

113TH CONGRESS
2^D SESSION

S. 2162

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”.

1 **SEC. 2. DEDUCTION FOR DUAL-EARNER FAMILIES.**

2 (a) IN GENERAL.—Part VII of subchapter B of chap-
3 ter 1 of the Internal Revenue Code of 1986 is amended
4 by redesignating section 224 as section 225 and by insert-
5 ing after section 223 the following new section:

6 **“SEC. 224. DUAL-EARNER FAMILIES.**

7 “(a) DEDUCTION ALLOWED.—In the case of an eligi-
8 ble taxpayer, there shall be allowed as a deduction for the
9 taxable year an amount equal to 20 percent of the lesser
10 of—

11 “(1) \$60,000, or

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

15 “(b) LIMITATION.—The amount of the deduction al-
16 lowable under subsection (a) shall be reduced (but not
17 below zero) by an amount which bears the same ratio to
18 the amount determined under subsection (a) (as deter-
19 mined without regard to this subsection) as the amount
20 of the taxpayer’s excess adjusted gross income bears to
21 \$20,000.

22 “(c) DEFINITIONS.—In this section:

23 “(1) EARNED INCOME.—The term ‘earned in-
24 come’ has the same meaning given such term in sec-
25 tion 32(c)(2).

26 “(2) ELIGIBLE TAXPAYER.—

1 “(A) IN GENERAL.—The term ‘eligible tax-
2 payer’ means a taxpayer who—

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

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

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

15 “(d) INFLATION ADJUSTMENT.—

16 “(1) IN GENERAL.—In the case of any taxable
17 year beginning after 2015, each of the dollar
18 amounts in subsections (a)(1) and (c)(3) shall be in-
19 creased by an amount equal to—

20 “(A) such dollar amount, multiplied by

21 “(B) the cost-of-living adjustment deter-
22 mined under section 1(f)(3) for the calendar
23 year in which the taxable year begins, deter-
24 mined by substituting ‘calendar year 2014’ for

1 ‘calendar year 1992’ in subparagraph (B)
2 thereof.

3 “(2) ROUNDING.—If any dollar amount in sub-
4 section (a)(1) or (c)(3), after being increased under
5 paragraph (1), is not a multiple of \$1,000, such dol-
6 lar amount shall be rounded to the nearest multiple
7 of \$1,000.

8 “(e) ADDITIONAL ELIGIBILITY REQUIREMENTS.—

9 “(1) INDIVIDUAL CLAIMING BENEFITS UNDER
10 SECTION 911.—No deduction shall be allowed under
11 this section if an individual (or the individual’s
12 spouse) claims the benefits of section 911 for the
13 taxable year.

14 “(2) NON-RESIDENT ALIENS.—No deduction
15 shall be allowed under this section if an individual
16 (or the individual’s spouse) is a nonresident alien in-
17 dividual for any portion of the taxable year unless
18 such individual is treated for such taxable year as a
19 resident of the United States for purposes of this
20 chapter by reason of an election under subsection
21 (g) or (h) of section 6013.

22 “(3) IDENTIFICATION NUMBER REQUIRE-
23 MENT.—

24 “(A) IN GENERAL.—No deduction shall be
25 allowed under this section if the eligible tax-

1 payer does not include on the joint return of
2 tax for the taxable year—

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

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

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

18 “(f) TAXABLE YEAR MUST BE FULL TAXABLE
19 YEAR.—Except in the case of a taxable year closed by rea-
20 son of the death of an individual, no deduction shall be
21 allowable under this section in the case of a taxable year
22 covering a period of less than 12 months.”.

23 (b) DEDUCTION ALLOWED IN COMPUTING AD-
24 JUSTED GROSS INCOME.—Section 62(a) of such Code is

1 amended by inserting after paragraph (21) the following
2 new paragraph:

3 “(22) DUAL-EARNER FAMILIES.—The deduc-
4 tion allowed by section 224.”.

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

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

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

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

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

 “Sec. 224. Dual-earner families.”.

22 (e) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to taxable years beginning after
24 the date of the enactment of this Act.

1 **SEC. 3. STRENGTHENING THE EARNED INCOME TAX CRED-**
 2 **IT FOR INDIVIDUALS WITH NO QUALIFYING**
 3 **CHILDREN.**

4 (a) CREDIT FOR CERTAIN INDIVIDUALS OVER AGE
 5 21.—

6 (1) IN GENERAL.—Paragraph (1) of section
 7 32(c) of the Internal Revenue Code of 1986 is
 8 amended by adding at the end the following new
 9 subparagraph:

10 “(G) SPECIAL RULE FOR WORKING INDI-
 11 VIDUALS OVER AGE 20 AND WITHOUT QUALI-
 12 FYING CHILD.—

13 “(i) IN GENERAL.—In the case of an
 14 individual (or, if the individual is married,
 15 either the individual or the individual’s
 16 spouse) who—

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

20 “(II) is not a full-time student at
 21 any time during the taxable year,
 22 paragraph (1)(A)(ii)(II) shall not apply for
 23 purposes of determining whether such indi-
 24 vidual is an eligible individual.

25 “(ii) STUDENT.—For purposes of this
 26 subparagraph, an individual shall be con-

1 sidered a full-time student if such indi-
2 vidual is carrying more than $\frac{1}{2}$ the normal
3 full-time work load for the course of study
4 the individual is pursuing.”.

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

14 (b) INCREASED CREDIT.—

15 (1) CREDIT PERCENTAGE AND PHASEOUT PER-
16 CENTAGE.—The table contained in section
17 32(b)(1)(A) of such Code is amended by striking
18 “7.65” each place it appears and inserting “15.3”.

19 (2) EARNED INCOME AMOUNT AND PHASEOUT
20 AMOUNT.—

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

23 (i) by striking “\$4,220” and inserting
24 “\$8,820”, and

1 (ii) by striking “\$5,280” and insert-
2 ing “\$10,425”.

3 (B) INFLATION ADJUSTMENTS.—Subpara-
4 graph (B) of section 32(j)(1) of such Code is
5 amended—

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

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

13 “(iii) in the case of the \$8,820 and
14 \$10,425 amounts in subsection (b)(2)(A),
15 by substituting ‘calendar year 2014’ for
16 ‘calendar year 1992’ in subparagraph (B)
17 of such section 1.”.

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to taxable years beginning after
20 the date of the enactment of this Act.

1 **SEC. 4. INCREASED PENALTY FOR TAX RETURN PRE-**
2 **PARERS WHO FAIL TO COMPLY WITH DUE**
3 **DILIGENCE REQUIREMENTS FOR THE**
4 **EARNED INCOME TAX CREDIT.**

5 (a) **IN GENERAL.**—Section 6695(g) of the Internal
6 Revenue Code of 1986 is amended by striking “\$500” and
7 inserting “\$1,000”.

8 (b) **EFFECTIVE DATE.**—The amendments made by
9 this section shall apply to taxable years beginning after
10 the date of the enactment of this Act.

11 **SEC. 5. EXPANSION OF DENIAL OF DEDUCTION FOR CER-**
12 **TAIN EXCESSIVE EMPLOYEE REMUNERA-**
13 **TION.**

14 (a) **APPLICATION TO ALL CURRENT AND FORMER**
15 **EMPLOYEES.**—

16 (1) **IN GENERAL.**—Section 162(m) of the Inter-
17 nal Revenue Code of 1986 is amended—

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

21 (B) by striking “such employee” each
22 place it appears in subparagraphs (A) and (G)
23 of paragraph (4) and inserting “such indi-
24 vidual”.

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

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

9 (3) CONFORMING AMENDMENTS.—

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

14 (B) Section 409A(b)(3)(D)(ii) of such
15 Code is amended by inserting “(as in effect for
16 taxable years beginning before January 1,
17 2015)” after “section 162(m)(3)”.

18 (b) EXPANSION OF APPLICABLE EMPLOYEE REMU-
19 NERATION.—

20 (1) ELIMINATION OF EXCEPTION FOR COMMIS-
21 SION-BASED PAY.—

22 (A) IN GENERAL.—Paragraph (4) of sec-
23 tion 162(m) of such Code, as amended by sub-
24 section (a), is amended by striking subpara-
25 graph (B) and by redesignating subparagraphs

1 (C) through (G) as subparagraphs (B) through
2 (F), respectively.

3 (B) CONFORMING AMENDMENTS.—

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

6 (I) by striking “subparagraphs
7 (B), (C), and (D) thereof” in sub-
8 paragraph (E) and inserting “sub-
9 paragraphs (B) and (C) thereof”, and

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

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

16 (I) by striking “subparagraphs
17 (B), (C), and (D) thereof” in sub-
18 paragraph (D) and inserting “sub-
19 paragraphs (B) and (C) thereof”, and

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

24 (2) INCLUSION OF PERFORMANCE-BASED COM-
25 PENSATION.—

1 (A) IN GENERAL.—Paragraph (4) of sec-
2 tion 162(m) of the Internal Revenue Code of
3 1986, as amended by subsection (a) and para-
4 graph (1) of this subsection, is amended by
5 striking subparagraph (B) and redesignating
6 subparagraphs (C) through (F) as subpara-
7 graphs (B) through (E), respectively.

8 (B) CONFORMING AMENDMENTS.—

9 (i) Section 162(m)(5) of such Code,
10 as amended by paragraph (1), is amend-
11 ed—

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

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

20 (ii) Section 162(m)(6) of such Code,
21 as amended by paragraph (1), is amend-
22 ed—

23 (I) by striking “subparagraphs
24 (B) and (C) thereof” in subparagraph

1 (D) and inserting “subparagraph (B)
2 thereof”, and

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

7 (c) EXPANSION OF APPLICABLE EMPLOYER.—Para-
8 graph (2) of section 162(m) of the Internal Revenue Code
9 of 1986 is amended to read as follows:

10 “(2) PUBLICLY HELD CORPORATION.—For pur-
11 poses of this subsection, the term ‘publicly held cor-
12 poration’ means any corporation which is an issuer
13 (as defined in section 3 of the Securities Exchange
14 Act of 1934 (15 U.S.C. 78c)) that—

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

18 “(B) is required to file reports under sec-
19 tion 15(d) of such Act (15 U.S.C. 780(d)).”.

20 (d) REGULATORY AUTHORITY.—

21 (1) IN GENERAL.—Section 162(m) of the Inter-
22 nal Revenue Code of 1986 is amended by adding at
23 the end the following new paragraph:

24 “(7) REGULATIONS.—The Secretary may pre-
25 scribe such guidance, rules, or regulations, including

1 with respect to reporting, as are necessary to carry
2 out the purposes of this subsection.”.

3 (2) CONFORMING AMENDMENT.—Paragraph (6)
4 of section 162(m) of such Code is amended by strik-
5 ing subparagraph (H).

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

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

11 (a) IN GENERAL.—Subsection (a) of section 952 of
12 the Internal Revenue Code of 1986 is amended by redesi-
13 gnating paragraphs (3), (4), and (5) as paragraphs (4), (5),
14 and (6), respectively, and by inserting after paragraph (2)
15 the following new paragraph:

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

18 (b) LOW-TAXED CROSS-BORDER INCOME.—Section
19 952 of such Code is amended by adding at the end the
20 following new subsection:

21 “(e) LOW-TAXED CROSS-BORDER INCOME.—

22 “(1) IN GENERAL.—For purposes of subsection
23 (a), the term ‘low-taxed cross-border income’ means
24 the gross income of the controlled foreign corpora-

1 tion unless the taxpayer establishes to the satisfac-
2 tion of the Secretary that—

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

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

8 “(2) RULES RELATED TO INCOME DERIVED IN
9 HOME COUNTRY.—For purposes of paragraph
10 (1)(A), income shall be treated as derived in the
11 home country of a controlled foreign corporation
12 only if—

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

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

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

22 “(i) property which is sold for use,
23 consumption, or disposition in such coun-
24 try, or

1 “(ii) services provided with respect to
2 persons or property located in such coun-
3 try.

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

6 “(A) COUNTRY-BY-COUNTRY DETERMINA-
7 TION.—Paragraph (1)(B) shall be applied—

8 “(i) separately with respect to each
9 foreign country in which a controlled for-
10 eign corporation conducts any trade or
11 business, and

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

15 “(B) TREATMENT OF LOSSES.—For pur-
16 poses of determining the effective rate of in-
17 come tax imposed by any foreign country under
18 paragraph (1)(B)—

19 “(i) such effective rate shall be deter-
20 mined without regard to any losses carried
21 to the relevant taxable year, and

22 “(ii) to the extent the income of the
23 controlled foreign corporation reduces
24 losses in the relevant taxable year, such ef-
25 fective rate shall be treated as being the

1 effective rate which would have been im-
2 posed on such income without regard to
3 such losses.

4 “(4) DEDUCTIONS TO BE TAKEN INTO AC-
5 COUNT.—The gross income of a controlled foreign
6 corporation taken into account under this subsection
7 shall be reduced, under regulations prescribed by the
8 Secretary, so as to take into account deductions (in-
9 cluding taxes) properly allocable to such income.”.

10 (c) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to taxable years of foreign corpora-
12 tions beginning after December 31, 2014, and to taxable
13 years of United States shareholders in which or with which
14 such taxable years of foreign corporations end.

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