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PROVIDING FOR CONSIDERATION OF H.R. 3, ECONOMIC GROWTH AND TAX RELIEF ACT OF 2001

MARCH 7, 2001.—Referred to the House Calendar and ordered to be printed

Mr. REYNOLDS, from the Committee on Rules, submitted the following

REPORT

[To accompany H. Res. 83]

The Committee on Rules, having had under consideration House Resolution 83, by a record vote of 8 to 4, report the same to the House with the recommendation that the resolution be adopted.

SUMMARY OF PROVISIONS OF THE RESOLUTION

The resolution provides for the consideration in the House of H.R. 3, the Economic Growth and Tax Relief Act of 2001, under a modified closed rule. The rule provides one hour of debate equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means. The rule waives all points of order against consideration of the bill.

The rule provides that the amendment recommended by the Committee on Ways and Means now printed in the bill be considered as adopted. The rule further provides for consideration of the amendment in the nature of a substitute, printed in this report, if offered by Representative Rangel or his designee, which shall be considered as read and shall be separately debatable for one hour equally divided and controlled by the proponent and an opponent. The rule waives all points of order against the amendment in the nature of a substitute. Finally, the rule provides one motion to recommit with or without instructions.

The waiver of all points of order against consideration is needed because of section 2(b) of the bill. The waivers for section 2(b) include a waiver of section 302 (prohibiting consideration of legislation providing new budget authority in excess of a committee's allocation of such authority), section 311 (prohibiting consideration of legislation or an amendment that would cause the total level of new budget authority or outlays in the most recent budget resolution to be exceeded), and section 401 (prohibiting consideration of

legislation providing new entitlement authority which becomes effective during the current fiscal year) of the Congressional Budget Act of 1974.

The waiver of all points of order against consideration of the minority substitute is needed because section 101(c) and section 102 of the substitute need the same waivers as section 2(b) of the underlying bill for similar reasons. A waiver of section 303 (prohibiting consideration of an amendment providing new budget authority for a fiscal year until the budget resolution for that year has been agreed to), which is not needed for the underlying bill, is included because section 102 of the substitute becomes effective in 2002, prior to the fiscal year 2002 budget resolution.

COMMITTEE VOTES

Pursuant to clause 3(b) of House rule XIII the results of each record vote on an amendment or motion to report, together with the names of those voting for and against, are printed below:

Rules Committee record vote No. 3

Date: March 7, 2001.

Measure: H.R. 3, the Economic Growth and Tax Relief Act of 2001.

Motion by: Mr. Moakley.

Summary of motion: Prohibit consideration of H.R. 3 until Congress has adopted the FY 2002 Budget Resolution.

Results: Defeated 3 to 6.

Vote by Members: Goss—Nay; Diaz-Balart—Nay; Hastings—Nay; Myrick—Nay; Sessions—Nay; Moakley—Yea; Hall—Yea; Slaughter—Yea; Dreier—Nay.

Rules Committee record vote No. 4

Date: March 7, 2001.

Measure: H.R. 3, the Economic Growth and Tax Relief Act of 2001.

Motion by: Mr. Moakley.

Summary of motion: Make in order the Taylor (MS) amendment that requires that the following trust funds be disregarded for the purposes of calculating the annual federal budget, the Federal Disability Insurance Trust Fund, the Federal Hospital Insurance Trust Fund, the Civil Service Retirement and Disability Fund, and the Department of Defense Military Retirement Fund. Renders the federal income tax rate reduction contingent upon the availability of an annual federal budget surplus without regard to surpluses in the trust funds enumerated above. Provides that during each year in which there is an inadequate annual federal budget surplus or a deficit, the federal income tax reduction schedule will shift prospectively one year.

Results: Defeated 3 to 7.

Vote by Members: Goss—Nay; Diaz-Balart—Nay; Hastings—Nay; Myrick—Nay; Sessions—Nay; Reynolds—Nay; Moakley—Yea; Hall—Yea; Slaughter—Yea; Dreier—Nay.

Rules Committee record vote No. 5

Date: March 7, 2001.

Measure: H.R. 3, the Economic Growth and Tax Relief Act of 2001.

Motion by: Mr. Hall.

Summary of motion: Make in order the Tauscher amendment that adds a "trigger mechanism" to the tax bill to ensure that future surplus projections actually materialize before each phase-in of the tax cut takes affect.

Results: Defeated 3 to 8.

Vote by Members: Goss—Nay; Linder—Nay; Diaz-Balart—Nay; Hastings—Nay; Myrick—Nay; Sessions—Nay; Reynolds—Nay; Moakley—Yea; Hall—Yea; Slaughter—Yea; Dreier—Nay.

Rules Committee record vote No. 6

Date: March 7, 2001.

Measure: H.R. 3, the Economic Growth and Tax Relief Act of 2001.

Motion by: Mr. Goss.

Summary of motion: Report the resolution.

Results: Adopted 8 to 4.

Vote by Members: Goss—Yea; Linder—Yea; Diaz-Balart—Yea; Hastings—Yea; Myrick—Yea; Sessions—Yea; Reynolds—Yea; Moakley—Nay; Frost—Nay; Hall—Nay; Slaughter—Nay; Dreier—Yea.

SUMMARY OF AMENDMENT MADE IN ORDER

Rangel—Democratic Substitute. Creates a new 12 percent tax rate (phased-in through 2003) for the first $20,000 of taxable income, equivalent to the approximately $41,000 of total income for a couple with two children. The lower rate applies to the first $10,000 of taxable income on a single return. Increases the earned income tax credit by $272 for families with one child and $320 for families with two or more children. Creates a standard deduction for married couples equal to twice the standard available to single individuals (the current law standard deduction of $7,800 per couple is increased to $9,300). Provide marriage penalty relief in the earned income credit and the rate reductions. Costs $585 billion over ten years.

TEXT OF AMENDMENT MADE IN ORDER UNDER THE RULE

AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE RANGEL OF NEW YORK, OR A DESIGNEE, DEBATABLE FOR 60 MINUTES

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

(a) SHORT TITLE.—This Act may be cited as the "Tax Reduction Act of 2001".

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) SECTION 15 NOT TO APPLY.—No amendment made by this Act shall be treated as a change in a rate of tax for purposes of section 15 of the Internal Revenue Code of 1986.

TITLE I—INDIVIDUAL INCOME TAX RATE REDUCTIONS; EXPANSION OF EARNED INCOME CREDIT ASSISTANCE

SEC. 101. INDIVIDUAL INCOME TAX RATE REDUCTIONS.

(a) IN GENERAL.—Section 1 is amended by adding at the end the following new subsection:

"(i) 12 PERCENT RATE BRACKET.—

"(1) IN GENERAL.—In the case of taxable years beginning after December 31, 2000—

"(A) the rate of tax under subsections (a), (b), (c), and (d) on taxable income not over the initial bracket amount shall be 12 percent, and

"(B) the 15 percent rate of tax shall apply only to taxable income over the initial bracket amount.

"(2) INITIAL BRACKET AMOUNT.—For purposes of this subsection—

"(A) IN GENERAL.—Except as provided in subparagraph (B), the initial bracket amount is—

"(i) $20,000 in the case of subsection (a),

"(ii) 80 percent of the dollar amount in clause (i) in the case of subsection (b), and

"(iii) 50 percent of the dollar amount in clause (i) in the case of subsections (c) and (d).

"(B) PHASEIN.—The initial bracket amount is—

"(i) ¼ the amount otherwise applicable under subparagraph (A) in the case of taxable years beginning during 2001, and

"(ii) ½ such amount otherwise applicable under subparagraph (A) in the case of taxable years beginning during 2002.

"(3) INFLATION ADJUSTMENT.—

"(A) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2003, the $20,000 amount under paragraph (2)(A)(i) shall be increased by an amount equal to—

"(i) such dollar amount, multiplied by

"(ii) the cost-of-living adjustment determined under subsection (f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2002' for 'calendar year 1992' in subparagraph (B) thereof.

"(B) ROUNDING RULES.—If any amount after adjustment under subparagraph (A) is not a multiple of $50, such amount shall be rounded to the next lowest multiple of $50.

"(4) ADJUSTMENT OF TABLES.—The Secretary shall adjust the tables prescribed under subsection (f) to carry out this subsection."

(b) ADJUSTMENT IN COMPUTATION OF ALTERNATIVE MINIMUM TAX.—Paragraph (2) of section 55(a) is amended to read as follows:

"(2) the sum of—

"(A) the regular tax for the taxable year, plus

"(B) in the case of an individual, 3 percent of so much of the individual's taxable income for the taxable year as is taxed at 12 percent."

(c) REPEAL OF REDUCTION OF REFUNDABLE TAX CREDITS.—

(1) Subsection (d) of section 24 is amended by striking paragraph (2) and redesignating paragraph (3) as paragraph (2).

(2) Section 32 is amended by striking subsection (h).

(d) CONFORMING AMENDMENT.—Subclause (II) of section 1(g)(7)(B)(ii) is amended by striking "15 percent" and inserting "12 percent".

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

(f) PROTECTION OF SOCIAL SECURITY AND MEDICARE.—The amounts transferred to any trust fund under the Social Security Act shall be determined as if this Act had not been enacted.

SEC. 102. MODIFICATIONS TO EARNED INCOME TAX CREDIT.

(a) INCREASES IN PERCENTAGES AND AMOUNTS USED TO DETERMINE CREDIT; MARRIAGE PENALTY RELIEF.—

(1) IN GENERAL.—Subsection (b) of section 32 is amended to read as follows:

"(b) PERCENTAGES AND AMOUNTS.—

"(1) PERCENTAGES.—The credit percentage, the initial phaseout percentage, and the final phaseout percentage shall be determined as follows:

"In the case of an eligible individual with:	The credit percentage is:	The initial phaseout percentage is:	The final phaseout percentage is:
1 qualifying child	34	15.98	18.98
2 or more qualifying children	40	21.06	24.06
No qualifying children	7.65	7.65	7.65

"(2) AMOUNTS.—

"(A) IN GENERAL.—The earned income amount and the initial phaseout amount shall be determined as follows:

"In the case of an eligible individual with:	The earned income amount is:	The initial phaseout amount is:
1 qualifying child	$8,140	$13,470
2 or more qualifying children	$10,820	$13,470
No qualifying children	$4,900	$6,130.

In the case of a joint return where there is at least 1 qualifying child, the initial phaseout amount shall be $2,500 greater than the amount otherwise applicable under the preceding sentence.

"(B) FINAL PHASEOUT AMOUNT.—The final phaseout amount is $26,000 ($28,500 in the case of a joint return)."

(2) MODIFICATION OF COMPUTATION OF PHASEOUT.—Paragraph (2) of section 32(a) is amended to read as follows:

"(2) PHASEOUT OF CREDIT.—The amount of the credit allowable to a taxpayer under paragraph (1) for any taxable year shall be reduced (but not below zero) by the sum of—

"(A) the initial phaseout percentage of so much of the total income (or, if greater, the earned income) of the taxpayer for the taxable year as exceeds the initial phaseout amount but does not exceed the final phaseout amount, plus

"(B) the final phaseout percentage of so much of the total income (or, if greater, the earned income) of the taxpayer for the taxable year as exceeds the final phaseout amount."

(3) TOTAL INCOME.—Paragraph (5) of section 32(c) is amended to read as follows:

"(5) TOTAL INCOME.—The term 'total income' means adjusted gross income determined without regard to—

"(A) the deductions referred to in paragraphs (6), (7), (9), (10), (15), (16), and (17) of section 62(a),

"(B) the deduction allowed by section 162(l), and

"(C) the deduction allowed by section 164(f)."

(4) CONFORMING AMENDMENTS.—

(A) Subsection (j) of section 32 is amended to read as follows:

"(j) INFLATION ADJUSTMENT.—

"(1) IN GENERAL.—In the case of any taxable year beginning after 2002, each of the dollar amounts in subsection (b)(2) shall be increased by an amount equal to—

"(A) such dollar amount, multiplied by

"(B) the cost-of-living adjustment determined under section 1(f)(3), for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2001' for 'calendar year 1992' in subparagraph (B) thereof.

"(2) ROUNDING.—If any dollar amount, after being increased under paragraph (1), is not a multiple of $10, such dollar amount shall be rounded to the nearest multiple of $10."

(B) Subparagraph (C) of section 32(c)(1) is amended by striking "modified adjusted gross income" and inserting "total income".

(C) Paragraph (2) of section 32(f) is amended to read as follows:

"(2) REQUIREMENTS FOR TABLES.—

"(A) IN GENERAL.—The provisions of subsection (a)(1) and the provisions of subsection (a)(2) shall be reflected in separate tables prescribed under paragraph (1).

"(B) SUBSECTION (a)(1) TABLE.—The tables prescribed under paragraph (1) to reflect the provisions of subsection (a)(1) shall have income brackets of not greater than $50 each for earned income between $0 and the earned income amount.

"(C) SUBSECTION (a)(2) TABLE.—The tables prescribed under paragraph (1) to reflect the provisions of subsection (a)(2) shall have income brackets of not greater than $50 each for total income (or, if greater, the earned income) above the initial phaseout threshold."

(b) REPEAL OF DENIAL OF CREDIT WHERE INVESTMENT INCOME.—Section 32 is amended by striking subsection (i).

(c) EARNED INCOME TO INCLUDE ONLY AMOUNTS INCLUDIBLE IN GROSS INCOME.—

(1) IN GENERAL.—Section 32(c)(2)(A)(i) (defining earned income) is amended by inserting ", but only if such amounts are includible in gross income for the taxable year" after "other employee compensation".

(2) CONFORMING AMENDMENT.—Section 32(c)(2)(B) is amended by striking "and" at the end of clause (iv), by striking the period at the end of clause (v) and inserting ", and", and by adding at the end the following new clause:

"(vi) the requirement under subparagraph (A)(i) that an amount be includible in gross income shall not apply if such amount is exempt from tax under section 7873 or is derived directly from restricted and allotted land under the Act of February 8, 1887 (commonly known as the Indian General Allotment Act) (25 U.S.C. 331 et seq.) or from land held under Acts or treaties containing an exception provision similar to the Indian General Allotment Act."

(d) MODIFICATION OF JOINT RETURN REQUIREMENT.—Subsection (d) of section 32 is amended to read as follows:

"(d) MARRIED INDIVIDUALS.—

"(1) IN GENERAL.—If the taxpayer is married at the close of the taxable year, the credit shall be allowed under subsection (a) only if the taxpayer and his spouse file a joint return for the taxable year.

"(2) MARITAL STATUS.—For purposes of paragraph (1), an individual legally separated from his spouse under a decree of divorce or of separate maintenance shall not be considered as married.

"(3) CERTAIN MARRIED INDIVIDUALS LIVING APART.—For purposes of paragraph (1), if—

"(A) an individual—

"(i) is married and files a separate return, and

"(ii) has a qualifying child who is a son, daughter, stepson, or stepdaughter of such individual, and

"(B) during the last 6 months of such taxable year, such individual and such individual's spouse do not have the same principal place of abode,

such individual shall not be considered as married."

(e) EXPANSION OF MATHEMATICAL ERROR AUTHORITY.—Paragraph (2) of section 6213(g) is amended by striking "and" at the end of subparagraph (K), by striking the period at the end of subparagraph (L) and inserting ", and", and by inserting after subparagraph (L) the following new subparagraph:

"(M) the entry on the return claiming the credit under section 32 with respect to a child if, according to the Federal Case Registry of Child Support Orders established under section 453(h) of the Social Security Act, the taxpayer is a noncustodial parent of such child."

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

TITLE II—MARRIAGE PENALTY RELIEF

SEC. 201. MARRIAGE PENALTY RELIEF.

(a) STANDARD DEDUCTION.—

(1) IN GENERAL.—Paragraph (2) of section 63(c) (relating to standard deduction) is amended—

(A) by striking "$5,000" in subparagraph (A) and inserting "twice the dollar amount in effect under subparagraph (C) for the taxable year",

(B) by adding "or" at the end of subparagraph (B),

(C) by striking "in the case of" and all that follows in subparagraph (C) and inserting "in any other case.", and

(D) by striking subparagraph (D).

(2) INCREASE ALLOWED AS DEDUCTION IN DETERMINING MINIMUM TAX.—Subparagraph (E) of section 56(b)(1) is amended by adding at the end the following new sentence: "The preceding sentence shall not apply to so much of the standard deduction under subparagraph (A) of section 63(c)(2) as exceeds the amount which would be such deduction but for the amendment made by section 201(a)(1) of the Tax Reduction Act of 2001.

(3) TECHNICAL AMENDMENTS.—

(A) Subparagraph (B) of section 1(f)(6) is amended by striking "(other than with" and all that follows through "shall be applied" and inserting "(other than with respect to sections 63(c)(4) and 151(d)(4)(A)) shall be applied".

(B) Paragraph (4) of section 63(c) is amended by adding at the end the following flush sentence:

"The preceding sentence shall not apply to the amount referred to in paragraph (2)(A).".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

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