

MICROFILM DIVIDER

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SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

4029

2001 SENATE FINANCE AND TAXATION

SCR 4029

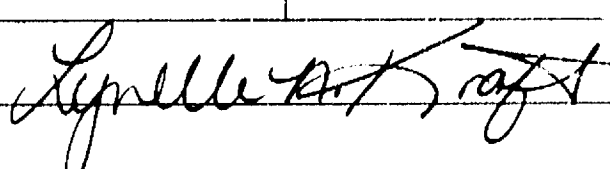
2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 4029

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date 2/12/01

Tape Number	Side A	Side B	Meter #
I	x		0-5
2/14/01 - 1		x	15.2-23.2
Committee Clerk Signature 			

Minutes:

Senator Urlacher: Opened the hearing on SB 4029, a resolution urging Congress to eliminate the marriage penalty.

Senator Jerry Kelsh: Co-sponsored the bill, testified in support. This encourages a bill that Conrad & Pomeroy put in on the marriage tax. Written testimony attached.

Senator Christmann: Is this essentially the same as the one that was vetoed last year?

Senator Jerry Kelsh: No, this is a little different and it's not quite as negative to the budget as that one was.

Discussion followed. Senator Christmann to look into it.

Senator Urlacher: Closed the hearing. Action delayed.

Discussion held 2/14/01. Meter number 15.2-23.2

Senator Christmann: Informed committee that the bill refers to so many sections of federal code that it's hard to understand what it's actually saying. I don't think we should pass a resolution

urging one particular solution to the problem, but just urging that there should be a solution and recognizing that some of these solutions people tend to be on both sides of.

Senator Nichols: I don't know if any of us probably know of all the things that were included in those bills. Sometimes there's much more to a bill than just what the title is. Maybe there was reasons that it was vetoed and Congressman Pomeroy voted the way he did. I plan to oppose the amendment.

Senator Kroeplin: I'll echo what Senator Nichols said.

Senator Nichols: Does the amended bill still send the same message?

Senator Christmann: The final message is that this legislative assembly urges the Congress of the United States to support and pass legislation to eliminate the marriage tax penalty. It's not asking for the Democratic sponsored legislation or the Republican sponsored legislation. It's neutral, we're asking for legislation to do that.

AMENDMENT ACTION:

Motion made by Senator Christmann, Seconded by Senator Wardner, to move amendment numbered 18348.0101. Roll call vote taken. Vote was 4 yeas, 2 nays, 0 absent.

Amendment adopted.

COMMITTEE ACTION:

Motion made by Senator Christmann for a DO PASS AS AMENDED, Seconded by Senator Stenehjem. Vote was 4 yeas, 2 nays, 0 absent and not voting. Bill carrier was Senator Christmann.

PROPOSED AMENDMENTS TO SENATE CONCURRENT RESOLUTION NO. 4029

Page 1, after line 10, insert:

"WHEREAS, President Bill Clinton vetoed the Marriage Tax Relief Reconciliation Act of 2000 which sought to address the marriage tax penalty; and

WHEREAS, Congressman Earl Pomeroy voted to sustain President Clinton's veto of the Marriage Tax Relief Reconciliation Act of 2000; and"

Page 1, line 17, remove "Congressman Pomeroy's proposed"

Renumber accordingly

Date: 2/14/01
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 4029

Senate Finance and Taxation Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number 18348.0101

Action Taken Move Amendment

Motion Made By Christmann Seconded By Wardner

Senators	Yes	No	Senators	Yes	No
Senator Urlacher-Chairman	✓				
Senator Wardner-Vice Chairman	✓				
Senator Christmann	✓				
Senator Stenehjem	✓				
Senator Kroeplin		✓			
Senator Nichols		✓			

Total (Yes) 4 No 2

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 2/14/01
Roll Call Vote #: 7

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 4029

Senate Finance and Taxation Committee

☐ Subcommittee on _____

or

☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass As Amended

Motion Made By Christmann Seconded By Stenehjem

Senators	Yes	No	Senators	Yes	No
Senator Urlacher-Chairman	✓				
Senator Wardner-Vice Chairman	✓				
Senator Christmann	✓				
Senator Stenehjem	✓				
Senator Kroeplin		✓			
Senator Nichols		✓			

Total (Yes) 4 No 2

Absent 0

Floor Assignment Christmann

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
February 14, 2001 5:21 p.m.

Module No: SR-27-3424
Carrier: Christmann
Insert LC: 18348.0101 Title: .0200

REPORT OF STANDING COMMITTEE

SCR 4029: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (4 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SCR 4029 was placed on the Sixth order on the calendar.

Page 1, after line 10, insert:

"WHEREAS, President Bill Clinton vetoed the Marriage Tax Relief Reconciliation Act of 2000 which sought to address the marriage tax penalty; and

WHEREAS, Congressman Earl Pomeroy voted to sustain President Clinton's veto of the Marriage Tax Relief Reconciliation Act of 2000; and"

Page 1, line 17, remove "Congressman Pomeroy's proposed"

Renumber accordingly

2001 HOUSE FINANCE AND TAXATION

SCR 4029

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SCR 4029

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date March 21, 2001

Tape Number	Side A	Side B	Meter #
1		X	1,015
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

REP. AL CARLSON, CHAIRMAN Opened the hearing.

SEN. EVERY, Testified in support of the resolution as a co-sponsor. He had not prepared to testify, but was the only sponsor who appeared for the hearing.

REP. CARLSON Read from the resolution, and asked Sen. Every if he agreed with the statements in the resolution.

SEN. EVERY Yes, and in fact, a colleague of mine, who is divorced, stated, marriage should be penalty enough.

REP. SCHMIDT Would you care if we amended this to make it retroactive?

SEN. EVERY It wouldn't hurt my feelings.

With no further testimony, the hearing was closed.

Page 2

House Finance and Taxation Committee

Bill/Resolution Number SCR 4029

Hearing Date March 21, 2001

COMMITTEE ACTION 3-21-01, TAPE #1, SIDE B, METER #2940

REP. RENNER Made a motion for a **DO PASS**

REP. BRANDENBURG Second the motion. **MOTION CARRIED**

13 YES 0 NO 2 ABSENT

REP. KROEBER Was given the floor assignment.

Date: 3-21-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SCR 4029

House FINANCE & TAXATION Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Rep. Renner Seconded By Rep. Brandenburg

Representatives	Yes	No	Representatives	Yes	No
CARLSON, AL, CHAIRMAN	✓		NICHOLAS, EUGENE	✓	
DROVDAL, DAVID, V-CHAIR	✓		RENNER, DENNIS	✓	
BRANDENBURG, MICHAEL	✓		RENNERFELDT, EARL	✓	
CLARK, BYRON	✓		SCHMIDT, ARLO	✓	
GROSZ, MICHAEL	✓		WIKENHEISER, RAY	✓	
HERBEL, GIL	✓		WINRICH, LONNY	✓	
KELSH, SCOT	✓				
KROEBER, JOE	✓				
LLOYD, EDWARD	✓				

Total (Yes) 13 No 0

Absent 2

Floor Assignment Rep. Kroeber

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
March 21, 2001 11:27 a.m.

Module No: HR-49-6265
Carrier: Kroeber
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SCR 4029, as engrossed: Finance and Taxation Committee (Rep. Carlson, Chairman)
recommends DO PASS and BE PLACED ON THE CONSENT CALENDAR (13 YEAS,
0 NAYS, 2 ABSENT AND NOT VOTING). Engrossed SCR 4029 was placed on the
Tenth order on the calendar.

2001 TESTIMONY

SCR 4029

Congressman Pomeroy's Bill:

1. Would give a married couple a choice to file which would eliminate the marriage penalty.

2. It establishes a split in the **income** between the spouses:

a. Earned income, and pension income, is attributed to each spouse as the income is earned by each spouse.

b. Passive income (interest, capital gains, etc. on investments) is attributed to the individual who owns the property, if joint ownership the income is split.

c. Income exclusions are treated as the exclusion of the person who would otherwise include the income.

3. It establishes a split in the **deductions**:

a. Deductions go to the spouse who has the income the deductions to which the deduction would apply.

b. Each spouse would get one personal exemption for themselves.

c. Itemization of deductions - decision must be made together and apply to each as if not married.

d. Other deductions are essentially distributed on a pro-rata basis based on the income of the spouse. So if one spouse makes 20% of the income they would receive 20% of the deduction.

4. It establishes a split in the **credits**. Generally credits are shared pro rata, the earned income credit is determined as if each person were a separate taxpayer, except children are allocated based upon income of each spouse.

There are other provisions that relate to a phase in of this bill so the benefit is fully effective in 2004.

106TH CONGRESS
2D SESSION

H. R. 5171

To amend the Internal Revenue Code of 1986 to permit a husband and wife to file a combined return to which separate tax rates apply.

IN THE HOUSE OF REPRESENTATIVES

Mr. POMEROY introduced the following bill; which was referred to the
Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to permit a husband and wife to file a combined return to which separate tax rates apply.

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 "Marriage Penalty Re-
5 lief Act".

6 **SEC. 2. COMBINED RETURN TO WHICH UNMARRIED RATES**
7 **APPLY.**

8 (a) **IN GENERAL.**—Subpart B of part II of sub-
9 chapter A of chapter 61 of the Internal Revenue Code of

1 1986 (relating to income tax returns) is amended by in-
2 serting after section 6013 the following new section:

3 **"SEC. 6013A. COMBINED RETURN WITH SEPARATE RATES.**

4 “(a) GENERAL RULE.—A husband and wife may
5 make a combined return of income taxes under subtitle
6 A under which—

7 “(1) a separate taxable income is determined
8 for each spouse by applying the rules provided in
9 this section, and

10 “(2) the tax imposed by section 1 is the aggre-
11 gate amount resulting from applying the separate
12 rates set forth in section 1(c) to each such taxable
13 income.

14 “(b) TREATMENT OF INCOME.—For purposes of this
15 section—

16 “(1) earned income (within the meaning of sec-
17 tion 911(d)), and any income received as a pension
18 or annuity which arises from an employer-employee
19 relationship, shall be treated as the income of the
20 spouse who rendered the services,

21 “(2) income from property shall be divided be-
22 tween the spouses in accordance with their respec-
23 tive ownership rights in such property (equally in
24 the case of property held jointly by the spouses), and

1 “(3) any exclusion from income shall be allow-
2 able to the spouse with respect to whom the income
3 would be otherwise includible.

4 “(c) TREATMENT OF DEDUCTIONS.—For purposes of
5 this section—

6 “(1) except as otherwise provided in this sub-
7 section, the deductions described in section 62(a)
8 shall be allowed to the spouse treated as having the
9 income to which such deductions relate,

10 “(2) the deductions allowable by section 151(b)
11 (relating to personal exemptions for taxpayer and
12 spouse) shall be determined by allocating 1 personal
13 exemption to each spouse,

14 “(3) section 63 shall be applied as if such
15 spouses were not married, except that the election
16 whether or not to itemize deductions shall be made
17 jointly by both spouses and apply to each, and

18 “(4) each spouse's share of all other deductions
19 shall be determined by multiplying the aggregate
20 amount thereof by the fraction—

21 “(A) the numerator of which is such
22 spouse's gross income, and

23 “(B) the denominator of which is the com-
24 bined gross incomes of the 2 spouses.

1 Any fraction determined under paragraph (4) shall be
2 rounded to the nearest percentage point.

3 “(d) TREATMENT OF CREDITS.—For purposes of this
4 section—

5 “(1) IN GENERAL.—Except as provided in para-
6 graph (2), each spouse's share of credits allowed to
7 both spouses shall be determined by multiplying the
8 aggregate amount of the credits by the fraction de-
9 termined under subsection (c)(4).

10 “(2) EARNED INCOME CREDIT.—The earned in-
11 come credit under section 32 shall be determined as
12 if each spouse were a separate taxpayer, except
13 that—

14 “(A) the earned income and the modified
15 adjusted gross income of each spouse shall be
16 determined under the rules of subsections (b),
17 (c), and (e), and

18 “(B) qualifying children shall be allocated
19 between spouses proportionate to the earned in-
20 come of each spouse (rounded to the nearest
21 whole number).

22 “(e) SPECIAL RULES REGARDING INCOME LIMITA-
23 TIONS.—

24 “(1) EXCLUSIONS AND DEDUCTIONS.—For pur-
25 poses of making a determination under subsection

1 (b) or (c), any eligibility limitation with respect to
2 each spouse shall be determined by taking into ac-
3 count the limitation applicable to a single individual.

4 "(2) CREDITS.—For purposes of making a de-
5 termination under subsection (d)(1), in no event
6 shall an eligibility limitation for any credit allowable
7 to both spouses be less than twice such limitation
8 applicable to a single individual.

9 "(f) SPECIAL RULES FOR ALTERNATIVE MINIMUM
10 TAX.—If a husband and wife elect the application of this
11 section—

12 "(1) the tax imposed by section 55 shall be
13 computed separately for each spouse, and

14 "(2) for purposes of applying section 55—

15 "(A) the rules under this section for allo-
16 cating items of income, deduction, and credit
17 shall apply, and

18 "(B) the exemption amount for each
19 spouse shall be the amount determined under
20 section 55(d)(1)(B).

21 "(g) TREATMENT AS JOINT RETURN.—Except as
22 otherwise provided in this section or in the regulations
23 prescribed hereunder, for purposes of this title (other than
24 sections 1 and 63(c)) a combined return under this section
25 shall be treated as a joint return.

1 “(h) LIMITATIONS.—

2 “(1) PHASE-IN OF BENEFIT.—

3 “(A) IN GENERAL.—In the case of any
4 taxable year beginning before January 1, 2004,
5 the tax imposed by section 1 or 55 shall in no
6 event be less than the sum of—

7 “(i) the tax determined after the ap-
8 plication of this section, plus

9 “(ii) the applicable percentage of the
10 excess of—

11 “(I) the tax determined without
12 the application of this section, over

13 “(II) the amount determined
14 under clause (i).

15 “(B) APPLICABLE PERCENTAGE.—For
16 purposes of subparagraph (A), the applicable
17 percentage shall be determined in accordance
18 with the following table:

“For taxable years beginning in:	The applicable percentage is:
2002	50
2003	10.

19 “(2) LIMITATION OF BENEFIT BASED ON COM-
20 BINED ADJUSTED GROSS INCOME.—With respect to
21 spouses electing the treatment of this section for any
22 taxable year, the tax under section 1 or 55 shall be
23 increased by an amount which bears the same ratio

1 to the excess of the tax determined without the ap-
2 plication of this section over the tax determined
3 after the application of this section as the ratio (but
4 not over 100 percent) of the excess of the combined
5 adjusted gross income of the spouses over \$100,000
6 bears to \$50,000.

7 “(i) REGULATIONS.—The Secretary shall prescribe
8 such regulations as may be necessary or appropriate to
9 carry out this section.”.

10 (b) UNMARRIED RATE MADE APPLICABLE.—So
11 much of subsection (c) of section 1 of the Internal Rev-
12 enue Code of 1986 as precedes the table is amended to
13 read as follows:

14 “(c) SEPARATE OR UNMARRIED RETURN RATE.—
15 There is hereby imposed on the taxable income of every
16 individual (other than a married individual (as defined in
17 section 7703) filing a return which is not a combined re-
18 turn under section 6013A, a surviving spouse as defined
19 in section 2(a), or a head of household as defined in sec-
20 tion 2(b)) a tax determined in accordance with the fol-
21 lowing table:”.

22 (c) PENALTY FOR SUBSTANTIAL UNDERSTATEMENT
23 OF INCOME FROM PROPERTY.—Section 6662 of the Inter-
24 nal Revenue Code of 1986 (relating to imposition of accu-
25 racy-related penalty) is amended—

1 (1) by adding at the end of subsection (b) the
2 following:

3 "(6) Any substantial understatement of income
4 from property under section 6013A.", and

5 (2) by adding at the end the following new sub-
6 section:

7 "(i) SUBSTANTIAL UNDERSTATEMENT OF INCOME
8 FROM PROPERTY UNDER SECTION 6013A.—For pur-
9 poses of this section, there is a substantial understatement
10 of income from property under section 6013A if—

11 "(1) the spouses electing the treatment of such
12 section for any taxable year transfer property from
13 1 spouse to the other spouse in such year,

14 "(2) such transfer results in reduced tax liabil-
15 ity under such section, and

16 "(3) the significant purpose of such transfer is
17 the avoidance or evasion of Federal income tax."

18 (d) PROTECTION OF SOCIAL SECURITY AND MEDI-
19 CARE TRUST FUNDS.—

20 (1) IN GENERAL.—Nothing in this section shall
21 be construed to alter or amend the Social Security
22 Act (or any regulation promulgated under that Act).

23 (2) TRANSFERS.—

24 (A) ESTIMATE OF SECRETARY.—The Sec-
25 retary of the Treasury shall annually estimate

1 the impact that the enactment of this section
2 has on the income and balances of the trust
3 funds established under sections 201 and 1817
4 of the Social Security Act (42 U.S.C. 401 and
5 1395i).

6 (B) TRANSFER OF FUNDS.—If, under sub-
7 paragraph (A), the Secretary of the Treasury
8 estimates that the enactment of this section has
9 a negative impact on the income and balances
10 of such trust funds, the Secretary shall trans-
11 fer, not less frequently than quarterly, from the
12 general revenues of the Federal Government an
13 amount sufficient so as to ensure that the in-
14 come and balances of such trust funds are not
15 reduced as a result of the enactment of this sec-
16 tion.

17 (e) CLERICAL AMENDMENT.—The table of sections
18 for subpart B of part II of subchapter A of chapter 61
19 of the Internal Revenue Code of 1986 is amended by in-
20 serting after the item relating to section 6013 the fol-
21 lowing:

"Sec. 6013A. Combined return with separate rates."

22 (f) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to taxable years beginning after
24 December 31, 2001.

○