



Legislative Bulletin.....June 12, 2003

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H.Res. 270 / H.R. 1308 – All American Tax Relief Act of 2003

H. R. 1308—All American Tax Relief Act of 2003 (Thomas)

Order of Business: The House is scheduled to consider a Rule, H.Res. 270, which if adopted will call up the bill H.R. 1308, The Tax Relief, Simplification, and Equity Act of 2003 as amended by the Senate. The original House-passed bill contained various small tax changes, (tackle boxes, timber, orphan drugs, etc). The Senate struck all of those provisions and added their Child Tax Credit Bill, renaming the bill the Relief for Working Families Tax Act of 2003. The Rule considered by the House today will automatically agree to the Senate Amendment with an amendment that strikes all of the text of the Senate Amendment and inserts the text of and renames the bill the All American Tax Relief Act.

Upon adoption of the Rule, it is in order for the Chairman of the Ways and Means Committee to move that the House insist on its amendment and request or agree to a Conference with the Senate. Under the Rules of the House, the minority will then be entitled to offer a Motion to Instruct Conferees.

Summary: The Thomas Amendment, the All American Tax Relief Act, contains the following provisions:

Child Tax Credit:

- Accelerate (from 2005 to 2003) the increase in refundability of the Child Tax Credit -- \$3.5 Billion in spending over eleven years
- Eliminate the Marriage Penalty in the Child Tax Credit by raising the phase-out for married couples from \$110 K to \$150 K (twice the level of the single filer phaseout) retroactive to the first of the year -- \$20.4 Billion in tax relief over eleven years.
- Repeal the sunset included in the just-enacted Jobs and Economic Growth Package ensuring that the Child Tax Credit stays at \$1,000 through 2010 (in 2011 it sunsets back to pre-2001 levels of \$500) -- \$57.3 Billion in tax relief over eleven years

Armed Forces Provisions:

- Alter how **capital gains taxes** are computed for homes of Armed Services and Foreign Service members and their spouses, if the members are serving on qualified extended

duty at least 150 miles away from their principal residence. Currently, a homeowner is exempt from capital gains taxes (on up to \$250,000 of gain--\$500,000 for married couples) if he sells one home and he had lived in it for a total of two out of the last five years. The bill would essentially suspend the five-year timeline if the serviceman is away for a period in excess of 180 days. In other words, when the home is sold, the home still must have been the primary residence for a *total* of 2 years, but not necessarily in the past 5 consecutive years.

- Provide complete tax-free treatment of **death gratuity** payments paid to survivors of members of the armed services, starting with deaths after September 10, 2001. (Currently, only half of the \$6,000 death gratuity payment is tax-free.)
- Exempt from the personal income tax amounts received under the **DOD Homeowners Assistance Program** (regarding drops in home values due to military base realignments).
- Expand **combat-zone tax-filing rules** to cover contingency operations.
- Allow lineal descendants of veterans to be treated as members in **veteran’s organizations** for tax-exempt-status purposes.
- Treat **service academy appointments** as scholarships for purposes of qualified tuition programs and Coverdell Education Savings Accounts.
- Clarify that **dependent care assistance** provided under a military dependent care assistance program is tax-free.
- Establish a new above-the-line tax deduction (beginning with tax-year 2003) of up to \$1,500 for **travel expenses** incurred by National Guard and Reserve members while more than 100 miles from home on official business.

Other Provisions:

- Suspend the tax-exempt status of terrorist organizations (as identified by the Executive Branch) as long as such organizations are identified as such. The ability for taxpayers to deduct contributions to such organizations would also be suspended.
- Extend Victims Tax Relief Act benefits (covers victims of September 11th attacks) to astronauts who die in the line of duty.

Comparison of Child Tax Bills

Issue	Senate Bill	House Amendment
Child Tax Credit Refundability	Accelerate (from 2005 to 2003) increase in refundability of the Child Tax Credit -- \$3.5 Billion in spending over eleven years	Same
Marriage Penalty in Child Tax Credit	Eliminate Marriage Penalty in the Child Tax Credit by raising the phase-out for married couples from \$110 K to \$150 K (twice the level of the single filer phaseout). Slight phase-in during 2008 and 2009 and implemented in 2010 -- \$4.8 Billion in tax relief over eleven years	Same, except implemented for 2003-- \$20.4 Billion in tax relief over eleven years.

Combat Pay & Child Tax Credit	Inclusion of combat pay in earned income for purpose of child tax credit -- \$34 Million cost over eleven years.	Not Included
Definition of Child	Set uniform definition of child for the dependency exemption, Child Credit, EIC, Dependent Care Credit, and Head-of-Household filing -- \$8.3 Billion cost over eleven years as a result of expanding definition of child under certain programs	Not Included
Repeal of Sunset	Not Included	Repeals the sunset included in the just-enacted Jobs and Economic Growth Package ensuring that the Child Tax Credit stays at \$1,000 through 2010 (in 2011 it sunsets back to pre-2001 levels of \$500) -- \$57.3 Billion in tax relief over eleven years
Offsets	Extend existing Customs User fees – raises \$10 Billion over eleven years (2004 through 2010)	Not Included
Armed Forces Provisions	Not Included	Various House- passed provisions affecting the Armed Forces -- \$836 Million in tax relief over eleven years
Terrorist Organizations	Not Included	Suspend tax-exempt status of terrorist organizations
Astronauts	Not Included	Tax relief for astronauts who die on space missions -- \$500 K in tax relief over eleven years
Total Gross Tax Relief	Approximately \$6.2 Billion	Approximately \$78.5 Billion (\$57.3 Billion is from repeal of a sunset)
Total Gross Spending	\$3.5 Billion	\$3.5 Billion
Total Revenue Raisers	\$10.0 Billion	\$0

Committee Action: The Ways and Means Committee did not consider the proposed amendment to the Senate bill.

Cost to Taxpayers: The House Amendment would save taxpayers approximately \$78.5 Billion over the next ten years compared to the current revenue baseline and would increase spending (for “refundable” credits) by about \$3.5 Billion over the same period.

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

Constitutional Authority: The Constitution grants Congress the “power to lay and collect taxes, duties, imposts and excises....” Additionally, the 16th Amendment grants Congress the “power to lay and collect taxes on incomes, from whatever source derived....”

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