H. R. ______

To amend the Internal Revenue Code of 1986 to modify the earned income tax credit to account for the amount by which economic growth has outpaced income growth, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. KHANNA introduced the following bill; which was referred to the Committee on ____________________________

A BILL

To amend the Internal Revenue Code of 1986 to modify the earned income tax credit to account for the amount by which economic growth has outpaced income growth, 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 “Grow American In-
5  comes Now Act of 2017” or the “GAIN Act”.

6  SEC. 2. MODIFICATION OF EARNED INCOME TAX CREDIT.

7  (a) IN GENERAL.—
(1) Increase in credit percentage.—The table in section 32(b)(1) of the Internal Revenue Code of 1986 is amended—

(A) by striking “7.65” in the second column (relating to credit percentage) and inserting “30”,

(B) by striking “7.65” in the third column (relating to phaseout percentage) and inserting “15.98”,

(C) by striking “34” and inserting “65.28”,

(D) by striking “40” and inserting “76.80”, and

(E) by striking “45” and inserting “86.40”.

(2) Earned income amount and phaseout amount.—

(A) In general.—Subparagraph (A) of section 32(b)(2) of such Code is amended by striking “Subject to subparagraph (B), the earned income amount and the phaseout amount” and inserting “Subject to subparagraph (B)—

“(i) Phaseout amount.—The phaseout amount is $18,340.
“(ii) EARNED INCOME AMOUNT.—The earned income amount”.

(B) CREDIT PHASE-IN ENDS.—Section 32(b)(2)(A)(ii) of such Code, as amended by subparagraph (A), is further amended by striking the table and inserting the following:

“In the case of an eligible individual with:

<table>
<thead>
<tr>
<th></th>
<th>The earned income amount is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 qualifying child</td>
<td>$10,000</td>
</tr>
<tr>
<td>2 or more qualifying children</td>
<td>$14,040</td>
</tr>
<tr>
<td>No qualifying children</td>
<td>$10,000</td>
</tr>
</tbody>
</table>

(b) ELIGIBILITY AGE.—Subclause (II) of section 32(c)(1)(A)(ii) of the Internal Revenue Code of 1986 is amended by striking “25” and inserting “21”.

(c) CONFORMING AND TECHNICAL AMENDMENT.—Paragraph (1) of section 32(j) of the Internal Revenue Code of 1986 is amended to read as follows:

“(1) IN GENERAL.—In the case of any taxable year beginning after 2016, each of the dollar amounts in subsections (b)(2) and (i)(1) shall be increased by an amount equal to—

“(A) such dollar amount, multiplied by

“(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined—

“(i) in the case of amounts in subsection (b)(2)(A), by substituting ‘calendar
year 2016’ for ‘calendar year 1992’ in sub-
paragraph (B) thereof, and

“(ii) in the case of amounts in sub-
section (i)(1), by substituting ‘calendar
year 1995’ for ‘calendar year 1992’ in sub-
paragraph (B) thereof.”.

(d) Effective Date.—The amendments made by
this section shall apply to taxable years beginning after
December 31, 2016.

SEC. 3. ADVANCE PAYMENT OF EARNED INCOME CREDIT.

(a) In General.—Chapter 25 of subtitle C of the
Internal Revenue Code of 1986 is amended by inserting
after section 3506 the following new section:

“SEC. 3507. ADVANCE PAYMENT OF EARNED INCOME CRED-

IT.

“(a) Advance Payment.—

“(1) In General.—An employer making pay-
ment of wages to an employee with respect to whom
an eligibility certificate is in effect shall, at the time
of paying such wages for the payroll period elected
by the employee under paragraph (2), make an addi-
tional lump sum payment to such employee equal to
the earned income advance amount (except as pro-
vided in subsection (b)(1)(C)(ii)) of such employee.
“(2) Payments available after 6 months of employment during calendar year.—For purposes of paragraph (1), an employee with respect to whom an eligibility certificate is in effect for the calendar year may elect to receive the earned income advance amount at the same time as wages for any payroll period which begins after the employee has been paid wages by the employer for a period of not less than 6 months during such calendar year.

“(b) Eligibility Certificate.—

“(1) In general.—For purposes of this section, an eligibility certificate is a statement submitted by an employee to the employer which—

“(A) certifies that the employee is eligible to receive the credit provided by section 32 for the taxable year,

“(B) certifies that the employee does not have an eligibility certificate in effect for the calendar year with respect to the payment of wages by another employer, and

“(C) certifies that—

“(i) an eligibility certificate has not been in effect for the spouse of the employee on any date during the calendar year, or
“(ii) such a certificate is in effect for the spouse of the employee, and the employee is eligible to receive only ½ the earned income advance amount otherwise determined with respect to the employee.

“(2) Employer not responsible for verification.—For purposes of this section, an employer shall not—

“(A) be required to verify any certification made by an employee in the statement described in paragraph (1), or

“(B) be held liable for any false claims or statements made by an employee in regards to such statement.

“(c) Earned income advance amount.—

“(1) Determination of amount.—

“(A) In general.—Subject to subparagraph (B), the term ‘earned income advance amount’ means, with respect to any payroll period, the amount determined—

“(i) on the basis of the wages of the employee from the employer during such calendar year through such payroll period, and
“(ii) in accordance with tables issued by the Secretary.

“(B) LIMITATION.—For each calendar year, except as provided in subparagraph (C), the earned income advance amount shall not exceed $500.

“(C) ADJUSTMENT FOR INFLATION.—

“(i) IN GENERAL.—In the case of any taxable year beginning after 2019, the $500 amount in subparagraph (B) shall be increased by an amount equal to—

“(I) such dollar amount, multiplied by

“(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins determined by substituting ‘calendar year 2018’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(ii) ROUNDING.—If any increase determined under paragraph (1) is not a multiple of $10, such increase shall be rounded to the nearest multiple of $10.
“(2) ARMED FORCES.—In the case of an employee who is a member of the Armed Forces of the United States, the earned income advance amount shall be determined by taking into account the total wages of such employee, as determined for purposes of section 32.

“(3) ADVANCE AMOUNT TABLES.—For purposes of paragraph (1)(A)(ii), the tables issued by the Secretary shall be similar in form to the tables issued under section 3402 and, to the extent feasible, coordinated with such tables.

“(d) PAYMENTS TO BE TREATED AS PAYMENTS OF WITHHOLDING AND FICA TAXES.—

“(1) IN GENERAL.—Payments made by an employer under subsection (a) to an employee—

“(A) shall not be treated as payment of compensation, and

“(B) shall be treated as made out of—

“(i) amounts required to be deducted and withheld for the payroll period under section 3401,

“(ii) amounts required to be deducted for the payroll period under section 3102, and
“(iii) amounts of the taxes imposed
for the payroll period under section 3111,
as if the employer had paid to the Secretary, on
the day on which the wages are paid to the em-
ployee, an amount equal to such payments.

“(2) ADVANCE PAYMENTS EXCEED TAXES
DUE.—In the case of any employer, if for any pay-
roll period the aggregate amount of earned income
advance payments exceeds the sum of the amounts
referred to in paragraph (1)(B), the employer shall
pay only so much of such earned income advance
payment as does not exceed such sum, and shall not
make any further advance payments to the employee
for the calendar year.

“(3) FAILURE TO MAKE ADVANCE PAY-
MENTS.—Failure to make any payment of an earned
income advance amount as required under this sec-
tion shall be treated as the failure at such time to
deduct and withhold under chapter 24 an amount
equal to the earned income advance amount.

“(e) SUBMISSION OF CERTIFICATE.—

“(1) EFFECTIVE PERIOD.—An eligibility certifi-
cate submitted to an employer at any time during
the calendar year shall continue in effect with re-
spect to the employee during such calendar year
until revoked by the employee or until another such certificate takes effect under this section.

“(2) REQUIREMENT TO revoke certifi-
cate.—In the case of an employee who has sub-
mitted an eligibility certificate under this section and subsequently becomes ineligible for the credit pro-
vided under section 32 for the taxable year, the em-
ployee shall, not later than 10 days after becoming ineligible for such credit, submit to the employer a revocation of such certificate.

“(3) FORM AND CONTENTS OF CERTIFICATE.—

Eligibility certificates shall be in such form and con-
tain such other information as the Secretary may by regulations prescribe.

“(f) TAXPAYERS MAKING PRIOR FRAUDULENT OR RECKLESS CLAIMS.—

“(1) IN GENERAL.—No earned income advance amount shall be paid under this section for any tax-
able year in the disallowance period.

“(2) DISALLOWANCE PERIOD.—For purposes of paragraph (1), the disallowance period is—

“(A) the period of 10 taxable years after the most recent taxable year for which there was a final determination that the taxpayer’s
claim of an earned income advance amount under this section was due to fraud, and

“(B) the period of 2 taxable years after the most recent taxable year for which there was a final determination that the taxpayer’s claim of an earned income advance amount under this section was due to reckless or intentional disregard of rules and regulations (but not due to fraud).

“(g) TAXABLE YEAR.—The term ‘taxable year’ means the last taxable year of the employee under subtitle A beginning in the calendar year in which the wages are paid.

“(h) IRS NOTIFICATION.—The Internal Revenue Service shall take such steps as may be appropriate to ensure that taxpayers who receive a refund of the credit under section 32 are aware of the availability of earned income advance amounts under this section.”.

(b) COORDINATION WITH ADVANCE PAYMENTS.—

Section 32 of the Internal Revenue Code of 1986 is amended by inserting after subsection (f) the following new subsection:

“(g) COORDINATION WITH ADVANCE PAYMENTS OF EARNED INCOME CREDIT.—
“(1) Recapture of advance payments.—If any payment is made to the individual by an employer under section 3507 during any calendar year, then the tax imposed by this chapter for the individual’s last taxable year beginning in such calendar year shall be increased by the aggregate amount of such payments.

“(2) Reconciliation of payments advanced and credit allowed.—Any increase in tax under paragraph (1) shall not be treated as tax imposed by this chapter for purposes of determining the amount of any credit (other than the credit allowed by subsection (a)) allowable under this part.”.

(c) Filing requirement.—Section 6012(a) of the Internal Revenue Code of 1986 is amended by inserting after paragraph (8) the following new paragraph:

“(9) Every individual who receives payments during the calendar year in which the taxable year begins under section 3507.”.

(d) Receipts for employees.—Section 6051(a) of the Internal Revenue Code of 1986 is amended by inserting after paragraph (6) the following new paragraph:

“(7) the total amount paid to the employee under section 3507 (relating to advance payment of earned income credit),”.
(c) CLERICAL AMENDMENT.—The table of sections for chapter 25 of subtitle C of the Internal Revenue Code of 1986 is amended by inserting after the item relating to section 3506 the following new item:

"Sec. 3507. Advance payment of earned income credit."

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date which is 1 year after the date of the enactment of this Act.