THE REPUBLICAN STUDY COMMITTEE

Rep. Rob Woodall, Chairman

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Legislative Bulletin………………………………………….……..………July 24, 2014

Contents:

H.R. 4935 – Child Tax Improvement Act of 2014 (Jenkins, R-KS)

Order of Business: The legislation is scheduled to be considered on the floor on Friday, July 25, 2014, subject to a closed rule.

Summary: H.R. 4935 raises the phase-out threshold for the $1,000 child tax credit for joint tax filers from $110,000 to $150,000. For married couples filing individual returns, the income phase-out is increased from the current law threshold of $55,000 to $75,000. The $1,000 per-child tax credit under current law remains the same but is indexed for inflation under the legislation in increments of $50 from 2015 onward. The beginning points for the phase-out threshold for joint filers and single filers are indexed for inflation under the bill to the nearest $1,000 from 2015 onward. For each $1,000 of income over the phase-out threshold, $75,000 for single-filers and $150,000 for joint filers adjusted for inflation, the per child tax credit is reduced by $50. The legislation also requires filers claiming the refundable portion of the tax credit to submit a social security number (SSN).

Additional Information: The child tax credit was originally enacted as part of the Taxpayer Relief Act of 1997, and the credit amount was increased to $1,000 by President Bush (but is not currently indexed for inflation). The legislation is designed to ensure that the value of the child tax credit is not eroded by inflation and to eliminate the "marriage penalty" that is embedded in this provision of current tax law. Under current law, the income threshold for single tax filers is $75,000 and $110,000 for joint filers. This is referred to as the "marriage penalty" because the phase-out threshold for joint filers is not double that of single filers. This legislation increases the phase-out threshold for joint filers to $150,000 which is exactly double the $75,000 threshold for single filers. Filers may claim a $1,000 tax credit for each qualifying child under the age of seventeen-years old. Children who are not citizens, nationals, or residents of the United States do not qualify for the credit. The refundable portion of the child tax credit is available to tax filers who do not have income tax obligations, i.e., low-income filers, if they provide an Individual Taxpayer Identification Number (ITIN). The provision requiring an SSN instead of an ITIN is designed to combat significant fraud and abuse by those who improperly claim the refundable portion of the child tax credit.

- Committee Report 113-527 is available here.
- An Internal Revenue Service fact sheet about the child tax credit is available here.

Conservative Concerns and Conservative Support: Some conservatives may be concerned that this legislation will result in an expansion of the child tax credit. The Heritage Foundation published an article urging caution regarding expansion of the child tax credit available here. Others, including Senator Mike Lee (R-UT), argue for an expansion of the child tax credit. The recently published e-book, "Room to Grow," outlines the conservative argument for expansion of the tax credit (the tax reform chapter of the book is available here).

Committee Action: The legislation was introduced on June 23, 2014, and referred to the House Committee on Ways and Means. On June 25, 2014, the Committee favorably reported the legislation by a vote of 22-15.

Outside Groups in Support: The Family Research Council supports this legislation.

Administration Position: No Statement of Administration policy is available.

Cost to Taxpayers: The Joint Committee on Taxation (JCT) conducted a preliminary estimate of the version of the bill that will be considered on the floor. That preliminary estimate states that implementing the legislation will result in a loss of $93.9 billion in tax revenue to the Federal government over 2015-24. In addition, JCT estimates that implementing this bill will result in the Federal government reducing outlays by $3.5 billion over 2015-24.

Does the Bill Expand the Size and Scope of the Federal Government?: The bill expands the child tax credit.

Does the Bill Contain Any New State-Government, Local-Government, or Private-Sector Mandates?: No.

Does the Bill Contain Earmarks/Limited Tax Benefits/Limited Tariff Benefits?: No.

Constitutional Authority: According to the sponsor, "Congress has the power to enact this legislation pursuant to the following: Clause 1 of Section 8 of Article I of the United States Constitution and Amendment XVI of the United States Constitution." Representative Jenkins's statement in the Congressional Record can be viewed here.

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