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The Take Responsibility for Workers and Families Act: Division T—Revenue Provisions

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A number of recently introduced legislative proposals seek to alleviate the adverse economic effects of the COVID-19 outbreak. One such proposal, the Take Responsibility for Workers and Families Act (H.R. 6379), was introduced in the House on March 23, 2020. The proposal includes a number of provisions that would change the tax system, including modifications that would

- provide a one-time payment to households;
- temporarily expand the earned income tax credit, child tax credit, and dependent care tax credit;
- provide employer payroll tax credits for certain hospital expenses and for expanded sick and family leave programs;
- modify the tax treatment of certain retirement fund withdrawals; and
- allow net operating loss carrybacks for businesses.

This report briefly summarizes the major provisions included in Titles I through IV of Division T of H.R. 6379.[1] Title I makes a number of tax changes affecting health-related activity; Title II includes economic assistance provisions for individuals and businesses; Title III modifies tax filing deadlines; and Title IV makes changes to the tax treatment of retirement funds. Links to CRS resources that offer additional information are provided as relevant. Legislative discussions concerning this legislation and other stimulus proposals are ongoing.

The Senate has considered a separate proposal, the Coronavirus Aid, Relief, and Economic Security (CARES) Act. More on the CARES Act can be found in CRS Report R46279, *The Coronavirus Aid, Relief, and Economic Security (CARES) Act—Tax Relief for Individuals and Businesses*, coordinated by Molly F. Sherlock.

This legislation is the latest in a series of legislative packages addressing the COVID-19 outbreak. Two bills have already been enacted into law: the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (P.L. 116-123) and the Families First Coronavirus Response Act (P.L. 116-127).

Table 1. Tax Provisions in Titles I Through IV of Division T of the Take Responsibility for Workers and Families Act (H.R. 6379)

Provision	Description	CRS Resources
Title I—Health-Related Tax Relief		
Payroll credit for COVID-19 charity care provided by hospitals	Eligible hospitals would be able to claim a credit equal to 90% of the COVID-related charity care furnished by a hospital in 2020. Eligible hospitals would be able to claim this credit against their quarterly payroll taxes, with any excess credits received as a refund. The credit applies to charity care furnished after January 31, 2020, through December 31, 2020.	For background on hospital charity care, see • CRS In Focus IF10918, *Hospital Charity Care and Related Reporting Requirements Under Medicare and the Internal Revenue Code*, by Marco A. Villagrana et al.

[1] This report does not address Title V, Division T of H.R. 6379, which provides various forms of economic assistance to multiemployer pension plans. For background information in this area, see CRS Report R45311, *Policy Options for Multiemployer Defined Benefit Pension Plans*, by John J. Topoleski.

Provision	Description	CRS Resources
Payroll credit for COVID-19 hospital facility expenditures	Eligible hospitals would be able to claim a credit equal to 90% of an eligible hospital's capital expenditures in 2020 related to the purchase or construction of a temporary structure, the lease of a structure, the retrofitting of any existing structure, and any depreciable property used in those structures to treat affected patients. Eligible hospitals would be able to claim this credit against their payroll taxes, with any excess credits received as a refund. The credit applies to expenditures paid or incurred after January 31, 2020, through December 31, 2020.	
Restoration of limitations on reconciliation of tax credits for coverage under a qualified health plan with advance payments of such credit	Certain individuals and families without access to subsidized health insurance coverage may be eligible for refundable premium tax credits. These premium credits, authorized under the Patient Protection and Affordable Care Act (ACA; P.L. 111-148, as amended), apply toward the cost of purchasing specific types of health plans offered by private health insurance companies. The premium credit is advanceable based on income reported on the prior year's tax return or an income estimate provided by the individual. If the individual's income increased during the year and they received too much in advanced premium credits, the excess amount will be repaid in the form of a tax payment. For individuals with incomes below 400% of the federal poverty line (FPL), the repayment amounts are capped. This provision would modify the repayments caps and extend the caps to individuals with up to 500% FPL. This would be a permanent change.	For more on the Health Insurance Premium Credit, see • CRS Report R44425, *Health Insurance Premium Tax Credits and Cost-Sharing Subsidies*, by Bernadette Fernandez.
Improving affordability by reducing premium costs for consumers	This provision would expand eligibility for the ACA's premium tax credits beyond the current 400% of the federal poverty level (FPL), and increase the size of the tax credits for individuals and families below 400% of FPL. This would be a permanent change.	For more on the Health Insurance Premium Credit, see • CRS Report R44425, *Health Insurance Premium Tax Credits and Cost-Sharing Subsidies*, by Bernadette Fernandez.

Provision	Description	CRS Resources
Title II—Economic Stimulus		
Subtitle A—Economic Assistance Payments		
2020 economic assistance payments to individuals	Would create a credit against 2020 income taxes that would be automatically advanced, generally based on information from 2019 income tax returns. Credit would equal $1,500 per taxpayer ($3,000 for married joint filers). Taxpayers eligible for the credit could also receive $1,500 for each child eligible for the child credit up to three children. Hence, maximum credit amount would be $7,500. Credit amount would be refundable (i.e., not limited by income tax liability). Credit would phase out ratably for income between $75,000 and $112,500 ($112,500-$168,750 for head of household filers and $150,000-$225,000 for married joint filers). For the phaseout's purposes, income defined as adjusted gross income (AGI) plus income excluded under Internal Revenue Code (IRC) §911, §931, and §933. Taxpayers who receive an advanced credit in 2020 based on prior year income tax return data larger than the credit they are eligible to claim based on 2020 income tax return data would be required to pay back all or some of the advanced credit, with no interest. Repayment could be spread out over three years beginning with 2020 income tax return. Taxpayers would be required to provide a taxpayer ID for every person for whom they claim the credit. Taxpayer IDs include SSNs and Individual Taxpayer Identification Numbers (ITINs). Generally, taxpayers would have to have filed a 2019 return (or have filed a 2018 return if they did not file a 2019 return) in order to get a rebate in 2020.	For more, see • CRS Insight IN11255, *COVID-19 and Stimulus Payments to Individuals: How Did the 2008 Recovery Rebates Work?*, by Margot L. Crandall-Hollick. • CRS Insight IN11247, *COVID-19 and Stimulus Payments to Individuals: Considerations on Using Advanced Refundable Credits as Economic Stimulus*, by Margot L. Crandall-Hollick. • CRS Insight IN11256, *COVID-19 and Direct Payments to Individuals: Historical Precedents*, by Gene Falk. • CRS Insight IN11234, *Tax Cuts as Fiscal Stimulus: Comparing a Payroll Tax Cut to a One-Time Tax Rebate*, by Molly F. Sherlock and Donald J. Marples. • CRS Report RS21126, *Tax Cuts and Economic Stimulus: How Effective Are the Alternatives?*, by Jane G. Gravelle.

Provision	Description	CRS Resources
Economic assistance payments to certain federal beneficiaries[a]	This provision would provide a one-time payment of $1,500 to adult Social Security beneficiaries and adult Supplemental Security Income (SSI) recipients (other than those receiving a personal needs allowance).[b] Beneficiaries would be eligible for the payment if they are residing in the United States or are utilizing an Army or Fleet Post Office address. Beneficiaries would be ineligible for the payment if their benefits were suspended in the last month prior to enactment because they were (1) incarcerated, (2) a fugitive felon, (3) a probation or parole violator (subject to certain conditions), (4) not lawfully present in the United States, or (5) found to have made false or misleading statements. The Social Security Administration (SSA) would certify each beneficiary's eligibility to the Treasury Department. Those identified as eligible for the payment would be notified by SSA. The amount of the payment would reduce the amount of the aforementioned tax credit (if any). The payment would not be subject to federal income tax, nor would it be treated as income or a resource in determining eligibility for, or the amount of assistance provided by, federally funded public programs.	For more, see • CRS Insight IN11254, *COVID-19 and Stimulus Payments to Individuals: How the 2009 Economic Recovery Payment Worked*, by William R. Morton.
Subtitle B—Earned Income Tax Credit		
Strengthening the earned income tax credit for individuals with no qualifying children	Eligibility Age: Would expand eligibility for the earned income tax credit (EITC) for individuals with no qualifying children—sometimes referred to as the "childless EITC"—by increasing the maximum eligibility age from 64 to 65, and by allowing eligible taxpayers ages 19 to 24 to claim the childless EITC so long as they are not students. Qualified foster youth and homeless youth aged 18-24 would be allowed to claim the credit even if they are students.[c] Credit Amount: Would temporarily increase the childless EITC by increasing the earned income amount and phaseout threshold amounts to $9,570 and $11,310, respectively, while also doubling the phase-in and phaseout rates from 7.65% to 15.3%. (Both would be temporary changes for 2020 and 2021.)	For background on the EITC, see • CRS Report R43805, *The Earned Income Tax Credit (EITC): An Overview*, by Gene Falk and Margot L. Crandall-Hollick.
Taxpayer eligible for childless earned income credit in case of qualifying children who fail to meet certain identification requirements	Would allow taxpayers who currently cannot claim the childless EITC because all of their qualifying children do not have SSNs to be eligible to claim the childless EITC. (This change would be a permanent.)	

Provision	Description	CRS Resources
Credit allowed in case of certain separated spouses	Would allow married taxpayers who file their tax returns as married filing separately to claim the EITC if they live with a child for whom they can claim the EITC for more than half the year and either (1) do not have the same principal place of abode as their spouse for the last six months of the year or (2) have a decree, instrument, or agreement (i.e., other than a divorce decree) and do not live with their spouse at the end of the year. (This change would be a permanent.)	
Elimination of disqualified investment income test	Would eliminate the disqualified investment income test. Under current law, taxpayers with investment income over a certain threshold—$3,650 in 2020—are ineligible for claiming the EITC. Disqualified investment income is defined as interest income (including tax-exempt interest), dividends, net rent, net capital gains, and net passive income. It also includes royalties from sources other than the filer's ordinary business activities. (This change would be a permanent.)	
Application of earned income tax credit in possessions of the United States	Would effectively expand EITC eligibility to residents of Puerto Rico and the territories by providing payments to Puerto Rico and the territories for amounts they pay out in the EITC. (This change would be a permanent.)	For background, see • CRS Report R44651, *Tax Policy and U.S. Territories: Overview and Issues for Congress*, by Sean Lowry.
Subtitle C—Child Tax Credit		
Child tax credit fully refundable for 2020 through 2025	Would eliminate the phase-in of the refundable portion of the child credit (often referred to as the "additional child credit" or ACTC) and eliminate the maximum amount of the ACTC of $1,400 in effect from 2018 through 2025. As a result, families with little or no income would be able to receive the maximum amount of the child tax credit as a refund. (For these families, the entire amount of their child tax credit would be received as the ACTC.) See below for proposed permanent changes in the maximum amount. (Temporary changes for 2020 through 2025.)	For background on the child tax credit, see • CRS Report R41873, *The Child Tax Credit: Current Law*, by Margot L. Crandall-Hollick.
Application of child tax credit in possessions	Would effectively expand child credit eligibility to residents of Puerto Rico and the territories by providing payments to Puerto Rico and the territories for amounts they pay out in the child credit. Under current law, only taxpayers with three or more children are eligible for the child credit using an alternative formula. (This change would be a permanent.)	For background, see • CRS Report R44651, *Tax Policy and U.S. Territories: Overview and Issues for Congress*, by Sean Lowry.
Increased child tax credit for children who have not attained age 6	Would increase the per-child credit amount to $3,000 for each of a taxpayer's qualifying children ages 6 to 16 years, and $3,600 for each of a taxpayer's qualifying children under 6 years old. (This change would be a permanent.)	

Provision	Description	CRS Resources
Subtitle D—Dependent Care Assistance		
Refundability and enhancement of child and dependent care tax credit	Would temporarily create a more generous formula for the child and dependent care tax credit (CDCTC) and make the credit refundable. The expanded formula would allow eligible taxpayers to claim up to 50% of employment-related child care expenses for the credit (up from 35%) and increase to $120,000 the income level at which that percentage begins to phase out (up from $15,000). Hence, the credit rate would phase down to 20% when the taxpayer's income was greater than $180,000 (versus $43,000 under current law). The bill would also double the maximum amount of qualified expenses to $6,000 for taxpayers with one qualifying dependent and $12,000 for taxpayers with two or more qualifying dependents (up from $3,000 and $6,000, respectively). In addition, the bill would temporarily make the CDCTC refundable. These changes would not apply to taxpayers whose modified adjusted gross incomes exceed $1 million. (Temporary changes for 2020 and 2021.)	For background, see • CRS Report R44993, *Child and Dependent Care Tax Benefits: How They Work and Who Receives Them*, by Margot L. Crandall-Hollick.
Increase in exclusion for employer-provided dependent care assistance	Would increase the amount of qualifying child care expenses that eligible taxpayers could exclude from their income from $5,000 to $10,500 (Temporary changes for 2021 and 2022.)	
Subtitle E—Net Operating Losses		
Five-year carryback of net operating losses and temporary suspension of taxable income limitation.	The provision would allow carrybacks for up to five years for net operating losses (NOLs) recorded in tax years 2018, 2019, and 2020. NOL carryback capabilities were repealed by the 2017 tax revision (P.L. 115-97), and were previously allowed for up to two years. This provision would also temporarily lift the income limitation applicable to the corporate income tax treatment of NOLs under current law. Special rules would apply to life insurance companies and real estate investment trusts, and for losses attributable to certain interest expenses. Some corporations, including those with particular executive compensation structures and those engaging in certain stock buyback and dividend activity, would be excluded from the NOL carryback allowance and income limitation suspension.	For more, see • CRS Insight IN11240, *COVID-19: Potential Role of Net Operating Loss (NOL) Carrybacks in Addressing the Economic Effects*, by Mark P. Keightley.

Provision	Description	CRS Resources
Subtitle F—Employee Retention Credit		
Payroll credit for certain employers affected by COVID-19	A refundable payroll tax credit would be available for certain employers. Employer credit amount would be 80% of wages paid, on wages up to $10,000 per employee. Credit eligibility determined by calendar quarter. Eligible employers would be those with no more than $41.5 million in gross receipts and no more than 1,500 full-time equivalent employees in 2019. Eligible businesses would be those that have experienced a 20% loss in gross receipts in the current calendar quarter, as compared to the prior year calendar quarter. Employers would no longer be eligible if gross receipts exceed 90% of the prior year's gross receipts in a calendar quarter. Taxpayers electing to receive this credit must increase gross income for income tax purposes by the credit amount, offsetting the wages paid deduction to prevent double benefit. A general fund transfer of revenue to the Old-Age and Survivors Insurance Trust Fund would be made to maintain trust fund balances.	For more, see • CRS Insight IN11260, *COVID-19 Economic Stimulus: Business Payroll Tax Cuts*, by Molly F. Sherlock and Donald J. Marples.
Subtitle G—Credits for Paid Sick and Family Leave		
Extension of credits	The Families First Coronavirus Response Act (P.L. 116-127) includes tax credits for certain required paid sick and family leave for 2020. This provision would extend the tax credits through 2021.	For more, see • CRS Insight IN11243, *Tax Credit for Paid Sick and Family Leave in the Families First Coronavirus Response Act (H.R. 6201) (Updated)*, by Molly F. Sherlock.
Repeal of reduced rate of credit for certain leave	The payroll tax credit for paid sick leave wages in P.L. 116-127 is limited to $200 per day for certain qualified leave-taking, generally caring for an individual affected by COVID-19 or caring for their child whose school or place of care is unavailable due to COVID-19. The credit is limited to $511 per day if employees are taking other forms of qualified sick leave, generally for their own COVID-19 related purposes. This provision would increase the maximum tax credit to $511 for all sick leave purposes in P.L. 116-127.	For more, see • CRS Insight IN11243, *Tax Credit for Paid Sick and Family Leave in the Families First Coronavirus Response Act (H.R. 6201) (Updated)*, by Molly F. Sherlock.
Federal, state, and local governments allowed tax credits for paid sick and paid family and medical leave	The payroll tax credits for paid sick and family leave in P.L. 116-127 do not apply to federal, state, or local government employers, or any agency or instrumentality of such governments. Government employers are subject to new sick and family leave requirements in P.L. 116-127. This provision would allow government employers to claim payroll tax credits for required sick and family leave.	For more, see • CRS Insight IN11243, *Tax Credit for Paid Sick and Family Leave in the Families First Coronavirus Response Act (H.R. 6201) (Updated)*, by Molly F. Sherlock.

Provision	Description	CRS Resources
Credits not allowed to certain large employers	This provision would provide that private-sector employers with 500 or more employees are not eligible for tax credits for paid sick or family leave.	For more, see • CRS Insight IN11243, *Tax Credit for Paid Sick and Family Leave in the Families First Coronavirus Response Act (H.R. 6201) (Updated)*, by Molly F. Sherlock.
Effective date	Clarifies that the amendments in this title would apply to P.L. 116-127 as signed into law on March 18, 2020.	
Title III—Administrative		
Delay of certain deadlines	This provision would amend the Internal Revenue Code to extend the filing deadline for all 2019 tax returns from April 15, 2020, to July 15, 2020. The extension provided in this provision is consistent with the deadline extensions announced by Treasury and the Internal Revenue Service.[d] The provision also would delay to October 15, 2020, any deadlines for making estimated tax payments for underpayment of individual income taxes between the date of enactment and October 15, 2020, in current law.	For more on IRS administrative relief for tax filing deadlines following disasters, see • CRS Report R45864, *Tax Policy and Disaster Recovery*, by Molly F. Sherlock and Jennifer Teefy.
Title IV—Retirement Provisions		
Special rules for use of retirement funds	For retirement plan distributions, the provision would provide an exception to the 10% early withdrawal penalty for distributions up to $100,000 for coronavirus-affected individuals. Income from such distributions would be recognized over three years, and taxpayers can recontribute funds to an eligible retirement plan in the first year or within three years without regard to the year's contribution cap. For coronavirus-affected individuals, loan limits from retirement plans would be increased from $50,000 to $100,000 and the repayment deadline is delayed for loans that are due in 2020.	For more, see • CRS In Focus IF11472, *Withdrawals and Loans from Retirement Accounts for COVID-19 Expenses*, by John J. Topoleski and Elizabeth A. Myers. • CRS Report R45864, *Tax Policy and Disaster Recovery*, by Molly F. Sherlock and Jennifer Teefy. • CRS In Focus IF11447, *COVID-19: Social Insurance and Other Income-Support Options for Those Unable to Work*, coordinated by Laura Haltzel.
Single-employer plan funding rules	Single-employer plans can delay minimum funding payments otherwise due in 2020 to January 1, 2021.	For more on employer pension plans, see • CRS Report R43439, *Worker Participation in Employer-Sponsored Pensions: A Fact Sheet*, by John J. Topoleski.

Provision	Description	CRS Resources
Temporary waiver of required minimum distribution rules for certain retirement plans and accounts	In general, required minimum distribution (RMD) rules required that taxpayers of a certain age withdraw minimum amounts annually. RMD rules typically apply to taxpayers after reaching age 72 (70½ before 2020). This provision would waive minimum distribution requirements for 2020.	For more, see • CRS Insight IN11272, *Required Minimum Distributions from Retirement Accounts Under the Economic Stimulus Proposals Related to the Coronavirus (COVID-19)*, by Jane G. Gravelle.
Modification of special rules for minimum funding standards for community newspaper plans	The SECURE Act, part of the Further Consolidated Appropriations Act, P.L. 116-94, allowed an alternative method of determining required contributions to fund defined benefit pension plans for certain community newspapers, including a higher interest rate (8%) and a longer period for determining the present value of payments to provide funding of future benefits. These changes reduce the required funding. This provision would expand this relief to additional community newspapers.	For more on the SECURE Act, see • CRS In Focus IF11174, *The SECURE Act and the Retirement Enhancement and Savings Act Tax Proposals (H.R. 1994 and S. 972)*, by Jane G. Gravelle.
Application of cooperative and small employer charity pension plan rules to certain charitable employers whose primary exempt purpose is providing services with respect to mothers and children	Cooperative and small employer charity (CSEC) pension plans are exempt from certain pension funding requirements, allowing them more flexibility in making required contributions. This provision would extend this treatment to tax-exempt 501(c)(3) organizations (organizations that are eligible for deductible charitable contributions) that have been in existence since 1938, are engaged in medical research (directly or through grants), and whose primary exempt purpose is providing services for mothers and children.	For more on employer pension plans, see • CRS Report R43439, *Worker Participation in Employer-Sponsored Pensions: A Fact Sheet*, by John J. Topoleski.
Extended amortization for single-employer plans	Defined-benefit pension plans must make up any funding shortfalls over a period of 7 years. This provision would allow single-employer plans to set shortfalls before January 1, 2020, to zero and allows a longer period, 15 years, to make up shortfalls. These changes would reduce the amount that must be contributed to make up shortfalls.	For more on employer pension plans, see • CRS Report R43439, *Worker Participation in Employer-Sponsored Pensions: A Fact Sheet*, by John J. Topoleski.
Extension of pension funding stabilization percentages for single-employer plans	Historically low interest rates had caused required contributions for defined benefit pension plans to increase and in 2012, 2014, and 2015 Congress allowed for lower plan contributions for single-employer pension plans by creating a "corridor" surrounding 25-year historical averages that plans could adjust their rates toward. This adjustment allowed plans to use higher interest rates, which in turn reduced funding obligations for pension benefits. Under current law this corridor is scheduled to begin "widening," which could lower plan interest rates and require greater contributions. This provision would delay the corridor phaseout, and provides for a 5% floor on 25-year rate averages.	For more on employer pension plans, see • CRS Report R43439, *Worker Participation in Employer-Sponsored Pensions: A Fact Sheet*, by John J. Topoleski.

Source: CRS analysis of the Take Responsibility for Workers and Families Act (H.R. 6379), as introduced.

Notes:

a. This section was written by Will Morton, Analyst in Income Security.

b. The bill would also provide an "income supplement" equal to the amount specified in Section 6431(c)(1)(B)(ii) of the Internal Revenue Code (as established under the bill). However, because the bill does not establish a Section 6431(c)(1)(B)(ii) of the Internal Revenue Code, it is unclear if the income supplement would be operable.

c. The legislation includes as part of the definition of a student as someone carrying half or more of the normal full-time work load for their program of study, as defined under IRC §25A(b)(3).

d. In guidance released on March 18, 2020, the U.S. Department of the Treasury announced that the tax payment deadline had been extended from April 15, 2020, to July 15, 2020. This guidance did not extend the April 15, 2020, filing deadline. See the U.S. Department of the Treasury's March 18, 2020, press release, "Treasury and IRS Issue Guidance on Deferring Tax Payments Due to COVID-19 Outbreak," at https://home.treasury.gov/news/press-releases/sm948. Subsequently, the Treasury announced via tweet that the tax filing deadline would also be moved to July 15, 2020.

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