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Daily

Floor Briefing

**THURSDAY, MARCH 29, 2001**

The House will meet at 10:00 a.m. for legislative business.  
Last vote expected at approximately 3:00 p.m.

**Bill Subject to a Rule:**

H.R. 6 - [Marriage Penalty and Family Tax Relief Act of 2001](#)

**Bill Subject to a Rule (1 bill):**

**Floor Situation**

Yesterday, the Rules Committee reported a modified closed rule for the consideration of H.R. 6 as reported by the Ways and Means Committee, which: (1) provides one hour of general debate; (2) makes in order an amendment in the nature of a substitute printed in the report on the rule, if offered by Mr. Rangel or his designee, which is debatable for one hour; and (3) provides for one motion to recommit, with or without instruction.

**Summary**

[H.R. 6](#) provides roughly \$400 billion of tax relief to families. It increases the child tax credit and fixes the "marriage penalty:" by increasing the standard deduction, expanding the 15 percent tax bracket, doubling the earned income tax credit for low-income families and adjusting the Alternative Minimum Tax (AMT). [Please click on this link for a description of Chairman Thomas' amendment in the nature of a substitute prepared by the Joint Committee on](#)

[Taxation](#). Additionally, the Joint Committee on Taxation has prepared a chart detailing estimated revenue effects of this measure ([click here](#)).

Specifically, the bill provides the following relief:

\* **Increasing the Child Tax Credit.** H.R. 6 doubles the current \$500 child tax credit to \$1,000 per child and applies the credit to the AMT. This increase is phased in over six years beginning January 1, 2001, and retains the current law's phase out (which begins at \$110,000 for married couples). The bill also provides the same refundability rule to small families that larger families (three or more) receive under current law. Under this measure, families will receive a \$600 tax credit for each child in 2001.

\* **Increasing the Standard Deduction.** The measure increases the standard deduction for married couples to twice that of single taxpayers beginning in 2002, providing \$60.3 billion in tax relief over 10 years. In 2001, the standard deduction amounts to \$4,550 for single taxpayers, but just \$7,600 for married couples who file jointly (*e.g.*, were the bill effective in 2001, the standard deduction would amount to \$9,100, double the \$4,550 amount for singles).

\* **Expanding the 15 Percent Tax Bracket.** H.R. 6 increases the 15 percent tax bracket for married couples who file jointly to twice that of single taxpayers beginning in 2004. This will be phased in over six years, providing \$150 billion in tax relief over 10 years. Under current law, the 15 percent bracket covers taxpayers with taxable income up to \$27,050 for singles and \$45,200 for married couples filing jointly (*e.g.*, if the measure were in effect today, married couples would pay the 15 percent tax rate on their first \$54,100 of taxable income, instead of on their first \$45,200 under current law).

\* **Increasing the Earned Income Tax Credit (EITC).** Beginning in 2002, the bill increases the earned income amount used to calculate the EITC to 110 percent of the earned income amount for all other taxpayers eligible for the EITC. This provision provides \$12.9 billion in tax relief over 10 years. The proposal will increase EITC payments to existing family recipients and make additional families eligible for the credit.

\* **[Alternative Minimum Tax.](#)** The bill extends the current law provision (scheduled to expire at the end of this year) that allows taxpayers to use their child credit against their AMT liability. Additionally, the bill repeals the current law provisions that offset the refundable child credit and the earned income credit by the amount of the AMT. Finally, a couple filing a joint return will have their AMT exemption amount, currently \$45,000, increased by \$1,000 in 2005,

and an additional \$500 in 2006, and every year thereafter, until their exemption amount equals twice the exemption amount for individuals filing single returns.

### **Legislative History**

H.R. 6 was introduced by [Mr. Weller](#) on March 15, 2001. It was reported from the [Committee on Ways and Means](#) on Thursday, March 22, 2001, by a vote of 23-16. H.R. 6 includes similar marriage penalty relief provisions included in last year's H.R. 6, which passed the House on February 10, 2000, by a [vote of 268 – 158](#). H.R. 6 was later incorporated into H.R. 4810 to provide reconciliation protection and first passed the House on July 12, 2000, by [a vote of 269 – 159](#). The conference report to H.R. 4810 then passed on July 20, 2000, by a [vote of 271-156](#), and the veto over-ride of the measure failed on September 13, 2000, by a [vote 270 – 158](#).

### **OMB Statement of Administration Policy**

The White House, through the Office of Management and Budget, issues Statements of Administration Policy (SAPs) on legislation scheduled for House or Senate floor action. Each statement is current as of the date it was transmitted and has not been updated to reflect subsequent action.

### **Amendments**

The following amendment was made in order by the rule for the time specified:

[Mr. Rangel](#) will offer the Democratic substitute that reduces the current 15 percent tax rate to a 12 percent tax rate on a couple's first \$20,000 of taxable income (\$10,000 on a single return). This rate reduction will be phased in over three years, beginning this year and is indexed for inflation beginning in 2004. The substitute provides "marriage penalty" tax relief for joint filers (standard deductions only) by creating a standard deduction for married couples filing jointly that is twice the standard deduction used by single filers. Similar to the AMT relief included in this measure, the substitute also repeals the current law provisions that reduce the refundable child credit by the amount of the AMT. The substitute further adjusts the AMT so that taxpayers with any income tax liability would receive the benefit of the tax rate reduction (i.e. they would not be held liable for any new AMT liability resulting from the income tax reductions provided by the substitute). The substitute expands the income eligible for the Earned Income Tax Credit (EITC) by \$800, increases by \$2,500 the income level at which the credit begins to phase out for a married couple with children, and simplifies the calculations to determine the earned income credit. Democrats estimate that enactment of the substitute will cost \$585 billion over the next ten

years.

**60 Minutes Staff Contact: John Buckley 5-4021**

**For additional information or questions, call the Committee on Ways and Means at 5-3625.**

### **Additional Resources**

#### **CRS Products**

*The earned income tax credit: current issues and benefit amounts.*

**Date:** Updated Feb. 14, 2001. 6 p.

**Author:** Gish, Melinda T.

**Product Number:** RS20470

**Available:** [Document \(PDF\)](#)

*The alternative minimum tax for individuals: electronic briefing book page. In the Tax Electronic Briefing Book.*

**Date:** Updated periodically.

**Author:** Esenwein, Gregg A.

**Available:** [Document \(HTML\)](#)

[Description of Chairman Thomas' amendment in the nature of a substitute prepared by the Joint Committee on Taxation.](#)

[Joint Committee on Taxation's chart detailing estimated revenue effects of this measure.](#)

[The Heritage Foundation](#)

#### **Press Resources:**

### **[Committee on Ways and Means](#)**

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1010 Longworth House Office Building • Washington, D.C. 20515 • (202) 226-2302