

**COMPARISON OF PROVISIONS CONTAINED IN H.R. 1308,
THE “ALL-AMERICAN TAX RELIEF ACT OF 2003,” AS PASSED BY THE
HOUSE OF REPRESENTATIVES ON JUNE 12, 2003, AND H.R. 1308,
THE “RELIEF FOR WORKING FAMILIES TAX ACT OF 2003,”
AS PASSED BY THE SENATE ON JUNE 5, 2003**

Prepared by the Staff of the
JOINT COMMITTEE ON TAXATION



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INTRODUCTION

H.R. 1308 (the “Tax Relief, Simplification and Equity Act of 2003”) originally passed the House of Representatives on March 19, 2003. H.R. 1308, as amended and as renamed the “Relief for Working Families Tax Act of 2003,” passed the Senate on June 5, 2003. H.R. 1308, as further amended and as renamed the “All-American Tax Relief Act of 2003,” passed the House on June 12, 2003. Both the Relief for Working Families Tax Act of 2003 as passed by the Senate and the All-American Tax Relief Act of 2003 as passed by the House modify the child tax credit and make other changes to the Internal Revenue Code.

This document,¹ prepared by the staff of the Joint Committee on Taxation, presents a side-by-side comparison of the provisions in the most recently passed versions of the House and Senate bills. The House bill refers to those provisions contained in the House bill, as further amended, passed by the House on June 12, 2003. The Senate amendment refers to those provisions contained in the bill, as amended, passed by the Senate on June 5, 2003.

¹ This document may be cited as follows: Joint Committee on Taxation, *Comparison of Provisions Contained in H.R. 1308, the “All-American Tax Relief Act of 2003,” as passed by the House of Representatives on June 12, 2003, and H.R. 1308, the “Relief for Working Families Tax Act of 2003” as passed by the Senate on June 5, 2003* (JCX-57-04), September 21, 2004.

Item	Present Law	House Bill	Senate Amendment
<p>I. ACCELERATION OF PREVIOUSLY ENACTED TAX REDUCTION</p> <p>A. Child Tax Credit (sec. 101 of the House bill and secs. 101, 102, and 103 of the Senate amendment)</p>	<p><u>Amount of credit.</u>—The amount of the child credit is \$1,000 for 2004. The aggregate amount of child credits is phased out by \$50 for each \$1,000 (or fraction thereof) of adjusted gross income in excess of \$75,000 (\$110,000 in the case of a joint return and \$55,000 in the case of a married individual filing separately).</p> <p>After 2004, the child credit reverts to the levels provided under EGTRRA. For 2005-2008, the child credit will be \$700, increasing to \$800 for 2009 and \$1,000 in 2010.</p> <p>The child credit reverts to \$500 in taxable years beginning after December 31, 2010, under the sunset provision of EGTRRA.</p> <p><u>Refundability.</u>—For 2004, the child credit is refundable to the extent of 10 percent of the taxpayer’s earned income in excess of \$10,750. This amount is indexed for inflation. The percentage is increased to 15 percent for taxable years 2005 and</p>	<p><u>Amount of credit.</u>—The amount of the child credit is increased to \$1,000 for 2005 through 2009. The phase-out threshold for married taxpayers filing jointly is raised to twice that of single filers, i.e., \$150,000 (\$75,000 in the case of a married individual filing a separate return).</p> <p>The sunset provision of EGTRRA continues to apply.</p> <p><u>Refundability.</u>—The 15-percent refundability percentage is accelerated to apply to taxable years beginning after December 31, 2002.</p>	<p><u>Amount of credit.</u>—The beginning point of the phase-out range for the child credit is increased to \$115,000 in 2008 and 2009 and to \$150,000 in 2010 for married individuals filing joint returns. The beginning point for such phase-out range in the case of unmarried individuals and married individuals filing separately is one-half of the beginning point of the phase-out range for married individuals filing joint returns for taxable years beginning in 2008 through 2010.</p> <p>Same as the House bill.</p> <p><u>Refundability.</u>—The 15-percent refundability percentage is accelerated to apply to taxable years beginning after December 31, 2002.</p>

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	<p>thereafter. Families with three or more children are allowed a refundable credit for the amount by which the taxpayer's social security taxes exceed the taxpayer's earned income credit, if that amount is greater than the refundable credit based on the taxpayer's earned income in excess of \$10,750 (for 2004).</p> <p>For taxable years beginning after December 31, 2010, under the sunset provision of EGTRRA, the method of calculating refundability based on earned income expires.</p>	<p>The sunset provision of EGTRRA continues to apply.</p> <p><u>Effective date.</u>—Taxable years beginning after December 31, 2002.</p>	<p>Taxpayers eligible for the 15-percent additional refundable child credit amount will receive this additional amount in the same manner as other taxpayers receiving advance payments under the Jobs and Growth Tax Relief Reconciliation Act of 2003. Any amount excluded from gross income under section 112 of the Code (relating to certain combat zone compensation) is treated as earned income for purposes of the calculation of the child tax credit.</p> <p>Same as the House bill.</p> <p><u>Effective date.</u>—Generally, taxable years beginning after December 31, 2002.</p>

Item	Present Law	House Bill	Senate Amendment
<p>II. PROVISIONS RELATING TO MILITARY PERSONNEL (secs. 201-208, 301, and 401 of the House bill)</p>	<p>Present law includes various targeted tax provisions relating to military personnel.</p>	<p>Includes several specific provisions to improve tax equity for military personnel.</p> <p>These provisions were separately enacted subsequent to the passage of the House bill. These provisions are contained in: “The Military Tax Relief Act of 2003” (Pub. L. No. 108-121).</p>	<p>No provision. See description of the House bill.</p>

Item	Present Law	House Bill	Senate Amendment
<p>III. OTHER PROVISIONS</p> <p>A. Establish Uniform Definition of a Qualifying Child (secs. 201-208 of the Senate amendment)</p>	<p>Present law provides family-related tax benefits for taxpayers who satisfy various requirements with respect to a child. The qualification of a child generally differs for the dependency exemption, the child credit, the earned income credit, the dependent care credit, and head of household filing status. In general, each provision requires that the child satisfy certain age and relationship requirements that differ for the various benefits. Some provisions require that the taxpayer provide over half of the child's support in order to qualify for the tax benefit, others require satisfaction of a residency test rather than a support test, and others require the taxpayer to satisfy a household maintenance test. An unmarried taxpayer generally may file as a head of household (rather than as single) if the taxpayer resides with a son, daughter, stepson, stepdaughter, or grandchild, and provides over half the cost of maintaining the household, regardless of whether the child or grandchild is a dependent of the taxpayer.</p>	<p>No provision.</p>	<p>Establishes a uniform definition of qualifying child for purposes of the dependency exemption, child credit, earned income credit, dependent care credit, and head of household filing status. Under this definition, a child is a qualifying child of the taxpayer if the child satisfies three tests: (1) the child has not yet attained a specified age; (2) the child has a specified relationship to the taxpayer; and (3) the child has the same principal place of abode as the taxpayer for more than half the taxable year. Retains present-law age rule differences for the various benefits, establishes a uniform relationship test for the various benefits, and replaces the support test with a residency test. Child does not constitute a qualifying child (other than for the earned income credit) if the child provides over half of his or her own support. Retains present-law rule that permits a custodial parent to release the claim to a dependency exemption and the child credit to a noncustodial parent in the case of divorce or legal separation.</p>

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	<p>Special rules apply for adopted and foster children, and for children of divorced or legally separated parents. A legally adopted individual of the taxpayer, or an individual who is placed with the taxpayer by an authorized placement agency for legal adoption by the taxpayer, is treated as a child by blood. A custodial parent is allowed to release the claim to a dependency exemption and the child credit to a noncustodial parent in the case of divorce or legal separation.</p>		<p>A taxpayer generally may claim a dependency exemption for a child or other individual who does not meet the uniform definition of qualifying child with respect to any taxpayer if present-law dependency requirements are satisfied. An unmarried taxpayer may not claim head of household filing status with respect to a child over 18 (over 23 if a full time student) who may not be claimed by the taxpayer as a dependent (e.g., had gross income over the exemption amount or provided over half of his or her own support.)</p> <p><u>Effective date.</u>—Taxable years beginning after December 31, 2003.</p>

Item	Present Law	House Bill	Senate Amendment
<p>IV. REVENUE PROVISIONS</p> <p>A. Extension of Customs User Fees (sec. 301 of the Senate amendment)</p>	<p>Section 13031 of the Consolidated Omnibus Budget Reconciliation Act of 1985, authorized the Secretary of the Treasury to collect certain service fees. Section 412 of the Homeland Security Act of 2002 authorized the Secretary of the Treasury to delegate such authority to the Secretary of Homeland Security. Subsequent to the passage of the Senate amendment, public law 108-121 extended authorization for the collection of these fees through March 1, 2005.</p>	<p>No provision.</p>	<p>Extends the fees authorized under the Consolidated Omnibus Budget Reconciliation Act of 1985 through March 31, 2010.</p> <p><u>Effective date.</u>—Date of enactment.</p>