

INTRODUCTION OF LEGISLATION
TO CREATE THE "WORKER'S IN-
COME TAX CREDIT"

HON. JOHN J. LaFALCE

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, February 7, 2001

Mr. LaFALCE. Mr. Speaker, today I introduce legislation to provide substantial tax relief to all Americans through the Worker's Income Tax Credit. In brief, this bill will create a refundable tax credit equal to 6.2% of wages, up to a maximum of \$350 per earner. For couples, the credit is computed per earner, for a maximum credit of \$700 per couple.

I believe any tax cut plan should pass two requirements: it should be fair, and it should be fiscally responsible. This proposal meets both standards. The Worker's Income Tax Credit provides a tax cut to all workers, but provides the most relief to those who need it most—middle and lower income workers. And it does so without undermining fiscal responsibility. This proposal will cost less than \$440 billion over ten years, leaving enough surpluses to achieve the goals of debt reduction and meeting critical investment needs.

"The Worker's Income Tax Credit Is Fair and Simple".—All workers, rich and poor, will benefit from this tax cut. But the relief will be greatest for those whose tax burden is most onerous—middle and lower income working families. The vast majority of the tax cut's benefits would accrue, not to the wealthiest 10% of tax payers, but to the remaining 90%. Compare this to President Bush's version of tax fairness and equity. When fully phased in, the \$2.1 trillion Bush tax plan would deliver half of all its benefits to the wealthiest 5% of taxpayers. President Bush may hold up highly-stylized examples of waitresses and lawyers who will benefit from his tax cut, but in reality, it will tax a legion of tax lawyers to determine who qualifies and who doesn't for the Bush tax cuts. But the complexity of his plan can not obscure the basic fact of where most of the money goes—and it doesn't go to the waitresses of this country. For example, while the lawyer earning \$200,000 in President Bush's example would receive a tax cut of approximately \$3,100 a year, a waitress who is married with family earnings of \$25,000 would receive absolutely no benefits from the Bush tax plan.

Low-income workers will benefit from the Worker's Income Tax Credit because the credit is refundable. A full-time minimum wage earner would qualify for the full \$350 credit, and a couple working at minimum wage would receive a \$700 credit. But the benefits are not limited to low-income workers. Anyone earning more than \$5,600 a year would qualify for the full credit, and those earning less would receive a partial credit.

"The WITC is a better alternative to President Bush's Marginal Rate Cuts".—Because a majority of Americans pay more in payroll taxes than they do in income taxes, adjustments to marginal income tax rates will not provide significant tax relief to most taxpayers, and particularly to lower and middle income workers. In focusing on marginal rate adjustments, particularly at the high end, President

Bush makes our tax system more regressive, favoring wealthier taxpayers over middle and lower income workers. While the bottom 40 percent of the population would receive just 4% of the Bush tax cuts, the wealthiest 1% of taxpayers would receive 43% of the total tax cuts. The Worker's Income Tax Credit does just the opposite, favoring lower and middle income workers over the wealthy by extending a refundable credit to all workers, even when they face little or no income tax liability.

"The Worker's Income Tax Credit will alleviate the Marriage Tax Penalty".—There is considerable support in this Congress for addressing the marriage tax penalty. I am strongly in favor of achieving a workable solution to addressing this problem in the tax code, but I would also offer the Worker's Income Tax Credit as a means of providing some relief from the penalty. In short, the tax credit is doubled for two-earner married couples. As a result, it will provide relief from the additional tax burden that two-earner couples face as a result of being married.

"The Worker's Income Tax Credit is fiscally responsible".—The tax credit will cost approximately \$440 billion over ten years, less than 1/4 the estimated cost of the Bush tax plan, which has grown to exceed \$2 trillion by recent estimates.

Given current and projected budget surpluses, it is appropriate to provide taxpayers with significant tax relief. However, favorable surplus estimates do not give us license to pursue an irresponsible fiscal policy. We worked hard during the 1990's and made painful budget decisions to achieve the surpluses we now enjoy. It would be tremendously irresponsible to squander that effort before we achieve our debt reduction and federal investment goals.

The total cost of the broad-based Worker's Income Tax Credit is modest enough that it could be combined with other reasonable tax cut priorities. I have suggested that a reasonable tax package would not exceed \$700–\$800 billion over ten years, allowing room for passage of a number of other tax cut priorities in addition to the Worker's Income Tax Credit.

Mr. Speaker, if we can all agree on the principles of fairness and fiscal responsibility in considering any tax cut, then I hope we can also agree that the Worker's Income Tax Credit is an excellent means of providing tax relief to the American people this year.

The text of the bill follows:

H.R. —

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled.

SECTION 1. SHORT TITLE.

This Act may be cited as the "Worker's Income Tax Credit Act of 2001".

SEC. 2. REFUNDABLE CREDIT FOR INDIVIDUALS BASED ON EARNED INCOME.

(a) GENERAL RULE.—Subpart C of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to refundable credits) is amended by redesignating section 35 as section 36 and by inserting after section 34 the following new section:

"SEC. 35. WORKER CREDIT.

"(a) ALLOWANCE OF CREDIT.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this subtitle for the taxable year the amount equal to 6.2 percent of the sum of—

"(1) the individual's wages, salaries, tips, and other employee compensation includible in gross income, plus

"(2) the individual's earned income (as defined in section 401(c)(2)).

"(b) LIMITATION.—The amount allowed as a credit under subsection (a) to an individual for any taxable year shall not exceed \$350."

(b) CONFORMING AMENDMENTS.—

(1) Section 1324(b)(2) of title 31, United States Code, is amended by inserting "or from section 35 of such Code," after "1978,".

(2) The table of sections for subpart C of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by striking the last item and inserting the following new items:

"Sec. 35. Worker credit.

"Sec. 36. Overpayments of tax."

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

RECOGNIZING 90TH BIRTHDAY OF
RONALD REAGAN

SPEECH OF

HON. JOHN B. SHADEGG

OF ARIZONA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, February 6, 2001

Mr. SHADEGG. Mr. Speaker, today we celebrate President Reagan's birthday. Although he left office more than 12 years ago, after eight years of distinguished service as our Commander in Chief, Americans today continue to benefit from the fruits of his hard work. It is for that reason I rise to honor Ronald Reagan on his 90th birthday.

During the 20th Century America witnessed the rise of a handful of great leaders. From Theodore Roosevelt to Franklin Roosevelt to John Kennedy, America rose to prominence—she expanded internationally, built the Panama Canal, overcame a Great Depression and fought two world wars. However, it was under Ronald Reagan that America achieved her true greatness.

President Reagan was a common man who, unlike many who came before him, entered politics at a later stage in life. He did so because of a belief that the country was headed in the wrong direction. A common man who touched every American, Ronald Reagan used his charm and steadfast beliefs to right the direction and shape the United States into the great country she is today.

President Reagan turned around the public perception of government, sparked economic growth, restored the military, won the Cold War and restored our faith in America.

My first memory of Ronald Reagan dates back to 1964 when Ronald Reagan spoke to the country on behalf of the Republican candidate for President that year—Senator Barry Goldwater of Arizona. On a personal note, my father, Stephen Shadeegg, worked for Senator Goldwater during the 1964 presidential campaign. This afforded me the opportunity to experience, first-hand, what a true visionary and leader Mr. Reagan was. Ronald Reagan gave a speech on behalf of Senator Goldwater that year. It later became known as "A Time for Choosing." Many of the points he raised in