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(Original Signature of Member)

115TH CONGRESS  
1ST SESSION

**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.

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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           (1) INCREASE IN CREDIT PERCENTAGE.—The  
2 table in section 32(b)(1) of the Internal Revenue  
3 Code of 1986 is amended—

4           (A) by striking “7.65” in the second col-  
5 umn (relating to credit percentage) and insert-  
6 ing “30”,

7           (B) by striking “7.65” in the third column  
8 (relating to phaseout percentage) and inserting  
9 “15.98”,

10          (C) by striking “34” and inserting  
11 “65.28”,

12          (D) by striking “40” and inserting  
13 “76.80”, and

14          (E) by striking “45” and inserting  
15 “86.40”.

16           (2) EARNED INCOME AMOUNT AND PHASEOUT  
17 AMOUNT.—

18           (A) IN GENERAL.—Subparagraph (A) of  
19 section 32(b)(2) of such Code is amended by  
20 striking “Subject to subparagraph (B), the  
21 earned income amount and the phaseout  
22 amount” and inserting “Subject to subpara-  
23 graph (B)—

24                   “(i) PHASEOUT AMOUNT.—The phase-  
25 out amount is \$18,340.

1                   “(ii) EARNED INCOME AMOUNT.—The  
2                   earned income amount”.

3                   (B) CREDIT PHASE-IN ENDS.—Section  
4                   32(b)(2)(A)(ii) of such Code, as amended by  
5                   subparagraph (A), is further amended by strik-  
6                   ing the table and inserting the following:

**“In the case of an eligible in-   The earned income amount is:  
    dividual with:**  
    1 qualifying child ..... \$10,000  
    2 or more qualifying children ..... \$14,040  
    No qualifying children ..... \$10,000.”.

7                   (b) ELIGIBILITY AGE.—Subclause (II) of section  
8                   32(c)(1)(A)(ii) of the Internal Revenue Code of 1986 is  
9                   amended by striking “25” and inserting “21”.

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

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

17                   “(A) such dollar amount, multiplied by

18                   “(B) the cost-of-living adjustment deter-  
19                   mined under section 1(f)(3) for the calendar  
20                   year in which the taxable year begins, deter-  
21                   mined—

22                   “(i) in the case of amounts in sub-  
23                   section (b)(2)(A), by substituting ‘calendar

1 year 2016' for 'calendar year 1992' in sub-  
2 paragraph (B) thereof, and

3 “(ii) in the case of amounts in sub-  
4 section (i)(1), by substituting 'calendar  
5 year 1995' for 'calendar year 1992' in sub-  
6 paragraph (B) thereof.”.

7 (d) EFFECTIVE DATE.—The amendments made by  
8 this section shall apply to taxable years beginning after  
9 December 31, 2016.

10 **SEC. 3. ADVANCE PAYMENT OF EARNED INCOME CREDIT.**

11 (a) IN GENERAL.—Chapter 25 of subtitle C of the  
12 Internal Revenue Code of 1986 is amended by inserting  
13 after section 3506 the following new section:

14 **“SEC. 3507. ADVANCE PAYMENT OF EARNED INCOME CRED-  
15 IT.**

16 “(a) ADVANCE PAYMENT.—

17 “(1) IN GENERAL.—An employer making pay-  
18 ment of wages to an employee with respect to whom  
19 an eligibility certificate is in effect shall, at the time  
20 of paying such wages for the payroll period elected  
21 by the employee under paragraph (2), make an addi-  
22 tional lump sum payment to such employee equal to  
23 the earned income advance amount (except as pro-  
24 vided in subsection (b)(1)(C)(ii)) of such employee.

1           “(2) PAYMENTS AVAILABLE AFTER 6 MONTHS  
2           OF EMPLOYMENT DURING CALENDAR YEAR.—For  
3           purposes of paragraph (1), an employee with respect  
4           to whom an eligibility certificate is in effect for the  
5           calendar year may elect to receive the earned income  
6           advance amount at the same time as wages for any  
7           payroll period which begins after the employee has  
8           been paid wages by the employer for a period of not  
9           less than 6 months during such calendar year.

10          “(b) ELIGIBILITY CERTIFICATE.—

11                 “(1) IN GENERAL.—For purposes of this sec-  
12                 tion, an eligibility certificate is a statement sub-  
13                 mitted by an employee to the employer which—

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

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

21                         “(C) certifies that—

22                                 “(i) an eligibility certificate has not  
23                                 been in effect for the spouse of the em-  
24                                 ployee on any date during the calendar  
25                                 year, or

1           “(ii) such a certificate is in effect for  
2           the spouse of the employee, and the em-  
3           ployee is eligible to receive only 1/2 the  
4           earned income advance amount otherwise  
5           determined with respect to the employee.

6           “(2) EMPLOYER NOT RESPONSIBLE FOR  
7           VERIFICATION.—For purposes of this section, an  
8           employer shall not—

9           “(A) be required to verify any certification  
10          made by an employee in the statement de-  
11          scribed in paragraph (1), or

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

15          “(c) EARNED INCOME ADVANCE AMOUNT.—

16          “(1) DETERMINATION OF AMOUNT.—

17          “(A) IN GENERAL.—Subject to subpara-  
18          graph (B), the term ‘earned income advance  
19          amount’ means, with respect to any payroll pe-  
20          riod, the amount determined—

21          “(i) on the basis of the wages of the  
22          employee from the employer during such  
23          calendar year through such payroll period,  
24          and

1                   “(ii) in accordance with tables issued  
2                   by the Secretary.

3                   “(B) LIMITATION.—For each calendar  
4                   year, except as provided in subparagraph (C),  
5                   the earned income advance amount shall not ex-  
6                   ceed \$500.

7                   “(C) ADJUSTMENT FOR INFLATION.—

8                   “(i) IN GENERAL.—In the case of any  
9                   taxable year beginning after 2019, the  
10                  \$500 amount in subparagraph (B) shall be  
11                  increased by an amount equal to—

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

14                   “(II) the cost-of-living adjust-  
15                   ment determined under section 1(f)(3)  
16                   for the calendar year in which the tax-  
17                   able year begins determined by sub-  
18                   stituting ‘calendar year 2018’ for ‘cal-  
19                   endar year 1992’ in subparagraph (B)  
20                   thereof.

21                   “(ii) ROUNDING.—If any increase de-  
22                   termined under paragraph (1) is not a  
23                   multiple of \$10, such increase shall be  
24                   rounded to the nearest multiple of \$10.

1           “(2) ARMED FORCES.—In the case of an em-  
2           ployee who is a member of the Armed Forces of the  
3           United States, the earned income advance amount  
4           shall be determined by taking into account the total  
5           wages of such employee, as determined for purposes  
6           of section 32.

7           “(3) ADVANCE AMOUNT TABLES.—For pur-  
8           poses of paragraph (1)(A)(ii), the tables issued by  
9           the Secretary shall be similar in form to the tables  
10          issued under section 3402 and, to the extent fea-  
11          sible, coordinated with such tables.

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

14                 “(1) IN GENERAL.—Payments made by an em-  
15                 ployer under subsection (a) to an employee—

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

18                         “(B) shall be treated as made out of—

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

22                                 “(ii) amounts required to be deducted  
23                                 for the payroll period under section 3102,  
24                                 and



1                   “(iii) amounts of the taxes imposed  
2                   for the payroll period under section 3111,  
3                   as if the employer had paid to the Secretary, on  
4                   the day on which the wages are paid to the em-  
5                   ployee, an amount equal to such payments.

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

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

21                  “(e) SUBMISSION OF CERTIFICATE.—

22                  “(1) EFFECTIVE PERIOD.—An eligibility certifi-  
23                  cate submitted to an employer at any time during  
24                  the calendar year shall continue in effect with re-  
25                  spect to the employee during such calendar year

1       until revoked by the employee or until another such  
2       certificate takes effect under this section.

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

11          “(3) FORM AND CONTENTS OF CERTIFICATE.—  
12      Eligibility certificates shall be in such form and con-  
13      tain such other information as the Secretary may by  
14      regulations prescribe.

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

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

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

22           “(A) the period of 10 taxable years after  
23      the most recent taxable year for which there  
24      was a final determination that the taxpayer’s

1 claim of an earned income advance amount  
2 under this section was due to fraud, and

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

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

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

19 (b) COORDINATION WITH ADVANCE PAYMENTS.—  
20 Section 32 of the Internal Revenue Code of 1986 is  
21 amended by inserting after subsection (f) the following  
22 new subsection:

23 “(g) COORDINATION WITH ADVANCE PAYMENTS OF  
24 EARNED INCOME CREDIT.—

1           “(1) RECAPTURE OF ADVANCE PAYMENTS.—If  
2           any payment is made to the individual by an em-  
3           ployer under section 3507 during any calendar year,  
4           then the tax imposed by this chapter for the individ-  
5           ual’s last taxable year beginning in such calendar  
6           year shall be increased by the aggregate amount of  
7           such payments.

8           “(2) RECONCILIATION OF PAYMENTS AD-  
9           VANCED AND CREDIT ALLOWED.—Any increase in  
10          tax under paragraph (1) shall not be treated as tax  
11          imposed by this chapter for purposes of determining  
12          the amount of any credit (other than the credit al-  
13          lowed by subsection (a)) allowable under this part.”.

14          (c) FILING REQUIREMENT.—Section 6012(a) of the  
15          Internal Revenue Code of 1986 is amended by inserting  
16          after paragraph (8) the following new paragraph:

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

20          (d) RECEIPTS FOR EMPLOYEES.—Section 6051(a) of  
21          the Internal Revenue Code of 1986 is amended by insert-  
22          ing after paragraph (6) the following new paragraph:

23                 “(7) the total amount paid to the employee  
24                 under section 3507 (relating to advance payment of  
25                 earned income credit),”.

1           (e) CLERICAL AMENDMENT.—The table of sections  
2 for chapter 25 of subtitle C of the Internal Revenue Code  
3 of 1986 is amended by inserting after the item relating  
4 to section 3506 the following new item:

“Sec. 3507. Advance payment of earned income credit.”.

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