

116TH CONGRESS
1ST SESSION

S. _____

To amend the Internal Revenue Code of 1986 to make the child tax credit fully refundable, establish an increased child tax credit for young children, and for other purposes.

IN THE SENATE OF THE UNITED STATES

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

A BILL

To amend the Internal Revenue Code of 1986 to make the child tax credit fully refundable, establish an increased child tax credit for young children, and for other purposes.

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.**

4 This Act may be cited as the “American Family Act

5 of 2019”.

1 SEC. 2. ESTABLISHMENT OF FULLY REFUNDABLE CHILD**2 TAX CREDIT.**

3 (a) ELIMINATION OF EXISTING CHILD TAX CRED-
4 IT.—Subpart A of part IV of subchapter A of chapter 1
5 of subtitle A of the Internal Revenue Code of 1986 is
6 amended by striking section 24.

7 (b) ESTABLISHMENT OF FULLY REFUNDABLE
8 CHILD TAX CREDIT.—Subpart C of part IV of subchapter
9 A of chapter 1 of subtitle A of such Code is amended by
10 inserting after section 36B the following new section:

11 “SEC. 36C. CHILD TAX CREDIT.

12 “(a) ALLOWANCE OF CREDIT.—There shall be al-
13 lowed as a credit against the tax imposed by this chapter
14 for the taxable year an amount equal to the sum of—

15 “(1) with respect to each qualifying child of the
16 taxpayer who has attained 6 years of age before the
17 close of such taxable year and for which the tax-
18 payer is allowed a deduction under section 151, an
19 amount equal to \$3,000, and

20 “(2) with respect to each qualifying child of the
21 taxpayer who has not attained 6 years of age before
22 the close of such taxable year and for which the tax-
23 payer is allowed a deduction under section 151, an
24 amount equal to 120 percent of the dollar amount
25 in paragraph (1).

26 “(b) LIMITATION.—

1 “(1) IN GENERAL.—The amount of the credit
2 allowable under subsection (a) shall be reduced (but
3 not below zero) by the applicable amount for each
4 \$1,000 (or fraction thereof) by which the taxpayer’s
5 modified adjusted gross income exceeds the thresh-
6 old amount. For purposes of the preceding sentence,
7 the term ‘modified adjusted gross income’ means ad-
8 justed gross income increased by any amount ex-
9 cluded from gross income under section 911, 931, or
10 933.

11 “(2) THRESHOLD AMOUNT.—

12 “(A) IN GENERAL.—For purposes of para-
13 graph (1), the term ‘threshold amount’
14 means—

15 “(i) \$180,000 in the case of a joint
16 return,

17 “(ii) \$130,000 in the case of an indi-
18 vidual who is not married, and

19 “(iii) \$90,000 in the case of a married
20 individual filing a separate return.

21 “(B) MARITAL STATUS.—For purposes of
22 this paragraph, marital status shall be deter-
23 mined under section 7703.

1 “(3) APPLICABLE AMOUNT.—For purposes of
2 paragraph (1), the term ‘applicable amount’ means
3 an amount equal to the quotient of—

4 “(A) the amount of the credit allowable
5 under subsection (a), as determined without re-
6 gard to this subsection, divided by

7 “(B) an amount equal to the product of—
8 “(i) \$20, multiplied by
9 “(ii) the total number of qualifying
10 children of the taxpayer.

11 “(c) QUALIFYING CHILD.—

12 “(1) IN GENERAL.—In this section, the term
13 ‘qualifying child’ means a qualifying child of the tax-
14 payer (as defined in section 152(c)) who has not at-
15 tained 17 years of age.

16 “(2) EXCEPTION FOR CERTAIN NON-CITI-
17 ZENS.—The term ‘qualifying child’ shall not include
18 any individual who would not be a dependent if sub-
19 paragraph (A) of section 152(b)(3) were applied
20 without regard to all that follows ‘resident of the
21 United States’.

22 “(d) INFLATION ADJUSTMENT.—

23 “(1) IN GENERAL.—In the case of any taxable
24 year beginning after 2020, the \$3,000 amount in

1 subsection (a)(1) shall be increased by an amount
2 equal to—

3 “(A) such dollar amount, multiplied by
4 “(B) the cost-of-living adjustment deter-
5 mined under paragraph (2) for the calendar
6 year in which the taxable year begins.

7 “(2) COST-OF-LIVING ADJUSTMENT.—For pur-
8 poses of paragraph (1), the cost-of-living adjustment
9 for any calendar year is the percentage (if any) by
10 which—

11 “(A) the CPI for the preceding calendar
12 year (as determined pursuant to section
13 1(f)(4)), exceeds

14 “(B) the CPI for calendar year 2019.

15 “(3) ROUNDING.—If any increase determined
16 under paragraph (1) is not a multiple of \$50, such
17 increase shall be rounded to the nearest multiple of
18 \$50.

19 “(e) PARTIAL NON-REFUNDABLE CREDIT ALLOWED
20 FOR CERTAIN OTHER DEPENDENTS.—

21 “(1) IN GENERAL.—In the case of a taxable
22 year beginning after December 31, 2019, and before
23 January 1, 2026, the aggregate credits allowed to a
24 taxpayer under subpart A shall be increased by \$500
25 for each dependent of the taxpayer (as defined in

1 section 152) other than a qualifying child described
2 in subsection (c). The amount of the credit allowed
3 under this subsection shall not be treated as a credit
4 allowed under this subpart.

5 “(2) EXCEPTION FOR CERTAIN NONCITIZENS.—
6 Paragraph (1) shall not apply with respect to any
7 individual who would not be a dependent if subparagraph
8 (A) of section 152(b)(3) were applied without
9 regard to all that follows ‘resident of the United
10 States’.

11 “(3) LIMITATION.—

12 “(A) IN GENERAL.—The amount of the
13 credit allowable under paragraph (1) shall be
14 reduced (but not below zero) by \$50 for each
15 \$1,000 (or fraction thereof) by which the tax-
16 payer’s modified adjusted gross income exceeds
17 the threshold amount.

18 “(B) MODIFIED ADJUSTED GROSS IN-
19 COME.—For purposes of subparagraph (A), the
20 term ‘modified adjusted gross income’ means
21 adjusted gross income increased by any amount
22 excluded from gross income under section 911,
23 931, or 933.

24 “(C) THRESHOLD AMOUNT.—

1 “(i) IN GENERAL.—For purposes of
2 subparagraph (A), the term ‘threshold
3 amount’ means—

4 “(I) \$200,000 in the case of a
5 joint return,

6 “(II) \$150,000 in the case of an
7 individual who is not married, and

8 “(III) \$100,000 in the case of a
9 married individual filing a separate
10 return.

11 “(ii) MARTIAL STATUS.—For pur-
12 poses of this subparagraph, marital status
13 shall be determined under section 7703.

14 “(f) IDENTIFICATION REQUIREMENTS.—

15 “(1) QUALIFYING CHILD AND DEPENDENT
16 IDENTIFICATION REQUIREMENT.—No credit shall be
17 allowed under this section to a taxpayer with respect
18 to any qualifying child or dependent unless the tax-
19 payer includes the name and taxpayer identification
20 number of such qualifying child or dependent on the
21 return of tax for the taxable year and such taxpayer
22 identification number was issued on or before the
23 due date for filing such return.

24 “(2) TAXPAYER IDENTIFICATION REQUIRE-
25 MENT.—No credit shall be allowed under this section

1 if the taxpayer identification number of the taxpayer
2 was issued after the due date for filing the return
3 for the taxable year.

4 “(g) TAXABLE YEAR MUST BE FULL TAXABLE
5 YEAR.—Except in the case of a taxable year closed by rea-
6 son of the death of the taxpayer, no credit shall be allow-
7 able under this section in the case of a taxable year cov-
8 ering a period of less than 12 months.

9 “(h) RESTRICTIONS ON TAXPAYERS WHO IMPROP-
10 ERLY CLAIMED CREDIT IN PRIOR YEAR.—

11 “(1) TAXPAYERS MAKING PRIOR FRAUDULENT
12 OR RECKLESS CLAIMS.—

13 “(A) IN GENERAL.—No credit shall be al-
14 lowed under this section for any taxable year in
15 the disallowance period.

16 “(B) DISALLOWANCE PERIOD.—For pur-
17 poses of subparagraph (A), the disallowance pe-
18 riod is—

19 “(i) the period of 10 taxable years
20 after the most recent taxable year for
21 which there was a final determination that
22 the taxpayer’s claim of credit under this
23 section was due to fraud, and

24 “(ii) the period of 2 taxable years
25 after the most recent taxable year for

1 which there was a final determination that
2 the taxpayer's claim of credit under this
3 section was due to reckless or intentional
4 disregard of rules and regulations (but not
5 due to fraud).

6 “(2) TAXPAYERS MAKING IMPROPER PRIOR
7 CLAIMS.—In the case of a taxpayer who is denied
8 credit under this section for any taxable year as a
9 result of the deficiency procedures under subchapter
10 B of chapter 63, no credit shall be allowed under
11 this section for any subsequent taxable year unless
12 the taxpayer provides such information as the Sec-
13 retary may require to demonstrate eligibility for
14 such credit.

15 “(i) RECONCILIATION OF CREDIT AND ADVANCE
16 CREDIT.—

17 “(1) IN GENERAL.—The amount of the credit
18 allowed under this section for any taxable year shall
19 be reduced (but not below zero) by the aggregate
20 amount of any advance payments of such credit
21 under section 7527A for such taxable year.

22 “(2) EXCESS ADVANCE PAYMENTS.—If the ag-
23 gregate amount of advance payments under section
24 7527A for the taxable year exceed the amount of the
25 credit allowed under this section for such taxable

1 year (determined without regard to paragraph (1)),
2 the tax imposed by this chapter for such taxable
3 year shall be increased by the amount of such ex-
4 cess".

5 (c) ADVANCE PAYMENT OF CREDIT.—Chapter 77 of
6 the Internal Revenue Code of 1986 is amended by insert-
7 ing after section 7527 the following new section:

8 **"SEC. 7527A. ADVANCE PAYMENT OF CHILD TAX CREDIT.**

9 "(a) IN GENERAL.—As soon as practicable and not
10 later than 1 year after the date of the enactment of this
11 section, the Secretary shall establish a program for mak-
12 ing advance payments of the credit allowed under sub-
13 section (a) of section 36C on a monthly basis (determined
14 without regard to subsection (i)(1) of such section), or as
15 frequently as the Secretary determines to be administra-
16 tively feasible, to taxpayers allowed such credit.

17 "(b) LIMITATION.—

18 "(1) IN GENERAL.—The Secretary may make
19 payments under subsection (a) only to the extent
20 that the total amount of such payments made to any
21 taxpayer during the taxable year does not exceed an
22 amount equal to the excess, if any, of—

23 "(A) subject to paragraph (2), the amount
24 determined under subsection (a) of section 36C
25 with respect to such taxpayer (determined with-

1 out regard to subsection (i) of such section) for
2 such taxable year, over

3 “(B) the estimated tax imposed by subtitle
4 A, as reduced by the credits allowable under
5 subparts A and C (with the exception of section
6 36C) of such part IV, with respect to such tax-
7 payer for such taxable year, as determined in
8 such manner as the Secretary deems appro-
9 priate.

10 “(2) APPLICATION OF THRESHOLD AMOUNT
11 LIMITATION.—The program described in subsection
12 (a) shall make reasonable efforts to apply the limita-
13 tion of section 36C(b) with respect to payments
14 made under such program.”.

15 (d) CONFORMING AMENDMENTS.—

16 (1) The table of sections for subpart A of part
17 IV of subchapter A of chapter 1 of subtitle A of the
18 Internal Revenue Code of 1986 is amended by strik-
19 ing the item relating to section 24.

20 (2) The table of sections for subpart C of part
21 IV of subchapter A of chapter 1 of subtitle A of
22 such Code is amended by inserting after the item re-
23 lating to section 36B the following:

“Sec. 36C. Child tax credit.”.

1 (3) The table of sections for chapter 77 of such
2 Code is amended by inserting after the item relating
3 to section 7527 the following new item:

“Sec. 7527A. Advance payment of child tax credit.”.

4 (4) Subparagraph (B) of section 45R(f)(3) of
5 such Code is amended to read as follows:

6 “(B) SPECIAL RULE.—Any amounts paid
7 pursuant to an agreement under section 3121(l)
8 (relating to agreements entered into by Amer-
9 ican employers with respect to foreign affiliates)
10 which are equivalent to the taxes referred to in
11 subparagraph (A) shall be treated as taxes re-
12 ferred to in such subparagraph.”.

13 (5) Section 152(f)(6)(B)(ii) of such Code is
14 amended by striking “section 24” and inserting
15 “section 36C”.

16 (6) Paragraph (26) of section 501(c) of such
17 Code is amended in the flush matter at the end by
18 striking “section 24(c))” and inserting “section
19 36C(c)).”.

20 (7) Section 6211(b)(4)(A) of such Code is
21 amended—

22 (A) by striking “24(d),”, and
23 (B) by inserting “36C(a),” after “36B,”.

24 (8) Section 6213(g)(2) of such Code is amend-
25 ed—

1 (A) in subparagraph (I), by striking “sec-
2 tion 24(e)” and inserting “section 36C(f)”, and
3 (B) in subparagraph (L), by striking “24,
4 or 32” and inserting “32, or 36C”.

5 (9) Paragraph (2) of section 1324(b) of title
6 31, United States Code, is amended by inserting
7 “36C(a),” after “36B.”.

8 (e) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to taxable years beginning after
10 December 31, 2019.

11 **SEC. 3. PAYMENTS TO POSSESSIONS.**

12 (a) MIRROR CODE POSSESSION.—The Secretary of
13 the Treasury shall pay to each possession of the United
14 States with a mirror code tax system amounts equal to
15 the loss to that possession by reason of the application
16 of section 36C of the Internal Revenue Code of 1986 (as
17 added by section 2) with respect to taxable years begin-
18 ning after 2019. Such amounts shall be determined by the
19 Secretary of the Treasury based on information provided
20 by the government of the respective possession.

21 (b) OTHER POSSESSIONS.—The Secretary of the
22 Treasury shall pay to each possession of the United States
23 which does not have a mirror code tax system amounts
24 estimated by the Secretary of the Treasury as being equal
25 to the aggregate benefits that would have been provided

1 to residents of such possession by reason of the application
2 of section 36C of such Code (as so added) for taxable
3 years beginning after 2019 if a mirror code tax system
4 had been in effect in such possession. The preceding sen-
5 tence shall not apply with respect to any possession of the
6 United States unless such possession has a plan, which
7 has been approved by the Secretary of the Treasury, under
8 which such possession will promptly distribute such pay-
9 ments to the residents of such possession.

10 (c) COORDINATION WITH CREDIT ALLOWED
11 AGAINST UNITED STATES INCOME TAXES.—No credit
12 shall be allowed against United States income taxes for
13 any taxable year under section 36C of the Internal Rev-
14 enue Code of 1986 (as so added) to any person—

15 (1) to whom a credit is allowed against taxes
16 imposed by the possession by reason of the amend-
17 ments made by this section for such taxable year, or
18 (2) who is eligible for a payment under a plan
19 described in subsection (b) with respect to such tax-
20 able year.

21 (d) DEFINITIONS AND SPECIAL RULES.—

22 (1) POSSESSION OF THE UNITED STATES.—For
23 purposes of this section, the term “possession of the
24 United States” includes the Commonwealth of Puer-

1 to Rico and the Commonwealth of the Northern
2 Mariana Islands.

3 (2) MIRROR CODE TAX SYSTEM.—For purposes
4 of this section, the term “mirror code tax system”
5 means, with respect to any possession of the United
6 States, the income tax system of such possession if
7 the income tax liability of the residents of such pos-
8 session under such system is determined by ref-
9 erence to the income tax laws of the United States
10 as if such possession were the United States.

11 (3) TREATMENT OF PAYMENTS.—For purposes
12 of section 1324(b)(2) of title 31, United States
13 Code, the payments under this section shall be treat-
14 ed in the same manner as a refund due from the
15 credit allowed under section 36C of the Internal
16 Revenue Code of 1986.