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EXECUTIVE COMMITTEE MEETING ON THE CHAIRMAN'S MARK REGARDING MARRIAGE TAX PENALTY RELIEF

THURSDAY, MARCH 30, 2000

U.S. Senate,

Committee on Finance,

Washington, DC.

The meeting was convened, pursuant to notice, at 10:37 a.m., in room SD-215, Dirksen Senate Office Building, Hon. William V. Roth, Jr., (chairman of the committee) presiding.

Also present: Senators Grassley, Hatch, Murkowski, Nickles, Gramm, Lott, Jeffords, Mack, Thompson, Coverdell, Moynihan, Baucus, Rockefeller, Breaux, Conrad, Graham, Bryan, and Robb.

Also present: Franklin G. Polk, Staff Director and Chief Counsel; and David Podoff, Minority Staff Director and Chief Economist.

Also present: John Talisman, Acting as for Tax Policy, Treasury Department; Lindy Paull, Staff Director, Joint Committee on Taxation; and Mark Prater, Chief Tax Counsel.

OPENING STATEMENT OF HON. WILLIAM V. ROTH, JR., A U.S. SENATOR FROM DELAWARE, CHAIRMAN, COMMITTEE ON FINANCE

The Chairman. The committee will please be in order.

Today it is my pleasure to bring before this committee the centerpiece of our efforts to reduce the tax overpayment by America's working families. Not only does it reduce families' tax burden, it eliminates some of the most egregious examples of unfairness and complexity in the Tax Code today.

The marriage tax relief proposal that I put before the committee does all three of these things, and does so within the context of fiscal discipline and preserving the Social Security surplus.

My proposal will eliminate the marriage penalty in both the standard deduction and in the lowest income tax bracket. In addition, it will guarantee that every family entitled to this relief receives this relief and permanently continues to receive the family tax credits such as the per-child tax credit, the dependent care credit, and others, that Congress intended and that they deserve.

At the same time that my proposal helps those who suffer a marriage penalty, whereby a couple pays more for being married than for remaining single, it does not neglect those married couples where one spouse works to maintain the home and raise the children.

Finally, I have included a modification that incorporates two of the amendments that were filed by committee members. First, I have incorporated Senator Jeffords' amendment to raise the income levels for which the Earned Income Credit would apply by $2,500. This further extends tax relief to those within the lowest income tax bracket. Senator Jeffords is to be commended for championining these families.

Second, I have added an amendment, backed by Senators Gramm, Nickles, Mack, and Lott, among others. Their amendment will extend the same bracket-widening principle which is already included for the lowest tax bracket to the next income tax bracket. Their amendment, further, extends marriage tax penalty relief to many hardworking families. That, too, is an important goal and they are to be commended for it.

This bill does all of these things for America's working families while preserving every cent of Social Security surplus. These tax cuts do not have to pit American families against America's seniors, nor does it extend a tax cut in a fiscally irresponsible manner.

These tax cuts fit in this year's budget, along with the other Republican priorities that we have already passed for education, health care, and small business. Our priorities add up for what is good for America and our numbers add up to what is fiscally responsible.

I do not believe that this committee will consider this year a tax cut bill that is fairer or more justified than this one that gives tax relief to working families who are burdened not only by the unfairness and complexity of a Tax Code that treats them one way when single and another way when married, but burdened by the cost of raising a family. It does so by returning to them their own income tax overpayment.

This bill is fair, this bill is responsible, and this bill is pro-family. I hope you will support it.

Senator Moynihan?

OPENING STATEMENT OF THE HON. DANIEL PATRICK MOYNIHAN, A U.S. SENATOR FROM NEW YORK

Senator Moynihan. Thank you, Mr. Chairman. We surely support the principle which you are advancing. We will have very serious reservations about the amounts involved. We suddenly seem to be in a situation where, instead of one massive tax cut, we are going to have a sequence of smaller tax reductions with the same cumulative result.

Second, with regret, I have to say, starting with the measure adopted in the House Ways and Means Committee, we are simply adding yet more complexity to the Tax Code. If you looked at that table that emerged from the House measure, it looked like the periodic table of the atoms that we used to learn in high school chemistry; you sort of thought you understood it, but you actually did not. But somebody must, or it would not be up there.

We have on our side a simple proposal. We recognize that this is real. Mind you, 51 percent of married couples receive a marriage bonus under the existing Tax Code, but there are the 42 percent who have, in effect, a penalty.

It should not be. It is perceived as unfair. We do not want taxpayers thinking something is unfair in the

Tax Code. Our proposal is simplicity itself: you let the taxpayer choose. The married couple can file separately or they can file jointly, whichever is to their advantage.

Most couples will file jointly because they will get the marriage bonus. Those now receiving a penalty file separately and there is no marriage penalty, period. Simple. You can describe it in one sentence. You choose: file separately or jointly. End of subject.

We feel very seriously about the amounts of money that is involved that our proposal would phase in over 10 years and would amount to $150 billion cumulatively. On the other hand, we are very cautious about committing ourselves to it this instant if we do not know how other things have worked out.

But we will offer the amendment, sir, in good spirit and say, can we not just once do something simple in our committee? Lindy Paull is looking doubtful.

Senator Mack. It would not be the first time.

Senator Moynihan. Thank you, Mr. Chairman.

The Chairman. Thank you, Senator Moynihan.

Senator Grassley, please.

OPENING STATEMENT OF HON. CHARLES E. GRASSLEY, A U.S. SENATOR FROM IOWA

Senator Grassley. You wait a long time to see legislation that is very justified in passing, and obviously I am glad to see that opportunity come, at least to vote it out of the committee now, particularly when it seems like certain tax laws are very difficult to explain their rationale at the grass roots.

This is one of those that is very, very difficult to explain. The more you try to give the history behind it, that when it took place in the Nixon tax bill, the more difficult then it is to make it understandable to the public as a whole. So, I am glad that we are correcting that.

I am going to stop there on my support of the legislation. I just want to take 45 seconds to mention that I realize that there will not be an opportunity to offer non-tax amendments, and I accept the Chairman's judgment on that.

But I would have liked to have offered an amendment on a health matter today that I believe is an urgent matter for Congress to act on, but I will not because I want to make sure that the marriage penalty gets out and does not get caught up in other controversy.

I would like to express my support for S. 662, a bill to provide treatment for women diagnosed with breast and cervical cancer. As you know, this was a bill that Senator Chafee worked hard to advance when he was a member of this committee.

Earlier this year, the President showed his support for this legislation, which has been an initiative that Republicans in both the House and Senate have proposed. Now I fear that an important bill like this might get tied up in a political year, a Presidential election year.

I urge all of my colleagues to help move this bill along some time later. I hope, Mr. Chairman, you can give it your attention. It is extremely important to women and mothers everywhere. We can help make a real difference in their lives through this legislation.

The Chairman. Thank you, Senator Grassley.

Now, Senator Baucus?

Senator Baucus. Thank you, Mr. Chairman. Mr. Chairman, I just have a couple of comments to make on the bill. First, some general concerns. My first concern, is we are putting the cart before the horse. We have already spent $154 billion in tax cuts. This is going to be about $240 billion.

My guess is that there will be other tax bills before us, and we have to consider, for example, retirement, maybe education stimulus, a whole host of other areas. Any family, any business, in trying to determine how much to spend on a certain issue, has to set priorities on kind of a zero-sum budget. We are not doing that.

We are coming out with a tax relief bill that is expensive and we have no idea how it fits with other potential tax reduction bills that may or may not come up this year. The Budget Committee, I think, just reported out its resolution.

But we have come up with this bill, paying no attention, zero attention, to the budget process. That is just wrong. I think our country wants us, frankly, to be a little more orderly, be a little more business-like in the way we manage the Nation's tax dollars.

Second, I think it is important to point out that this bill changes the Code in a very complex area, and we have done so with very little consideration of what we are doing.

For example, back before 1948, the law was that an individual taxpayer, say at $100,000 of income, paid the same taxes as, say, a married person of $100,000. Let us say that that was the total family income.

So the married person paid the same, then found out in community property States--California, for example--

that you could split, so marrieds were able to split it 50/50. The court said, that is not right, so Congress then changed it. That is where the joint filing came into place. That has been the case since 1948. Basically, joint filers can file jointly.

But then, by 1969, this Congress realized that that was creating a terrific inequity, which was that individuals had to pay taxes much more than couples. So the committee decided to look at all the brackets and say, all right. Individuals will pay no more than 60 percent of what a married couple will pay. That was arrived at as rough justice. That has been the law ever since.

We have always made sure that the individual brackets are no more than 60 percent of the married brackets. There are considered reasons for doing so. What are they? Essentially, it is a mathematical impossibility to achieve marriage tax neutrality if, at the same time, we want to have a progressive system and have couples with the same total income taxed the same. It is a mathematical impossibility. It cannot be done.

This means that when we change brackets, in this bill, the break points change for the 15 percent bracket --they also change, I understand it now, I guess, is it the 28th?

The Chairman. Twenty-eighth. Yes.

Senator Baucus. Twenty-eighth percent bracket. We are automatically creating inequities. We are automatically changing the well-established principle since 1969 that individuals in each of the brackets pay no more than 60 percent of what marrieds pay.

Now, that was a time when probably more families had one income earner as opposed to others, and that has changed dramatically over time. I have forgotten the figures, but many more families now have both members of the family that earn income.

So there may be a good reason to change that 60 percent, but if we do so, we should do it thoughtfully. We should find out how much the demographics of the country have change.

There are a lot of questions that we could ask ourselves as to the degree to which, therefore, it makes sense to change the Code in a way that is fair, fair to couples earning the same income, and fair to individuals earning the same income, remembering it is mathematically impossible. It is a mathematic impossibility to achieve marriage tax neutrality in a progressive system if you want couples with the same income to pay the same taxes.

So I am kind of disappointed, frankly, that this committee, the Senate Finance Committee, has not been more thoughtful in trying to figure out how we deal with the marriage penalty issue, which is very complex. We have been treating it very blithely, cavalierly, almost assuming that we intentionally in Congress imposed a penalty on marriage.

Well, of course that is not true. The real truth is, this is a very complicated issue and it requires a very thoughtful answer, which we have not come up with in this committee at all. We have not even considered it.

For example, the raise in the 28 percent bracket. Nobody in this committee ever heard about that until maybe a day ago. There was no hearing on that. There was no discussion on it. There was no Executive Session with give and take on that. That is not the way this committee should do business. It is just wrong. It is just wrong.

I might also say, Mr. Chairman, that a problem I have with this bill, is that more than half of the benefits go to married couples who already are in a bonus situation. More than half that are already in a bonus situation, so more than half of this bill is not a marriage penalty tax fix, it is just tax relief.

Well, that is fine if that is what we want to do, but we should recognize it for what it is and not call this a marriage penalty reform bill, because basically more than half of it is not.

In addition to that, people who suffer the greatest inequities are lower income people. It is the EITC which causes the greatest inequities, that is, bonus versus penalty and not upper income people as much.

I do not know if that has been examined, thought out, addressed in hearings, give and take. No. Why not? Sadly, because this is a political statement. It is not a thoughtful effort by this committee to come up with a thoughtful solution. That is the fact. This is just a political statement. It is a rush to get this bill to the floor by April 15, to make a statement.

I am all for addressing different break points, and how do we solve the marriage penalty problem. Over time, since 1969, our country has changed, which does require, I think, some significant changes in the law. But we, again, should do it much more thoughtfully.

The American public cares much, much more than we do this right than we rush out by April 15th with some big headline.

So, Mr. Chairman, I am saddened, frankly, by what is happening here today. I am disappointed by what is happening here today. I hope that we do not do much more of this. I hope we do what we are supposed to be doing and regaining some of the lost stature that this committee once had.

Everybody used to rush to get on the Senate Finance Committee. I can think of a lot of reasons, but I think the main reason is because it is really the committee with the power, it is the money committee that sets policy, in a bipartisan way, usually.

I have been on this committee for 22 years and I can tell Senators who have not been on this committee that long, that most often this committee, beginning with Russell Long as chairman, operated on a bipartisan basis. This was the bipartisan committee.

Now it has changed a little bit over time. There have been some problems. But I just think that we do a much better job when we address the issues, the complexities, and find the solution on a nonpartisan basis, because usually the best politics is to do the best public policy.

The Chairman. Senator Hatch?

Senator Hatch. Thank you, Mr. Chairman. I think Bob Dole summed that up pretty well the other night, and the Leader's comment, when he said that the Republicans took over control of the Senate in 1981, and Howard Baker called him and said, congratulations, Bob. You are going to be the new chairman of the Finance Committee. Bob kind of coughed and hacked and said, well, but who is going to tell Russell Long? So I remember those days. I have been here a few years, myself.

What I have to say is, I like this committee and I think there is no end to people who would like to get on it, to be honest with you. I like it because we all do get along well together and we have a lot of respect for you folks on the other side; I hope you do for us.

It is also a very tough committee to chair because these issues are so complex and so difficult, that I just want to commend both the Chairman and the Ranking Member for the work that they do continuously on this committee.

I had planned to offer two amendments this morning that I think would further improve this mark. In the interest of getting this bill to the floor in an expeditious manner, however, I have refrained from doing so.

As you know, Mr. Chairman, there are 66 separate marriage penalties, according to the American Institute of CPAs, in our current Tax Code. The Chairman's mark does eliminate two of the worst ones entirely, and alleviates two others.

I wish we could do some more on this. I am particularly concerned with the marriage penalty that faces young people who are struggling to repay student loans, because the threshold range for eligibility for the deduction of student loan interest is $40,000 to $50,000 for single taxpayers, but only $60,000 to $75,000 for married couples. That is a significant marriage penalty. My amendment would have increased the threshold for married couples to $80,000.

Now, I am pleased that Senator Mack and I were able to get that added on the floor to the Education Tax bill, but that bill does not look like it is going to go anywhere. I believe it also belongs in this bill.

But, in the interests of trying to resolve these problems, I will withhold bringing that up at this time. I would just hope that the Chairman and the Ranking Member will work with me between now and the floor, and hopefully we might be able to resolve that problem.

But I am also concerned with another severe marriage penalty that affects senior citizens collecting Social Security benefits. Now, this penalty occurs because the two thresholds for determining Social Security benefit taxability are set at the wrong levels.

For the first threshold which determines whether 50 percent of the benefits should be taxed, the threshold is $25,000 for singles, but only $32,000 for married couples.

The second threshold, which is the one added in 1993 to tax up to 85 percent of Social Security benefits, the single threshold is $34,000, but the marriage filing joint threshold is only $44,000. In order to avoid these two potentially huge marriage penalties, the thresholds for married couples should be raised to a level twice as high as the single's threshold.

This is an expensive amendment, Mr. Chairman, and I understand that. It is estimated that it would cost in revenues a little over $60 billion, so I will not offer it here. But I did want to raise this issue to the attention of the committee and hope that we can work together in the near future to try to resolve some of these very difficult problems.

I just want to thank you for the work you have done, and hope that I can be of assistance to you in getting it passed.

The Chairman. Thank you, Senator Hatch.

Next, is Senator Rockefeller.

OPENING STATEMENT OF HON. JOHN D. ROCKEFELLER IV, A U.S. SENATOR FROM WEST VIRGINIA

Senator Rockefeller. I was in the process of praising Senator Baucus for his statement, Mr. Chairman. I apologize. I share some of his views, and I will be very brief.

But I think about only 40 percent of this, as Senator Baucus indicated, is dedicated to the so-called alleviating of the marriage penalty, and 60 percent of it, and it is a very large number, then goes on to bonuses for people who are doing rather better.

Alan Greenspan keeps reminding us that we need to save all that we can to pay down the national debt, Medicare, and other things, and he keeps saying it and we keep not listening to it.

The other thing I would say, is this is very expensive. I am going to vote for an amendment which will be offered, but even in voting that, I offered an amendment which was considerably less expensive than the one that I will vote for, simply because I think we have to save our money for the truly important things that shape our Nation's future.

As Senator Moynihan said, the principle of what we are doing here is good, but that the particular process or mechanism that we have chosen by which to do it is not what I would have hoped, and I thank the Chairman for his time.

The Chairman. Thank you, Senator Rockefeller.

Senator Mack?

OPENING STATEMENT OF HON. CONNIE MACK, A U.S. SENATOR FROM FLORIDA

Senator Mack. Thank you, Mr. Chairman. I, too, am going to vote for the institution that will improve America's future, and that is the American family. I thank you for the mark that you have put before us this morning. As hard as it may be for those on the other side of the aisle to believe, just because they disagree with us does not mean that our approach is not thoughtful.

I appreciate the thought that has been put into this. I think it is, in fact, the right thing to do. It certainly is not rushing into it, after 31 years that the marriage penalty has existed. I think it is an appropriate time for us to move.

The last point that I would make is, again, based on what I have heard from the other side of the aisle, there never is a time for a tax cut. There are always other priorities to spend more. So, again, I commend you for this proposal you have put forward.

The Chairman. Thank you, Senator Mack.

Senator Breaux, please.

OPENING STATEMENT OF HON. JOHN BREAUX, A U.S. SENATOR FROM LOUISIANA

Senator Breaux. Thank you very much, Mr. Chairman and Senator Moynihan.

You know, we all had a problem that was brought to members of Congress' attention, and particularly to the members of the Senate Finance Committee, and that was that there was an inequity that existed in this country, and the inequity was that some people who got married were paying more in taxes than if they were not married and earning the same amount of income.

I think that we had a general agreement that we ought to do something about that, that it was unfair, that we were, in fact, discouraging people from being married and encouraging them not to be married because of the Tax Code, which was wrong. We all agreed on that.

Then something obviously happened on the way to the mark-up altar. We decided to do much more than that. I think that Senator Moynihan had the best way of addressing the problem.

He said, look, if you are helped by filing single you can do so, if you are helped by filing married you can do so; pick the one that helps you the most and file. It is not a big deal. It made a lot of common sense. It would not have required a lot of paper to correct that inequity the way Senator Moynihan suggested.

It is a problem. I mean, 42 percent of couples pay more in taxes when they are married than if they were single. But, on the other hand, 51 percent of couples, according to CBO, are helped by the current law. They have got a bonus, particularly married couples where, traditionally, the husband works and the wife stays at home. They have got a bonus right now.

So what we ought to be trying to do, is help those who have a penalty by eliminating the penalty, and saying we solved the problem.

The problem is, the Republican proposal, though I know it is offered in good faith, spends $248 billion over 10 years to do more than correct the penalty. It, in fact, does not correct the penalty for a number of couples in the upper brackets because it is limited to 28 percent.

People that are married will continue, under the Republican bill, in upper incomes to suffer the marriage penalty. Is that right? The Democratic proposal eliminates the marriage penalty for everybody, rich,poor, middle income, anybody, everybody.

The marriage penalty is eliminated under Senator Moynihan's proposal, whereas, the Republican proposal does not eliminate the marriage penalty for upper income people. I do not know if that is fair. I do not think it is. Everybody ought to have the penalty eliminated.

So I think that what started off as a consensus to get rid of the marriage penalty has broadened and grown on the way, as I said, to the mark-up altar and is something that spends far too much money and does not correct the penalty for some, and in fact creates a bonus for others who never asked for the bonus. We should not do that.

The Chairman. Senator Bryan?

OPENING STATEMENT OF THE HON. ROBERT H. BRYAN, A U.S. SENATOR FROM NEVADA

Senator Bryan. Mr. Chairman, thank you very much. Let me just make a preliminary observation. I have enjoyed very much serving on this committee. I have neither the tenure of you, the Ranking Member, or most of the members on the committee, and I have very much appreciated working with you and your leadership on this committee.

I am committed to kind of a quaint, old-fashioned notion that I recognize probably is ought of fashion in the out years, and that is, I think we ought to reduce the national debt whenever possible. I know that makes me perhaps one of the few members that survive of the old pre-Cambrian caucus, but I am proud to take that point of view.

I think this committee, this Congress, and the administration can take great credit that we have reduced the debt by some $300 billion over the last three years. When I came to this committee, I do not think anybody would have ever dreamed that that was possible. We have a chance of maybe reducing it by another $130 billion or more, depending upon what the projections are.

So that is the way I approach this situation. Now, my own sense is, with great respect, Mr. Chairman, this legislative vehicle sails under a false flag. It does not just address the marriage penalty, as a number of our colleagues have pointed out. It does much more.

I think, if we are going to talk about tax cuts, we ought to focus with laser-like precision on what the problem is that we seek to address. I agree, as the Ranking Member observed in his opening statement, that, in principle, we ought to eliminate the marriage penalty. That is unfair.

As has been said by several of our colleagues, there are 25 million Americans who pay that penalty. We ought to focus on that. But the great majority of the tax relief that is provided in this mark-up is provided to those who do not have a penalty. They are in a bonus. Indeed, $1 billion goes to unmarried taxpayers.

So, I mean, I think we have lost our focus. Although I have some reluctance in supporting the substitute that will be offered by the Ranking Member, I do think it is laser-like, as I say, in its focus. It does deal with the penalty.

It gives the taxpayer a choice. That is pretty simple, kind of old-fashioned. I would say it is even American to say, look, if you do better in a joint return, file jointly. If you do better as a single, that is your option as well.

Finally, let me say that, in my brief tenure on this committee, we have talked a lot about the length and complexity of the Tax Code. All of us thunder with considerable eloquence on the floor about what a travesty it is, and I have seen many of our colleagues stack that Code up on the desk. And I say again with great respect, we abandon the principle of simplicity and reducing the complexity with the mark before us.

I believe giving Americans a simple choice would reduce the complexity, solve the problem, and address something that we all worship at the shrine of great fortune here, to say let us make the Tax Code more simple.

The Chairman. Next, we have Senator Robb.

OPENING STATEMENT OF THE HON. CHARLES S. ROBB, A U.S. SENATOR FROM VIRGINIA

Senator Robb. Thank you, Mr. Chairman. I will try not to repeat all that has been said. I agree very much with my colleagues on this side of the divide, and I regret very much that we have a divide.

Frankly, I had long wanted to become a part of this committee, one, because I am very much committed to fiscal responsibility, and number two, because I thought that the approach would be bipartisan and I regret that we have a clear divide along partisan lines which I do not think is healthy for the long-term future of, again, responsible tax policy.

I particularly agree with the about-to-be Ranking Member or Chairman, Senator Baucus, and some of the comments that he made, and with all the others on the simplicity of the approach that the Ranking Member and former Chairman of the committee has made. If we are going to approach this issue in a time of plenty, when you have a penalty that is unfair to 42 percent of the people, that this is an appropriate time to make some adjustments.

I have been willing to make other adjustments in terms of tax cuts, but the timing of this is wrong. The fact that we are increasing the bonus for over half of the people that will be affected cannot be, in my judgment, viewed as either fair or properly described as pure marriage penalty relief. So, I regret that we are heading in this particular direction at this point, and I regret that we are doing it.

This time, we have got major challenges facing this committee at some point with respect to Social Security reform and Medicare reform. Anything that we can do now to pay down the debt makes it less burdensome to address those very real problems, and others in the future.

Of course, we are dealing with a situation where much of what we are dealing with in terms of available resources is speculative, and we continue to look at some of the figures that reflect the 1997 BBA discretionary spending numbers when we talk about it, so there is an appearance of more money out there than there really is, because we know we are not following those numbers.

So I regret that we are at this particular point. I think that the alternative, the substitute that is being offered by the distinguished Ranking Member, is far and away the preferable way to go, under the circumstances. I will just let it go at that.

I thank you, Mr. Chairman.

The Chairman. Next, we have Senator Coverdell.

OPENING STATEMENT OF HON. PAUL COVERDELL, A U.S. SENATOR FROM GEORGIA

Senator Coverdell. Mr. Chairman, I think we are beginning to get the drift here of our differences. Let me simply say that I am not offended by the fact that it strikes at the marriage penalty, but that it might reach beyond that to some other families and provide additional relief there. All of the families that we are talking about are middle income.

In my State, and I would say it is probably not too different in the rest of ours, our middle class families are only keeping about 53 cents on the dollar after State, federal, and local taxes.

We have created an enormous burden on these families to do the things they are supposed to do for America, get it up in the morning, get it to school and work, house it, educate it, and keep it healthy.

So I am not offended by the idea that we might be going beyond an error or the marriage tax penalty. We are concentrating all of the relief in areas where it is severely needed. We can tend in this city to get a little too caught up in intellectual review and the manifestations.

There is nothing on there that has not been before us for many years: eliminate the penalty in the standard deduction; provide broad-based marriage tax penalty relief through a bracket widening, 15 and 28 percent; provide relief on the marriage penalty in the Earned Income Credit; provide relief from the Alternative Minimum Tax. None of us really intended for this to impose the condition it has on middle income families.

For one member of the committee, and I guess the newest, while I do not take offense at the Ranking Member's suggestions and ideas, I find all of these useful in reducing what has become an onerous burden on middle class America.

If you want to know the truth about it, it is not enough. As the Senator from Florida indicated, every time we try to talk about accomplishing this the city becomes riled that something would stay in the checking account of American families and not end up here for us to reorder the priorities. So, while I know perfection is impossible, as I have said, there is nothing onerous. It is meaningful relief to a group of Americans who really need it.

So, I compliment the Chairman and those that he has counseled with to bring the Chairman's mark, and I yield.

The Chairman. Thank you, Senator Coverdell.

Next, is Senator Jeffords.

OPENING STATEMENT OF HON. JAMES M. JEFFORDS, A U.S. SENATOR FROM VERMONT

Senator Jeffords. Thank you, Mr. Chairman. I just would like to echo the remarks of the Senator from Georgia, and also thank the Chairman for including in the mark my amendment on the EITC, which I think really balances the bill position and I can strongly support it.

I would also like to look back in history and remind members of when we first tried to start to take care of this problem. I was the original co-sponsor with Millicent Fenwick back in, good Lord, in the late 1970s, I think, or 1980s, when we discovered this problem and tried to move it forward. Here we are, 20-odd years later, and we still have not done it. Today, I think we are going to do it.

Thank you, Mr. Chairman.

The Chairman. Thank you, Senator Jeffords.

Now, Senator Lott, our distinguished Leader.

OPENING STATEMENT OF HON. TRENT LOTT, A U.S. SENATOR FROM MISSISSIPPI

Senator Lott. Well, thank you, Mr. Chairman. I will be brief. I just want to thank you for bringing us to this point, and for your effort to include provisions in this proposal that various Senators have asked for.

I realize you can perhaps make an argument that it is not all directly related to the problem we are trying to address in a marriage tax penalty. But, for instance, Senator Jeffords just touched on one point that I cannot believe that other members of the committee would not be supportive of, and that is to increase the EIC provision to the $2,500 increase for joint returns that is in this package.

That helps people that are at the low end of the scale, and I would think that most of the members would be for doing that. Now, if I were writing a pure bill that might not be in there. It probably would not be in there.

Another provision that is included in here that a lot of members have concern about is the AMT, Alternative Minimum Tax. We all know that some unintended consequences of the AMT legislation is hitting people now that we did not intend for it to. It is getting down to the middle income level.

While it is not directly related to the marriage penalty elimination provisions, certainly it is something a lot of members of Congress want to do something about. So, I think it is about trying to make the Tax Code fairer.

But I think the bottom line to all of this is exactly what Senator Jeffords was just touching on. We have been talking about doing this for years, and somehow or another it always just escapes our net. We just do not get it done. We have tried to pass it in various ways. I think we had the provisions in last year's bill that wound up being vetoed. It just this point: are we going to finally eliminate the marriage penalty tax as much as we can or not?

Are we going to stop it at this point in the Finance Committee or in the Senate, or can we join the House and pass it through the Senate, get it to conference, and work on something, hopefully that the President will sign?

This is one of the many very unfair provisions in the Tax Code. Like the Social Security earnings test, we stepped up. After 20 years of talking about it, we have gotten it done in a bipartisan way, and the President is going to sign it. We ought to do the same thing with the marriage penalty tax.

So I hope we can continue to look and find a way to actually take this actin this year. Otherwise, my daughter has threatened to run against me. This is very serious. She was married last year in May, and she has figured out that she is going to pay more in taxes just because she is married, because she and her husband both work, and she is mad about it. So, we have got to get this done.

Thank you, Mr. Chairman.

Senator Hatch. That would add a little class to the Senate, is all I can say. [Laughter].

The Chairman. Senator Graham?

Senator Graham. Well, I would like to pick up on what our Leader has just said about the importance of family. Today is an important day in my family's life: it is the fifth birthday of our triplet granddaughters. So I am thinking about that.

There actually is some relevance to the discussion that we are having today, because if you were to ask me which of those three triplets or their seven cousins that I love the most, I would say that I love all of them equally and want to give all of them an equal share of everything possible.

In many ways, that is part of the issue before us today. There are many areas that one could point to as unfairness in our Tax Code, or in our general public policy. There are many areas that we could point to as being opportunities for incentives within our Tax Code or public policy.

What concerns me about the way in which we are proceeding, is that we are not being given an opportunity to look at the full range of options and then attempt to make a relative, appropriate choice among those options.

It may be that, focusing on all the things that we have to do, we would conclude that we should spend this percentage of our non-Social Security surplus on eliminating and, as suggested, going beyond eliminating, the marriage penalty tax. But to try to view this isolated, without that context, I think, is going to lead us into a distorted ultimate decision.

Let me just give a few numbers. This week, the Senate Budget Committee voted out its budget resolution. I think in the next few days we will probably have it on the Senate floor.

That resolution, after allocating part of the on-budget--that is, the non-Social Security surplus--to additional discretionary and mandatory spending beyond what was in the budget cap bill that we passed in 1997, and taking into consideration the lost interest saving that that higher spending will occasion, the on-budget, non-Social Security surplus included in the Senate Budget resolution is $209 billion.

Now, that same resolution has provided for tax cuts over the next five years totaling $180 billion, which means that beyond the commitments that have already been made, we will have approximately $59 billion of non-Social Security surplus to use for everything else, including additional debt reduction beyond that that is going to come by the application of the Social Security surplus to debt reduction, strengthening Social Security, strengthening Medicare, and providing a reasonable Medicare prescription medication benefit.

We heard in yesterday's hearing on prescription medication that, with one exception, all of the people who testified on panel one said that the Senate Budget resolution was inadequate in the amount of money that it has identified for prescription medication, that we need to go beyond the amount that the Senate Budget resolution incorporates. That would be another possible area in which we would want to use the non-Social Security surplus.

Now, in terms of the $150 billion that we have allocated for tax cuts, we have already committed in the Bankruptcy bill, with its minimum wage and tax provisions, the Patient Bill of Rights bill, and the Education Savings Account bill, a total of $43.7 billion in tax cuts over the next five years, this bill would provide an additional $69.8 billion in tax cuts over the next five years, or a total of $113.5 billion.

So we, with this action today, will have committed 76 percent of all of the tax cuts that the Senate Budget resolution will sanction to measures already included in three bills that the Senate has passed, plus this bill which is being recommended to the Senate to pass.

I think that is not the way to go about doing the public's business, is this drip, drip, drip, drip of tax relief without ever looking at what the whole pool of possible tax policy is and making an objective judgment across issues, what is the most important, what will best advance the public interest of the United States.

So, in addition to the comments that have been made about the specifics of the proposal before us, I am concerned about the way in which we are approaching the utilization of the non-Social Security surplus, and for that reason cannot support the Chairman's mark.

The Chairman. The general debate is now completed, and the Chairman's mark is now open to amendment.

Senator Moynihan. Mr. Chairman, I would wish to offer a substitute. We have a title for our substitute.

It is, Save Trent Lott's Seat. [Laughter]. We can solve that problem directly, in a way that your daughter will not have to go to law school to understand what has happened.

I do not want to speak at any greater length. I would make the point that the five-year cost of our measure is $20 billion. We are very much aware of the concerns that the Senator from Florida and the Senator from Virginia have mentioned.

We include the recipients of the Earned Income Tax. There you really have a social problem. You have two single persons receiving the Earned Income Tax Credit, which by definition means low income. If they were to marry, it really hurts them. I mean, money they would miss. We solve that.

I am informed by our wonderful professional staff that our measure would eliminate all 66 of the marriage penalties that the Senator from Utah has mentioned. I was not aware that there were 66, but there are, and we take care of them.

Finally, to say that--I will say later--the Department of the Treasury is very much concerned about the size of the Chairman's mark. It would not be signed into law. We have here and now the opportunity to save Senator Lott's seat, and protect the surplus. What more could you hope for? Mr. Chairman, I move the adoption of the amendment.

The Chairman. First, let me say that I am very familiar with the substitute amendment that Senator Moynihan has offered, and I want to say there are a lot of good things about it. I am particularly pleased to see that our Democratic colleagues are offering an amendment, recognizing the unfairness of the marriage penalty.

But, that said, I did not propose a separate filing plan this year because, as Chairman, one of my responsibilities is to work with the members to try to achieve consensus. In the past few weeks, I solicited input from all members of the committee, both sides of the aisle.

Senator Moynihan. You did. You did.

The Chairman. I am pleased to say, many of you on both sides of the aisle did outline your views. Now, after listening to the various viewpoints, I did come to the conclusion that the best approach at this time is to build on the foundation that Congress has already approved.

Last year in the conference report of the Taxpayer Relief Act of 1999, Congress adopted three components of marriage penalty relief: an expansion of the standard deduction for married couples filing jointly, a widening of the tax brackets, and an increase in the income phase-out for the Earned Income Tax Credit.

A different part of the bill also addressed the minimum tax issue, which I do not believe the Democratic substitute does. This year, the House passed a marriage penalty tax bill that included these first three components.

Now, my mark, along with the modifications, used this foundation and took it a step further. We have raised the beginning and ending point of the Earned Income Credit phase-out by $2,500, making sure that many low-income people receive marriage penalty relief.

We also devoted substantial resources to preserving family tax credits from the Alternative Minimum Tax. We do not want to be in a position where we solve a couple's marriage penalty, saving them hundreds of dollars, and then taking it away from the other hand because we have not preserved their child credit from the minimum tax cutback.

Finally, we accelerate the increase in the 15 percent tax bracket for married couples filing a joint return. We also add a phased-in increased to the 28 percent bracket. What we have done, is to eliminate the largest source of the marriage penalty, the structure of the rate brackets for all but a small percentage of those who suffer from a marriage penalty.

We have done it. We have done it in a way that, simply because a family has only one wage earner, it is not treated differently than a family where both spouses work. This is a laudable goal, and one that I support.

In short, I believe that the proposal that we have in front of us, the Chairman's mark, is the right approach at this time, and I respectfully urge my colleagues to vote against the substitute amendment.

Senator Moynihan. Mr. Chairman, if I may just make one remark. You said that the measure you proposed would eliminate the marriage penalty for all but a small percentage of the taxpayers. Well, sir, it leaves the grievance even more acute for that small percentage. Our measure eliminates it for everyone. So, I am prepared to vote.

Senator Baucus. Mr. Chairman?

The Chairman. Senator Baucus.

Senator Baucus. I just wanted to make a brief comment here. I think it is worth repeating the point that Senator Moynihan made. It is the elegance and simplicity of the approach, namely, allowing people to choose gives people, first, that option, which it is always good to do--almost always--and second, it has the effect of addressing the marriage penalty inequity throughout the Code. It is not like just the rates, but also the credits. The Majority mark addresses the rate inequities, but not the credit.

As Senator Hatch talked about addressing some of the credits, that would be kind of selectively addressing the credit inequities. But when you choose as a joint filer, you automatically address all inequities. It is not just the rates, but it is also the credit inequities, of which there are about 60-some credits now in the Code.

In addition to that, in effect, we are providing AMT relief, by definition, and even greater than the AMT relief that is in the mark, by definition. It is important to know the consequence of this very simple approach does more broadly and more completely address the marriage penalty problems than the alternative, namely, the mark. I compliment Senator Moynihan for pushing that proposal.

The Chairman. I would just make one comment. That is, the approach recommended by my distinguished colleague is, indeed, complex. It does require the taxpayers to make many complex calculations to determine who has what income and what deductions. That should not be over- or under-estimated. So, there is that complexity inherent in that approach.

But, again, I say I am happy to see my colleagues on both sides of the aisle recognize the importance of addressing the marriage penalty, but I would urge them to reject the substitute in favor of the Chairman's mark.

With that, I would ask the Clerk to call the roll.

Senator Breaux. Mr. Chairman?

The Chairman. Yes, Senator Breaux?

Senator Breaux. Can I ask staff a technical question on the bill? I would like to ask Mr. Talisman, and Lindy, if you have a different comment. I have two questions.

The first, is on the AMT. It is my understanding that Senator Moynihan's AMT bill would say that any benefit any couple gets as a result of this bill would not subject the couple to AMT taxation on that benefit. It seems to me that, by excluding one of the brackets, that the Republican bill would subject how many people to an AMT tax under their bill?

Mr. Talisman. Senator Breaux, in response to your question, I believe Senator Moynihan's amendment does allow the joint taxpayers to calculate their tax as if they were single for purposes of the AMT as well as the regular tax.

Senator Moynihan. It does.

Mr. Talisman. It does. It does allow that. And with respect to the question on the Chairman's mark, the change in the brackets and the other changes in the bill would increase the number of AMT taxpayers by about $9 million, but then the AMT fix would bring that back down by about $3.5 million. So the Chairman's mark, we believe would add about $5.5 million taxpayers to the AMT.

Senator Breaux. All right. The second question. My staff tells me that over half----

Mr. Talisman. That is $5.5 million.

Senator Breaux. $5.5. million.

Senator Breaux. All right. The second question I have, my staff tells me, and is this correct or not, that over one-half of the money in the Chairman's bill would go to provide, I guess they call it, relief to people who currently do not suffer a marriage penalty, is that correct?

Mr. Talisman. Yes. Over half of the relief in the Chairman's mark would go to taxpayers with either marriage bonuses or single taxpayers, that is correct.

Senator Breaux. Thank you, Mr. Chairman.

The Chairman. I would just make the observation that we already took the action with respect to AMT for three years, and all we are doing is make sure that, when we promised the American family they would get a child tax credit, they would not lose it through the Alternative Minimum Tax. We assure that they will continue to get it permanently, and I think that is perfectly clear.

With that, I would urge the Clerk to call the roll. The vote is on the substitute. An aye vote would be in favor of the substitute, nay would be opposed.

The Clerk. Mr. Grassley?

The Chairman. Mr. Grassley votes no, by proxy.

The Clerk. Mr. Hatch?

Senator Hatch. No.

The Clerk. Mr. Murkowski?

The Chairman. No, by proxy.

The Clerk. Mr. Nickles?

Senator Nickles. No.

The Clerk. Mr. Gramm, of Texas?

The Chairman. No, by proxy.

The Clerk. Mr. Lott?

Senator Lott. No.

The Clerk. Mr. Jeffords?

Senator Jeffords. No.

The Clerk. Mr. Mack?

Senator Mack. No.

The Clerk. Mr. Thompson?

The Chairman. No, by proxy.

The Clerk. Mr. Coverdell?

Senator Coverdell. No.

The Clerk. Mr. Moynihan?

Senator Moynihan. Aye.

The Clerk. Mr. Baucus?

Senator Baucus. Aye.

The Clerk. Mr. Rockefeller?

Senator Rockefeller. Aye.

The Clerk. Mr. Breaux?

Senator Breaux. Aye.

The Clerk. Mr. Conrad?

Senator Moynihan. Aye, by proxy.

The Clerk. Mr. Graham, of Florida?

Senator Graham. Aye.

The Clerk. Mr. Bryan?

Senator Bryan. Aye.

The Clerk. Mr. Kerrey?

Senator Moynihan. Aye, by proxy.

The Clerk. Mr. Robb?

Senator Robb. Aye.

The Clerk. Mr. Chairman?

The Chairman. No.

The Clerk. Mr. Chairman, we have 9 ayes and 11 nays.

The Chairman. The amendment is not agreed to.

Senator Graham. Mr. Chairman?

The Chairman. The Senator from Florida.

Senator Graham. I would like to call up the Graham-Robb-Bryan amendment number one.

The Chairman. Please proceed.

Senator Graham. Mr. Chairman, this amendment states that the proposed tax cuts would not go into effect until the Congress has adopted legislation which would extend the solvency of the Social Security program trust fund through 2075 and the Medicare Part A trust fund through the year 2025.

The purpose of this, is to try to, if I could return to my grandchildren's birthday party tonight, to do what they are not going to do, and that is that we should eat our spinach before we start eating our cake. The United States has a contractual commitment to its citizens for a secure Social Security and Medicare program.

These are programs into which the American people have been paying through the payroll tax and have every legal and moral right to expect that they will receive the benefits.

I believe that is a high moral obligation of this Congress. I believe that we should fulfill that obligation before we begin committing the non-Social Security surplus to other purposes. As indicated before, we only have reserved in the Senate Budget resolution $59 billion of non-Social Security surplus over the next five years for purposes other than fulfilling the tax cuts that are proposed.

With this action today, if we take it as recommended, we will have committed 76 percent of the tax amount to proposals that, in my judgment, have not been adequately analyzed in terms of their relative importance to the American people.

Virtually every proposal that has been made, whether it is a Republican proposal or a Democratic proposal, to strengthen Social Security and Medicare uses a portion of the non-Social Security surplus to meet that objective of strengthening these two programs.

I think that it is a classic case of eating dessert before the main course for us to be utilizing the non-Social Security surplus until we have fulfilled our obligation to these programs.

So, Mr. Chairman, I urge the adoption of this amendment, in which I am joined by Senator Robb and Senator Bryan, which would establish a sequence of priorities and would say that strengthening Social Security to the year 2075 and assuring its solvency, and the solvency of the Medicare Part A program through 2025, are our two priority national objectives, national obligations, before we consider other matters, including a matter as appealing as the proposal to reduce the marriage penalty.

Senator Robb. Mr. Chairman?

The Chairman. Yes. The Senator from Virginia.

Senator Robb. Thank you, Mr. Chairman. I am pleased to co-sponsor the amendment just offered by my distinguished colleague from Florida. It is very clear that the economy is not in desperate need of stimulation at this particular point.

This would allow those who believe that this is good public policy to have, in effect, bragging rights, but would allow us to act in a responsible manner to deal with the truly pressing need to make substantial systemic revisions to guarantee the long-term solvency of both Social Security and Medicare. I think it is a very responsible approach. It gives both sides something to take home, and I hope it would be the pleasure of this committee to adopt the amendment.

Senator Nickles. Mr. Chairman?

The Chairman. The Senator from Oklahoma.

Senator Nickles. Mr. Chairman, just reading the amendment, I am kind of amused, because I just left the Budget Committee and the Budget Committee just passed a resolution that says, well, we direct the Finance

Committee to pass a drug benefit, and oh, yes, if you can do it responsibly, fine, but if you cannot, do it anyway. I am kind of amused, because that would just blow the heck out of the last part of Medicare Part A.

Senator Moynihan. Was that Senator Graham's proposal?

Senator Nickles. I do not think it was Senator Graham's proposal. I think it came from a couple of other Senators. My point being, is that that type of philosophy, I guess somebody can say, well, we will have a drug benefit, therefore there will never be a tax cut. Or we will have some other change, and therefore you will never have any tax cut. We will just postpone any tax cuts because Congress can figure out ways to spend it. So, anyway, I would urge our colleagues to vote no on the amendment.

Senator Graham. If I could just respond to that. I disassociate myself from whatever happened in the Budget Committee. [Laughter]. This is as clear as a statement as I can construct, which states that our two first priorities are to meet the contractual obligation that the Federal Government has to tens of millions of Americans, including most of us in this room today in the not-too-distant future, to fulfill the obligation of the Social Security trust fund and the Medicare Part A trust fund. Those two obligations should be met before we consider or before we make effective other uses of the non-Social Security surplus. I urge the adoption of this amendment.

Senator Gramm. Mr. Chairman, I will be brief.

The Chairman. Senator Gramm.

Senator Gramm. I never ceases to amaze me that, when the President proposes a budget that increases non-defense discretionary spending by 14 percent, you have got to go all the way back to the first year Lyndon Johnson was President to equal that, people do not think those spending programs ought to be tied to whether or not we are meeting all of these obligations. The only time anybody is ever concerned about these things, is when we are talking about letting working people keep more.

The incredible paradox is that, if we spend money on these new programs, we will never be able to get the money back if we need it. If we give people a tax cut, if we have a crisis and need the money back, we can raise taxes, as has been done on numerous occasions.

So I just do not understand the logic of this. If this said none of the new spending and none of the tax cuts would go into effect if you did not meet these obligations, then you would automatically overturn all these new programs, then I would say this is a logic amendment, you could be for it or against it. But why we single out tax cuts and do not single out spending, I do not know.

Senator Graham. Mr. Chairman, if I could just respond to that.

The Chairman. The Senator from Florida.

Senator Graham. I am certain that my teutonic cousin joined me last year in opposing all of those egregious provisions that exceeded the budget ceilings, and I hope that we will have an opportunity----

Senator Gramm. I do not know if you were there or not, but I was.

Senator Graham. I voted against, for instance, that last humongous proposal that we had that pushed us so far beyond our 1997 commitments, and I look forward to joining with you on the floor in doing so again this year.

But today in the Finance Committee, the only issue that we can deal with is the jurisdiction of the Finance Committee, which happens to be on the tax side of the fiscal equation.

Today, I will take the step that I can take today, which is to say that this tax provision should not become effective until we have dealt with the other major responsibilities of the Finance Committee, which is solvency of Social Security and solvency of the Medicare Part A program.

I would urge the adoption of the amendment.

The Chairman. If there is no further request for time, I urge the Clerk to call the roll.

The Clerk. Mr. Grassley?

Senator Grassley. No.

The Clerk. Mr. Hatch?

Senator Hatch. No.

The Clerk. Mr. Murkowski?

The Chairman. No, by proxy.

The Clerk. Mr. Nickles?

Senator Nickles. No.

The Clerk. Mr. Gramm, of Texas?

Senator Gramm. No.

The Clerk. Mr. Lott?

Senator Lott. No.

The Clerk. Mr. Jeffords?

Senator Jeffords. No.

The Clerk. Mr. Mack?

Senator Mack. No.

The Clerk. Mr. Thompson?

Senator Thompson. No.

The Clerk. Mr. Coverdell?

Senator Coverdell. No.

The Clerk. Mr. Moynihan?

Senator Moynihan. Aye.

The Clerk. Mr. Baucus?

Senator Moynihan. Aye, by proxy.

The Clerk. Mr. Rockefeller?

Senator Rockefeller. Aye.

The Clerk. Mr. Breaux?

Senator Breaux. Aye.

The Clerk. Mr. Conrad?

Senator Conrad. Aye.

The Clerk. Mr. Graham, of Florida?

Senator Graham. Aye.

The Clerk. Mr. Bryan?

Senator Bryan. Aye.

The Clerk. Mr. Kerrey?

Senator Moynihan. Aye, by proxy.

The Clerk. Mr. Robb?

Senator Robb. Aye.

The Clerk. Mr. Chairman?

The Chairman. No.

Senator Baucus. Mr. Chairman?

The Chairman. The Senator from Montana?

Senator Baucus. I vote aye.

The Clerk. Mr. Baucus votes aye. Mr. Chairman, the tally is 9 ayes and 11 nays.

The Chairman. The amendment is not agreed to. We will now proceed with the vote on final passage of the Chairman's mark.

Senator Rockefeller. Mr. Chairman, with your permission?

The Chairman. The Senator from West Virginia.

Senator Rockefeller. I have an amendment at the desk which I am not going to call forward because I recognize it would be declared non-germane.

But last year when we discussed this, the Chairman and the Ranking Member of the committee indicated that we would have a chance this year to do what I have been striving to do for nine years now, and that is, since the passage of the Coal Act, to provide security for retired miners who, at the time that we passed it, there were about 122,000, now there are about 66,000.

It is something, as members know very well, that I feel very passionately about. These are people who are, on average, age 77 years old. Yes, they get Medicare, but these are people that average 10-12 pills per day, and they get Medigap wrap-around that pays for some of their medication, it does not for others.

I really think that people who have worked as hard and long as they have in the coal mines in the world's most dangerous job, most of these working back in the pick and shovel days, that they, if they are still living, or their widows, deserve health benefits.

These health benefits were removed by the companies who had promised to give them health care benefits, and health care benefits are the most important thing in an aged miner's life, or a widow's life.

The situation, very simply, is that because of some legislation that was passed and because of inflation adjustments on a medical basis for this combined fund, the fund is now losing, and will lose in perpetuity, about $40-50 million per year unless we do something. The result of that will be, in absolute terms, that there will be a cut in benefits for these people.

Now, we faced a situation last year, and at the last second it was bailed out in the Appropriations Committee, but it was simply a one-year fix. So the administration has included, over a 10-year period, $346 million that would, in fact, solve this problem. They have put it in the baseline, so it is secure in that respect. But, of course, we have to pass it.

Mr. Chairman, I want to work very much with the members of the committee to try and solve this problem, because I know they sometimes get tired of my talking about it. But Senator Nickles has asked for, along with

Senator Roth, for a GAO report on it, and I understand that. There are super reach-back questions, and these are technical terms, but the members of the committee----

The Chairman. I would say to the distinguished Senator----

Senator Rockefeller. I was just going to ask, will there be a chance this year to try to solve this problem, Mr. Chairman?

The Chairman. Well, as you know, last year I committed myself to work with you, as well as the other interested Senators and the administration, on this issue in the context of appropriate legislation. I would just point out, besides yourself we have Senators Grassley, Nickles, and Thompson interested in this manner, so we will proceed to work with you.

Senator Rockefeller. I thank the Chair.

The Chairman. With that, we will proceed with the vote on enactment of the Chairman's mark. I move its adoption. Those in favor will signify by saying aye, those opposed, nay.

I do move that we report the modified Chairman's mark as an original bill to the Senate, and that the staff is authorized to make technical changes in drafting.

The Clerk will please to proceed.

The Clerk. Mr. Grassley?

Senator Grassley. Aye.
The Clerk. Mr. Hatch?
Senator Hatch. Aye.
The Clerk. Mr. Murkowski?
Senator Murkowski. Aye.
The Clerk. Mr. Nickles?
Senator Nickles. Aye.
The Clerk. Mr. Gramm, of Texas?
Senator Gramm. Aye.
The Clerk. Mr. Lott?
Senator Lott. Aye.
The Clerk. Mr. Jeffords?
Senator Jeffords. Aye.
The Clerk. Mr. Mack?
Senator Mack. Aye.
The Clerk. Mr. Thompson?
Senator Thompson. Aye.
The Clerk. Mr. Coverdell?
Senator Coverdell. Aye.
The Clerk. Mr. Moynihan?
Senator Moynihan. No.
The Clerk. Mr. Baucus?
Senator Baucus. No.
The Clerk. Mr. Rockefeller?
Senator Rockefeller. No.

The Clerk. Mr. Breaux?

Senator Breaux. No.

The Clerk. Mr. Conrad?

Senator Conrad. No.

The Clerk. Mr. Graham, of Florida?

Senator Graham. No.

The Clerk. Mr. Bryan?

Senator Bryan. No.

The Clerk. Mr. Kerrey?

Senator Moynihan. Votes no, by proxy.

The Clerk. Mr. Robb?

Senator Robb. No.

The Clerk. Mr. Chairman?

The Chairman. Aye.

The Clerk. Mr. Chairman, we have 11 ayes and 9 nays.

The Chairman. The modified Chairman's mark is adopted and will be appropriately reported to the floor.

Senator Moynihan. Congratulations, Mr. Chairman. As little as we hoped for this outcome, we respect the skill with which you have brought it about.

The Chairman. Thank you very much, Senator Moynihan.

The committee is in recess.

[Whereupon, at 12:00 p.m., the meeting was concluded.]

UNITED STATES SENATE
COMMITTEE ON FINANCE

Thursday, March 30, 2000
10:00 a.m.
215 Dirksen Senate Office Building

OPEN EXECUTIVE SESSION
AGENDA

Chairman's Mark regarding Marriage Tax Penalty Relief

DESCRIPTION OF A CHAIRMAN'S MARK OF THE MARRIAGE TAX RELIEF ACT OF 2000

Scheduled for Markup

by the

SENATE COMMITTEE ON FINANCE

on March 30, 2000

Prepared by the Staff

of the

JOINT COMMITTEE ON TAXATION

March 28, 2000

JCX-34-00

CONTENTS

INTRODUCTION

This document,[1] prepared by the staff of the Joint Committee on Taxation, provides a description of a chairman's mark of "The Marriage Tax Relief Act of 2000," scheduled for markup by the Senate Committee on Finance on March 30, 2000.

[1] This document may be cited as follows: Joint Committee on Taxation, *Description of a Chairman's Mark of The Marriage Tax Relief Act of 2000* (JCX-34-00), March 28, 2000.

I. MARRIAGE TAX RELIEF PROVISIONS

A. Standard Deduction for Married Couples Set at Two Times the Standard Deduction for Single Individuals

Present Law

Marriage penalty and bonus in general

A married couple generally is treated as one tax unit that must pay tax on the couple's total taxable income. Although married couples may elect to file separate returns, the rate schedules and other provisions are structured so that filing separate returns usually results in a higher tax than filing a joint return. Other rate schedules apply to single persons and to single heads of households.

A "marriage penalty" exists when the combined tax liability of a married couple filing a joint return is greater than the sum of the tax liabilities of each individual computed as if they were not married. A "marriage bonus" exists when the combined tax liability of a married couple filing a joint return is less than the sum of the tax liabilities of each individual computed as if they were not married.

While the size of any marriage penalty or bonus under present law depends upon the individuals' incomes, number of dependents, and itemized deductions, as a general rule married couples whose incomes are split more evenly than 70-30 suffer a marriage penalty. Married couples whose incomes are largely attributable to one spouse generally receive a marriage bonus.

Under present law, the size of the standard deduction and the tax bracket breakpoints follow certain customary ratios across filing statuses. The standard deduction and tax bracket breakpoints for single filers are roughly 60 percent of those for joint filers.[2] Thus, two single individuals have standard deductions whose sum exceeds the standard deduction for a married couple filing a joint return.

Basic standard deduction[3]

Taxpayers who do not itemize deductions may choose the basic standard deduction (and additional standard deductions, if applicable), which is subtracted from adjusted gross income

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[2] This is not true for the 39.6-percent rate. The beginning point of this rate bracket is the same for all taxpayers regardless of filing status.

[3] Additional standard deductions are allowed with respect to any individual who is elderly (age 65 or over) or blind.

("AGI") in arriving at taxable income. The size of the basic standard deduction varies according to filing status and is indexed for inflation. For 2000, the size of the basic standard deduction for each filing status is shown in the following table:

Table 1.–Basic Standard Deduction Amounts

Filing status	Basic standard deduction
Single return	\$4,400
Head of household return	\$6,450
Married, joint return	\$7,350
Married, separate return	\$3,675

For 2000, the basic standard deduction for joint returns is 1.67 times the basic standard deduction for single returns.

Description of Proposal

The proposal would increase the basic standard deduction for a married couple filing a joint return to twice the basic standard deduction for a single individual beginning in 2001. The basic standard deduction for a married taxpayer filing separately would continue to equal one-half of the basic standard deduction for a married couple filing jointly.

Effective Date

The proposal would be effective for taxable years beginning after December 31, 2000.

B. 15-Percent Rate Tax Bracket for Married Couples Set at Two Times the 15-Percent Rate Tax Bracket for Single Individuals

Present Law

To determine regular income tax liability, a taxpayer generally must apply the tax rate schedules (or the tax tables) to his or her taxable income. The rate schedules are broken into several ranges of income, known as income brackets, and the marginal tax rate increases as a taxpayer's income increases. The income bracket amounts are indexed for inflation. Separate rate schedules apply based on an individual's filing status. In order to limit multiple uses of a graduated rate schedule within a family, the net unearned income of a child under age 14 may be taxed as if it were the parent's income. For 2000, the individual regular income tax rate schedules are shown below. These rates apply to ordinary income; separate rates apply to capital gains.

Table 2.--Federal Individual Income Tax Rates for 2000

If taxable income is:	Then income tax equals:
Single individuals	
$0-26,250	15 percent of taxable income
$26,250-$63,550	$3,937.50, plus 28% of the amount over $26,250
$63,550-$132,600	$14,381.50 plus 31% of the amount over $63,550
$132,600-$288,350	$35,787 plus 36% of the amount over $132,600
Over $288,350	$91,857 plus 39.6% of the amount over $288,350
Heads of households	
$0-$35,150	15 percent of taxable income
$35,150-$90,800	$5,272.50 plus 28% of the amount over $35,150
$90,800-$147,050	$20,854.50 plus 31% of the amount over $90,800
$147,050-$288,350	$38,292 plus 36% of the amount over $147,050
Over $288,350	$89,160 plus 39.6% of the amount over $288,350
Married individuals filing joint returns[4]	
$0-$43,850	15 percent of taxable income
$43,850-$105,950	$6,577.50 plus 28% of the amount over $43,850
$105,950-$161,450	$23,965.50 plus 31% of the amount over $105,950
$161,450-$288,350	$41,170.50 plus 36% of the amount over $161,450
Over $288,350	$86,854.50 plus 39.6% of the amount over $288,350

[4] Married individuals filing separately must apply a separate rate structure with tax rate brackets one-half the width of those for married individuals filing joint returns.

Description of Proposal

The proposal would increase the size of the 15-percent regular income tax rate bracket for a married couple filing a joint return to twice the size of the corresponding rate bracket for a single individual. This increase would be phased-in over six years as shown in the following table. Therefore, this provision would be fully effective (i.e., the size of the 15-percent regular income tax rate bracket for a married couple filing a joint return would be twice the size of the 15-percent regular income tax rate bracket for an single individual) for taxable years beginning after December 31, 2006.

Taxable year	Percentage of 15-percent rate bracket for unmarried individuals
2002	170.3
2003	173.8
2004	183.5
2005	184.3
2006	187.9
2007 and thereafter	200

Effective Date

The proposal would be effective for taxable years beginning after December 31, 2001.

C. Increase the Beginning Point and Ending Point of the Earned Income Credit Phase-out for Married Couples

Present Law

Certain eligible low-income workers are entitled to claim a refundable earned income credit ("EIC") on their income tax return. A refundable credit is a credit that not only reduces an individual's tax liability but allows refunds to the individual of amounts in excess of income tax liability. The amount of the credit an eligible individual may claim depends upon whether the individual has one, more than one, or no qualifying children, and is determined by multiplying the credit rate by the individual's earned income up to an earned income amount. The maximum amount of the credit is the product of the credit rate and the earned income amount. The credit is phased out above certain income levels. For individuals with earned income (or modified AGI, if greater) in excess of the beginning of the phase-out, the maximum credit amount is reduced by the phase-out rate multiplied by the earned income (or modified AGI, if greater) in excess of the beginning of the phase-out. For individuals with earned income (or modified AGI, if greater) in excess of the end of the phase-out, no credit is allowed. In the case of a married individual who files a joint return, the income for purposes of these tests is the combined income of the couple.

The parameters of the credit for 2000 are provided in the following table.

Table 3.--Earned Income Credit Parameters (2000)

	Two or more qualifying children	One qualifying child	No qualifying children
Credit rate (percent)	40.00	34.00	7.65
Earned income amount	$9,720	$6,920	$4,610
Maximum credit	$3,888	$2,353	$353
Phase-out begins	$12,690	$12,690	$5,770
Phase-out rate (percent)	21.06	15.98	7.65
Phase-out ends	$31,152	$27,413	$10,380

Description of Proposal

The proposal would increase the beginning point of the phase-out of the EIC for married couples filing a joint return by $2,000. Because the rate of the phase-out would not be changed by the proposal, the ending point of the phase-out would also be increased by $2,000. The effect of the increase in the beginning of the phase-out would be to increase the EIC for taxpayers in the income phase-out by an amount up to $2,000 times the phase-out rate. For example, for couples with two or more qualifying children, the maximum increase in the EIC as a result of the proposal would be $2,000 times 21.06 percent, or $421.20. The proposal would also expand the number of married couples eligible for the EIC. Specifically, the $2,000 increase in the ending point of the phase-out would make married couples with earnings up to $2,000 beyond the present-law phase-out eligible for the EIC. The beginning and ending points of the phase-out range of the EIC (including the $2,000 increase for joint returns) would continue to be indexed for inflation, as under present law.

Effective Date

The proposal would be effective for taxable years beginning after December 31, 2000.

D. Preserve Family Tax Credits from the Alternative Minimum Tax

Present Law

In general

Present law provides for certain nonrefundable personal tax credits (i.e., the dependent care credit, the credit for the elderly and disabled, the adoption credit, the child tax credit, the credit for interest on certain home mortgages, the HOPE Scholarship and Lifetime Learning credits, and the D.C. homebuyer's credit). Except for taxable years beginning during 1998-2001, these credits are allowed only to the extent that the individual's regular income tax liability exceeds the individual's tentative minimum tax, determined without regard to the minimum tax foreign tax credit. For taxable years beginning during 1998 and 1999, these credits are allowed to the extent of the full amount of the individual's regular tax (without regard to the tentative minimum tax). For taxable years beginning during 2000 and 2001, the nonrefundable personal credits may offset both the regular tax and the minimum tax.[5]

An individual's tentative minimum tax is an amount equal to (1) 26 percent of the first $175,000 ($87,500 in the case of a married individual filing a separate return) of alternative minimum taxable income ("AMTI") in excess of a phased-out exemption amount plus (2) 28 percent of the remaining AMTI, if any. The maximum tax rates on net capital gain used in computing the tentative minimum tax are the same as under the regular tax. AMTI is the individual's taxable income adjusted to take account of specified preferences and adjustments. The exemption amounts are: (1) $45,000 in the case of married individuals filing a joint return and surviving spouses; (2) $33,750 in the case of other unmarried individuals; and (3) $22,500 in the case of married individuals filing a separate return, estates and trusts. The exemption amounts are phased out by an amount equal to 25 percent of the amount by which the individual's AMTI exceeds (1) $150,000 in the case of married individuals filing a joint return and surviving spouses, (2) $112,500 in the case of other unmarried individuals, and (3) $75,000 in the case of married individuals filing separate returns or an estate or a trust. These amounts are not indexed for inflation.

Reduction of refundable credits by alternative minimum tax

Refundable credits may offset tax liability determined under present-law tax rates and allows refunds to an individual in excess of income tax liability. However, the refundable child credit (beginning in taxable years beginning after December 31, 2001) and the earned income credit are reduced by the amount of the individual's alternative minimum tax.

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[5] The foreign tax credit is allowed before the personal credits in computing the regular tax for these years.

Description of Proposal

The proposal would permanently extend the provision that allows the personal nonrefundable credits to offset both the regular tax and the minimum tax.[6]

Also, the proposal would permanently repeal the reduction of the refundable credits by the amount of an individual's alternative minimum tax.

Effective Date

The proposals would be effective for taxable years beginning after December 31, 2001.

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[6] The foreign tax credit will continue to be allowed before the personal credits in computing the regular tax.

JOINT COMMITTEE ON TAXATION
March 30, 2000
JCX-38-00

ESTIMATED REVENUE EFFECTS OF A MODIFICATION TO THE CHAIRMAN'S MARK OF THE "MARRIAGE TAX RELIEF ACT OF 2000," SCHEDULED FOR MARKUP BY THE COMMITTEE ON FINANCE ON MARCH 30, 2000

Fiscal Years 2001 - 2010

[Billions of Dollars]

Provision	Effective	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2001-05	2001-10
1. $2,500 increase to the beginning and ending income levels for the EIC phaseout for married filing jointly [1]	tyba 12/31/00	[2]	-1.6	-1.5	-1.6	-1.6	-1.6	-1.6	-1.6	-1.6	-1.6	-6.3	-14.4
2. Standard deduction set at 2 times single for married filing jointly	tyba 12/31/00	-4.1	-6.0	-6.4	-6.5	-6.8	-7.0	-7.1	-7.3	-7.5	-7.6	-29.8	-66.2
3. 15% and 28% rate bracket set at 2 times single for married filing jointly, phased in over 6 years	tyba 12/31/01	---	-1.7	-4.4	-8.5	-11.4	-12.9	-19.5	-22.0	-21.6	-20.7	-26.0	-122.7
4. Permanent extension of AMT treatment of refundable and nonrefundable personal credits	tyba 12/31/01	---	-0.3	-1.6	-2.3	-3.5	-4.7	-5.8	-7.5	-8.8	-10.0	-7.7	-44.5
NET TOTAL		**-4.1**	**-9.6**	**-13.9**	**-18.9**	**-23.3**	**-26.2**	**-34.0**	**-38.4**	**-39.5**	**-39.9**	**-69.8**	**-247.8**

Joint Committee on Taxation

NOTE: Details may not add to totals due to rounding.

Legend for "Effective" column: tyba = taxable years beginning after

[1] Estimate includes the following effects on fiscal year outlays

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2001-05	2001-10
outlays	[3]	1.3	1.3	1.3	1.3	1.4	1.4	1.4	1.4	1.3	5.3	12.1

[2] Loss of less than $50 million.

[3] Less than $50 million.

Joint Committee on Taxation
March 30, 2000
JCX-39-00

DESCRIPTION OF MODIFICATION TO THE CHAIRMAN'S MARK

The Senate Committee on Finance has scheduled a markup of a Chairman's Mark of the "Marriage Tax Relief Act of 2000"[1] on March 30, 2000. This document,[2] prepared by the staff of the Joint Committee on Taxation, contains a description of a modification to the Chairman's Mark.

A. Increase in the EIC Phase-out for Married Couples

The modification would increase the beginning and ending income levels of the phase-out of the EIC for married couples filing a joint return by $2,500, instead of the $2,000 increase in the Chairman's mark. The beginning and ending income levels of the EIC phase-out (including the $2,500 increase for joint returns) would continue to be indexed for inflation, as under present law. For couples with two or more qualifying children, the maximum increase in the EIC as a result of the modification would be $2,500 times 21.06 percent, or $526.50.

The modification relating to the EIC phase-out would be effective for taxable years beginning after December 31, 2000.

B. Increase in Rate Brackets for Married Couples

The modification would adjust the phase in of the 15-percent regular income tax rate bracket in the Chairman's Mark, and would add a new provision to increase the size of the 28-percent regular income tax rate bracket for married couples filing a joint return to twice the size of the corresponding rate bracket for a single individual. The increase in the 15-percent and 28-percent rate brackets would be phased-in over six years as follows:

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[1] A description of the provisions of the Chairman's Mark of the Marriage Tax Relief Act of 2000 may be found in Joint Committee on Taxation, *Description of a Chairman's Mark of the Marriage Tax Relief Act of 2000 (JCX-34-00), March 28, 2000.*

[2] This document may be cited as follows: Joint Committee on Taxation, *Description of Modification to the Chairman's Mark (JCX-39-00), March 30, 2000.*

Taxable year	Joint return rate bracket as a percentage of single return rate bracket
2002	170.3
2003	173.8
2004	180.0
2005	183.2
2006	185.0
2007 and thereafter	200

The modification to the 15-percent and 28-percent rate brackets would be effective for taxable years beginning after December 31, 2001.

DISTRIBUTIONAL EFFECTS OF A MODIFICATION TO THE CHAIRMAN'S MARK OF THE "MARRIAGE TAX RELIEF ACT OF 2000," SCHEDULED FOR MARKUP BY THE COMMITTEE ON FINANCE ON MARCH 30, 2000

Prepared by the Staff

of the

JOINT COMMITTEE ON TAXATION

March 30, 2000

JCX-40-00

DISTRIBUTIONAL EFFECTS OF A MODIFICATION TO THE CHAIRMAN'S MARK OF THE "MARRIAGE TAX RELIEF ACT OF 2000" (1) SCHEDULED FOR MARKUP BY THE COMMITTEE ON FINANCE ON MARCH 30, 2000

Calendar Year 2001

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Effective Tax Rate (4)	
							Present Law	Proposal
	Millions	Percent	Billions	Percent	Billions	Percent	Percent	Percent
Less than $10,000........	-$18	-0.3%	$7	0.4%	$7	0.4%	8.6%	8.6%
10,000 to 20,000........	-287	-1.1%	26	1.5%	25	1.5%	7.2%	7.1%
20,000 to 30,000........	-946	-1.5%	62	3.7%	61	3.7%	12.5%	12.3%
30,000 to 40,000........	-1,123	-1.2%	95	5.7%	94	5.6%	16.2%	16.0%
40,000 to 50,000........	-1,013	-1.0%	105	6.3%	104	6.3%	17.5%	17.4%
50,000 to 75,000........	-1,900	-0.7%	276	16.6%	274	16.5%	20.1%	20.0%
75,000 to 100,000........	-1,285	-0.5%	246	14.8%	245	14.8%	22.6%	22.5%
100,000 to 200,000.......	-735	-0.2%	393	23.6%	392	23.7%	25.0%	25.0%
200,000 and over..........	-109	(5)	457	27.4%	457	27.5%	28.4%	28.4%
Total, All Taxpayers....	**-$7,416**	**-0.4%**	**$1,665**	**100.0%**	**$1,658**	**100.0%**	**21.5%**	**21.4%**

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

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(1) Includes increases in the standard deduction, 15%and 28% brackets, and EIC phaseout level for married couples and repeal of AMT limit on refundable and nonrefundable personal credits.

(2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable social security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, and [8] excluded income of U.S. citizens living abroad. Categories are measured at 2000 levels.

(3) Federal taxes are equal to individual income tax (including the outlay portion of the EIC), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis. Does not include indirect effects.

(4) The effective tax rate is equal to Federal taxes described in footnote (3) divided by: income described in footnote (2) plus additional income attributable to the proposal.

(5) Less than 0.005%.

DISTRIBUTIONAL EFFECTS OF A MODIFICATION TO THE CHAIRMAN'S MARK OF THE "MARRIAGE TAX RELIEF ACT OF 2000" (1) SCHEDULED FOR MARKUP BY THE COMMITTEE ON FINANCE ON MARCH 30, 2000

Calendar Year 2002

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Effective Tax Rate (4)	
							Present Law	Proposal
	Millions	Percent	Billions	Percent	Billions	Percent	Percent	Percent
Less than $10,000........	-$18	-0.2%	$7	0.4%	$7	0.4%	9.0%	9.0%
10,000 to 20,000........	-282	-1.1%	26	1.5%	26	1.5%	7.3%	7.2%
20,000 to 30,000........	-948	-1.5%	63	3.6%	62	3.6%	12.4%	12.2%
30,000 to 40,000........	-1,172	-1.2%	97	5.6%	96	5.5%	16.1%	15.9%
40,000 to 50,000........	-1,099	-1.0%	109	6.3%	108	6.3%	17.6%	17.4%
50,000 to 75,000........	-2,465	-0.9%	287	16.5%	284	16.5%	20.0%	19.8%
75,000 to 100,000........	-2,710	-1.1%	257	14.8%	254	14.7%	22.5%	22.3%
100,000 to 200,000.......	-2,318	-0.6%	417	24.0%	415	24.0%	25.1%	24.9%
200,000 and over..........	-555	-0.1%	474	27.3%	474	27.4%	28.5%	28.5%
Total, All Taxpayers....	**-$11,566**	**-0.7%**	**$1,738**	**100.0%**	**$1,726**	**100.0%**	**21.5%**	**21.4%**

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

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(1) Includes increases in the standard deduction, 15%and 28% brackets, and EIC phaseout level for married couples and repeal of AMT limit on refundable and nonrefundable personal credits.

(2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable social security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, and [8] excluded income of U.S. citizens living abroad. Categories are measured at 2000 levels.

(3) Federal taxes are equal to individual income tax (including the outlay portion of the EIC), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis. Does not include indirect effects.

(4) The effective tax rate is equal to Federal taxes described in footnote (3) divided by: income described in footnote (2) plus additional income attributable to the proposal.

(5) Less than 0.005%.

DISTRIBUTIONAL EFFECTS OF A MODIFICATION TO THE CHAIRMAN'S MARK OF THE "MARRIAGE TAX RELIEF ACT OF 2000" (1) SCHEDULED FOR MARKUP BY THE COMMITTEE ON FINANCE ON MARCH 30, 2000

Calendar Year 2003

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Effective Tax Rate (4)	
							Present Law	Proposal
	Millions	Percent	Billions	Percent	Billions	Percent	Percent	Percent
Less than $10,000........	-$19	-0.2%	$7	0.4%	$7	0.4%	9.3%	9.2%
10,000 to 20,000........	-276	-1.0%	27	1.5%	26	1.5%	7.4%	7.3%
20,000 to 30,000........	-932	-1.4%	65	3.6%	64	3.5%	12.4%	12.2%
30,000 to 40,000........	-1,223	-1.2%	100	5.5%	99	5.5%	16.0%	15.8%
40,000 to 50,000........	-1,205	-1.1%	111	6.1%	110	6.1%	17.4%	17.2%
50,000 to 75,000........	-2,823	-0.9%	299	16.5%	296	16.5%	19.9%	19.8%
75,000 to 100,000........	-3,905	-1.4%	270	14.9%	266	14.8%	22.4%	22.0%
100,000 to 200,000.......	-3,928	-0.9%	441	24.3%	437	24.3%	25.1%	24.9%
200,000 and over..........	-1,019	-0.2%	493	27.2%	492	27.4%	28.6%	28.6%
Total, All Taxpayers....	**-$15,329**	**-0.8%**	**$1,813**	**100.0%**	**$1,798**	**100.0%**	**21.5%**	**21.4%**

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

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(1) Includes increases in the standard deduction, 15%and 28% brackets, and EIC phaseout level for married couples and repeal of AMT limit on refundable and nonrefundable personal credits.

(2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable social security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, and [8] excluded income of U.S. citizens living abroad. Categories are measured at 2000 levels.

(3) Federal taxes are equal to individual income tax (including the outlay portion of the EIC), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis. Does not include indirect effects.

(4) The effective tax rate is equal to Federal taxes described in footnote (3) divided by: income described in footnote (2) plus additional income attributable to the proposal.

(5) Less than 0.005%.

DISTRIBUTIONAL EFFECTS OF A MODIFICATION TO THE CHAIRMAN'S MARK OF THE "MARRIAGE TAX RELIEF ACT OF 2000" (1) SCHEDULED FOR MARKUP BY THE COMMITTEE ON FINANCE ON MARCH 30, 2000

Calendar Year 2004

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Effective Tax Rate (4)	
							Present Law	Proposal
	Millions	Percent	Billions	Percent	Billions	Percent	Percent	Percent
Less than $10,000........	-$19	-0.2%	$8	0.4%	$8	0.4%	9.5%	9.5%
10,000 to 20,000........	-273	-1.0%	27	1.4%	27	1.4%	7.3%	7.3%
20,000 to 30,000........	-935	-1.4%	67	3.5%	66	3.5%	12.4%	12.3%
30,000 to 40,000........	-1,232	-1.2%	102	5.4%	101	5.4%	15.9%	15.7%
40,000 to 50,000........	-1,233	-1.1%	113	6.0%	112	6.0%	17.3%	17.1%
50,000 to 75,000........	-3,164	-1.0%	312	16.5%	309	16.5%	19.8%	19.6%
75,000 to 100,000........	-5,669	-2.0%	280	14.8%	274	14.6%	22.2%	21.7%
100,000 to 200,000.......	-6,808	-1.5%	468	24.7%	461	24.6%	25.1%	24.7%
200,000 and over..........	-1,860	-0.4%	517	27.3%	515	27.5%	28.8%	28.7%
Total, All Taxpayers....	**-$21,192**	**-1.1%**	**$1,893**	**100.0%**	**$1,872**	**100.0%**	**21.6%**	**21.3%**

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

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(1) Includes increases in the standard deduction, 15%and 28% brackets, and EIC phaseout level for married couples and repeal of AMT limit on refundable and nonrefundable personal credits.

(2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable social security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, and [8] excluded income of U.S. citizens living abroad. Categories are measured at 2000 levels.

(3) Federal taxes are equal to individual income tax (including the outlay portion of the EIC), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis. Does not include indirect effects.

(4) The effective tax rate is equal to Federal taxes described in footnote (3) divided by: income described in footnote (2) plus additional income attributable to the proposal.

(5) Less than 0.005%.

DISTRIBUTIONAL EFFECTS OF A MODIFICATION TO THE CHAIRMAN'S MARK OF THE "MARRIAGE TAX RELIEF ACT OF 2000" (1) SCHEDULED FOR MARKUP BY THE COMMITTEE ON FINANCE ON MARCH 30, 2000

Calendar Year 2005

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Effective Tax Rate (4)	
							Present Law	Proposal
	Millions	Percent	Billions	Percent	Billions	Percent	Percent	Percent
Less than $10,000........	-$19	-0.2%	$8	0.4%	$8	0.4%	9.8%	9.8%
10,000 to 20,000........	-273	-1.0%	27	1.4%	27	1.4%	7.4%	7.4%
20,000 to 30,000........	-923	-1.4%	67	3.4%	66	3.4%	12.2%	12.0%
30,000 to 40,000........	-1,292	-1.2%	105	5.3%	104	5.3%	15.9%	15.7%
40,000 to 50,000........	-1,363	-1.1%	119	6.0%	118	6.0%	17.3%	17.1%
50,000 to 75,000........	-3,531	-1.1%	320	16.2%	317	16.2%	19.7%	19.5%
75,000 to 100,000........	-6,738	-2.3%	294	14.8%	287	14.7%	22.1%	21.6%
100,000 to 200,000.......	-8,596	-1.7%	497	25.1%	489	25.0%	25.0%	24.6%
200,000 and over..........	-2,266	-0.4%	543	27.4%	540	27.6%	28.9%	28.7%
Total, All Taxpayers....	**-$25,001**	**-1.3%**	**$1,980**	**100.0%**	**$1,955**	**100.0%**	**21.6%**	**21.3%**

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

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(1) Includes increases in the standard deduction, 15%and 28% brackets, and EIC phaseout level for married couples and repeal of AMT limit on refundable and nonrefundable personal credits.

(2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable social security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, and [8] excluded income of U.S. citizens living abroad. Categories are measured at 2000 levels.

(3) Federal taxes are equal to individual income tax (including the outlay portion of the EIC), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis. Does not include indirect effects.

(4) The effective tax rate is equal to Federal taxes described in footnote (3) divided by: income described in footnote (2) plus additional income attributable to the proposal.

(5) Less than 0.005%.

COMPARISON OF FEDERAL TAX LIABILITIES UNDER PRESENT LAW AND UNDER A MODIFICATION TO THE CHAIRMAN'S MARK OF THE "MARRIAGE TAX RELIEF ACT OF 2000," SCHEDULED FOR MARKUP BY THE COMMITTEE ON FINANCE ON MARCH 30, 2000, FOR HYPOTHETICAL MARRIED COUPLES

Prepared by the Staff

of the

JOINT COMMITTEE ON TAXATION

March 30, 2000

JCX-41-00

COMPARISON OF FEDERAL TAX LIABILITIES UNDER PRESENT LAW AND UNDER A MODIFICATION TO THE CHAIRMAN'S MARK OF THE "MARRIAGE TAX RELIEF ACT OF 2000," SCHEDULED FOR MARKUP BY THE COMMITTEE ON FINANCE ON MARCH 30, 2000, FOR HYPOTHETICAL MARRIED COUPLES WITH TWO CHILDREN

Calendar Year 2001

Annual Income (Wages Only)	Income Taxes Under Present Law	Income Taxes Under Marriage Tax Relief Act of 2000	Change in Income Taxes	Percentage Reduction in Income Taxes
$20,000	-$2,518	-$3,045	-$527 *	20.9% *
30,000	215	-529	-744	346.0%
50,000	3,628	3,410	-218	6.0%
75,000	8,795	8,389	-406	4.6%
100,000	15,795	15,389	-406	2.6%
200,000	47,807	47,285	-522	1.1%

Joint Committee on Taxation

NOTE: This table shows the effect of the "Marriage Tax Penalty Relief Act of 2000" in 2001. The elements of the proposal that are in effect in 2001 are: (1) the doubling of the standard deduction for married couples filing a joint return to twice that for single filers; and (2) the increase of $2,500 in the beginning point of the phaseout of the earned income credit ("EIC") for married couples filing a joint return. Each child is assumed to be eligible for the child credit, subject to income limitations. All income is assumed to be wage income, and taxpayers are assumed to take the standard deduction. For taxpayers that itemize their deductions, the reduction in taxes would be less than shown here.

* Denotes increase in refundable portion of the EIC.

COMPARISON OF FEDERAL TAX LIABILITIES UNDER PRESENT LAW AND UNDER A MODIFICATION TO THE CHAIRMAN'S MARK OF THE "MARRIAGE TAX RELIEF ACT OF 2000," SCHEDULED FOR MARKUP BY THE COMMITTEE ON FINANCE ON MARCH 30, 2000, FOR HYPOTHETICAL MARRIED COUPLES WITH NO CHILDREN

Calendar Year 2001

Annual Income (Wages Only)	Income Taxes Under Present Law	Income Taxes Under Marriage Tax Relief Act of 2000	Change in Income Taxes	Percentage Reduction in Income Taxes
$20,000	$998	$780	-$218	21.8%
30,000	2,498	2,280	-218	8.7%
50,000	5,498	5,280	-218	4.0%
75,000	11,419	11,013	-406	3.6%
100,000	18,419	18,013	-406	2.2%
200,000	49,853	49,331	-522	1.0%

Joint Committee on Taxation

NOTE: This table shows the effect of the "Marriage Tax Penalty Relief Act of 2000" in 2001. The elements of the proposal that are in effect in 2001 are: (1) the doubling of the standard deduction for married couples filing a joint return to twice that of single filers; and (2) the increase of $2,500 in the beginning point of the phaseout of the earned income credit ("EIC") for married couples filing a joint return. All income is assumed to be wage income, and taxpayers are assumed to take the standard deduction. For taxpayers that itemize their deductions, the reduction in taxes would be less than shown here.

COMPARISON OF FEDERAL TAX LIABILITIES UNDER PRESENT LAW AND UNDER A MODIFICATION TO THE CHAIRMAN'S MARK OF THE "MARRIAGE TAX RELIEF ACT OF 2000," SCHEDULED FOR MARKUP BY THE COMMITTEE ON FINANCE ON MARCH 30, 2000, FOR HYPOTHETICAL MARRIED COUPLES WITH TWO CHILDREN

Calendar Year 2005

Annual Income (Wages Only)	Income Taxes Under Present Law	Income Taxes Under Marriage Tax Relief Act of 2000	Change in Income Taxes	Percentage Reduction in Income Taxes
$20,000	-$3,206	-$3,787	-$581 *	18.1% *
30,000	-765	-1,601	-836 *	109.3% *
50,000	3,335	3,080	-255	7.6%
75,000	7,800	6,830	-970	12.4%
100,000	14,651	13,557	-1,094	7.5%
200,000	45,424	43,925	-1,499	3.3%

Joint Committee on Taxation

NOTE: This table shows the effect of the "Marriage Tax Penalty Relief Act of 2000" in 2005. The elements of the proposal that are in effect in 2005 are: (1) the doubling of the standard deduction for married couples filing a joint return to twice that for single filers; (2) the partial phasein of the expansion of the size of the 15-percent and 28-percent regular income tax brackets for a married couple filing a joint return to twice the size of the corresponding rate bracket for an unmarried individual; (3) the increase of $2,500 in the beginning point of the phaseout of the earned income credit ("EIC") for married couples filing a joint return; and (4) the permanent extension of the allowance of personal credits against the regular tax and the minimum tax.
Each child is assumed to be eligible for the child credit, subject to income and alternative minimum tax credit limitations.
All income is assumed to be wage income, and taxpayers are assumed to take the standard deduction. For taxpayers that itemize their deductions, the reduction in taxes would be less than shown here.

* Denotes increase in refundable portion of the EIC.

COMPARISON OF FEDERAL TAX LIABILITIES UNDER PRESENT LAW AND UNDER A MODIFICATION TO THE CHAIRMAN'S MARK OF THE "MARRIAGE TAX RELIEF ACT OF 2000," SCHEDULED FOR MARKUP BY THE COMMITTEE ON FINANCE ON MARCH 30, 2000, FOR HYPOTHETICAL MARRIED COUPLES WITH NO CHILDREN

Calendar Year 2005

Annual Income (Wages Only)	Income Taxes Under Present Law	Income Taxes Under Marriage Tax Relief Act of 2000	Change in Income Taxes	Percentage Reduction in Income Taxes
$20,000	$795	$540	-$255	32.1%
30,000	2,295	2,040	-255	11.1%
50,000	5,295	5,040	-255	4.8%
75,000	10,443	9,349	-1,094	10.5%
100,000	17,443	16,349	-1,094	6.3%
200,000	47,545	45,962	-1,583	3.3%

Joint Committee on Taxation

NOTE: This table shows the effect of the "Marriage Tax Penalty Relief Act of 2000" in 2005. The elements of the proposal that are in effect in 2005 are: (1) the doubling of the standard deduction for married couples filing a joint return to twice that for single filers; (2) the partial phasein of the expansion of the size of the 15-percent and 28-percent regular income tax brackets for a married couple filing a joint return to twice the size of the corresponding rate bracket for an unmarried individual; (3) the increase of $2,500 in the beginning point of the phaseout of the earned income credit ("EIC") for married couples filing a joint return; and (4) the permanent extension of the allowance of personal credits against the regular tax and the minimum tax.
Each child is assumed to be eligible for the child credit, subject to income and alternative minimum tax credit limitations.
All income is assumed to be wage income, and taxpayers are assumed to take the standard deduction. For taxpayers that itemize their deductions, the reduction in taxes would be less than shown here.

1

HATCH AMENDMENT TO ELIMINATE MARRIAGE PENALTIES IN THE TAXATION OF SOCIAL SECURITY BENEFITS

Current Law: For computing the amount of Social Security benefits included in gross income, there are two thresholds. The first threshold, which requires 50 percent of benefits to be included in income, occurs at $25,000 for single filers but only $32,000 for joint filers. The second threshold, requiring 85 percent inclusion of Social Security benefits, occurs at $34,000 for singles but only $44,000 for married couples filing a joint return.

Reason For Change: Because the two thresholds for married couples filing a joint return are less than twice the thresholds for single filers, egregious marriage penalties can occur.

Amendment: The Hatch amendment would eliminate the marriage penalties for Social Security benefits taxation by raising the thresholds for married couples filing joint returns to levels that are twice those for single taxpayers. Thus, the thresholds for the 50 percent inclusion would be $25,000 for single filers and $50,000 for joint returns, and the thresholds for the 85 percent inclusion would be $34,000 for single returns and $68,000 for joint filers.

2

HATCH-MACK AMENDMENT TO ELIMINATE MARRIAGE PENALTY IN THE PHASEOUT OF THE STUDENT LOAN INTEREST DEDUCTION

Current Law: The student loan interest deduction begins to be phased out for single taxpayers with Adjusted Gross Income (AGI) over $40,000, and is fully phased out at an AGI of $55,000. For joint returns, however, the threshold for the phaseout begins at AGI of $60,000, with the deduction fully phased out at an AGI of $75,000.

Reason For Change: Current law creates a significant marriage penalty for many couples where both partners are repaying student loans. For example, a recently-graduated couple who individually make $40,000 would be allowed to each deduct $2,000 in student loan interest if they filed as single taxpayers. However, if married, filing a joint return, they would forfeit the entire $4,000 deduction because the income threshold for joint returns is only $60,000 – less than double the threshold for single filers.

Amendment: The Hatch-Mack amendment would increase the threshold for the phaseout to $80,000 – double that of single taxpayers. The income phaseout range would also be doubled (to $30,000) to prevent another marriage penalty from occurring. Thus, the phaseout range for a joint return would be $80,000 to $110,000.

3

Senator Phil Gramm
Amendment to further eliminate the marriage tax penalty

Present Law

An individual whose filing status is single will have the income between $25,750 and $62,450 taxed at the rate of 28 percent.

A married couple who file a joint return will have the income between $43,050 and $104,050 taxed at the rate of 28 percent.

Proposed Amendment

The Chairman's mark would increase the size of the 15 percent income tax bracket for a married couple filing a joint return to twice the size of the corresponding rate bracket for a single individual.

The proposed amendment provides for a similar increase in the size of the 28 percent bracket, so that a married couple would pay a 28 percent rate on taxable income between $51,500 and $124,900, double the income level at which the 28 percent rate now applies to a single person.

Effective Date

The expansion of the 28 percent bracket would be phased-in over six years beginning in 2002. This is the same timetable as proposed in the Chairman's mark for expansion of the 15 percent bracket.

Estimated Revenue Effect

The Joint Committee on Taxation has estimated that the first year cost of such a proposal would be $200 million; a five year cost would be $3.8 billion; and an eight year cost would be $8.4 billion.

After full phase-in, the annual cost is approximately $1.5 billion.

(4)

Amendment Offered by Senator Jeffords

<u>An additional \$500 increase in the beginning and ending points of the Earned Income Tax Credit phase-out range for married couples.</u>

Explanation: The Chairman's mark calls for a \$2000 increase, for married couples, in the beginning and ending points of the Earned Income Credit phase-out range. This amendment would increase those points by an additional \$500, for a total increase of \$2500.

There are substantial marriage penalties built into the Earned Income Tax Credit (EITC). For taxpayers with children, the EITC begins to phase out when income reaches \$12,690. This beginning point is the same for all taxpayers, regardless of whether they are joint filers or unmarried individuals. When two low-income workers marry, their combined income may exceed the beginning point of the EITC phase-out range, resulting in a smaller EITC. If they had remained single, the sum of their individual earned income tax credits may well have been higher than the EITC for which they are eligible as a married couple filing jointly.

Example: In calendar year 2000, two unmarried taxpayers, each with an income of \$11,000 and one child, are both eligible for an EITC of \$2353, a total of \$4706. If these taxpayers marry, the couple's combined income of \$22,000 will be in the EITC phase-out range, and as a married couple, they will be eligible for a combined EITC of \$1888. This represents a marriage penalty of \$2818. A \$2500 increase in the beginning point of the EITC phase-out range for married taxpayers would reduce this marriage penalty by approximately \$526.

5

MACK AMENDMENT No. 1

Amendment: Eliminate the marriage penalty in the D.C. First-Time Homebuyer tax credit.

Current law: First-time homebuyers of a principal residence in the District of Columbia receive a tax credit of up to $5,000 (Code Section 1400C). This credit phases out for single filers with AGI between $70,000 and $90,000. A marriage penalty is built into this provision, as the phase out range for joint filers is less than twice what it is for single filers--the joint filer phase-out range is $110,000 to $130,000. The credit sunsets at the end of 2001.

Proposal: The marriage penalty in this provision is eliminated, by increasing the joint filer phase-out range to $140,000-$180,000, effective for taxable years beginning after December 31, 1999. This proposal was included in the Taxpayer Refund Act of 1999 reported out of the Finance Committee last year, and was in the vetoed Taxpayer Refund and Relief Act of 1999.

Score: Based on the revenue estimate for last year's proposal, revenue loss should be about $5 million.

(6)

MACK AMENDMENT No. 2 (with Senator Hatch)

Amendment: Eliminate the marriage penalty in the Education IRA.

Current law: Individuals can contribute $500 annually to a designated beneficiary's education IRA (Code section 530). There is no tax on the earnings in this education IRA, provided that distributions are used to pay qualified higher education expenses of the beneficiary. The contribution amount is phased out for single filers with AGI between $95,000 and $110,000. A marriage penalty is built into this provision, as the phase out range for the contributions of joint filers is less than twice what it is for single filers--the joint filer phase-out range is $150,000 to $160,000.

Proposal: The marriage penalty in this provision is eliminated, by increasing the phase out range for the contributions of joint filers to $190,000-$220,000, effective for taxable years beginning after December 31, 1999. This proposal was included in S.1134, the Affordable Education Act of 1999, as passed by the Senate earlier this month.

Score: The revenue estimate for the amendment to S.1134 was $7 million over 10 years. Since that was based on a $2,000 annual contribution, the revenue loss due to this amendment should be less than $2 million over 10 years, perhaps negligible.

7

MACK AMENDMENT No. 3

Amendment: Eliminate the marriage penalties in the Roth IRA provisions.

Current law: The phase-out range for the $2,000 maximum contribution to a Roth IRA has a marriage penalty built into it, as the single filer phase-out is between AGI of $95,000 and $110,000, but for joint filers is between $150,000 and $160,000.

Taxpayers may convert a traditional IRA to a Roth IRA, and pay tax on the accumulated earnings. Conversions may only be done by taxpayers with an AGI of less than $100,000. As the same AGI is used for single and joint filers' conversions, this provision contains a significant marriage penalty, and prevents many joint filers who are eligible for Roth IRAs from rolling over their existing IRAs.

Proposal: The phase-out range for contributions to a Roth IRA by joint filers is increased so that it is twice that for single filers. Effective for taxable years beginning after December 31, 1999, the joint filer phase-out range will be $190,000-$220,000. For married taxpayers filing separate returns, the phase-out range will be $95,000-$110,000.

The marriage penalty in conversions to a Roth IRA is eliminated by increasing the AGI limit for joint filers to $200,000 for taxable years beginning after December 31, 2002. For married taxpayers filing separate returns, the limit will be $100,000.

Score: The conversion provision, included in the vetoed Taxpayer Refund and Relief Act of 1999, was estimated to raise $1.634 billion over 5 years and reduce taxes by $299 million over 10 years.

8

MACK AMENDMENT No. 4

Amendment: Eliminate the marriage penalty in traditional Individual Retirement Accounts.

Current law: The $2,000 maximum deductible contribution to an IRA, by active participants in an employer-sponsored retirement plan, is reduced over a phase-out range for joint filers that is less than twice the range for single filers. For example, for the 2000 tax year the single filer phase-out range is $32,000 to $42,000, while it is only $52,000 to $62,000 for joint filers.

Proposal: The phase-out ranges for deductible contributions to IRAs by joint filers are increased to be twice the ranges for single filers, effective for tax years beginning after December 31, 1999. Thus, the phase out ranges will be: in 2000, $64,000-$84,000; in 2001, $66,000-$86,000; in 2002, $68,000-$88,000; in 2003, $80,000-$100,000; in 2004, $90,000-$110,000; and in 2005 and thereafter, $100,000-$120,000. The phase-out range for married taxpayers filing separately shall be the same as that for single filers. This amendment does not change the phase-out range for the contributions by a spouse who is not an active participant in an employer-sponsored retirement plan.

Score: Unknown.

9

DEMOCRATIC AMENDMENT NUMBER 1

Amendment in the nature of a substitute, as follows.

Optional Separate Filing. Allow married couples to file as two single filers on the same return. Income, deductions, credits, exemptions and other tax attributes would be allocated among the spouses as follows:

1. earned income to the taxpayer who earned it; unearned income to the taxpayer owning the underlying property giving rise to the unearned income (with such ownership considered 50-50 regarding joint tenancy property);

2. deductions proportionate to income;

3. deductions allowable by Section 151(b) (relating to personal exemptions for taxpayer and spouse), one exemption allocated to each spouse;

4. credits proportionate to income;

5. regarding the Earned Income Credit (EIC), dependents would be allocated proportionate to income (rounded to the nearest whole number). A total income cap for EIC eligibility would be imposed at two times the maximum EIC phase-out point;

6. eligibility for credits which require joint filing status would be satisfied under this proposal;

7. taxpayers would also be allowed to compute as if they were two single filers for purposes of the alternative minimum tax.

Effective date: Tax years beginning after December 31, 2001.

The benefit of this amendment would be phased in according to the following schedule: 10% in 2002 and 2003, 20% in 2004, 25% in 2005, 30% in 2006, 40% in 2007, 50% in 2008, 70% in 2009, and 100% in 2010 and thereafter. For phase-in purposes, the benefit would be the difference between a couple's tax liability under current-law joint filing and the couple's liability when this amendment is fully phased-in.

The estimated cost of this amendment would be $151 billion over 10 years.

(1D)

DEMOCRATIC AMENDMENT NUMBER 2

Amendment in the nature of a substitute, as follows.

Optional Separate Filing. Allow married couples to file as two single filers on the same return. Income, deductions, credits, exemptions and other tax attributes would be allocated among the spouses as follows:

1. earned income to the taxpayer who earned it; unearned income to the taxpayer owning the underlying property giving rise to the unearned income (with such ownership considered 50-50 regarding joint tenancy property);

2. deductions proportionate to income;

3. deductions allowable by Section 151(b) (relating to personal exemptions for taxpayer and spouse), one exemption allocated to each spouse;

4. credits proportionate to income;

5. regarding the Earned Income Credit (EIC), dependents would be allocated proportionate to income (rounded to the nearest whole number). A total income cap for EIC eligibility would be imposed at two times the maximum EIC phase-out point;

6. eligibility for credits which require joint filing status would be satisfied under this proposal;

7. taxpayers would also be allowed to compute as if they were two single filers for purposes of the alternative minimum tax.

Effective date: Tax years beginning after December 31, 2001.

The benefit of this amendment would be phased in according to the following schedule: 15% in 2002, 30% in 2003, 50% in 2004, 70% in 2005, 80% in 2006, 90% in 2007, and 100% in 2008 and thereafter. For phase-in purposes, the benefit would be the difference between a couple's tax liability under current-law joint filing and the couple's liability when this amendment is fully phased-in. The annual benefit would be phased out at joint adjusted gross income between $100,000 and $150,000.

The total cost of this amendment is estimated at $150 billion over 10 years.

11

DEMOCRATIC AMENDMENT NUMBER 3

Amendment in the nature of a substitute, as follows.

Second-earner credit and increase in the earned income credit.

a. Provide a credit of 3% of the second earner's income, with a maximum credit of $500.

b. Increase the beginning and ending points of the earned income credit phase-out range for couples by $4,500.

Effective date: Tax years beginning after December 31, 2001.

The total cost of this amendment is estimated at $117 billion over 10 years.

12

Rockefeller Retired Coalminers Amendment

Transfer General Revenue to Maintain Current Benefits under the Coal Act and Restore Solvency to the Retired Miners' Health Care Trust Fund (the Combined Benefit Fund).

a. **Transfer $346 million of general revenue to the Combined Benefit Fund over the next ten years.** (with specified annual transfers).

b. Clarify a provision in the Coal Act related to the timing of the Social Security Administration's assignment of retired miners to the companies that employed them and that had agreed to pay for their health benefits. This provision has no revenue effects that may be scored.

Effective Date. Date of Enactment.

Cost: $346 million over ten years, as scored by the Office of Management and Budget.

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2001-2010
49	47	46	45	43	42	41	40	40	39	346 million

Rationale:

The Coal Act was passed as part of the Energy Policy Act of 1992. It now covers a closed population of approximately 67,000 retired miners and their widows, average age, 77. Without Congressional action this year, these retired miners and their widows -- who earned and were explicitly promised lifetime health benefits by their former employers and the federal government -- will have their health benefits cut. Currently, the Combined Benefit Fund is projecting annual deficits of $40-50 million a year due to an inadequate inflation adjustor, and a series of adverse court decisions.

13

Graham/Robb Amendment #1

Chairman's Mark

The tax cuts proposed in the Chairman's Mark go into effect without regard to whether Congress and the Administration reach agreement on legislation extending the solvency of either the Social Security or Medicare programs.

Graham Amendment

The Graham amendment would delay the effective date of the tax cuts in the Chairman's mark until after enactment of legislation that extends the solvency of the Social Security trust fund through 2075 and the Medicare Part A program through 2025.

Graham Amendment #2

Chairman's Mark

The tax cuts proposed in the Chairman's Mark become effective without regard to whether or not the projected budget surpluses on which they are based materialize.

Graham Amendment

The Graham amendment would require the Congressional Budget Office to certify, in December 2000, that the cumulative on-budget surplus for the fiscal years 2001 through 2005 is no less than $396 billion. If the on-budget surplus falls below $396 billion, the tax cuts scheduled to become effective on January 1, 2001 would not go into effect. The certification required by this amendment is to be made with reference to a baseline that reflects current law at the time the certification is made.

The Graham amendment would require the Congressional Budget Office to certify, in December 2001, that the cumulative on-budget surplus for the fiscal years 2002 though 2006 is no less than $564 billion. If the on-budget surplus falls below $564 billion, the tax cuts scheduled to become effective on January 1, 2002 would not go into effect. The certification required by this amendment is to be made with reference to a baseline that reflects current law at the time the certification is made.

Rationale

The amendment would ensure that the on-budget surpluses being used to pay for the proposed tax cuts occur before the tax cuts are implemented.