



**Legislative Bulletin.....June 13, 2002**

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**H.R. 4019—Permanent Marriage Penalty Relief Act**

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**H.R. 4019—Permanent Marriage Penalty Relief Act (Weller)**

**Order of Business:** The bill is scheduled to be considered on Thursday, June 13<sup>th</sup>, subject to a modified closed rule allowing one Democrat amendment in the nature of a substitute to be offered (see “Democrat Amendment” section below).

**Summary:** H.R. 4019 would make permanent the marriage penalty relief provisions (contained in last year’s tax-cut package), which are set to be fully implemented in 2009.

**Current law** for phasing out the marriage penalty is as follows:

- Increases the standard deduction for married couples to twice the deduction for single taxpayers (phased in over five years beginning in 2005).
- Increases the width of the 15% tax bracket for married couples so it twice as wide as the bracket for single taxpayers (phased in over four years beginning in 2005).
- Increases the phase-out range of the Earned Income Credit (EIC) by \$3,000 for married couples (phased in over six years beginning in 2002).
- Simplifies the EIC to reduce tax complexity for low-income taxpayers (excludes nontaxable employee compensation from the definition of earned income for earned income credit purposes).

For technical explanations of these provisions relating to the marriage penalty, go to this website: <http://www.house.gov/jct/x-59-02.pdf>

Marriage penalty relief is set to expire on January 1, 2011. If H.R. 4019 is not signed into law, the full marriage penalty in the tax code would return to pre-phase-out levels literally overnight on New Year’s Eve, 2011. The Ways & Means Committee reports that failure to pass H.R. 4019 would result in a \$17 billion tax increase for low- and middle-income married taxpayers in 2011 and a \$25 billion tax increase in 2012.

**Additional Background:** The phase-out of the marriage penalty was implemented as part of the Bush tax-cut package (H.R. 1836; Public Law 107-16) signed into law on June 7, 2001. In order to comply with reconciliation procedures under the Congressional Budget Act of 1974 (i.e. section 313 of the Budget Act, under which a point of order may be lodged in the Senate), the tax-cut bill included a “sunset” provision, under which the law expires at the end of 2010.

For more details on what was enacted as part of the Bush tax cut, go to this website:  
<http://www.house.gov/burton/RSC/TaxBillCR1.PDF>

**Democrat Amendment**: The Rangel amendment in the nature of a substitute is the only amendment made in order under the rule.

The Democrat substitute would make marriage penalty relief permanent **ONLY IF** OMB certifies in calendar year 2010 that there will be sufficient non-Social Security surpluses during the ten fiscal-year period beginning with fiscal year 2011 so that, during such time, marriage penalty relief would not result in a “raid on the Social Security trust funds (or increase the size of a raid on such funds).” Social Security funds would be treated as “raided” during any year for which there is a deficit in the non-Social-Security portion of the federal budget.

**Arguments Against the Democrat Amendment**: The Democrat amendment would raise taxes on millions of married couples, including low-income couples, if there is an on-budget deficit caused by:

- a recession;
- a war; or
- even excessive Washington spending.

In other words, if Congress and the President spend too much money and cause a deficit, the Democrat amendment would require that taxes be raised on married couples (simply because they are married) to pay for the excessive spending.

**Cost to Taxpayers**: According to the Joint Committee on Taxation (in document JCX-60-02), implementation of the base text of H.R. 4019 would save taxpayers \$16.7 billion in FY2011 and **\$25.2 billion** in FY2012.

**Does the Bill Create New Federal Programs or Rules?**: The bill would make permanent certain provisions in current tax law set to expire after December 31, 2010.

**Constitutional Authority**: Though a committee report citing constitutional authority is unavailable, Article I, Section 8, Clause 1 grants Congress the power to “lay and collect Taxes, Duties, Imposts and Excises...,” and the 16<sup>th</sup> Amendment grants Congress the power to “lay and collect taxes on incomes, from whatever source derived,....”

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