

116TH CONGRESS
1ST SESSION

H. R. 4728

To amend the Internal Revenue Code of 1986 to modify the taxation of unearned income of certain children.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 17, 2019

Ms. MOORE (for herself, Mr. ESTES, Mr. CISNEROS, Mr. YOUNG, Mr. PANNETTA, Mr. COLE, Mr. KILDEE, Mr. CALVERT, Ms. DAVIDS of Kansas, Mr. STEUBE, and Ms. HAALAND) 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 modify the taxation of unearned income of certain children.

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 “Youth Tax Fairness
5 Act of 2019”.

6 **SEC. 2. MODIFICATION OF TAXATION OF UNEARNED IN-**
7 **COME OF CERTAIN CHILDREN.**

8 (a) CERTAIN INCOME TREATED AS EARNED INCOME
9 FOR PURPOSES OF KIDDIE TAX.—Section 1(g)(4)(C) of

1 the Internal Revenue Code of 1986 is amended to read
2 as follows:

3 “(C) TREATMENT OF CERTAIN AMOUNTS
4 AS EARNED INCOME.—For purposes of this sub-
5 section, each of following amounts shall be
6 treated as earned income of the child referred
7 to in paragraph (1) to the extent included in
8 the gross income of such child:

9 “(i) DISTRIBUTIONS FROM QUALIFIED
10 DISABILITY TRUSTS.—Any amount in-
11 cluded in the gross income of such child
12 under section 652 or 662 by reason of
13 being a beneficiary of a qualified disability
14 trust (as defined in section
15 642(b)(2)(C)(ii)).

16 “(ii) CERTAIN MILITARY SURVIVOR
17 BENEFITS.—Any benefit under laws ad-
18 ministered by the Secretary of Defense or
19 the Secretary of Veterans Affairs which is
20 received by such child by reason of the
21 child being the survivor of a deceased
22 member of the Armed Forces or of a de-
23 ceased veteran.

24 “(iii) CERTAIN FIRST RESPONDER
25 SURVIVOR BENEFITS.—Any payment made

1 by Federal, State, or local government to
2 such child if such payment is made by rea-
3 son of the death of the parent of such child
4 during such parent's service as a law en-
5 forcement officer, firefighter, paramedic, or
6 emergency medical technician.

7 “(iv) CERTAIN INDIAN TRIBAL PAY-
8 MENTS.—Any payment made by an Indian
9 tribal government (as defined in section
10 139E(c)(1)), or from a trust of which the
11 Indian tribal government is treated as the
12 owner under subpart E of part I of sub-
13 chapter J, to such child if—

14 “(I) such child is an enrolled
15 member of the tribe with respect to
16 such Indian tribal government, and

17 “(II) such payment is received by
18 such child by reason of such enroll-
19 ment.

20 “(v) CERTAIN SCHOLARSHIPS OR FEL-
21 LOWSHIP GRANTS.—Any scholarship or fel-
22 lowship grant which is received by such
23 child if—

24 “(I) such child is a candidate for
25 a degree at an educational organiza-

1 tion described in section
2 170(b)(1)(A)(ii), and

3 “(II) such scholarship or grant
4 supports such candidacy.

5 “(vi) ALASKA PERMANENT FUND
6 DIVIDENDS.—Any Alaska Permanent Fund
7 dividend.

8 “(vii) SOCIAL SECURITY BENEFITS.—
9 Any social security benefit (as defined in
10 section 86(d)).”.

11 (b) REPEAL OF TEMPORARY RULE FOR TAXATION
12 OF UNEARNED INCOME OF CERTAIN CHILDREN.—Section
13 1(j) of such Code is amended by striking paragraph (4).

14 (c) APPLICATION TO ALTERNATIVE MINIMUM TAX.—

15 (1) IN GENERAL.—Section 59(j)(1)(A) of such
16 Code is amended by inserting “and including
17 amounts treated as earned income under section
18 1(g)(4)(C)” after “section 911(d)(2)”.

19 (2) SUSPENSION OF KIDDIE TAX LIMITATION
20 ON ALTERNATIVE MINIMUM TAX EXEMPTION DUR-
21 ING PERIOD OF INCREASED EXEMPTION.—Section
22 55(d)(4)(A) of such Code is amended by striking
23 “and” at the end of clause (i)(II), by striking the
24 period at the end of clause (ii)(III) and inserting “,

1 and”, and by adding at the end the following new
2 clause:

3 “(iii) subsection (j) of section 59 shall
4 not apply.”.

5 (d) EFFECTIVE DATES.—

6 (1) IN GENERAL.—Except as otherwise pro-
7 vided in this subsection, the amendments made by
8 this section shall apply to taxable years beginning
9 after December 31, 2017.

10 (2) REPEAL OF TEMPORARY RULE FOR TAX-
11 ATION OF UNEARNED INCOME OF CERTAIN CHIL-
12 DREN.—

13 (A) IN GENERAL.—Except as provided in
14 subparagraph (B), the amendment made by
15 subsection (b) shall apply to taxable years be-
16 ginning after December 31, 2018.

17 (B) ELECTIVE RETROACTIVE APPLICA-
18 TION.—In the case of a taxpayer who elects the
19 application of this subparagraph (at such time
20 and in such manner as the Secretary of the
21 Treasury (or the Secretary’s designee) may pro-
22 vide), the amendment made by subsection (b)
23 shall apply to taxable years beginning after De-
24 cember 31, 2017.

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