H. R. ______

To amend the Internal Revenue Code of 1986 to make the child tax credit fully refundable, establish an increased child tax credit for young children, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Ms. DeLauro (for herself, Ms. DelBene, Mr. Torres of New York, and [see attached list of cosponsors]) introduced the following bill; which was referred to the Committee on ____________________

A BILL

To amend the Internal Revenue Code of 1986 to make the child tax credit fully refundable, establish an increased child tax credit for young children, and for other purposes.

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 “American Family Act of 2021”.

SEC. 2. ESTABLISHMENT OF FULLY REFUNDABLE CHILD TAX CREDIT.

(a) Elimination of Existing Child Tax Credit.—Subpart A of part IV of subchapter A of chapter 1 of subtitle A of the Internal Revenue Code of 1986 is amended by striking section 24.

(b) Establishment of Fully Refundable Child Tax Credit.—Subpart C of part IV of subchapter A of chapter 1 of subtitle A of such Code is amended by inserting after section 36B the following new section:

“SEC. 36C. CHILD TAX CREDIT.

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

“(1) with respect to each qualifying child of the taxpayer who has attained 6 years of age before the close of such taxable year and for which the taxpayer is allowed a deduction under section 151, an amount equal to $3,000, and

“(2) with respect to each qualifying child of the taxpayer who has not attained 6 years of age before the close of such taxable year and for which the taxpayer is allowed a deduction under section 151, an amount equal to 120 percent of the dollar amount in paragraph (1).
“(b) LIMITATION.—

“(1) IN GENERAL.—The amount of the credit allowable under subsection (a) shall be reduced (but not below zero) by the applicable amount for each $1,000 (or fraction thereof) by which the taxpayer’s modified adjusted gross income exceeds the threshold amount. For purposes of the preceding sentence, the term ‘modified adjusted gross income’ means adjusted gross income increased by any amount excluded from gross income under section 911, 931, or 933.

“(2) THRESHOLD AMOUNT.—

“(A) IN GENERAL.—For purposes of paragraph (1), the term ‘threshold amount’ means—

“(i) $180,000 in the case of a joint return,

“(ii) $130,000 in the case of an individual who is not married, and

“(iii) $90,000 in the case of a married individual filing a separate return.

“(B) MARITAL STATUS.—For purposes of this paragraph, marital status shall be determined under section 7703.
“(3) APPLICABLE AMOUNT.—For purposes of paragraph (1), the term ‘applicable amount’ means an amount equal to the quotient of—

“(A) the amount of the credit allowable under subsection (a), as determined without regard to this subsection, divided by

“(B) an amount equal to the product of—

“(i) $20, multiplied by

“(ii) the total number of qualifying children of the taxpayer.

“(c) QUALIFYING CHILD.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualifying child’ means a qualifying child of the taxpayer (as defined in section 152(c)) who has not attained 18 years of age.

“(2) EXCEPTION FOR CERTAIN NON-CITIZENS.—The term ‘qualifying child’ shall not include any individual who would not be a dependent if sub-
paragraph (A) of section 152(b)(3) were applied without regard to all that follows ‘resident of the United States’.

“(d) ELIGIBLE INDIVIDUAL.—For purposes of this section, the term ‘eligible individual’ means, with respect to any taxable year, any individual if such individual’s
principal place of abode is in the United States (as determined under section 32(c)(4)) for more than one-half of such taxable year.

“(e) INFLATION ADJUSTMENT.—

“(1) IN GENERAL.—In the case of any taxable year beginning after 2021, the $3,000 amount in subsection (a)(1) shall be increased by an amount equal to—

“(A) such dollar amount, multiplied by

“(B) the cost-of-living adjustment determined under paragraph (2) for the calendar year in which the taxable year begins.

“(2) COST-OF-LIVING ADJUSTMENT.—For purposes of paragraph (1), the cost-of-living adjustment for any calendar year is the percentage (if any) by which—

“(A) the CPI for the preceding calendar year (as determined pursuant to section 1(f)(4)), exceeds

“(B) the CPI for calendar year 2020.

“(3) ROUNDING.—If any increase determined under paragraph (1) is not a multiple of $50, such increase shall be rounded to the nearest multiple of $50.
“(f) PARTIAL NON-REFUNDABLE CREDIT ALLOWED FOR CERTAIN OTHER DEPENDENTS.—

“(1) IN GENERAL.—In the case of a taxable year beginning after December 31, 2020, and before January 1, 2026, the aggregate credits allowed to a taxpayer under subpart A shall be increased by $500 for each dependent of the taxpayer (as defined in section 152) other than a qualifying child described in subsection (c). The amount of the credit allowed under this subsection shall not be treated as a credit allowed under this subpart.

“(2) EXCEPTION FOR CERTAIN NONCITIZENS.— Paragraph (1) shall not apply with respect to any individual who would not be a dependent if subparagraph (A) of section 152(b)(3) were applied without regard to all that follows ‘resident of the United States’.

“(3) LIMITATION.—

“(A) IN GENERAL.—The amount of the credit allowable under paragraph (1) shall be reduced (but not below zero) by $50 for each $1,000 (or fraction thereof) by which the taxpayer’s modified adjusted gross income exceeds the threshold amount.
“(B) MODIFIED ADJUSTED GROSS INCOME.—For purposes of subparagraph (A), the term ‘modified adjusted gross income’ means adjusted gross income increased by any amount excluded from gross income under section 911, 931, or 933.

“(C) THRESHOLD AMOUNT.—

“(i) IN GENERAL.—For purposes of subparagraph (A), the term ‘threshold amount’ means—

“(I) $200,000 in the case of a joint return,

“(II) $150,000 in the case of an individual who is not married, and

“(III) $100,000 in the case of a married individual filing a separate return.

“(ii) MARITAL STATUS.—For purposes of this subparagraph, marital status shall be determined under section 7703.

“(g) IDENTIFICATION REQUIREMENTS.—

“(1) QUALIFYING CHILD AND DEPENDENT IDENTIFICATION REQUIREMENT.—No credit shall be allowed under this section to a taxpayer with respect to any qualifying child or dependent unless the tax-
payer includes the name and taxpayer identification number of such qualifying child or dependent on the return of tax for the taxable year and such taxpayer identification number was issued on or before the due date for filing such return.

“(2) Taxpayer identification requirement.—No credit shall be allowed under this section if the taxpayer identification number of the taxpayer was issued after the due date for filing the return for the taxable year.

“(h) Taxable year must be full taxable year.—Except in the case of a taxable year closed by reason of the death of the taxpayer, no credit shall be allowable under this section in the case of a taxable year covering a period of less than 12 months.

“(i) Restrictions on taxpayers who improperly claimed credit in prior year.—

“(1) Taxpayers making prior fraudulent or reckless claims.—

“(A) In general.—No credit shall be allowed under this section for any taxable year in the disallowance period.

“(B) Disallowance period.—For purposes of subparagraph (A), the disallowance period is—
“(i) the period of 10 taxable years after the most recent taxable year for which there was a final determination that the taxpayer’s claim of credit under this section was due to fraud, and

“(ii) the period of 2 taxable years after the most recent taxable year for which there was a final determination that the taxpayer’s claim of credit under this section was due to reckless or intentional disregard of rules and regulations (but not due to fraud).

“(2) Taxpayers Making Improper Prior Claims.—In the case of a taxpayer who is denied credit under this section for any taxable year as a result of the deficiency procedures under subchapter B of chapter 63, no credit shall be allowed under this section for any subsequent taxable year unless the taxpayer provides such information as the Secretary may require to demonstrate eligibility for such credit.

“(j) Reconciliation of Credit and Advance Credit.—

“(1) In General.—The amount of the credit allowed under this section to any taxpayer for any
taxable year shall be reduced (but not below zero) by
the aggregate amount of payments made under sec-
section 7527A to such taxpayer during such taxable
year.

“(2) Excess advance payments.—If the ag-
ggregate amount of payments under section 7527A to
the taxpayer during the taxable year exceeds the
amount of the credit allowed under this section to
such taxpayer for such taxable year (determined
without regard to paragraph (1)), the tax imposed
by this chapter for such taxable year shall be in-
creased by the amount of such excess.”.

(c) Advance payment of credit.—Chapter 77 of
the Internal Revenue Code of 1986 is amended by insert-
ing after section 7527 the following new section:

“Sec. 7527A. Advance payment of child tax credit.

“(a) In general.—As soon as practicable after the
date of the enactment of this section, the Secretary shall
establish a program for making monthly payments to tax-
payers which, in the aggregate during any calendar year,
equal the annual advance amount determined with respect
to such taxpayer for such calendar year.

“(b) Annual advance amount.—For purposes of
this section—
“(1) IN GENERAL.—Except as otherwise provided in this subsection, the term ‘annual advance amount’ means, with respect to any taxpayer for any calendar year, the amount of the credit which would be allowed to such taxpayer under section 36C(a) (determined without regard to subsection (j) thereof) for the taxpayer’s taxable year beginning in such calendar year if—

“(A) the taxpayer’s modified adjusted gross income for such taxable year were equal to the taxpayer’s modified adjusted gross income for the reference taxable year,

“(B) the only qualifying children of such taxpayer are qualifying children properly claimed on the taxpayer’s return of tax for the reference taxable year, and

“(C) the age of such qualifying children is determined for such taxable year by taking into account the passage of time since the reference taxable year.

“(2) REFERENCE TAXABLE YEAR.—Except as provided in paragraph (3)(A), the term ‘reference taxable year’ means, with respect to any taxpayer for any calendar year, the taxpayer’s taxable year beginning in the preceding calendar year or, in the
case of taxpayer who did not file a return of tax for such taxable year, the taxpayer’s taxable year beginning in the second preceding calendar year.

“(3) Modifications during calendar year.—The Secretary may modify, during any calendar year, the annual advance amount with respect to any taxpayer for such calendar year to take into account—

“(A) a return of tax filed by such taxpayer during such calendar year (and the taxable year to which such return relates may be taken into account as the reference taxable year), and

“(B) any other information provided by the taxpayer to the Secretary which allows the Secretary to determine payments under subsection (a) which, in the aggregate during any taxable year of the taxpayer, more closely total the Secretary’s best estimate of the credit allowed to the taxpayer under section 36C(a) (determined without regard to subsection (i) thereof) for such taxable year.

“(c) On-line Information Portal.—The Secretary shall establish an on-line portal which allows taxpayers to—
“(1) elect not to receive payments under this
section,

“(2) provide information to the Secretary which
would be relevant to a modification under subsection
(b)(3)(B) of the annual advance amount, including
information regarding—

“(A) a change in the number of the tax-
payer’s qualifying children, including by reason
of the birth of a child,

“(B) a change in the taxpayer’s marital
status,

“(C) a significant change in the taxpayer’s
modified adjusted gross income, and

“(D) any other factor which the Secretary
may provide.

“(d) NOTICE OF PAYMENTS.—Not later than January
31 of the calendar year following any calendar year
during which the Secretary makes one or more payments
to any taxpayer under this section, the Secretary shall pro-
vide such taxpayer with a written notice which includes
the taxpayer’s taxpayer identity (as defined in section
6103(b)(6)), the aggregate amount of such payments
made to such taxpayer during such calendar year, and
such other information as the Secretary determines appro-
priate.
“(e) Authority to Adjust Interval of Payments.—If the Secretary determines that it is not administratively feasible to make monthly payments under this section, such payments shall be made on the basis of the shortest interval which the Secretary determines is administratively feasible.”.

(d) Conforming Amendments.—

(1) The table of sections for subpart A of part IV of subchapter A of chapter 1 of subtitle A of the Internal Revenue Code of 1986 is amended by striking the item relating to section 24.

(2) The table of sections for subpart C of part IV of subchapter A of chapter 1 of subtitle A of such Code is amended by inserting after the item relating to section 36B the following:

“Sec. 36C. Child tax credit.”.

(3) The table of sections for chapter 77 of such Code is amended by inserting after the item relating to section 7527 the following new item:

“Sec. 7527A. Advance payment of child tax credit.”.

(4) Subparagraph (B) of section 45R(f)(3) of such Code is amended to read as follows:

“(B) SPECIAL RULE.—Any amounts paid pursuant to an agreement under section 3121(l) (relating to agreements entered into by American employers with respect to foreign affiliates)
which are equivalent to the taxes referred to in subparagraph (A) shall be treated as taxes referred to in such subparagraph.”.

(5) Section 152(f)(6)(B)(ii) of such Code is amended by striking “section 24” and inserting “section 36C”.

(6) Paragraph (26) of section 501(e) of such Code is amended in the flush matter at the end by striking “section 24(e)” and inserting “section 36C(e)”.

(7) Section 6211(b)(4)(A) of such Code is amended—

(A) by striking “24(d),” and

(B) by inserting “36C(a),” after “36B,”.

(8) Section 6213(g)(2) of such Code is amended—

(A) in subparagraph (I), by striking “section 24(e)” and inserting “section 36C(g)”, and

(B) in subparagraph (L), by striking “24, or 32” and inserting “32, or 36C”.

(9) Paragraph (2) of section 1324(b) of title 31, United States Code, is amended by inserting “36C,” after “36B,”.
(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2020.

SEC. 3. PAYMENTS TO POSSESSIONS.

(a) MIRROR CODE POSSESSION.—The Secretary of the Treasury shall pay to each possession of the United States with a mirror code tax system amounts equal to the loss to that possession by reason of the application of section 36C of the Internal Revenue Code of 1986 (as added by section 2) with respect to taxable years beginning after 2020. Such amounts shall be determined by the Secretary of the Treasury based on information provided by the government of the respective possession.

(b) OTHER POSSESSIONS.—The Secretary of the Treasury shall pay to each possession of the United States which does not have a mirror code tax system amounts estimated by the Secretary of the Treasury as being equal to the aggregate benefits that would have been provided to residents of such possession by reason of the application of section 36C of such Code (as so added) for taxable years beginning after 2020 if a mirror code tax system had been in effect in such possession. The preceding sentence shall not apply with respect to any possession of the United States unless such possession has a plan, which has been approved by the Secretary of the Treasury, under
which such possession will promptly distribute such pay-
ments to the residents of such possession.

(c) COORDINATION WITH CREDIT ALLOWED AGAINST UNITED STATES INCOME TAXES.—No credit shall be allowed against United States income taxes for any taxable year under section 36C of the Internal Revenue Code of 1986 (as so added) to any person—

(1) to whom a credit is allowed against taxes imposed by the possession by reason of the amend-
ments made by this section for such taxable year, or

(2) who is eligible for a payment under a plan described in subsection (b) with respect to such taxable year.

(d) DEFINITIONS AND SPECIAL RULES.—

(1) POSSESSION OF THE UNITED STATES.—For purposes of this section, the term “possession of the United States” includes the Commonwealth of Puerto Rico and the Commonwealth of the Northern Mariana Islands.

(2) MIRROR CODE TAX SYSTEM.—For purposes of this section, the term “mirror code tax system” means, with respect to any possession of the United States, the income tax system of such possession if the income tax liability of the residents of such pos-
session under such system is determined by ref-
erence to the income tax laws of the United States
as if such possession were the United States.

(3) Treatment of Payments.—For purposes
of section 1324(b)(2) of title 31, United States
Code, the payments under this section shall be treat-
ed in the same manner as a refund due from the
credit allowed under section 36C of the Internal