsection
3 (a), the credit percentage and the phaseout percent-
4 age shall be determined as follows:

In the case of an eli- gible individual with:	The credit percentage is:	The phaseout percent- age is:
1 qualifying child	30	17
2 or more qualifying children	42	21

5 “(2) SUPPLEMENTAL CHILD CREDIT.—In the
6 case of a taxpayer with a qualifying child who has
7 not attained 6 as of the close of the calendar year
8 in which or with which the taxable year of the tax-
9 payer ends—

10 “(A) the credit percentage shall be in-
11 creased by 5 percentage points for each such
12 child, and

13 “(B) the phaseout percentage shall be in-
14 creased by 2 percentage points for each such
15 child.

16 Not more than 4 children may be taken into account
17 under this paragraph.”

18 (2) UNIFORM EARNED INCOME AMOUNTS AND
19 PHASEOUT AMOUNTS.—Subsection (a) of section 32
20 of such Code is amended—

1 (A) by striking “the earned income
2 amount” each place it appears and inserting
3 “\$8,500”, and

4 (B) by striking “the phaseout amount” in
5 paragraph (2)(B) and inserting “\$10,000”.

6 (b) REPEAL OF CREDIT FOR INDIVIDUALS WITHOUT
7 CHILDREN.—Subparagraph (A) of section 32(c)(1) of
8 such Code is amended to read as follows:

9 “(A) IN GENERAL.—The term ‘eligible in-
10 dividual’ means any individual who has a quali-
11 fying child for the taxable year.”

12 (c) QUALIFYING CHILDREN MUST BE UNDER 18
13 YEARS OF AGE OR DISABLED.—Subparagraph (C) of sec-
14 tion 32(c)(3) of such Code is amended by striking “19”
15 in paragraph (1) and inserting “18”, by adding “and” at
16 the end of paragraph (1), by striking paragraph (2), and
17 by redesignating paragraph (3) as paragraph (2).

18 (d) ADVANCE PAYMENT PROVISIONS.—

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

1 “(5) states the number and ages of qualifying
2 children (as defined in section 32(c)) of the em-
3 ployee for the taxable year.”

4 (2) Paragraph (2) of section 3507(c) of such
5 Code is amended—

6 (A) by striking clauses (i) and (ii) of sub-
7 paragraph (B) and inserting the following:

8 “(i) of not more than the credit per-
9 centage of earned income not in excess of
10 \$8,500, which

11 “(ii) phases out at the phaseout per-
12 centage between \$10,000 and the amount
13 of earned income at which the credit under
14 section 32(a) phases out for such em-
15 ployee, or”, and

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

18 “For purposes of this paragraph, the credit percent-
19 age and the phaseout percentage shall be determined
20 under section 32(b) on the basis of the number and
21 ages of qualifying children specified in the earned in-
22 come eligibility certificate of the employee.”

23 (3) Clause (i) of section 3507(e)(3)(A) of such
24 Code is amended by inserting before “, or” the fol-
25 lowing: “(or changing the percentages applicable to

1 the employee under section 32(b) for the taxable
2 year)”.
3

3 (e) VERIFICATION OF TAXPAYER IDENTIFICATION
4 NUMBERS.—Section 32 of such Code is amended by add-
5 ing at the end the following new subsection:

6 “(k) VERIFICATION OF TAXPAYER IDENTIFICATION
7 NUMBERS.—No credit shall be allowed under this section
8 to any taxpayer until the Secretary has verified that the
9 numbers set forth on the return claiming the credit as—
10 “(1) the taxpayer identification number of the
11 taxpayer, and
12 “(2) the taxpayer identification numbers of all
13 qualifying children,
14 are valid.”

15 (f) CONFORMING AMENDMENT.—Subsection (i) of
16 section 32 of such Code is amended to read as follows:

17 “(i) INFLATION ADJUSTMENT.—

18 “(1) IN GENERAL.—In the case of any taxable
19 year beginning after 1996, each credit percentage
20 used for purposes of subsection (a) shall be in-
21 creased by an amount equal to—

22 “(A) such percentage, multiplied by

23 “(B) the cost-of-living adjustment deter-
24 mined under section 1(f)(3) for the calendar
25 year in which the taxable year begins by sub-

1 stituting '1995' for '1992' in subparagraph (B)
2 thereof.

3 “(2) ROUNDING.—If any percentage after being
4 increased under paragraph (1) is not a multiple of
5 0.01 percentage point, such percentage shall be
6 rounded to the nearest 0.01 percentage point.”

7 (g) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to taxable years beginning after
9 December 31, 1995; except that the amendments made
10 by subsection (d) shall take effect on January 1, 1996.

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