Amendment to the Amendment in the Nature of a Substitute to Subtitle H. Budget Reconciliation Legislative Recommendations Relating to Strengthening the Social Safety Net and Supporting State and Local Governments Offered by Ms. Walorski of Indiana

This amendment would reinstate work requirements for the child tax credit and ensure that the child tax credit is included in means-testing for federal benefit programs. (The Working Family Economic Opportunity Amendment.)
AMENDMENT
OFFERED BY MS. Walorski

Strike section 137104 and insert the following:

SEC. 137104. LIMITATION ON REFUNDABLE CHILD TAX CREDIT BASED ON EARNED INCOME.

(a) APPLICATION OF LIMITATION BEGINNING IN 2022.—

(1) IN GENERAL.—Section 24(h)(5) is amended to read as follows:

“(5) MAXIMUM AMOUNT OF REFUNDABLE CREDIT.—The amount determined under subsection (d)(1)(A) with respect to any qualifying child shall determined without regard to paragraph (4) of this subsection.”.

(2) REPEAL OF TEMPORARY RULE.—Section 24(i) is amended by striking paragraph (1).

(3) APPLICATION TO ADVANCE PAYMENTS.—Section 7527A(b)(1) is amended by striking “and” at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting “, and”, and by inserting after subparagraph (D) the following new subparagraph:
“(E) section 24(d) shall be applied with respect to the reference taxable year.”.

(b) APPLICATION OF LIMITATION FROM 2023 THROUGH 2025.—Subsection (d) of section 24A, as added by the preceding provisions of this Act, is amended to read as read as follows:

“(d) PORTION OF CREDIT REFUNDABLE.—

“(1) IN GENERAL.—The aggregate credits allowed to a taxpayer under subpart C shall be increased by the lesser of—

“(A) the credit which would be allowed under this section without regard to this subsection and the limitation under section 26(a), or

“(B) the amount by which the aggregate amount of credits allowed by this subpart (determined without regard to this subsection) would increase if the limitation imposed by section 26(a) were increased by the greater of—

“(i) 15 percent of so much of the taxpayer’s earned income (within the meaning of section 32) which is taken into account in computing taxable income for the applicable taxable year as exceeds $2,500, or
“(ii) in the case of a taxpayer with 3 or more qualifying children, the excess (if any) of—

“(I) the taxpayer’s social security taxes for the applicable taxable year, over

“(II) the credit allowed under section 32 for the applicable taxable year.

The amount of the credit allowed under this subsection shall not be treated as a credit allowed under this subpart and shall reduce the amount of credit otherwise allowable under subsection (a) without regard to section 26(a). For purposes of subparagraph (B), any amount excluded from gross income by reason of section 112 shall be treated as earned income which is taken into account in computing taxable income for the taxable year.

“(2) Social security taxes.—For purposes of paragraph (1)—

“(A) IN GENERAL.—The term ‘social security taxes’ means, with respect to any taxpayer for any taxable year—
“(i) the amount of the taxes imposed by sections 3101 and 3201(a) on amounts received by the taxpayer during the calendar year in which the taxable year begins,

“(ii) 50 percent of the taxes imposed by section 1401 on the self-employment income of the taxpayer for the taxable year, and

“(iii) 50 percent of the taxes imposed by section 3211(a) on amounts received by the taxpayer during the calendar year in which the taxable year begins.

“(B) COORDINATION WITH SPECIAL REFUND OF SOCIAL SECURITY TAXES.—The term ‘social security taxes’ shall not include any taxes to the extent the taxpayer is entitled to a special refund of such taxes under section 6413(c).

“(C) SPECIAL RULE.—Any amounts paid pursuant to an agreement under section 3121(l) (relating to agreements entered into by American employers with respect to foreign affiliates) which are equivalent to the taxes referred to in
paragraph (A)(i) shall be treated as taxes referred to in such subparagraph.

"(3) APPLICABLE TAXABLE YEAR.—The term ‘applicable taxable year’ means the taxable year for which the credit under this section is determined, or if the taxpayer elects, the preceding taxable year or the second preceding taxable year (as specified in such election).

"(4) EXCEPTION FOR TAXPAYERS EXCLUDING FOREIGN EARNED INCOME.—Paragraph (1) shall not apply to any taxpayer for any taxable year if such taxpayer elects to exclude any amount from gross income under section 911 for such taxable year.

"(5) APPLICATION TO ADVANCE PAYMENTS.—For purposes of section 7527B, the monthly advance child payment determined under such section for any month shall not exceed 1/12 of the amount determined under paragraph (1) for the reference taxable year (within the meaning of such section)."

(c) EFFECTIVE DATES.—

(1) APPLICATION OF LIMITATION BEGINNING IN 2022.—The amendments made by subsection (a) shall apply to taxable years beginning after December 31, 2021.
(2) Application of limitation during 2023 through 2025.—The amendments made by subsection (b) shall apply to taxable years beginning after December 31, 2022.

At the end of part 1 of subtitle H (relating to the child tax credit), add the following

SEC. 137106. TREATMENT OF REFUNDABLE CHILD TAX CREDIT UNDER CERTAIN FEDERAL MEAN-TESTED PROGRAMS.

(a) In General.—Section 6409 is amended—

(1) by striking “Notwithstanding” and inserting the following:

“(a) In General.—Notwithstanding”, and

(2) by adding at the end the following new subsection:

“(b) Treatment of Refundable Child Tax Credit.—In the case of any refund or advance payment attributable to section 24, 24A, 7527A, or 7527B—

“(1) subsection (a) shall not apply, and

“(2) such refund or advance payment shall be treated—

“(A) as income for purposes any Federal, State, or local program described in subsection (a), and
“(B) as resources under any such program in the same manner as any other income.”.

(b) Treatment for Purposes of Health Insurance Premium Tax Credit and Cost-sharing Reductions.—Section 36B(d)(2)(B) is amended by redesignating clauses (ii) and (iii) as clauses (iii) and (iv), respectively, and by inserting after clause (i) the following new clause:

“(ii) any refund or advance payment attributable to section 24, 24A, 7527A, or 7527B,”.

(c) Effective Date.—The amendments made by this section shall apply to amounts received after December 31, 2021.