To amend the Internal Revenue Code of 1986 to establish a deduction for married couples who are both employed and have young children and to increase the earned income tax credit for childless workers, and to provide for budget offsets.

IN THE SENATE OF THE UNITED STATES

MARCH 26, 2014

Mrs. MURRAY (for herself, Mr. REED, and Mr. BROWN) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to establish a deduction for married couples who are both employed and have young children and to increase the earned income tax credit for childless workers, and to provide for budget offsets.

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 “21st Century Worker
5 Tax Cut Act”.
SEC. 2. DEDUCTION FOR DUAL-EARNER FAMILIES.

(a) IN GENERAL.—Part VII of subchapter B of chapter 1 of the Internal Revenue Code of 1986 is amended by redesignating section 224 as section 225 and by inserting after section 223 the following new section:

“SEC. 224. DUAL-EARNER FAMILIES.

“(a) DEDUCTION ALLOWED.—In the case of an eligible taxpayer, there shall be allowed as a deduction for the taxable year an amount equal to 20 percent of the lesser of—

“(1) $60,000, or

“(2) the earned income of the spouse with the lower amount of earned income for such taxable year.

“(b) LIMITATION.—The amount of the deduction allowable under subsection (a) shall be reduced (but not below zero) by an amount which bears the same ratio to the amount determined under subsection (a) (as determined without regard to this subsection) as the amount of the taxpayer’s excess adjusted gross income bears to $20,000.

“(c) DEFINITIONS.—In this section:

“(1) EARNED INCOME.—The term ‘earned income’ has the same meaning given such term in section 32(c)(2).

“(2) ELIGIBLE TAXPAYER.—
“(A) IN GENERAL.—The term ‘eligible taxpayer’ means a taxpayer who—

“(i) files a joint return for the taxable year under section 6013, and

“(ii) has at least 1 qualifying child (as defined in section 152(c)) who has not attained 12 years of age before the close of the taxable year.

“(3) EXCESS ADJUSTED GROSS INCOME.—The term ‘excess adjusted gross income’ means the amount of the eligible taxpayer’s adjusted gross income (as defined in section 62, determined without regard to this section) that exceeds $110,000 for the taxable year.

“(d) INFLATION ADJUSTMENT.—

“(1) IN GENERAL.—In the case of any taxable year beginning after 2015, each of the dollar amounts in subsections (a)(1) and (c)(3) 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 2014’ for
‘calendar year 1992’ in subparagraph (B) thereof.

“(2) Rounding.—If any dollar amount in subsection (a)(1) or (c)(3), after being increased under paragraph (1), is not a multiple of $1,000, such dollar amount shall be rounded to the nearest multiple of $1,000.

“(e) Additional Eligibility Requirements.—

“(1) Individual claiming benefits under section 911.—No deduction shall be allowed under this section if an individual (or the individual’s spouse) claims the benefits of section 911 for the taxable year.

“(2) Non-resident aliens.—No deduction shall be allowed under this section if an individual (or the individual’s spouse) is a nonresident alien individual for any portion of the taxable year unless such individual is treated for such taxable year as a resident of the United States for purposes of this chapter by reason of an election under subsection (g) or (h) of section 6013.

“(3) Identification number requirement.—

“(A) In general.—No deduction shall be
payer does not include on the joint return of
tax for the taxable year—

“(i) the taxpayer identification num-
ber of the individual and the individual’s
spouse, and

“(ii) the name, age, and taxpayer
identification number of any qualifying
children.

“(B) Social security numbers.—For
purposes of this paragraph, the term ‘taxpayer
identification number’ means a social security
number issued to an individual by the Social
Security Administration (other than a social se-
curity number issued pursuant to clause (II)
(or that portion of clause (III) that relates to
clause (II)) of section 205(c)(2)(B)(i) of the So-
cial Security Act).

“(f) Taxable Year Must Be Full Taxable
Year.—Except in the case of a taxable year closed by rea-
son of the death of an individual, no deduction shall be
allowable under this section in the case of a taxable year
covering a period of less than 12 months.”.

(b) Deduction Allowed in Computing Ad-
justed Gross Income.—Section 62(a) of such Code is
amended by inserting after paragraph (21) the following
new paragraph:

“(22) DUAL-EARNER FAMILIES.—The deduction
allowed by section 224.”.

(c) ENHANCEMENT OF EARNED INCOME TAX CRED-
IT.—Section 32 of such Code is amended—

(1) in subsection (a)(2)(B), by striking “earned
income” and inserting “modified earned income (as
defined in subsection (c)(5))”, and

(2) in subsection (c), by adding at the end the
following new paragraph:

“(5) MODIFIED EARNED INCOME.—The term
‘modified earned income’ means an amount equal to
the earned income of the taxpayer minus the amount
of any deduction allowed to the taxpayer under sec-
tion 224 for the taxable year.”.

(d) CONFORMING AMENDMENT.—The table of sec-
tions for part VII of subchapter B of chapter 1 of such
Code is amended by redesignating the item relating to sec-
tion 224 as relating to section 225 and by inserting after
the item relating to section 223 the following:

“Sec. 224. Dual-earner families.”.

(e) EFFECTIVE DATE.—The amendments made by
this section shall apply to taxable years beginning after
the date of the enactment of this Act.
SEC. 3. STRENGTHENING THE EARNED INCOME TAX CREDIT FOR INDIVIDUALS WITH NO QUALIFYING CHILDREN.

(a) Credit for Certain Individuals Over Age 21.—

(1) In general.—Paragraph (1) of section 32(c) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

“(G) Special rule for working individuals over age 20 and without qualifying child.—

“(i) In general.—In the case of an individual (or, if the individual is married, either the individual or the individual’s spouse) who—

“(I) has attained the age of 21 but not attained age 25 before the close of the taxable year, and

“(II) is not a full-time student at any time during the taxable year,

paragraph (1)(A)(ii)(II) shall not apply for purposes of determining whether such individual is an eligible individual.

“(ii) Student.—For purposes of this subparagraph, an individual shall be con-
sidered a full-time student if such indi-
vidual is carrying more than $1/2$ the normal
full-time work load for the course of study
the individual is pursuing.”

(2) INFORMATION RETURN MATCHING.—Not
later than 1 year after the date of the enactment of
this Act, the Secretary of the Treasury shall develop
and implement procedures for checking an individ-
ual’s claim for a credit under section 32 of the In-
ternal Revenue Code of 1986, by reason of sub-
section (c)(1)(G) thereof, against any information
return made with respect to such individual under
section 6050S.

(b) INCREASED CREDIT.—

(1) CREDIT PERCENTAGE AND PHASEOUT PER-
CEN TAGE.—The table contained in section
32(b)(1)(A) of such Code is amended by striking
“7.65” each place it appears and inserting “15.3”.

(2) EARNED INCOME AMOUNT AND PHASEOUT
AMOUNT.—

(A) IN GENERAL.—The table contained in
section 32(b)(2)(A) of such Code is amended—

(i) by striking “$4,220” and inserting
“$8,820”, and
(ii) by striking “$5,280” and inserting “$10,425”.

(B) INFLATION ADJUSTMENTS.—Subparagraph (B) of section 32(j)(1) of such Code is amended—

(i) by inserting “except as provided in clause (iii)” in clause (i) before “in the case of amounts”,

(ii) by striking “and” at the end of clause (i), by striking the period at the end of clause (ii) and inserting “, and”, and by adding at the end the following new clause:

“(iii) in the case of the $8,820 and $10,425 amounts in subsection (b)(2)(A), by substituting ‘calendar year 2014’ for ‘calendar year 1992’ in subparagraph (B) of such section 1.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.
SEC. 4. INCREASED PENALTY FOR TAX RETURN PREPARERS WHO FAIL TO COMPLY WITH DUE DILIGENCE REQUIREMENTS FOR THE EARNED INCOME TAX CREDIT.

(a) In General.—Section 6695(g) of the Internal Revenue Code of 1986 is amended by striking “$500” and inserting “$1,000”.

(b) Effective Date.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 5. EXPANSION OF DENIAL OF DEDUCTION FOR CERTAIN EXCESSIVE EMPLOYEE REMUNERATION.

(a) Application to All Current and Former Employees.—

(1) In General.—Section 162(m) of the Internal Revenue Code of 1986 is amended—

(A) by striking “covered employee” each place it appears in paragraphs (1) and (4) and inserting “covered individual”, and

(B) by striking “such employee” each place it appears in subparagraphs (A) and (G) of paragraph (4) and inserting “such individual”.

(2) COVERED INDIVIDUAL.—Paragraph (3) of section 162(m) of such Code is amended to read as follows:

“(3) COVERED INDIVIDUAL.—For purposes of this subsection, the term ‘covered individual’ means any individual who is an officer, director, or employee of the taxpayer or a former officer, director, or employee of the taxpayer.”.

(3) CONFORMING AMENDMENTS.—

(A) Section 48D(b)(3)(A) of such Code is amended by inserting “(as in effect for taxable years beginning before January 1, 2015)” after “section 162(m)(3)”. 

(B) Section 409A(b)(3)(D)(ii) of such Code is amended by inserting “(as in effect for taxable years beginning before January 1, 2015)” after “section 162(m)(3)”. 

(b) EXPANSION OF APPLICABLE EMPLOYEE REMUNERATION.—

(1) ELIMINATION OF EXCEPTION FOR COMMISSION-BASED PAY.—

(A) IN GENERAL.—Paragraph (4) of section 162(m) of such Code, as amended by subsection (a), is amended by striking subparagraph (B) and by redesignating subparagraphs
(C) through (G) as subparagraphs (B) through (F), respectively.

(B) CONFORMING AMENDMENTS.—

(i) Section 162(m)(5) of such Code is amended—

(I) by striking “subparagraphs (B), (C), and (D) thereof” in subparagraph (E) and inserting “subparagraphs (B) and (C) thereof”, and

(II) by striking “subparagraphs (F) and (G)” in subparagraph (G) and inserting “subparagraphs (E) and (F)”.

(ii) Section 162(m)(6) of such Code is amended—

(I) by striking “subparagraphs (B), (C), and (D) thereof” in subparagraph (D) and inserting “subparagraphs (B) and (C) thereof”, and

(II) by striking “subparagraphs (F) and (G)” in subparagraph (G) and inserting “subparagraphs (E) and (F)”.

(2) INCLUSION OF PERFORMANCE-BASED COMPENSATION.—
(A) IN GENERAL.—Paragraph (4) of section 162(m) of the Internal Revenue Code of 1986, as amended by subsection (a) and paragraph (1) of this subsection, is amended by striking subparagraph (B) and redesignating subparagraphs (C) through (F) as subparagraphs (B) through (E), respectively.

(B) CONFORMING AMENDMENTS.—

(i) Section 162(m)(5) of such Code, as amended by paragraph (1), is amended—

(I) by striking “subparagraphs (B) and (C) thereof” in subparagraph (E) and inserting “subparagraph (B) thereof”, and

(II) by striking “subparagraphs (E) and (F)” in subparagraph (G) and inserting “subparagraphs (D) and (E)”.  

(ii) Section 162(m)(6) of such Code, as amended by paragraph (1), is amended—

(I) by striking “subparagraphs (B) and (C) thereof” in subparagraph
(D) and inserting “subparagraph (B) thereof”, and

(II) by striking “subparagraphs (E) and (F)” in subparagraph (G) and inserting “subparagraphs (D) and (E)”.

(c) Expansion of Applicable Employer.—Paragraph (2) of section 162(m) of the Internal Revenue Code of 1986 is amended to read as follows:

“(2) Publicly Held Corporation.—For purposes of this subsection, the term ‘publicly held corporation’ means any corporation which is an issuer (as defined in section 3 of the Securities Exchange Act of 1934 (15 U.S.C. 78c)) that—

“(A) has a class of securities registered under section 12 of such Act (15 U.S.C. 78l),

or

“(B) is required to file reports under section 15(d) of such Act (15 U.S.C. 780(d)).”.

(d) Regulatory Authority.—

(1) In General.—Section 162(m) of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:

“(7) Regulations.—The Secretary may prescribe such guidance, rules, or regulations, including
with respect to reporting, as are necessary to carry out the purposes of this subsection.”.

(2) CONFORMING AMENDMENT.—Paragraph (6) of section 162(m) of such Code is amended by striking subparagraph (H).

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2014.

SEC. 6. LOW-TAXED CROSS-BORDER FOREIGN INCOME TREATED AS SUBPART F INCOME.

(a) IN GENERAL.—Subsection (a) of section 952 of the Internal Revenue Code of 1986 is amended by redesignating paragraphs (3), (4), and (5) as paragraphs (4), (5), and (6), respectively, and by inserting after paragraph (2) the following new paragraph:

“(3) low-taxed cross-border income (as defined under subsection (e)),”.

(b) LOW-TAXED CROSS-BORDER INCOME.—Section 952 of such Code is amended by adding at the end the following new subsection:

“(e) LOW-TAXED CROSS-BORDER INCOME.—

“(1) IN GENERAL.—For purposes of subsection (a), the term ‘low-taxed cross-border income’ means the gross income of the controlled foreign corpora-
tion unless the taxpayer establishes to the satisfac-

tion of the Secretary that—

“(A) such income was derived in the home
country of the controlled foreign corporation, or

“(B) such income was subject to an effec-
tive rate of income tax imposed by a foreign
country in excess of 15 percent.

“(2) Rules related to income derived in
home country.—For purposes of paragraph
(1)(A), income shall be treated as derived in the
home country of a controlled foreign corporation
only if—

“(A) such income is derived in the conduct
of a trade or business of such corporation in
the country in which such corporation is created
or organized,

“(B) such corporation maintains an office
or other fixed place of business in such country,
and

“(C) such income is derived in connection
with—

“(i) property which is sold for use,
consumption, or disposition in such coun-
try, or
“(ii) services provided with respect to persons or property located in such country.

“(3) RULES RELATED TO DETERMINATION OF EFFECTIVE RATE OF FOREIGN INCOME TAX.—

“(A) COUNTRY-BY-COUNTRY DETERMINATION.—Paragraph (1)(B) shall be applied—

“(i) separately with respect to each foreign country in which a controlled foreign corporation conducts any trade or business, and

“(ii) with respect to the aggregate gross income derived with respect to such country.

“(B) TREATMENT OF LOSSES.—For purposes of determining the effective rate of income tax imposed by any foreign country under paragraph (1)(B)—

“(i) such effective rate shall be determined without regard to any losses carried to the relevant taxable year, and

“(ii) to the extent the income of the controlled foreign corporation reduces losses in the relevant taxable year, such effective rate shall be treated as being the
effective rate which would have been imposed on such income without regard to such losses.

“(4) **Deductions to be taken into account.**—The gross income of a controlled foreign corporation taken into account under this subsection shall be reduced, under regulations prescribed by the Secretary, so as to take into account deductions (including taxes) properly allocable to such income.”.

(c) **Effective Date.**—The amendments made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2014, and to taxable years of United States shareholders in which or with which such taxable years of foreign corporations end.