



**Legislative Bulletin.....May 16, 2001**

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**H.R. 1836 – Economic Growth and Tax Relief Reconciliation Act**

**H.R. 1836—Economic Growth and Tax Relief Reconciliation Act (Thomas)**

**Order of Business:** This bill will be considered on Wednesday, May 16, subject to a rule.

**H.R. 1836 is identical to H.R. 3, which passed the House on March 8 by a vote of 230-198. The bill has to be repassed with the word “reconciliation” in the title in order to qualify for protection under the Budget Resolution.**

**Summary:**

- 1) Creates a new low-rate bracket retroactive to the first of this year:  
 Taxable Income

Calendar Year	Singles	Heads of Household	Married -Joint Returns	Proposed New Rate
2001-2002	0-\$6,000	0-\$10,000	0-\$12,000	12%
2003-2005	0-\$6,000	0-\$10,000	0-\$12,000	11%
2006	0-\$6,000	0-\$10,000	0-\$12,000	10%
2007 and later	Adjust	annually for	inflation	10%

- 2) Adjusts the 15% bracket to begin at the end of the new bracket.  
 3) Reduces the 28%, 31%, 36% and 39.6% brackets based on the following schedule:

Calendar Year	28% Rate Reduced to:	31% Rate Reduced to:	36% Rate Reduced to:	39.6% Rate Reduced to:
2002	27%	30%	35%	38%
2003	27%	29%	35%	37%
2004	26%	28%	34%	36%
2005	26%	27%	34%	35%
2006 and later	25%	25%	33%	33%

- 4) Repeals the present law provisions that offset the refundable child credit and the earned income credit by the amount of the alternative minimum tax.

Under current law, the Secretary of the Treasury is authorized to revise withholding tables to reflect the new tax rates.

**Additional Information:** The measures reported from the Ways and Means Committee reduces revenues by \$141 billion (over the 2002 through 2011 period) more than the proposal submitted by the President. The President's proposal did not call for making any of the income tax cuts retroactive and did not include changes to the Alternative Minimum Tax. Many Members, however, feel that we should go further than both the President's and the Ways and Means' proposals and make each rate reduction retroactive.

**Cost to Taxpayers:** According to the Joint Committee on Taxation, the bill will allow American taxpayers to keep \$958.2 billion more of their own money (FY 2001 through FY 2011).

**Does the Bill Create New Federal Programs or Rules?:** No.

**Constitutional Authority:** The 16<sup>th</sup> Amendment to the Constitution grants Congress the power to lay and collect taxes on incomes.

**Amendments:**

Rangel - Amendment in the Nature of a Substitute.

Includes a one-time rebate, payable immediately after enactment, to all individuals who had income tax liability for taxable year 2000, up to a maximum of \$300 for single taxpayers (\$600 for married couples); individuals with children who have payroll tax liabilities but not income tax liabilities, would be entitled to a refund of a portion of their payroll taxes; the refund would be automatically paid by the IRS without any requirement for taxpayers to submit claims; for families with children, the rebate could not exceed the sum of net income tax liability and payroll tax liability for taxable year 2000.

Also creates a new 12% rate bracket for the first \$20,000 of taxable income on a joint return (\$10,000 for single returns); adjusts the minimum tax so that all taxpayers with income tax liability receive the benefit of the rate reductions; eliminates the interaction of the minimum tax with certain refundable credits; also includes a provision that provides that the transfers to the Social Security and Medicare Trust Funds (based on the income taxation of Social Security benefits) will not be reduced by reasons of the rate reductions.

Modifies the earned income tax credit by increasing the amount of earned income eligible for the credit by \$800; addresses the marriage penalty contained in the EITC by increasing by \$2,500 the income level at which the credit begins to phase out on a joint return; coordinates the EITC phase out rates with the rate reductions provided in the bill; simplifies the EITC by eliminating income calculations and worksheets resulting in a credit that would require 3 or 4

lines on a return, all of which would be based on other information set forth in Form 1040. Creates a standard deduction for married couples twice the standard available to single individuals.

\* Summary based on information from the amendment sponsor.

**Quick Arguments Against the Rangel Amendment:**

- Fails to Provide Across-the-Board Tax Relief
- Couples Who Itemize Receive No Relief From the Marriage Penalty
- Provides a “Rebate” to Individual Who Did Not Pay Income Taxes, But Only if The Individual Has Children

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The views expressed in Legislative Bulletin may not reflect the views of all Members of the Republican Study Committee.