

PROVIDING FOR CONSIDERATION OF H.R. 4275, TO
AMEND THE INTERNAL REVENUE CODE OF 1986 TO
PERMANENTLY EXTEND THE 10-PERCENT INDIVIDUAL
INCOME TAX RATE BRACKET

MAY 11, 2004.—Referred to the House Calendar and ordered to be printed

Mr. SESSIONS, from the Committee on Rules,
submitted the following

R E P O R T

[To accompany H. Res. 637]

The Committee on Rules, having had under consideration House Resolution 637, by a nonrecord vote, report the same to the House with the recommendation that the resolution be adopted.

SUMMARY OF PROVISIONS OF THE RESOLUTION

The resolution provides for the consideration of H.R. 4275, to amend the Internal Revenue Code of 1986 to permanently extend the 10-percent individual income tax rate bracket, under a modified closed rule. The rule provides one hour of debate in the House equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means.

The rule provides for consideration of the amendment in the nature of a substitute printed in this report, if offered by Representative Rangel of New York or his designee, which shall be considered as read, and shall be separately debatable for one hour equally divided and controlled by the proponent and an opponent. The rule waives all points of order against the amendment printed in this report.

Finally, the rule provides one motion to recommit with or without instructions.

SUMMARY OF AMENDMENT MADE IN ORDER

(Summary derived from information provided by the amendment sponsor.)

Rangel: Amendment in the Nature of a Substitute. Includes identical provisions to those in the base bill. Adjusts the AMT so that

none of the benefits promised in the bill will be taken back by the AMT. Includes a temporary rate adjustment (through 2010) that applies to incomes over \$1 million (\$500,000 for single taxpayers). The rate adjustment would be 1.9% for incomes over that level. Conditions the repeal of the sunset on Congress meeting certain budgetary goals. Congress would be required to enact budget legislation that balances the budget by FY 2014 (without using Social Security and Medicare trust funds) and eliminates the need to borrow from foreign central banks to fund our government.

TEXT OF AMENDMENT MADE IN ORDER

Strike all after the enacting clause and insert the following:

SECTION 1. EXTENSION OF 10-PERCENT INDIVIDUAL INCOME TAX RATE BRACKET.

(a) IN GENERAL.—Clause (i) of section 1(i)(1)(B) of the Internal Revenue Code of 1986 (relating to the initial bracket amount) is amended to read as follows:

“(i) \$14,000 in the case of subsection (a),”.

(b) INFLATION ADJUSTMENT BEGINNING IN 2004.—Section 1(i)(1)(C) of such Code (relating to inflation adjustment) is amended to read as follows:

“(C) INFLATION ADJUSTMENT.—In prescribing the tables under subsection (f) which apply with respect to taxable years beginning in calendar years after 2003—

“(i) the cost-of-living adjustment used in making adjustments to the initial bracket amount shall be determined under subsection (f)(3) by substituting ‘2002’ for ‘1992’ in subparagraph (B) thereof, and

“(ii) such adjustment shall not apply to the amount referred to in subparagraph (B)(iii).

If any amount after adjustment under the preceding sentence is not a multiple of \$50, such amount shall be rounded to the next lowest multiple of \$50.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2003.

(d) REPEAL OF SUNSET.—Title IX of the Economic Growth and Tax Relief Reconciliation Act of 2001 shall not apply to—

(1) paragraph (1) of section 1(i) of the Internal Revenue Code of 1986, and

(2) the amendments made by paragraphs (1) and (7) of section 101(c) of such Act.

SEC. 2. BENEFITS OF ACT NOT DENIED BY REASON OF ALTERNATIVE MINIMUM TAX.

(a) MINIMUM TAX.—The amount of the minimum tax imposed by section 55 of the Internal Revenue Code of 1986 shall be determined as if section 1 of this Act had not been enacted.

(b) CREDITS.—In applying section 26(a)(1) of such Code, the amount referred to in subparagraph (B) thereof shall be reduced (but not below zero) by the amount of the reduction in the taxpayer’s regular tax liability by reason of section 1 of this Act.

SEC. 3. BENEFITS EXTENSION NOT TO INCREASE FEDERAL BUDGET DEFICIT.

(a) IN GENERAL.—Section 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

“(j) **ADDITIONAL TAX ON HIGH INCOME TAXPAYERS.**—In the case of taxable years beginning in calendar year 2005, 2006, 2007, 2008, 2009, or 2010, the amount determined under subsection (a), (b), (c), or (d), as the case may be, shall be increased by 1.9 percent of so much of adjusted gross income as exceeds \$1,000,000 in the case of individuals to whom subsection (a) applies (\$500,000 in any other case).”

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to taxable years beginning after December 31, 2004.

SEC. 4. REQUIREMENT THAT CONGRESS BALANCE BUDGET.

(a) **IN GENERAL.**—Notwithstanding the provisions of section 1 of this Act and any other provision of law, title IX of the Economic Growth and Tax Relief Reconciliation Act of 2001 shall take effect in the form as originally enacted unless Congress meets the requirements of subsection (b).

(b) **REQUIREMENTS.**—Congress meets the requirements of this subsection if—

(1) before September 1, 2010, Congress has enacted comprehensive Federal budget legislation, and

(2) the Director of the Office of Management and Budget certifies in September of 2010 that such legislation—

(A) will result in a balanced Federal budget by fiscal year 2014, determined by taking into account the costs of the foregoing provisions of this Act and without taking into account the receipts and disbursements of the Social Security and Medicare Trust Funds, and

(B) will permit the general fund of the Treasury to repay amounts previously borrowed from the Social Security and Medicare Trust Funds without requiring large foreign central bank purchases.