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S. 1994

To amend the Internal Revenue Code of 1986 to increase certain fuel taxes and to strengthen the earned income tax credit and make permanent certain tax provisions under the American Recovery and Reinvestment Act of 2009.

IN THE SENATE OF THE UNITED STATES

AUGUST 5, 2015

Mr. CARPER introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to increase certain fuel taxes and to strengthen the earned income tax credit and make permanent certain tax provisions under the American Recovery and Reinvestment Act of 2009.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Tax Relief And #FixTheTrustFund For Infrastructure
6 Certainty Act of 2015” or the “TRAFFIC Relief Act”.

1 (b) TABLE OF CONTENTS.—The table of contents of
 2 this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—FUEL TAXES

Sec. 101. Increase in tax on gasoline.
 Sec. 102. Increase in tax on diesel fuel and kerosene.
 Sec. 103. Allocation in accounts in highway trust fund.
 Sec. 104. Floor stocks taxes.

TITLE II—TAX RELIEF FOR WORKING FAMILIES

Sec. 201. Permanent extension of and modifications to the child tax credit.
 Sec. 202. Permanent extension of modifications to earned income tax credit.
 Sec. 203. Strengthening the earned income tax credit.
 Sec. 204. Simplifying the earned income tax credit.

3 **TITLE I—FUEL TAXES**

4 **SEC. 101. INCREASE IN TAX ON GASOLINE.**

5 (a) PHASED-IN INCREASE.—

6 (1) IN GENERAL.—Clause (i) of section
 7 4081(a)(2)(A) of the Internal Revenue Code of 1986
 8 is amended by striking “aviation gasoline,” and all
 9 that follows and inserting “aviation gasoline—

10 “(I) 22.3 cents per gallon in the
 11 case of gasoline removed, entered, or
 12 sold in calendar year 2016,

13 “(II) 26.3 cents per gallon in the
 14 case of gasoline removed, entered, or
 15 sold in calendar year 2017,

16 “(III) 30.3 cents per gallon in
 17 the case of gasoline removed, entered,
 18 or sold in calendar year 2018, and

1 “(IV) 34.3 cents per gallon in the
 2 case of gasoline removed, entered, or
 3 sold in calendar years beginning after
 4 December 31, 2018.”.

5 (2) EFFECTIVE DATE.—The amendment made
 6 by this subsection shall apply to gasoline removed,
 7 entered, or sold on or after the first day of the first
 8 calendar quarter beginning not less than 60 days
 9 after the date of the enactment of this Act.

10 (b) ADJUSTMENT FOR INFLATION.—

11 (1) IN GENERAL.—Paragraph (2) of section
 12 4081(a) of the Internal Revenue Code of 1986 is
 13 amended by adding at the end the following new
 14 subparagraph:

15 “(E) ADJUSTMENT FOR INFLATION.—

16 “(i) IN GENERAL.—In the case of gas-
 17 oline removed, entered, or sold in a cal-
 18 endar year after 2019, the 34.3 cents
 19 amount in subparagraph (A)(i)(IV) shall
 20 be increased by an amount equal to—

21 “(I) such cents amount, multi-
 22 plied by

23 “(II) the cost-of-living adjust-
 24 ment determined under section 1(f)(3)
 25 for such calendar year by substituting

1 ‘calendar year 2018’ for ‘calendar
2 year 1992’ in subparagraph (B) there-
3 of.

4 “(ii) ROUNDING.—If the amount as
5 increased under clause (i) is not a multiple
6 of 0.1 cents, such amount shall be rounded
7 to the nearest multiple of 0.1 cents.”.

8 (2) EFFECTIVE DATE.—The amendment made
9 by this subsection shall apply to gasoline removed,
10 entered, or sold after December 31, 2018.

11 (c) CONFORMING AMENDMENT RELATING TO TAX
12 ON COMPRESSED NATURAL GAS.—

13 (1) IN GENERAL.—The second sentence of sub-
14 paragraph (A) of section 4041(a)(3) of the Internal
15 Revenue Code of 1986 is amended by striking “18.3
16 cents” and inserting “equal to the rate of tax in ef-
17 fect under section 4081(a)(2)(A)(i) for the calendar
18 year in which such gas is sold or used,”.

19 (2) EFFECTIVE DATE.—The amendment made
20 by this subsection shall apply to compressed natural
21 gas sold or used on or after the first day of the first
22 calendar quarter beginning not less than 60 days
23 after the date of the enactment of this Act.

24 (d) CONFORMING AMENDMENT RELATING TO TAX
25 ON METHANOL AND ETHANOL.—

1 moved, entered, or sold in calendar
2 year 2017,

3 “(III) 36.3 cents per gallon in
4 the case of diesel fuel or kerosene re-
5 moved, entered, or sold in calendar
6 year 2018, and

7 “(IV) 40.3 cents per gallon in the
8 case of diesel fuel or kerosene re-
9 moved, entered, or sold in calendar
10 years beginning after December 31,
11 2018,”.

12 (b) ADJUSTMENT FOR INFLATION.—Subparagraph
13 (E) of section 4081(a)(2) of the Internal Revenue Code
14 of 1986, as added by this title, is amended—

15 (1) by redesignating clause (ii) as clause (iii),

16 (2) by striking “If the amount as increased
17 under clause (i)” in clause (iii), as so redesignated,
18 and inserting “If any amount as increased under
19 clause (i) or (ii)”,

20 (3) by striking “IN GENERAL” in the heading of
21 clause (i) and inserting “TAX ON GASOLINE”, and

22 (4) by inserting after clause (i) the following
23 new clause:

24 “(ii) TAX ON DIESEL FUEL OR KER-
25 OSENE.—In the case of diesel fuel or ker-

1 osene removed, entered, or sold in a cal-
 2 endar year after 2019, the 40.3 cents
 3 amount in subparagraph (A)(iii)(IV) shall
 4 be increased by an amount equal to—

5 “(I) such cents amount, multi-
 6 plied by

7 “(II) the cost-of-living adjust-
 8 ment determined under section 1(f)(3)
 9 for such calendar year by substituting
 10 ‘calendar year 2018’ for ‘calendar
 11 year 1992’ in subparagraph (B) there-
 12 of.”.

13 (c) CONFORMING AMENDMENT RELATING TO TAX
 14 ON DIESEL-WATER FUEL EMULSIONS.—Subparagraph
 15 (D) of section 4081(a)(2) of the Internal Revenue Code
 16 of 1986 is amended by striking “subparagraph (A)(iii)
 17 shall be applied by substituting ‘19.7 cents’ for ‘24.3
 18 cents’” and inserting “the rate of tax shall be equal to
 19 81 percent of the rate of tax in effect under subparagraph
 20 (A)(iii) for the calendar year in which such emulsion is
 21 removed, entered, or sold”.

22 (d) CONFORMING AMENDMENT RELATING TO TAX
 23 ON CERTAIN ALTERNATIVE FUELS.—Clause (ii) of section
 24 4041(a)(2)(B) of the Internal Revenue Code of 1986 is
 25 amended by striking “24.3 cents per gallon” and inserting

1 “the rate of tax specified in section 4081(a)(2)(A)(iii)
2 which is in effect at the time of such sale or use”.

3 (e) CONFORMING AMENDMENT RELATING TO RATE
4 OF TAX ON BUSES.—

5 (1) IN GENERAL.—Subparagraph (A) of section
6 6427(b)(2) of the Internal Revenue Code of 1986 is
7 amended by striking “7.4 cents per gallon less” and
8 all that follows and inserting “the aggregate rate at
9 which tax was imposed on such fuel by section
10 4041(a) or 4081, as the case may be, reduced by the
11 amount determined under subparagraph (E).”.

12 (2) AMOUNT DETERMINED.—Paragraph (2) of
13 section 6427(b) of such Code is amended by adding
14 at the end the following new subparagraph:

15 “(E) AMOUNT DETERMINED.—

16 “(i) IN GENERAL.—For purposes of
17 subparagraph (A), the amount determined
18 under this paragraph is—

19 “(I) 8.62 cents per gallon in the
20 case of fuel used in calendar year
21 2016,

22 “(II) 9.84 cents per gallon in the
23 case of fuel used in calendar year
24 2017,

1 “(III) 11.05 cents per gallon in
2 the case of fuel used in calendar year
3 2018, and

4 “(IV) 12.27 cents per gallon in
5 the case of fuel used in calendar years
6 beginning after December 31, 2018.

7 “(ii) ADJUSTMENT FOR INFLATION.—
8 In the case of fuel used in a calendar year
9 after 2019, the 12.27 cents amount in
10 clause (i)(IV) shall be increased by an
11 amount equal to—

12 “(I) such cents amount, multi-
13 plied by

14 “(II) the cost-of-living adjust-
15 ment determined under section 1(f)(3)
16 for such calendar year by substituting
17 ‘calendar year 2018’ for ‘calendar
18 year 1992’ in subparagraph (B) there-
19 of.”.

20 (f) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to diesel fuel, kerosene, and diesel-
22 water fuel emulsions removed, entered, or sold on or after
23 the first day of the first calendar quarter beginning not
24 less than 60 days after the date of the enactment of this
25 Act.

1 **SEC. 103. ALLOCATION IN ACCOUNTS IN HIGHWAY TRUST**
2 **FUND.**

3 (a) IN GENERAL.—Paragraph (2) of section 9503(e)
4 of the Internal Revenue Code of 1986 is amended by strik-
5 ing subparagraphs (A) through (E) and inserting the fol-
6 lowing new subparagraphs:

7 “(A) except as otherwise provided in this
8 sentence—

9 “(i) 2.86 cents per gallon with respect
10 to taxes imposed during calendar year
11 2015,

12 “(ii) 3.66 cents per gallon with re-
13 spect to taxes imposed during calendar
14 year 2016,

15 “(iii) 4.46 cents per gallon with re-
16 spect to taxes imposed during calendar
17 year 2017,

18 “(iv) 5.26 cents per gallon with re-
19 spect to taxes imposed during calendar
20 year 2018, and

21 “(v) 6.06 cents per gallon with respect
22 to taxes imposed during any calendar year
23 after 2018,

24 “(B) in the case of any partially exempt
25 methanol or ethanol fuel (as defined in section

1 4041(m)) none of the alcohol in which consists
2 of ethanol—

3 “(i) 1.43 cents per gallon with respect
4 to taxes imposed during calendar year
5 2015,

6 “(ii) 1.92 cents per gallon with re-
7 spect to taxes imposed during calendar
8 year 2016,

9 “(iii) 2.42 cents per gallon with re-
10 spect to taxes imposed during calendar
11 year 2017,

12 “(iv) 2.91 cents per gallon with re-
13 spect to taxes imposed during calendar
14 year 2018, and

15 “(v) 3.40 cents per gallon with respect
16 to taxes imposed during any calendar year
17 after 2018,

18 “(C) in the case of liquefied natural gas—

19 “(i) 1.86 cents per gallon with respect
20 to taxes imposed during calendar year
21 2015,

22 “(ii) 2.66 cents per gallon with re-
23 spect to taxes imposed during calendar
24 year 2016,

1 “(iii) 3.46 cents per gallon with re-
2 spect to taxes imposed during calendar
3 year 2017,

4 “(iv) 4.26 cents per gallon with re-
5 spect to taxes imposed during calendar
6 year 2018, and

7 “(v) 5.06 cents per gallon with respect
8 to taxes imposed during any calendar year
9 after 2018,

10 “(D) in the case of liquefied petroleum
11 gas—

12 “(i) 2.13 cents per gallon with respect
13 to taxes imposed during calendar year
14 2015,

15 “(ii) 2.93 cents per gallon with re-
16 spect to taxes imposed during calendar
17 year 2016,

18 “(iii) 3.73 cents per gallon with re-
19 spect to taxes imposed during calendar
20 year 2017,

21 “(iv) 4.53 cents per gallon with re-
22 spect to taxes imposed during calendar
23 year 2018, and

1 “(v) 5.33 cents per gallon with respect
2 to taxes imposed during any calendar year
3 after 2018, and

4 “(E) in the case of compressed natural
5 gas—

6 “(i) 9.71 cents per MCF (determined
7 at standard temperature and pressure)
8 with respect to taxes imposed during cal-
9 endar year 2015,

10 “(ii) 10.51 cents per MCF (deter-
11 mined at standard temperature and pres-
12 sure) with respect to taxes imposed during
13 calendar year 2016,

14 “(iii) 11.31 cents per MCF (deter-
15 mined at standard temperature and pres-
16 sure) with respect to taxes imposed during
17 calendar year 2017,

18 “(iv) 12.11 cents per MCF (deter-
19 mined at standard temperature and pres-
20 sure) with respect to taxes imposed during
21 calendar year 2018, and

22 “(v) 12.91 cents per MCF (deter-
23 mined at standard temperature and pres-
24 sure) with respect to taxes imposed during
25 any calendar year after 2018.”.

1 (b) ADJUSTMENT FOR INFLATION.—Section 9503(e)
 2 of the Internal Revenue Code of 1986 is amended by add-
 3 ing at the end the following new paragraph:

4 “(6) ADJUSTMENT FOR INFLATION.—

5 “(A) IN GENERAL.—In the case of any cal-
 6 endar year beginning after 2019, the amounts
 7 specified in subparagraphs (A)(v), (B)(v),
 8 (C)(v), (D)(v), and (E)(v) of paragraph (2)
 9 shall each be increased by an amount equal
 10 to—

11 “(i) such amount, multiplied by

12 “(ii) the cost-of-living adjustment de-
 13 termined under section 1(f)(3) for such
 14 calendar year by substituting ‘calendar
 15 year 2018’ for ‘calendar year 1992’ in sub-
 16 paragraph (B) thereof.

17 “(B) ROUNDING.—Any increase under
 18 subparagraph (A) shall be rounded to the near-
 19 est 0.1 cents.”.

20 **SEC. 104. FLOOR STOCKS TAXES.**

21 (a) IMPOSITION OF TAX.—In the case of any taxable
 22 fuel which is held on the floor stocks tax date by any per-
 23 son, there is hereby imposed a floor stocks tax equal to
 24 the excess of the tax which would be imposed on such fuel
 25 under section 4041 or 4081 of the Internal Revenue Code

1 of 1986 had the taxable event occurred on the floor stocks
2 tax date over the tax paid under any such section on such
3 fuel.

4 (b) LIABILITY FOR TAX AND METHOD OF PAY-
5 MENT.—

6 (1) LIABILITY FOR TAX.—A person holding a
7 fuel on the floor stocks tax date to which the tax im-
8 posed by subsection (a) applies shall be liable for
9 such tax.

10 (2) METHOD OF PAYMENT.—The tax imposed
11 by subsection (a) shall be paid in such manner as
12 the Secretary shall prescribe.

13 (3) TIME OF PAYMENT.—The tax imposed by
14 subsection (a) shall be paid on or before the date
15 which is 6 months after the floor stocks tax date.

16 (c) DEFINITIONS.—For purposes of this section—

17 (1) HELD BY A PERSON.—A fuel shall be con-
18 sidered as held by a person if title thereto has
19 passed to such person (whether or not delivery to
20 the person has been made).

21 (2) TAXABLE FUEL.—The term “taxable fuel”
22 means—

23 (A) gasoline (other than aviation gasoline),
24 diesel fuel, kerosene (other than aviation-grade
25 kerosene), and diesel-water fuel emulsions;

1 (B) fuel taxed under section 4041(a)(2) of
2 the Internal Revenue Code of 1986 (including
3 methanol and ethanol to which section 4041(m)
4 of such Code applies); and

5 (C) compressed natural gas.

6 (3) FLOOR STOCKS DATE.—The term “floor
7 stocks tax date” means January 1 of any calendar
8 year beginning after the date of the enactment of
9 this Act on which a rate of tax under section 4041
10 or 4081 of such Code increases pursuant to an
11 amendment made by section 101 or 102.

12 (4) SECRETARY.—The term “Secretary” means
13 the Secretary of the Treasury.

14 (d) EXCEPTION FOR EXEMPT USES.—The tax im-
15 posed by subsection (a) shall not apply to taxable fuel held
16 by any person exclusively for any use to the extent a credit
17 or refund of the tax imposed by a section of such Code
18 is allowable for such use.

19 (e) EXCEPTION FOR FUEL HELD IN VEHICLE
20 TANK.—No tax shall be imposed by subsection (a) on tax-
21 able fuel held in the tank of a motor vehicle or motorboat.

22 (f) EXCEPTION FOR CERTAIN AMOUNTS OF FUEL.—

23 (1) IN GENERAL.—No tax shall be imposed by
24 subsection (a) on any fuel held on the floor stocks
25 tax date by any person if the aggregate amount of

1 fuel held by such person on such date does not ex-
2 ceed 2,000 gallons. The preceding sentence shall
3 apply only if such person submits to the Secretary
4 (at the time and in the manner required by the Sec-
5 retary) such information as the Secretary shall re-
6 quire for purposes of this paragraph.

7 (2) EXEMPT FUEL.—For purposes of para-
8 graph (1), there shall not be taken into account fuel
9 held by any person which is exempt from the tax im-
10 posed by subsection (a) by reason of subsection (d)
11 or (e).

12 (3) CONTROLLED GROUPS.—For purposes of
13 this section—

14 (A) CORPORATIONS.—

15 (i) IN GENERAL.—All persons treated
16 as a controlled group shall be treated as 1
17 person.

18 (ii) CONTROLLED GROUP.—The term
19 “controlled group” has the meaning given
20 to such term by subsection (a) of section
21 1563 of such Code; except that for such
22 purposes the phrase “more than 50 per-
23 cent” shall be substituted for the phrase
24 “at least 80 percent” each place it appears
25 in such subsection.

1 (B) NONINCORPORATED PERSONS UNDER
2 COMMON CONTROL.—Under regulations pre-
3 scribed by the Secretary, principles similar to
4 the principles of clause (i) shall apply to a
5 group of persons under common control where
6 one or more of such persons is not a corpora-
7 tion.

8 (g) OTHER LAWS APPLICABLE.—All provisions of
9 law, including penalties, applicable with respect to the
10 taxes imposed by chapter 31 or 32 of such Code shall,
11 insofar as applicable and not inconsistent with the provi-
12 sions of this section, apply with respect to the floor stock
13 taxes imposed by subsection (a) to the same extent as if
14 such taxes were imposed by such chapter.

15 **TITLE II—TAX RELIEF FOR**
16 **WORKING FAMILIES**

17 **SEC. 201. PERMANENT EXTENSION OF AND MODIFICATIONS**
18 **TO THE CHILD TAX CREDIT.**

19 (a) PERMANENT EXTENSION OF INCREASE IN RE-
20 FUNDABLE PORTION.—

21 (1) IN GENERAL.—Clause (i) of section
22 24(d)(1)(B) of the Internal Revenue Code of 1986
23 is amended by striking “\$10,000” and inserting
24 “\$3,000”.

1 (2) CONFORMING AMENDMENT.—Subsection (d)
2 of section 24 of such Code is amended by striking
3 paragraph (4).

4 (3) ELIMINATION OF INFLATION ADJUST-
5 MENT.—Subsection (d) of section 24 of such Code is
6 amended by striking paragraph (3).

7 (b) INFLATION ADJUSTMENTS.—Section 24 of the
8 Internal Revenue Code of 1986 is amended by adding at
9 the end the following new subsection:

10 “(g) INFLATION ADJUSTMENTS.—

11 “(1) IN GENERAL.—In the case of any taxable
12 year beginning in a calendar year after 2014, the
13 \$1,000 amount in subsection (a) and each of the
14 dollar amounts in subsection (b)(2) shall each be in-
15 creased by an amount equal to—

16 “(A) such dollar amount, multiplied by

17 “(B) the cost-of-living adjustment deter-
18 mined under section 1(f)(3) for the calendar
19 year in which the taxable year begins, deter-
20 mined by substituting ‘calendar year 2011’ for
21 ‘calendar year 1992’ in subparagraph (B)
22 thereof.

23 “(2) ROUNDING.—Any increase determined
24 under the preceding sentence shall be rounded to the
25 nearest multiple of \$50.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2014.

4 **SEC. 202. PERMANENT EXTENSION OF MODIFICATIONS TO**
5 **EARNED INCOME TAX CREDIT.**

6 (a) INCREASE IN CREDIT PERCENTAGE FOR FAMI-
7 LIES WITH 3 OR MORE CHILDREN.—Paragraph (1) of
8 section 32(b) of the Internal Revenue Code of 1986 is
9 amended—

10 (1) by striking “The credit” and inserting the
11 following:

12 “(A) IN GENERAL.—The credit”, and

13 (2) by adding at the end the following new sub-
14 paragraph:

15 “(B) INCREASED CREDIT PERCENTAGE
16 FOR FAMILIES WITH 3 OR MORE QUALIFYING
17 CHILDREN.—In the case of an eligible indi-
18 vidual with 3 or more qualifying children, the
19 table in subparagraph (A) shall be applied by
20 substituting ‘45’ for ‘40’ in the second column
21 thereof.”.

22 (b) JOINT RETURNS.—

23 (1) IN GENERAL.—Subparagraph (B) of section
24 32(b)(2) of the Internal Revenue Code of 1986 is

1 amended by striking “\$3,000” and inserting
2 “\$5,000.”.

3 (2) INFLATION ADJUSTMENTS.—Clause (ii) of
4 section 32(j)(1)(B) of such Code is amended—

5 (A) by striking “\$3,000” and inserting
6 “\$5,000”,

7 (B) by striking “subsection (b)(2)(B)(iii)”
8 and inserting “subsection (b)(2)(B)”, and

9 (C) by striking “calendar year 2007” and
10 inserting “calendar year 2008”.

11 (c) CONFORMING AMENDMENT.—Section 32(b) of
12 such Code is amended by striking paragraph (3).

13 (d) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to taxable years beginning after
15 December 31, 2014.

16 **SEC. 203. STRENGTHENING THE EARNED INCOME TAX**
17 **CREDIT.**

18 (a) INCREASED CREDIT FOR INDIVIDUALS WITH NO
19 QUALIFYING CHILDREN.—

20 (1) IN GENERAL.—The table in subparagraph
21 (A) of section 32(b)(2) of the Internal Revenue Code
22 of 1986 is amended—

23 (A) by striking “\$4,220” in the second col-
24 umn and inserting “\$8,820”, and

1 (B) by striking “\$5,280” in the last col-
2 umn and inserting “\$10,425”.

3 (2) INFLATION ADJUSTMENTS.—Subparagraph
4 (B) of section 32(j)(1) of the Internal Revenue Code
5 of 1986, as amended by this Act, is amended—

6 (A) in clause (i)—

7 (i) by inserting “(except as provided
8 in clause (iii))” after “(b)(2)(A)”, and

9 (ii) by striking “and” at the end, and

10 (B) by adding at the end the following new
11 clause:

12 “(iii) in the case of the \$8,820 and
13 \$10,4250 amount in the table in sub-
14 section (b)(2)(A), by substituting ‘calendar
15 year 2011’ for ‘calendar year 1992’ in sub-
16 paragraph (B) of such section 1.”.

17 (b) CREDIT INCREASE AND REDUCTION IN PHASE-
18 OUT FOR INDIVIDUALS WITH NO CHILDREN.—The table
19 contained in section 32(b)(1)(A) of the Internal Revenue
20 Code of 1986, as amended by this Act, is amended—

21 (1) by striking “7.65” in the second column of
22 the third row and inserting “15.3”, and

23 (2) by striking “7.65” in the third column of
24 the third row and inserting “15.3”.

1 (c) CREDIT ALLOWED FOR CERTAIN CHILDLESS IN-
 2 DIVIDUALS OVER AGE 21.—Subclause (II) of section
 3 32(c)(1)(A)(ii) of the Internal Revenue Code of 1986 is
 4 amended by striking “age 25” and inserting “age 21”.

5 (d) EFFECTIVE DATES.—The amendments made by
 6 this section shall apply to taxable years beginning after
 7 December 31, 2014.

8 **SEC. 204. SIMPLIFYING THE EARNED INCOME TAX CREDIT.**

9 (a) MODIFICATION OF ABANDONED SPOUSE RULE.—

10 (1) IN GENERAL.—Section 32(c)(1) of the In-
 11 ternal Revenue Code of 1986 is amended by adding
 12 at the end the following new paragraph:

13 “(G) CERTAIN MARRIED INDIVIDUALS LIV-
 14 ING APART.—For purposes of this section, an
 15 individual who—

16 “(i) is married (within the meaning of
 17 section 7703(a)) and files a separate re-
 18 turn for the taxable year,

19 “(ii) lives with a qualifying child of
 20 the individual for more than one-half of
 21 such taxable year, and

22 “(iii)(I) during the last 6 months of
 23 such taxable year, does not have the same
 24 principal place of abode as the individual’s
 25 spouse, or

1 “(II) has a legally binding separation
2 agreement with the individual’s spouse and
3 is not a member of the same household
4 with the individual’s spouse by the end of
5 the taxable year,
6 shall not be considered as married.”.

7 (2) CONFORMING AMENDMENTS.—

8 (A) The last sentence of section
9 32(c)(1)(A) of the Internal Revenue Code of
10 1986 is amended by striking “section 7703”
11 and inserting “section 7703(a)”.

12 (B) Section 32(d) of such Code is amended
13 by striking “In the case of an individual who is
14 married (within the meaning of section 7703)”
15 and inserting “In the case of an individual who
16 is married (within the meaning of section
17 7703(a)) and is not described in subsection
18 (c)(1)(G)”.

19 (b) ELIMINATION OF DISQUALIFIED INVESTMENT
20 INCOME TEST.—

21 (1) IN GENERAL.—Section 32 of the Internal
22 Revenue Code of 1986 is amended by striking sub-
23 section (i).

24 (2) CONFORMING AMENDMENTS.—

1 (A) Section 32(j)(1)(B)(i) of such Code, as
2 amended by this Act, is amended—

3 (i) by striking “subsections” and in-
4 sserting “subsection”, and

5 (ii) by striking “and (i)(1)”.

6 (B) Section 32(j)(2) of such Code is
7 amended to read as follows:

8 “(2) ROUNDING.—If any dollar amount in sub-
9 section (b)(2)(A) (after being increased under sub-
10 paragraph (B) thereof), after being increased under
11 paragraph (1), is not a multiple of \$10, such
12 amount shall be rounded to the next nearest mul-
13 tiple of \$10.”.

14 (c) SIMPLIFICATION OF RULES REGARDING PRES-
15 ENCE OF QUALIFYING CHILD.—

16 (1) TAXPAYER ELIGIBLE FOR CREDIT FOR
17 WORKER WITHOUT QUALIFYING CHILD IF QUALI-
18 FYING CHILD CLAIMED BY ANOTHER MEMBER OF
19 FAMILY.—Section 32(c)(1) of the Internal Revenue
20 Code of 1986, as amended by this Act, is amended
21 by adding at the end the following new paragraph:

22 “(H) TAXPAYER ELIGIBLE FOR CREDIT
23 FOR WORKER WITHOUT QUALIFYING CHILD IF
24 QUALIFYING CHILD CLAIMED BY ANOTHER
25 MEMBER OF FAMILY.—

1 “(i) GENERAL RULE.—Except as pro-
2 vided in clause (ii), in the case of 2 or
3 more eligible individuals who may claim for
4 such taxable year the same individual as a
5 qualifying child, if such individual is
6 claimed as a qualifying child by such an el-
7 igible individual, then any other such eligi-
8 ble individual who does not make such a
9 claim of such child or of any other quali-
10 fying child may be considered an eligible
11 individual without a qualifying child for
12 purposes of the credit allowed under this
13 section for such taxable year.

14 “(ii) EXCEPTION IF QUALIFYING
15 CHILD CLAIMED BY PARENT.—If an indi-
16 vidual is claimed as a qualifying child for
17 any taxable year by an eligible individual
18 who is a parent of such child, then no
19 other custodial parent of such child who
20 does not make such a claim of such child
21 may be considered an eligible individual
22 without a qualifying child for purposes of
23 the credit allowed under this section for
24 such taxable year.”.

1 (2) TAXPAYER ELIGIBLE FOR CREDIT FOR
2 WORKER WITHOUT QUALIFYING CHILD IF QUALI-
3 FYING CHILDREN DO NOT HAVE VALID SOCIAL SECU-
4 RITY NUMBER.—Subparagraph (F) of section
5 32(c)(1) of the Internal Revenue Code of 1986 is
6 amended to read as follows:

7 “(F) INDIVIDUALS WHO DO NOT INCLUDE
8 TIN, ETC., OF ANY QUALIFYING CHILD.—In the
9 case of any eligible individual who has one or
10 more qualifying children, if no qualifying child
11 of such individual is taken into account under
12 subsection (b) by reason of paragraph (3)(D),
13 for purposes of the credit allowed under this
14 section, such individual may be considered an
15 eligible individual without a qualifying child.”.

16 (d) EFFECTIVE DATES.—The amendments made by
17 this section shall apply to taxable years beginning after
18 December 31, 2014.

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