

Exhibit 66

after 1989, the dollar amount contained in paragraph (1) 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, by substituting ‘calendar year 1988’ for ‘calendar year 1989’ in subparagraph (B) thereof.

“(B) ADJUSTMENT TO THRESHOLD AMOUNTS FOR YEARS AFTER 1991.—In the case of any taxable year beginning in a calendar year after 1991, each dollar amount contained in paragraph (3)(C) 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, by substituting ‘calendar year 1990’ for ‘calendar year 1989’ in subparagraph (B) thereof.”

(b) CONFORMING AMENDMENT.—Paragraph (6) of section 1(f) is amended—

(1) by striking “section 151(d)(3)” in subparagraph (A) and inserting “section 151(d)(4)”, and

(2) by striking “section 151(d)(3)” in subparagraph (B) and inserting “section 151(d)(4)(A)”.

26 USC 1 note.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1990.

PART II—MODIFICATIONS OF EARNED INCOME CREDIT

SEC. 11111. MODIFICATIONS OF EARNED INCOME TAX CREDIT.

(a) IN GENERAL.—So much of section 32 (relating to earned income credit) as precedes subsection (d) thereof is amended to read as follows:

“SEC. 32. EARNED INCOME.

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

“(1) the basic earned income credit, and

“(2) the health insurance credit.

“(b) COMPUTATION OF CREDIT.—For purposes of this section—

“(1) BASIC EARNED INCOME CREDIT.—

“(A) IN GENERAL.—The term ‘basic earned income credit’ means an amount equal to the credit percentage of so much of the taxpayer’s earned income for the taxable year as does not exceed \$5,714.

“(B) LIMITATION.—The amount of the basic earned income credit allowable to a taxpayer for any taxable year shall not exceed the excess (if any) of—

“(i) the credit percentage of \$5,714, over

“(ii) the phaseout percentage of so much of the adjusted gross income (or, if greater the earned income) of the taxpayer for the taxable year as exceeds \$9,000.

“(C) PERCENTAGES.—For purposes of this paragraph—

“(i) IN GENERAL.—Except as provided in clause (ii), the percentages shall be determined as follows:

"In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
1 qualifying child.....	23	16.43
2 or more qualifying children	25	17.86

"(ii) TRANSITION PERCENTAGES.—

"(I) For taxable years beginning in 1991, the percentages are:

"In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
1 qualifying child.....	16.7	11.93
2 or more qualifying children	17.3	12.36

"(II) For taxable years beginning in 1992, the percentages are:

"In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
1 qualifying child.....	17.6	12.57
2 or more qualifying children	18.4	13.14

"(III) For taxable years beginning in 1993, the percentages are:

"In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
1 qualifying child.....	18.5	13.21
2 or more qualifying children	19.5	13.93

"(D) SUPPLEMENTAL YOUNG CHILD CREDIT.—In the case of a taxpayer with a qualifying child who has not attained age 1 as of the close of the calendar year in which or with which the taxable year of the taxpayer ends—

"(i) the credit percentage shall be increased by 5 percentage points, and

"(ii) the phaseout percentage shall be increased by 3.57 percentage points.

If the taxpayer elects to take a child into account under this subparagraph, such child shall not be treated as a qualifying individual under section 21.

"(2) HEALTH INSURANCE CREDIT.—

"(A) IN GENERAL.—The term 'health insurance credit' means an amount determined in the same manner as the basic earned income credit except that—

"(i) the credit percentage shall be equal to 6 percent, and

"(ii) the phaseout percentage shall be equal to 4.285 percent.

"(B) LIMITATION BASED ON HEALTH INSURANCE COSTS.—The amount of the health insurance credit determined under subparagraph (A) for any taxable year shall not exceed the amounts paid by the taxpayer during the taxable year for insurance coverage—

"(i) which constitutes medical care (within the meaning of section 213(d)(1)(C)), and

"(ii) which includes at least 1 qualifying child.

For purposes of this subparagraph, the rules of section 213(d)(6) shall apply.

"(C) SUBSIDIZED EXPENSES.—A taxpayer may not take into account under subparagraph (B) any amount to the extent that—

“(i) such amount is paid, reimbursed, or subsidized by the Federal Government, a State or local government, or any agency or instrumentality thereof; and

“(ii) the payment, reimbursement, or subsidy of such amount is not includible in the gross income of the recipient.

“(c) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

“(1) ELIGIBLE INDIVIDUAL.—

“(A) IN GENERAL.—The term ‘eligible individual’ means any individual who has a qualifying child for the taxable year.

“(B) QUALIFYING CHILD INELIGIBLE.—If an individual is the qualifying child of a taxpayer for any taxable year of such taxpayer beginning in a calendar year, such individual shall not be treated as an eligible individual for any taxable year of such individual beginning in such calendar year.

“(C) 2 OR MORE ELIGIBLE INDIVIDUALS.—If 2 or more individuals would (but for this subparagraph and after application of subparagraph (B)) be treated as eligible individuals with respect to the same qualifying child for taxable years beginning in the same calendar year, only the individual with the highest adjusted gross income for such taxable years shall be treated as an eligible individual with respect to such qualifying child.

“(D) EXCEPTION FOR INDIVIDUAL CLAIMING BENEFITS UNDER SECTION 911.—The term ‘eligible individual’ does not include any individual who claims the benefits of section 911 (relating to citizens or residents living abroad) for the taxable year.

“(2) EARNED INCOME.—

“(A) The term ‘earned income’ means—

“(i) wages, salaries, tips, and other employee compensation, plus

“(ii) the amount of the taxpayer’s net earnings from self-employment for the taxable year (within the meaning of section 1402(a)), but such net earnings shall be determined with regard to the deduction allowed to the taxpayer by section 164(f).

“(B) For purposes of subparagraph (A)—

“(i) the earned income of an individual shall be computed without regard to any community property laws,

“(ii) no amount received as a pension or annuity shall be taken into account, and

“(iii) no amount to which section 871(a) applies (relating to income of nonresident alien individuals not connected with United States business) shall be taken into account.

“(3) QUALIFYING CHILD.—

“(A) IN GENERAL.—The term ‘qualifying child’ means, with respect to any taxpayer for any taxable year, an individual—

“(i) who bears a relationship to the taxpayer described in subparagraph (B),

“(ii) except as provided in subparagraph (B)(iii), who has the same principal place of abode as the taxpayer for more than one-half of such taxable year,

“(iii) who meets the age requirements of subparagraph (C), and

“(iv) with respect to whom the taxpayer meets the identification requirements of subparagraph (D).

“(B) RELATIONSHIP TEST.—

“(i) IN GENERAL.—An individual bears a relationship to the taxpayer described in this subparagraph if such individual is—

“(I) a son or daughter of the taxpayer, or a descendant of either,

“(II) a stepson or stepdaughter of the taxpayer,

or

“(III) an eligible foster child of the taxpayer.

“(ii) MARRIED CHILDREN.—Clause (i) shall not apply to any individual who is married as of the close of the taxpayer’s taxable year unless the taxpayer is entitled to a deduction under section 151 for such taxable year with respect to such individual (or would be so entitled but for paragraph (2) or (4) of section 152(e)).

“(iii) ELIGIBLE FOSTER CHILD.—For purposes of clause (i)(III), the term ‘eligible foster child’ means an individual not described in clause (i) (I) or (II) who—

“(I) the taxpayer cares for as the taxpayer’s own child, and

“(II) has the same principal place of abode as the taxpayer for the taxpayer’s entire taxable year.

“(iv) ADOPTION.—For purposes of this subparagraph, a child who is legally adopted, or who is placed with the taxpayer by an authorized placement agency for adoption by the taxpayer, shall be treated as a child by blood.

“(C) AGE REQUIREMENTS.—An individual meets the requirements of this subparagraph if such individual—

“(i) has not attained the age of 19 as of the close of the calendar year in which the taxable year of the taxpayer begins,

“(ii) is a student (as defined in section 151(c)(4)) who has not attained the age of 24 as of the close of such calendar year, or

“(iii) is permanently and totally disabled (as defined in section 22(e)(3)) at any time during the taxable year.

“(D) IDENTIFICATION REQUIREMENTS.—

“(i) IN GENERAL.—The requirements of this subparagraph are met if—

“(I) the taxpayer includes the name and age of each qualifying child (without regard to this subparagraph) on the return of tax for the taxable year, and

“(II) in the case of an individual who has attained the age of 1 year before the close of the taxpayer’s taxable year, the taxpayer includes the taxpayer identification number of such individual on such return of tax for such taxable year.

“(ii) INSURANCE POLICY NUMBER.—In the case of any taxpayer with respect to which the health insurance credit is allowed under subsection (a)(2), the Secretary may require a taxpayer to include an insurance policy

number or other adequate evidence of insurance in addition to any information required to be included in clause (i).

“(iii) OTHER METHODS.—The Secretary may prescribe other methods for providing the information described in clause (i) or (ii).

“(E) ABODE MUST BE IN THE UNITED STATES.—The requirements of subparagraphs (A)(ii) and (B)(iii)(II) shall be met only if the principal place of abode is in the United States.”

(b) COORDINATION WITH CERTAIN MEANS-TESTED PROGRAMS.—Section 32 is amended by adding at the end thereof the following new subsection:

“(j) COORDINATION WITH CERTAIN MEANS-TESTED PROGRAMS.—For purposes of—

“(1) the United States Housing Act of 1937,

“(2) title V of the Housing Act of 1949,

“(3) section 101 of the Housing and Urban Development Act of 1965,

“(4) sections 221(d)(3), 235, and 236 of the National Housing Act, and

“(5) the Food Stamp Act of 1977,

any refund made to an individual (or the spouse of an individual) by reason of this section, and any payment made to such individual (or such spouse) by an employer under section 3507, shall not be treated as income (and shall not be taken into account in determining resources for the month of its receipt and the following month).”

(c) ADVANCE PAYMENT OF CREDIT.—Subparagraphs (B) and (C) of section 3507(c)(2) are amended to read as follows:

“(B) if the employee is not married, or if no earned income eligibility certificate is in effect with respect to the spouse of the employee, shall treat the credit provided by section 32 as if it were a credit—

“(i) of not more than the credit percentage under section 32(b)(1) (without regard to subparagraph (D) thereof) for an eligible individual with 1 qualifying child and with earned income not in excess of the amount of earned income taken into account under section 32(a)(1), which

“(ii) phases out between the amount of earned income at which the phaseout begins under section 32(b)(1)(B)(ii) and the amount of income at which the credit under section 32(a)(1) phases out for an eligible individual with 1 qualifying child, or

“(C) if an earned income eligibility certificate is in effect with respect to the spouse of the employee, shall treat the credit as if it were a credit determined under subparagraph (B) by substituting $\frac{1}{2}$ of the amounts of earned income described in such subparagraph for such amounts.”

(d) COORDINATION WITH DEDUCTIONS.—

(1) MEDICAL DEDUCTION.—Section 213 is amended by adding at the end thereof the following new subsection:

“(f) COORDINATION WITH HEALTH INSURANCE CREDIT UNDER SECTION 32.—The amount otherwise taken into account under subsection (a) as expenses paid for medical care shall be reduced by the amount (if any) of the health insurance credit allowable to the taxpayer for the taxable year under section 32.”