

112TH CONGRESS
1ST SESSION

H. R. 2506

To establish the National Commission on Effective Marginal Tax Rates for
Low-Income Families.

IN THE HOUSE OF REPRESENTATIVES

JULY 12, 2011

Mr. PETRI (for himself and Ms. TSONGAS) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Agriculture, Veterans' Affairs, Financial Services, Energy and Commerce, and Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To establish the National Commission on Effective Marginal
Tax Rates for Low-Income Families.

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 “Making Work and
5 Marriage Pay Act of 2011”.

6 **SEC. 2. FINDINGS.**

7 Congress finds the following:

1 (1) The take-home pay of low-income families is
2 subject to reductions from many sources, including
3 the Federal income tax, Social Security payroll
4 taxes, and State income taxes. In addition, eligibility
5 for many Federal and State programs for assistance
6 to working families, such as the earned income tax
7 credit, the child tax credit, supplemental nutritional
8 assistance program, housing assistance programs,
9 Federal and State health care programs, child care
10 assistance, and temporary assistance to needy fami-
11 lies, is based in part on income levels. The rates at
12 which the benefits from such programs are phased
13 out have the same disposable income reducing effect
14 as escalating marginal tax rates.

15 (2) The total effective marginal rate of tax for
16 additional income earned by low-income people can
17 exceed 100 percent and can be a disincentive to
18 working more hours, getting a raise, seeking edu-
19 cation toward a more lucrative trade, getting mar-
20 ried, or engaging in other economic or social activi-
21 ties.

22 (3) Congress has enacted each of these pro-
23 grams without full consideration of the impact it
24 would have on other existing programs. As a result,
25 the structure of the United States system for the

1 support of low-income families is uncoordinated and
2 contains features which work against the goal of en-
3 couraging families to work their way toward self-suf-
4 ficiency.

5 **SEC. 3. DEFINITIONS.**

6 For purposes of this Act:

7 (1) **LOW-INCOME.**—The term “low-income”
8 means, with respect to any individual or family
9 group, an individual or family group, as the case
10 may be, whose income is not more than 225 percent
11 of the poverty line (as defined by the Office of Man-
12 agement and Budget).

13 (2) **FEDERAL BENEFITS.**—The term “Federal
14 benefits” means—

15 (A) deductions, credits, and other tax ben-
16 efits available to low-income taxpayers under
17 the Internal Revenue Code of 1986, including—

18 (i) the earned income tax credit under
19 section 32 of such Code,

20 (ii) the child tax credit under section
21 24 of such Code, and

22 (iii) the dependent care tax credit
23 under section 21 of such Code, and

24 (B) Federal assistance programs for low-
25 income individuals and families, including—

1 (i) the supplemental nutritional assist-
2 ance program established under the Food
3 and Nutrition Act of 2008 (7 U.S.C. 2011
4 et seq.),

5 (ii) any assistance, loan, loan guar-
6 antee, housing, housing assistance, or
7 other housing related program adminis-
8 tered, in whole or in part, by the Secretary
9 of Housing and Urban Development, the
10 Secretary of Veterans Affairs, or any other
11 Federal agency housing assistance, includ-
12 ing the project-based and tenant-based
13 rental assistance programs under section 8
14 of the United States Housing Act of 1937,

15 (iii) any Federal programs providing
16 child care assistance, and

17 (iv) Federal programs providing
18 health care assistance, including assistance
19 under the Medicaid program established
20 under title XIX of the Social Security Act
21 and the State Children’s Health Insurance
22 Program under title XXI of such Act.

23 (3) EFFECTIVE MARGINAL TAX RATE.—The
24 term “effective marginal tax rate” means the cost,

1 in terms of both taxes and loss of Federal benefits,
2 for each dollar earned by a low-income individual.

3 **SEC. 4. NATIONAL COMMISSION ON EFFECTIVE MARGINAL**
4 **TAX RATES FOR LOW-INCOME FAMILIES.**

5 (a) **ESTABLISHMENT.**—There is established a com-
6 mission to be known as the “National Commission on Ef-
7 fective Marginal Tax Rates for Low-Income Families”
8 (hereinafter in this Act referred to as the “Commission”).

9 (b) **DUTIES OF COMMISSION.**—

10 (1) **IN GENERAL.**—The Commission shall study
11 and make recommendations on policy changes to
12 mitigate the impact of the effective marginal tax
13 rate and of phaseouts in Federal benefits on low-in-
14 come earners and their families.

15 (2) **REPORT.**—Not later than 18 months after
16 the first meeting of the Commission, the Commis-
17 sion shall submit to the President and to the Chair-
18 man and Ranking member of each Committee of the
19 House and the Senate that has legislative jurisdic-
20 tion over any of the Federal programs or revenue
21 policies addressed therein, a report containing the
22 following:

23 (A) **ANALYSIS.**—A detailed analysis of the
24 following:

1 (i) The Commission’s general rec-
2 ommendations for increasing coordination
3 of the delivery of Federal benefits for low-
4 income families in order to reduce effective
5 marginal tax rates and decrease disincen-
6 tives to work and marriage.

7 (ii) The relative usefulness of sudden
8 benefit cutoffs (sometime referred to as
9 “cliffs”) versus gradual reductions (some-
10 time referred to as “phaseouts”) in Fed-
11 eral benefits on low-income workers’ behav-
12 ior relating to work and marriage.

13 (iii) The interaction of Federal bene-
14 fits and State assistance programs, and
15 the potential benefits of structuring State
16 programs consistent with the design of
17 Federal assistance.

18 (iv) The maximum extent to which
19 funding for Federal benefits can be appro-
20 priated annually avoiding the need to cre-
21 ate additional entitlement programs.

22 (v) The extent to which low-income
23 cohabiting couples (including couples with
24 children and couples without children) re-
25 sist entering a legal marriage in order to

1 maximize Federal benefits and avoid lost
2 income.

3 (B) RECOMMENDATIONS.—

4 (i) IN GENERAL.—A description of the
5 Commission’s recommendations relating to
6 the following:

7 (I) Combining all Federal bene-
8 fits which are not tax benefits into a
9 single flexible voucher, allowing the
10 beneficiary to allocate funds within
11 each of the supported benefit areas.

12 (II) To the extent possible, pro-
13 viding all eligible families with equal
14 voucher funds described in clause (i),
15 varying only for income, family size,
16 and the presence of children in the
17 household.

18 (III) Combining all Federal bene-
19 fits which are tax benefits for low-in-
20 come families into a coordinated cred-
21 it that minimizes phaseouts, encour-
22 ages work, is adjusted for family size,
23 and does not penalize marriage.

1 (IV) Establishing a single eligi-
2 bility standard for all Federal bene-
3 fits.

4 (ii) REVENUE NEUTRALITY.—In mak-
5 ing recommendations under this subpara-
6 graph, the Commission shall consider the
7 need to maintain revenue neutrality in
8 order to avoid increasing the deficit.

9 (iii) BLUEPRINT FOR LEGISLATION.—
10 The Commission shall provide a blueprint
11 for legislative proposals for each policy rec-
12 ommendation under this subparagraph.

13 (C) OTHER MATTERS.—

14 (i) NON-FEASIBILITY.—Should the
15 Commission conclude that the policy
16 framework described in subparagraph (B)
17 is not feasible, the Commission shall in-
18 clude in its report—

19 (I) a detailed analysis of such
20 policy framework,

21 (II) a comprehensive explanation
22 of the reasons for its conclusion, and

23 (III) one or more policy rec-
24 ommendations addressing the problem

1 of effective marginal tax rates on low-
2 income families.

3 (ii) ADDITIONAL MATTER.—If the
4 Commission includes in its report a policy
5 plan using the policy elements described in
6 subparagraph (B), it may also include ad-
7 ditional alternative recommendations (to-
8 gether with a legislative blueprint as pro-
9 vided under subparagraph (B)(iii)).

10 (c) MEMBERSHIP AND MEETINGS.—

11 (1) MEMBERS.—The Commission shall be com-
12 posed of 15 members, of whom 4 shall be members
13 described in paragraph (2) and 11 shall be ap-
14 pointed pursuant to paragraph (3).

15 (2) CABINET MEMBERS SERVING ON COMMIS-
16 SION.—

17 (A) IN GENERAL.—The members described
18 in this paragraph are the following Secretaries:

19 (i) The Secretary of the Treasury.

20 (ii) The Secretary of Agriculture.

21 (iii) The Secretary of Housing and
22 Urban Development.

23 (iv) The Secretary of Health and
24 Human Services.

1 (B) NON-VOTING MEMBERS; CHAIRMAN.—

2 Of the members of the Commission described in
3 subparagraph (A)—

4 (i) the 2 members with the least se-
5 niority in terms of service as Secretary
6 shall be nonvoting members,

7 (ii) the member with the most senior-
8 ity in terms of service as Secretary shall be
9 the chairman, and

10 (iii) in the event that the head of a
11 cabinet department serving as a member of
12 this Commission under subparagraph (A)
13 is replaced, and that Cabinet Secretary
14 was serving as a voting member of the
15 Commission or as the Chairman of the
16 Commission, the incoming Secretary shall
17 assume such a role on the Commission
18 without regard to the seniority criteria es-
19 tablished under this subparagraph.

20 (3) APPOINTED MEMBERS.—

21 (A) CONGRESSIONAL APPOINTMENTS.—

22 The Speaker of the House of Representatives,
23 the minority leader of the House of Representa-
24 tives, the majority leader of the Senate, and the
25 minority leader of the Senate shall each appoint

1 2 members, who shall each be experts in the
2 subject matter of the Commission.

3 (B) GOVERNORS.—

4 (i) IN GENERAL.—The President shall
5 appoint 3 State governors, of whom—

6 (I) no more than 1 shall rep-
7 resent the same political party rep-
8 resented by the President,

9 (II) 1 shall be a governor of a
10 State which is ranked in the top third
11 on the list of benefit providers estab-
12 lished under clause (ii),

13 (III) 1 shall be a governor of a
14 State which is ranked in the middle
15 third on the list of benefit providers
16 established under clause (ii), and

17 (IV) at least 1 shall be a gov-
18 ernor of a State which is ranked in
19 the lowest third on the list of benefit
20 providers established under clause (ii).

21 (ii) RANKING OF STATES.—The mem-
22 bers of the Commission described in para-
23 graph (2)(A) shall establish a list ranking
24 of States from highest benefit providers to

1 lowest benefit providers based on the fol-
2 lowing:

3 (I) The level of benefits provided
4 in the State under the Temporary As-
5 sistance to Needy Families under title
6 IV of the Social Security Act.

7 (II) The average fair-market
8 value of rental housing in the State.

9 (III) The State share of assist-
10 ance provided under a State plan
11 under the Medicaid program under
12 title XIX of the Social Security Act
13 and a State child health plan under
14 the State Children's Health Insurance
15 Program under title XXI of such Act.

16 (C) DATE FOR ORIGINAL APPOINTMENT.—
17 The appointing authorities described in para-
18 graph (1) shall appoint the initial members of
19 the Commission not later than 30 days after
20 the date of enactment of this Act.

21 (D) TERMS OF APPOINTMENT.—The term
22 of any appointment shall be for the life of the
23 Commission.

24 (4) DESIGNEES.—A member of the Commission
25 serving under paragraph (2), appointed under para-

1 graph (2)(B), or appointed under paragraph (3)
2 may appoint a designee to serve on the Commission
3 in such member's place.

4 (5) MEETINGS.—The chairman shall call the
5 first meeting of the Commission. Thereafter, the
6 Commission shall meet at the call of its chairman or
7 a majority of its members.

8 (6) QUORUM.—A quorum shall consist of 9 vot-
9 ing members of the Commission.

10 (7) VACANCIES.—A vacancy on the Commission
11 shall be filled in the same manner in which the origi-
12 nal appointment was made, not later than 30 days
13 after the Commission is given notice of the vacancy,
14 and shall not affect the power of the remaining
15 members to execute the duties of the Commission.

16 (8) COMPENSATION.—Members of the Commis-
17 sion shall receive no additional pay, allowances, or
18 benefits by reason of their service on the Commis-
19 sion.

20 (9) EXPENSES.—Each member of the Commis-
21 sion shall receive travel expenses and per diem in
22 lieu of subsistence in accordance with sections 5702
23 and 5703 of title 5, United States Code.

24 (d) COMMISSION STAFF.—

1 (1) APPOINTMENT AND COMPENSATION.—The
2 chairman, in accordance with rules agreed upon by
3 the Commission, may appoint and fix the compensa-
4 tion of a staff director and such other personnel as
5 may be necessary to enable the Commission to carry
6 out its functions, without regard to the provisions of
7 title 5, United States Code, governing appointments
8 in the competitive service, and without regard to the
9 provisions of chapter 51 and subchapter III of chap-
10 ter 53 of such title relating to classification and
11 General Schedule pay rates, except that no rate of
12 pay fixed under this subsection may exceed the
13 equivalent of that payable for a position at level V
14 of the Executive Schedule under section 5316 of title
15 5, United States Code.

16 (2) PERSONNEL AS FEDERAL EMPLOYEES.—

17 (A) IN GENERAL.—The executive director
18 and any personnel of the Commission who are
19 employees shall be employees under section
20 2105 of title 5, United States Code, for pur-
21 poses of chapters 63, 81, 83, 84, 85, 87, 89,
22 and 90 of that title.

23 (B) MEMBERS OF COMMISSION.—Subpara-
24 graph (A) shall not be construed to apply to
25 members of the Commission.

1 (C) DETAILEES.—Any Federal Govern-
2 ment employee detailed to the Commission shall
3 retain the rights, status, and privileges of his or
4 her regular employment without interruption.

5 (D) EXPERT AND CONSULTANT SERV-
6 ICES.—The Commission is authorized to pro-
7 cure the services of experts and consultants in
8 accordance with section 3109 of title 5, United
9 States Code, but at rates not to exceed the
10 daily rate paid a person occupying a position at
11 level IV of the Executive Schedule under section
12 5315 of title 5, United States Code.

13 (E) VOLUNTEER SERVICES.—Notwith-
14 standing section 1342 of title 31, United States
15 Code, the Commission may accept and use vol-
16 untary and uncompensated services as the Com-
17 mission determines necessary.

18 (e) POWERS OF COMMISSION.—

19 (1) HEARINGS AND OTHER ACTIVITIES.—For
20 the purpose of carrying out its duties, the Commis-
21 sion may hold such hearings and undertake such
22 other activities as the Commission determines to be
23 necessary to carry out its duties.

24 (2) DETAIL OF FEDERAL EMPLOYEES.—Upon
25 the request of the Commission, the head of any Fed-

1 eral agency is authorized to detail, on a reimburs-
2 able basis, any of the personnel of such agency to
3 the Commission to assist the Commission in car-
4 rying out its duties. Any such detail shall not inter-
5 rupt or otherwise affect the civil service status or
6 privileges of the Federal employee.

7 (3) CONTRACTING.—The Commission may, to
8 such extent and in such amounts as are provided in
9 appropriation Acts, enter into contracts to enable
10 the Commission to discharge its duties under this
11 title.

12 (4) TECHNICAL ASSISTANCE.—Upon the re-
13 quest of the Commission, the head of a Federal
14 agency shall provide such technical assistance to the
15 Commission as the Commission determines to be
16 necessary to carry out its duties.

17 (5) USE OF MAILS.—The Commission may use
18 the United States mails in the same manner and
19 under the same conditions as Federal agencies and
20 shall, for purposes of the frank, be considered a
21 commission of Congress as described in section 3215
22 of title 39, United States Code.

23 (6) INFORMATION FROM FEDERAL AGENCIES.—

24 (A) IN GENERAL.—The Commission is au-

25 thorized to secure directly from any executive

1 department, bureau, agency, board, commission,
2 office, independent establishment, or instrumen-
3 tality of the government, information, sugges-
4 tions, estimates, and statistics for the purposes
5 of this title. Each department, bureau, agency,
6 board, commission, office, independent estab-
7 lishment, or instrumentality shall, to the extent
8 authorized by law, furnish such information,
9 suggestions, estimates, and statistics directly to
10 the Commission, upon request made by the
11 chairman, the chairman of any subcommittee
12 created by a majority of the Commission, or
13 any member designated by a majority of the
14 Commission.

15 (B) RECEIPT, HANDLING, STORAGE, AND
16 DISSEMINATION.—Information shall only be re-
17 ceived, handled, stored, and disseminated by
18 members of the Commission and its staff con-
19 sistent with all applicable statutes, regulations,
20 and Executive orders.

21 (7) ADMINISTRATIVE SUPPORT SERVICES.—
22 Upon the request of the Commission, the Adminis-
23 trator of General Services shall provide to the Com-
24 mission on a reimbursable basis such administrative
25 support services as the Commission may request.

1 (8) PRINTING.—For purposes of costs relating
2 to printing and binding, including the cost of per-
3 sonnel detailed from the Government Printing Of-
4 fice, the Commission shall be deemed to be a com-
5 mittee of the Congress.

6 (f) TERMINATION.—The Commission shall terminate
7 30 days after the date of submission of the report required
8 in subsection (b).

9 (g) LIMITATIONS ON AUTHORIZATION OF APPRO-
10 PRIATIONS.—There are authorized to be appropriated
11 \$2,500,000 to carry out this section. Any amount appro-
12 priated pursuant to the authority of this subsection shall
13 remain available without fiscal year limitation until ex-
14 pended.

○