

118TH CONGRESS
2D SESSION

H. R. 9873

To amend the Fair Labor Standards Act of 1938 and the Internal Revenue Code of 1986 to make certain modifications in relation to the minimum wage.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 27, 2024

Ms. LEE of Pennsylvania (for herself, Ms. LEE of California, Mr. JACKSON of Illinois, Ms. TLAIB, Ms. BUSH, Ms. SCHAKOWSKY, Ms. MCCOLLUM, Mrs. RAMIREZ, and Mr. HUFFMAN) introduced the following bill; which was referred to the Committee on Education and the Workforce, and in addition to the Committees on Ways and Means, and Oversight and Accountability, 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 amend the Fair Labor Standards Act of 1938 and the Internal Revenue Code of 1986 to make certain modifications in relation to the minimum wage.

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; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “American Stability Act”.

1 (b) TABLE OF CONTENTS.—The table of contents for
 2 this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—MINIMUM WAGE

Sec. 101. Minimum wage increases.

Sec. 102. Tipped employees.

Sec. 103. Scheduled repeal of separate minimum wage for newly hired employees who are less than 20 years old.

Sec. 104. Publication of notice.

Sec. 105. Promoting economic self-sufficiency for individuals with disabilities.

TITLE II—INCOME TAX MODIFICATIONS

Sec. 201. Modification of income tax brackets based on annualized stability wage.

Sec. 202. Surcharge on high income individuals, estates, and trusts.

Sec. 203. Alternative maximum tax for low-income individuals.

TITLE III—EARNED INCOME DISALLOWANCE

Sec. 301. Earned income disallowance.

TITLE IV—EFFECTIVE DATE

Sec. 401. Effective date.

3 **TITLE I—MINIMUM WAGE**

4 **SEC. 101. MINIMUM WAGE INCREASES.**

5 (a) IN GENERAL.—Section 6(a)(1) of the Fair Labor
 6 Standards Act of 1938 (29 U.S.C. 206(a)(1)) is amended
 7 to read as follows:

8 “(1) except as otherwise provided in this sec-
 9 tion, not less than—

10 “(A) \$15.00 an hour for the first calendar
 11 year beginning after the date of enactment of
 12 the American Stability Act;

13 “(B) for each calendar year during the in-
 14 terval period (as defined in subsection (g)), a

1 minimum wage equal to the amount determined
2 under this paragraph for the preceding year, in-
3 creased by the lesser of—

4 “(i) 10 percent; or

5 “(ii) the amount necessary for the
6 minimum wage to equal the stability wage
7 for such calendar year; and

8 “(C) for each calendar year that begins
9 after the interval period, the stability wage for
10 such calendar year.”.

11 (b) STABILITY WAGE.—Section 6 of such Act (29
12 U.S.C. 206) is further amended by adding at the end the
13 following:

14 “(h) STABILITY WAGE.—

15 “(1) IN GENERAL.—

16 “(A) DETERMINATION.—The stability
17 wage determined under this paragraph for a
18 calendar year shall be an amount equal to the
19 greater of—

20 “(i) the average hourly earnings wage
21 determined under paragraph (2) for that
22 calendar year;

23 “(ii) the cost-of-living wage deter-
24 mined under paragraph (3) for that cal-
25 endar year; or

1 “(iii) the stability wage in effect for
2 the preceding year.

3 “(B) ROUNDING.—If the amount deter-
4 mined under subparagraph (A) is not a multiple
5 of 5 cents, such amount shall be rounded to the
6 next higher multiple of 5 cents.

7 “(2) AVERAGE HOURLY EARNINGS WAGE.—The
8 average hourly earnings wage for any calendar year
9 shall be an amount equal to \$20.00, multiplied by
10 the ratio of—

11 “(A) the average hourly earnings for the
12 year preceding such calendar year, to

13 “(B) the average hourly earnings for the
14 year preceding the calendar year of the date of
15 enactment of the American Stability Act.

16 “(3) COST-OF-LIVING WAGE.—The cost-of-living
17 wage for any calendar year shall be an amount equal
18 to \$20.00, multiplied by the ratio of—

19 “(A) the CPI-U for the year preceding
20 such calendar year, to

21 “(B) the CPI-U for the year preceding the
22 calendar year of the date of enactment of the
23 American Stability Act.

24 “(4) DEFINITIONS.—For the purposes of this
25 paragraph and subsection (a)(1):

1 “(A) CPI-U.—The term ‘CPI-U’ means,
2 when used with respect to a calendar year, the
3 Consumer Price Index for all urban consumers,
4 as published by the Bureau of Labor Statistics,
5 for September of such year.

6 “(B) AVERAGE HOURLY EARNINGS.—The
7 term ‘average hourly earnings’ means, when
8 used with respect to a calendar year, the total
9 private average hourly earnings from the data
10 on average hourly and weekly earnings of pro-
11 duction and nonsupervisory employees on pri-
12 vate nonfarm payrolls by industry sector, sea-
13 sonally adjusted, as published by the Bureau of
14 Labor Statistics, for September of such year.

15 “(C) INTERVAL PERIOD.—The term ‘inter-
16 val period’ means the period—

17 “(i) beginning on the first day of the
18 1st calendar year beginning after the date
19 of enactment of the American Stability
20 Act; and

21 “(ii) ending at the close of the last
22 day of the first calendar year for which the
23 minimum wage under subsection (a)(1)
24 equals the stability wage determined under

1 paragraph (1) of this subsection for such
2 calendar year.”.

3 **SEC. 102. TIPPED EMPLOYEES.**

4 (a) **BASE MINIMUM WAGE FOR TIPPED EMPLOYEES**
5 **AND TIPS RETAINED BY EMPLOYEES.—**

6 (1) **IN GENERAL.—**Section 3(m)(2)(A) of the
7 Fair Labor Standards Act of 1938 (29 U.S.C.
8 203(m)(2)(A)) shall be amended to read as follows:

9 “(A) The wage required to be paid to a tipped
10 employee shall be the wage set forth in section
11 6(a)(1). Any employee shall have the right to retain
12 any tips received by such employee, except that this
13 subsection shall not be construed to prohibit the
14 pooling of tips among employees who customarily
15 and regularly receive tips. An employer shall inform
16 each employee of the right and exception provided
17 under the preceding sentence.”.

18 (2) **EFFECTIVE DATE.—**The amendment made
19 by subsection (a) shall take effect on January 1 of
20 the first calendar year that begins after the date of
21 enactment of this Act.

22 (b) **PENALTIES.—**Section 16 of the Fair Labor
23 Standards Act of 1938 (29 U.S.C. 216) is amended—

24 (1) in the third sentence of subsection (b), by
25 inserting “or used” after “kept”; and

1 (2) in the second sentence of subsection (e)(2),
2 by inserting “or used” after “kept”.

3 **SEC. 103. SCHEDULED REPEAL OF SEPARATE MINIMUM**
4 **WAGE FOR NEWLY HIRED EMPLOYEES WHO**
5 **ARE LESS THAN 20 YEARS OLD.**

6 (a) IN GENERAL.—Section 6(g) of the Fair Labor
7 Standards Act of 1938 (29 U.S.C. 206(g)), as amended
8 by subsection (a), shall be repealed.

9 (b) EFFECTIVE DATE.—The repeal made by sub-
10 section (a) shall take effect on January 1 of the first cal-
11 endar year that begins after the date of enactment of this
12 Act.

13 **SEC. 104. PUBLICATION OF NOTICE; TECHNICAL ASSIST-**
14 **ANCE.**

15 Section 6 of the Fair Labor Standards Act of 1938
16 (29 U.S.C. 206), as amended by section 2(b), is further
17 amended by adding at the end the following:

18 “(i) PUBLICATION OF WAGE RATES.—Not later than
19 60 days prior to the effective date of any increase in the
20 required wage determined under subsection (a)(1), the
21 Secretary shall publish in the Federal Register and on the
22 website of the Department of Labor a notice announcing
23 each increase in such required wage.

24 “(j) TRANSITION ASSISTANCE.—Upon request, the
25 Secretary shall provide—

1 “(1) technical assistance and information to
2 employers for the purposes of—

3 “(A) assisting such employers to comply
4 with subsection (a), as amended by the Amer-
5 ican Stability Act; and

6 “(B) ensuring continuing employment op-
7 portunities for individuals with disabilities who
8 received a special minimum wage rate under
9 this section 14(c) (as in effect on the day before
10 the date of enactment of the American Stability
11 Act); and

12 “(2) information to individuals who were em-
13 ployed at a special minimum wage rate under section
14 14(c) (as in effect on the day before the date of en-
15 actment of the American Stability Act), which may
16 include referrals to Federal or State entities with ex-
17 pertise in competitive integrated employment.”.

18 **SEC. 105. PROMOTING ECONOMIC SELF-SUFFICIENCY FOR**

19 **INDIVIDUALS WITH DISABILITIES.**

20 (a) **TRANSITION TO FAIR WAGES FOR INDIVIDUALS**
21 **WITH DISABILITIES.—**

22 (1) **IN GENERAL.—**Subparagraph (A) of section
23 14(c)(1) of the Fair Labor Standards Act of 1938
24 (29 U.S.C. 214(c)(1)) shall be amended to read as
25 follows:

1 “(A) at a rate that equals or exceeds, for each
2 year, the wage set forth in section 6(a)(1).”.

3 (2) EFFECTIVE DATE.—The amendment made
4 by paragraph (A) shall take effect on January 1 of
5 the first calendar year that begins after the date of
6 enactment of this Act.

7 (b) PROHIBITION ON NEW SPECIAL CERTIFI-
8 CATES.—

9 (1) IN GENERAL.—Section 14(c) of the Fair
10 Labor Standards Act of 1938 (29 U.S.C. 214(c)) is
11 amended by adding at the end the following:

12 “(6) PROHIBITION ON NEW SPECIAL CERTIFI-
13 CATES.—Notwithstanding paragraph (1), the Secretary
14 shall not issue a special certificate under this subsection
15 to an employer that was not issued a special certificate
16 under this subsection before the date of enactment of the
17 American Stability Act.”.

18 (2) SUNSET.—Section 14(c) of the Fair Labor
19 Standards Act of 1938 (29 U.S.C. 214(c)), as
20 amended by paragraph (2), is further amended by
21 adding at the end the following:

22 “(7) SUNSET.—On January 1 of the first calendar
23 year that begins after the date of enactment of the Amer-
24 ican Stability Act, the authority to issue special certifi-
25 cates under paragraph (1) shall expire, and no special cer-

1 tificates issued under paragraph (1) shall have any legal
2 effect.”.

3 (3) EFFECTIVE DATE.—The amendments made
4 by this paragraph shall take effect on the date of en-
5 actment of this Act.

6 **TITLE I—INCOME TAX** 7 **MODIFICATIONS**

8 **SEC. 1. MODIFICATION OF INCOME TAX BRACKETS BASED** 9 **ON ANNUALIZED STABILITY WAGE.**

10 (a) IN GENERAL.—Section 1 of the Internal Revenue
11 Code of 1986 is amended by striking subsections (a), (b),
12 (c), (d), and (e) and inserting the following new sub-
13 sections:

14 “(a) IN GENERAL.—There is hereby imposed on the
15 taxable income of every individual, every estate, and every
16 trust a tax determined under this section.

17 “(b) AMOUNT OF TAX.—The tax determined under
18 this section shall be equal to—

19 “(1) in the case of any taxpayer whose taxable
20 income does not exceed the maximum bracket
21 amount for the lowest tax bracket for the taxpayer’s
22 filing status, the product of the percentage which
23 constitutes such lowest tax bracket multiplied by
24 such taxable income, and

1 “(2) in the case of any taxpayer whose taxable
2 income exceeds the maximum bracket amount for
3 such lowest tax bracket, the sum of—

4 “(A) the maximum tax amount for each
5 tax bracket for the taxpayer’s filing status with
6 respect to which the taxpayer’s taxable income
7 exceeds the maximum bracket amount for such
8 tax bracket, plus

9 “(B) the product of—

10 “(i) the percentage which constitutes
11 the tax bracket for the taxpayer’s filing
12 status which is next above the highest
13 bracket amount for which an amount is in-
14 cluded under subparagraph (A), multiplied
15 by

16 “(ii) so much of the taxable income of
17 the taxpayer as exceeds the maximum
18 bracket amount of such highest tax brack-
19 et.

20 “(c) DETERMINATION OF MAXIMUM BRACKET
21 AMOUNTS.—

22 “(1) MARRIED INDIVIDUALS FILING JOINT RE-
23 TURNS AND SURVIVING SPOUSES.—In the case of
24 every married individual (as defined in section 7703)
25 who makes a single return jointly with the individ-

1 ual’s spouse under section 6013, and every surviving
2 spouse—

3 “(A) the maximum bracket amount for the
4 10 percent bracket is the product of 0.56 multi-
5 plied by the annualized stability wage for the
6 taxable year,

7 “(B) the maximum bracket amount for the
8 12 percent bracket is the product of 2.28 multi-
9 plied by the annualized stability wage for the
10 taxable year,

11 “(C) the maximum bracket amount for the
12 22 percent bracket is the product of 4.8 multi-
13 plied by the annualized stability wage for the
14 taxable year,

15 “(D) the maximum bracket amount for the
16 24 percent bracket is the product of 9.2 multi-
17 plied by the annualized stability wage for the
18 taxable year,

19 “(E) the maximum bracket amount for the
20 32 percent bracket is the product of 11.6 multi-
21 plied by the annualized stability wage for the
22 taxable year,

23 “(F) the maximum bracket amount for the
24 35 percent bracket is the product of 17.6 multi-

1 plied by the annualized stability wage for the
2 taxable year, and

3 “(G) the maximum bracket amount for the
4 37 percent bracket is infinite.

5 “(2) HEADS OF HOUSEHOLDS.—In the case of
6 every head of household—

7 “(A) the maximum bracket amount for the
8 10 percent bracket is the product of 0.42 multi-
9 plied by the annualized stability wage for the
10 taxable year,

11 “(B) the maximum bracket amount for the
12 12 percent bracket is the product of 1.52 multi-
13 plied by the annualized stability wage for the
14 taxable year,

15 “(C) the maximum bracket amount for the
16 22 percent bracket is the product of 2.4 multi-
17 plied by the annualized stability wage for the
18 taxable year,

19 “(D) the maximum bracket amount for the
20 24 percent bracket is the product of 4.6 multi-
21 plied by the annualized stability wage for the
22 taxable year,

23 “(E) the maximum bracket amount for the
24 32 percent bracket is the product of 5.8 multi-

1 plied by the annualized stability wage for the
2 taxable year,

3 “(F) the maximum bracket amount for the
4 35 percent bracket is the product of 14.6 multi-
5 plied by the annualized stability wage for the
6 taxable year, and

7 “(G) the maximum bracket amount for the
8 37 percent bracket is infinite.

9 “(3) UNMARRIED INDIVIDUALS (OTHER THAN
10 SURVIVING SPOUSES AND HEADS OF HOUSE-
11 HOLDS).—In the case of every individual (other than
12 a surviving spouse or a head of household) who is
13 not a married individual (as defined in section
14 7703)—

15 “(A) the maximum bracket amount for the
16 10 percent bracket is the product of 0.28 multi-
17 plied by the annualized stability wage for the
18 taxable year,

19 “(B) the maximum bracket amount for the
20 12 percent bracket is the product of 1.14 multi-
21 plied by the annualized stability wage for the
22 taxable year,

23 “(C) the maximum bracket amount for the
24 22 percent bracket is the product of 2.4 multi-

1 plied by the annualized stability wage for the
2 taxable year,

3 “(D) the maximum bracket amount for the
4 24 percent bracket is the product of 4.6 multi-
5 plied by the annualized stability wage for the
6 taxable year,

7 “(E) the maximum bracket amount for the
8 32 percent bracket is the product of 5.8 multi-
9 plied by the annualized stability wage for the
10 taxable year,

11 “(F) the maximum bracket amount for the
12 35 percent bracket is the product of 14.6 multi-
13 plied by the annualized stability wage for the
14 taxable year, and

15 “(G) the maximum bracket amount for the
16 37 percent bracket is infinite.

17 “(4) MARRIED INDIVIDUALS FILING SEPARATE
18 RETURNS.—In the case of every married individual
19 (as defined in section 7703) who does not make a
20 single return jointly with the individual’s spouse
21 under section 6013—

22 “(A) the maximum bracket amount for the
23 10 percent bracket is the product of 0.28 multi-
24 plied by the annualized stability wage for the
25 taxable year,

1 “(B) the maximum bracket amount for the
2 12 percent bracket is the product of 1.14 multi-
3 plied by the annualized stability wage for the
4 taxable year,

5 “(C) the maximum bracket amount for the
6 22 percent bracket is the product of 2.4 multi-
7 plied by the annualized stability wage for the
8 taxable year,

9 “(D) the maximum bracket amount for the
10 24 percent bracket is the product of 4.6 multi-
11 plied by the annualized stability wage for the
12 taxable year,

13 “(E) the maximum bracket amount for the
14 32 percent bracket is the product of 5.8 multi-
15 plied by the annualized stability wage for the
16 taxable year,

17 “(F) the maximum bracket amount for the
18 35 percent bracket is the product of 8.8 multi-
19 plied by the annualized stability wage for the
20 taxable year, and

21 “(G) the maximum bracket amount for the
22 37 percent bracket is infinite.

23 “(5) ESTATES AND TRUSTS.—In the case of
24 every estate and every trust for the taxable year—

1 “(A) the maximum bracket amount for the
2 10 percent bracket is the product of 0.08 multi-
3 plied by the annualized stability wage for the
4 taxable year,

5 “(B) the maximum bracket amount for the
6 24 percent bracket is the product of 0.27 multi-
7 plied by the annualized stability wage for the
8 taxable year,

9 “(C) the maximum bracket amount for the
10 35 percent bracket is the product of 0.37 multi-
11 plied by the annualized stability wage for the
12 taxable year, and

13 “(D) the maximum bracket amount for the
14 37 percent bracket is infinite.

15 “(d) DEFINITIONS.—For purposes of this section—

16 “(1) ANNUALIZED STABILITY WAGE.—The term
17 ‘annualized stability wage’ means, with respect to
18 any taxable year, the product of 2,080 multiplied by
19 the stability wage (as defined in section 6 of the
20 Fair Labor Standards Act of 1938) for the calendar
21 year in which or with which such taxable year be-
22 gins.

23 “(2) MAXIMUM TAX AMOUNT.—

1 “(A) IN GENERAL.—The term ‘maximum
2 tax amount’ means, with respect to any tax
3 bracket, the product of—

4 “(i) the percentage which constitutes
5 such tax bracket, multiplied by

6 “(ii) the excess of—

7 “(I) the maximum bracket
8 amount for such tax bracket, over

9 “(II) the highest maximum
10 bracket amount for the taxpayer’s fil-
11 ing status which is less than the max-
12 imum bracket amount referred to in
13 subclause (I).

14 “(B) SPECIAL RULE FOR LOWEST TAX
15 BRACKET.—For purposes of determining the
16 maximum tax amount with respect to the lowest
17 tax bracket for a taxpayer’s filing status, the
18 amount specified in subparagraph (A)(ii)(II)
19 shall be treated as being zero.

20 “(3) FILING STATUS.—The term ‘filing status’
21 means, with respect to any taxpayer, the status of
22 such taxpayer as being described in paragraph (1),
23 (2), (3), (4), or (5) of subsection (c).

24 “(4) TAX BRACKETS.—The term ‘tax bracket’
25 means, with respect to the filing status of any tax-

1 payer, each bracket for which a maximum bracket
2 amount is determined for such filing status.”.

3 (b) CONFORMING AMENDMENTS.—

4 (1) Section 1(f) of such Code is amended by
5 striking all that precedes paragraph (3) and insert-
6 ing the following:

7 “(f) PUBLICATION OF TAX TABLES; RETENTION OF
8 COST-OF-LIVING ADJUSTMENT FOR OTHER PROVI-
9 SIONS.—

10 “(1) PUBLICATION OF TAX TABLES.—Not later
11 than December 15 of 2024, and each subsequent
12 calendar year, the Secretary shall publish tax tables
13 which state the dollar amounts in effect under sub-
14 sections (b) and (c) with respect to taxable years be-
15 ginning in the succeeding calendar year.”.

16 (2) Section 1(f)(3) of such Code is amended by
17 striking “For purposes of this subsection” and in-
18 serting “For purposes of any provision of law which
19 refers to this subsection”.

20 (3) Section 1(f) of such Code is amended by
21 striking paragraphs (7) and (8) and inserting the
22 following new paragraph:

23 “(7) ROUNDING.—If any increase determined under
24 section 63(c)(4), section 68(b)(2), or section 151(d)(4) is

1 not a multiple of \$50, such increase shall be rounded to
2 the next lowest multiple of \$50.”.

3 (4) Section 1 of such Code is amended by strik-
4 ing subsections (i) and (j).

5 (c) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to taxable years beginning after
7 December 31, 2024.

8 **SEC. 2. SURCHARGE ON HIGH INCOME INDIVIDUALS, ES-**
9 **TATES, AND TRUSTS.**

10 (a) IN GENERAL.—Part I of subchapter A of chapter
11 1 of the Internal Revenue Code of 1986 is amended by
12 inserting after section 1 the following new section:

13 **“SEC. 1A. SURCHARGE ON HIGH INCOME INDIVIDUALS, ES-**
14 **TATES, AND TRUSTS.**

15 “(a) GENERAL RULE.—In the case of a taxpayer
16 other than a corporation, there is hereby imposed (in addi-
17 tion to any other tax imposed by this subtitle) a tax equal
18 to the sum of—

19 “(1) 3 percent of so much of the modified ad-
20 justed gross income of the taxpayer as exceeds—

21 “(A) the product of 25 multiplied by the
22 annualized stability wage for the taxable year,
23 in the case of any taxpayer not described in
24 subparagraph (B) or (C),

1 “(B) the product of 12.5 multiplied by the
2 annualized stability wage for the taxable year,
3 in the case of a married individual filing a sepa-
4 rate return, and

5 “(C) the product of 4.8 multiplied by the
6 annualized stability wage for the taxable year,
7 in the case of an estate or trust, plus

8 “(2) 5 percent of so much of the modified ad-
9 justed gross income of the taxpayer as exceeds—

10 “(A) the product of 365 multiplied by the
11 annualized stability wage for the taxable year,
12 in the case of any taxpayer not described in
13 subparagraph (B) or (C),

14 “(B) the product of 182.5 multiplied by
15 the annualized stability wage for the taxable
16 year, in the case of a married individual filing
17 a separate return, and

18 “(C) the product of 12 multiplied by the
19 annualized stability wage for the taxable year,
20 in the case of an estate or trust.

21 “(b) MODIFIED ADJUSTED GROSS INCOME.—For
22 purposes of this section, the term ‘modified adjusted gross
23 income’ means adjusted gross income reduced by any de-
24 duction (not taken into account in determining adjusted
25 gross income) allowed for investment interest (as defined

1 in section 163(d)) or business interest (as defined in sec-
2 tion 163(j)). In the case of an estate or trust, adjusted
3 gross income shall be determined as provided in section
4 67(e), and reduced by the amount allowed as a deduction
5 under section 642(c).

6 “(c) ANNUALIZED STABILITY WAGE.—For purposes
7 of this section, the term ‘annualized stability wage’ has
8 the meaning given such term in section 1(d)(1).

9 “(d) SPECIAL RULES.—

10 “(1) NONRESIDENT ALIEN.—In the case of a
11 nonresident alien individual (other than an indi-
12 vidual described in section 876(a) or 877(a)), only
13 amounts taken into account in connection with the
14 tax imposed under section 871(b) shall be taken into
15 account under this section.

16 “(2) CITIZENS AND RESIDENTS LIVING
17 ABROAD.—Each dollar amount which is applicable to
18 any taxpayer under subsection (a) shall be decreased
19 (but not below zero) by the excess (if any) of—

20 “(A) the amounts excluded from the tax-
21 payer’s gross income under section 911, over

22 “(B) the amounts of any deductions or ex-
23 clusions disallowed under section 911(d)(6)
24 with respect to the amounts described in sub-
25 paragraph (A).

1 “(3) CHARITABLE TRUSTS.—Subsection (a)
2 shall not apply to a trust all the unexpired interests
3 in which are devoted to one or more of the purposes
4 described in section 170(c)(2)(B).

5 “(4) NOT TREATED AS TAX IMPOSED BY THIS
6 CHAPTER FOR CERTAIN PURPOSES.—The tax im-
7 posed under this section shall not be treated as tax
8 imposed by this chapter for purposes of determining
9 the amount of any credit under this chapter (other
10 than sections 27 and 901) or for purposes of section
11 55.

12 “(5) ELECTING SMALL BUSINESS TRUSTS.—For
13 purposes of the determination of adjusted gross in-
14 come, section 641(c)(1)(A) shall not apply and all
15 portions of any electing small business trust shall be
16 treated as a single trust.

17 “(e) REGULATIONS.—The Secretary shall issue such
18 regulations or other guidance as may be necessary or ap-
19 propriate to carry out the purposes of this section, includ-
20 ing regulations or other guidance to prevent the avoidance
21 of the purposes of this section.”.

22 (b) COORDINATION WITH CERTAIN PROVISIONS.—

23 (1) INTEREST ON CERTAIN DEFERRED TAX LI-
24 ABILITY.—Section 453A(c) of such Code is amended
25 by redesignating paragraph (6) as paragraph (7)

1 and by inserting after paragraph (5) the following
2 new paragraph:

3 “(6) SURCHARGE ON HIGH INCOME INDIVID-
4 UALS TAKEN INTO ACCOUNT IN DETERMINING MAX-
5 IMUM RATE OF TAX.—For purposes of paragraph
6 (3)(B), the maximum rate of tax in effect under sec-
7 tion 1 shall be treated as being equal to the sum of
8 such rate and the rates in effect under paragraphs
9 (1) and (2) of section 1A(a).”.

10 (2) ALIEN RESIDENTS OF PUERTO RICO, GUAM,
11 AMERICAN SAMOA, OR THE NORTHERN MARIANA IS-
12 LANDS.—Section 876(a) of such Code is amended by
13 striking section 1 and inserting “sections 1 and 1A”.

14 (3) EXPATRIATION TO AVOID TAX.—Section
15 877(b) of such Code is amended by inserting “and
16 section 1A” after “section 1 or 55”.

17 (4) LIMITATION ON FOREIGN TAX CREDIT.—

18 (A) Section 904(b)(3)(E)(i)(I) of such
19 Code is amended by inserting “increased by the
20 sum of the rates set forth in paragraphs (1)
21 and (2) of section 1A(a)” after “(whichever ap-
22 plies)”.

23 (B) Section 904(d)(2)(F) of such Code is
24 amended by adding at the end the following:

25 “For purposes of the first sentence of this sub-

1 paragraph, the highest rate of tax specified in
2 section 1 shall be treated as being equal to the
3 sum of such rate and the rates in effect under
4 paragraphs (1) and (2) of section 1A(a).”.

5 (5) ELECTION BY INDIVIDUALS TO BE SUBJECT
6 TO TAX AT CORPORATE RATES.—Section 962(a)(1)
7 of such Code is amended by inserting “, 1A,” after
8 “sections 1”.

9 (6) INTEREST ON CERTAIN TAX DEFERRAL.—
10 Section 1291(c)(2) of such Code is amended by add-
11 ing at the end the following: “For purposes of the
12 preceding sentence, the highest rate of tax in effect
13 under section 1 shall be treated as being equal to
14 the sum of such rate and the rates in effect under
15 paragraphs (1) and (2) of section 1A(a).”.

16 (7) AVERAGING OF FARM INCOME.—Section
17 1301(a) of such Code is amended by striking “sec-
18 tion 1” both places it appears and inserting “sec-
19 tions 1 and 1A”.

20 (8) TITLE 11 CASES.—Section 1398(c)(2) of
21 such Code is amended by inserting “and tax shall be
22 imposed under section 1A by treating the estate as
23 a married individual filing a separate return” before
24 the period at the end.

1 (9) WITHHOLDING OF TAX ON FOREIGN PART-
2 NERS' SHARE OF EFFECTIVELY CONNECTED IN-
3 COME.—Section 1446(b)(2) of such Code is amended
4 by adding at the end the following flush sentence:
5 “For purposes of subparagraph (A), the highest rate
6 of tax in effect under section 1 shall be treated as
7 being equal to the sum of such rate and the rates
8 in effect under paragraphs (1) and (2) of section
9 1A(a).”.

10 (10) RELIEF FROM JOINT AND SEVERAL LI-
11 ABILITY ON JOINT RETURN.—Section 6015(d)(2)(B)
12 of such Code is amended by inserting “, 1A,” after
13 “section 1”.

14 (11) PARTNERSHIP ADJUSTMENTS.—

15 (A) Section 6225(b)(1) of such Code is
16 amended by adding at the end the following
17 flush sentence:

18 “For purposes of subparagraph (B), the highest rate
19 of tax in effect under section 1 shall be treated as
20 being equal to the sum of such rate and the rates
21 in effect under paragraphs (1) and (2) of section
22 1A(a).”.

23 (B) Section 6225(c)(4)(A) of such Code is
24 amended—

1 (i) by striking “subsection (b)(1)(A)”
2 and inserting “subsection (b)(1)(B)”, and

3 (ii) by striking “or” at the end of
4 clause (i), by adding “or” at the end of
5 clause (ii), and by inserting after clause
6 (ii) the following new clause:

7 “(iii) is not an individual subject to
8 one or both of the rates of tax in effect
9 under paragraphs (1) and (2) of section
10 1A(a).”.

11 (12) REQUIRED PAYMENTS FOR ENTITIES
12 ELECTING NOT TO HAVE REQUIRED TAXABLE
13 YEAR.—Section 7519(b) of such Code is amended by
14 inserting “and increased by the sum of the rates in
15 effect under paragraphs (1) and (2) of section
16 1A(a)” before the period at the end.

17 (c) CLERICAL AMENDMENT.—The table of sections
18 for part I of subchapter A of chapter 1 of such Code is
19 amended by inserting after the item relating to section 1
20 the following new item:

“Sec. 1A. Surcharge on high income individuals.”.

21 (d) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to taxable years beginning after
23 December 31, 2024.

1 **SEC. 3. ALTERNATIVE MAXIMUM TAX FOR LOW-INCOME IN-**
2 **DIVIDUALS.**

3 (a) IN GENERAL.—Part I of subchapter A of chapter
4 1 of the Internal Revenue Code of 1986, as amended by
5 section 202, is amended by inserting after section 1A the
6 following new section:

7 **“SEC. 1B. ALTERNATIVE MAXIMUM TAX FOR LOW-INCOME**
8 **INDIVIDUALS.**

9 “(a) IN GENERAL.—In the case of an qualified low-
10 income individual, the tax imposed under section 1 for any
11 taxable year shall not exceed 24.4 percent of the excess
12 of—

13 “(1) the taxpayer’s modified adjusted gross in-
14 come for such taxable year, over

15 “(2) the cost-of-living exemption for such tax-
16 able year.

17 “(b) QUALIFIED LOW-INCOME INDIVIDUAL.—For
18 purposes of this section, the term ‘qualified low-income in-
19 dividual’ means, with respect to any taxable year, any indi-
20 vidual (other than an estate or trust) if the taxpayers
21 modified adjusted gross income for such taxable year is
22 less than 200 percent of the cost-of-living exemption for
23 such taxable year.

24 “(c) COST-OF-LIVING EXEMPTION.—For purposes of
25 this section—

1 “(1) IN GENERAL.—The term ‘cost-of-living ex-
2 emption’ means, with respect to any taxable year—

3 “(A) in the case of a taxpayer not de-
4 scribed in subparagraph (B) or (C), 100 per-
5 cent of annualized cost-of-living wage,

6 “(B) in the case of a joint return, 200 per-
7 cent of the annualized cost-of-living wage, and

8 “(C) in the case of a head of household,
9 140 percent of the annualized cost-of-living
10 wage.

11 “(2) ANNUALIZED COST-OF-LIVING WAGE.—The
12 term ‘annualized cost-of-living wage’ means, with re-
13 spect to any taxable year, the product of 2,080 mul-
14 tplied by the cost-of-living wage (as defined in sec-
15 tion 6 of the Fair Labor Standards Act of 1938) for
16 the calendar year in which or with which such tax-
17 able year begins.

18 “(d) MODIFIED ADJUSTED GROSS INCOME.—For
19 purposes of this section, the term ‘modified adjusted gross
20 income’ means adjusted gross income increased by any
21 amount excluded from gross income under section 911,
22 931, or 933.”.

23 (b) CLERICAL AMENDMENT.—The table of sections
24 for part I of subchapter A of chapter 1 of such Code, as

1 amended by section 202, is amended by inserting after the
2 item relating to section 1A the following new item:

“Sec. 1B. Alternative maximum tax for low-income individuals.”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to taxable years beginning after
5 December 31, 2024.

6 **TITLE II—EARNED INCOME**
7 **DISALLOWANCE**

8 **SEC. 301. EARNED INCOME DISALLOWANCE.**

9 (a) IN GENERAL.—Notwithstanding any other provi-
10 sion of law, for purposes of determining the eligibility of
11 a specified individual for benefits or assistance (or the
12 amount or extent of benefits or assistance) under any
13 means-tested Federal program, or under any means-tested
14 State or local program financed in whole or in part with
15 Federal funds—

16 (1) with respect to the 1-year period beginning
17 on the effective date described in section 401, if the
18 earned income of such individual for such 1-year pe-
19 riod (determined without regard to this section) does
20 not exceed the product of 2,080 multiplied by the
21 cost-of-living wage (as defined in section 6 of the
22 Fair Labor Standards Act of 1938) for the calendar
23 year in which such 1-year period ends, the earned
24 income of such individual shall not be treated as ex-

1 ceeding the earned income of such individual for the
2 1-year period ending on such effective date, and

3 (2) with respect to the 1-year period beginning
4 1 year after such effective date, if the earned income
5 of such individual for such 1-year period (deter-
6 mined without regard to this section) does not ex-
7 ceed the product of 2,080 multiplied by the cost-of-
8 living wage (as defined in section 6 of the Fair
9 Labor Standards Act of 1938) for the calendar year
10 in which such 1-year period ends, the earned income
11 of such individual shall not be treated as exceeding
12 the sum of—

13 (A) the earned income of such individual
14 for the 1-year period ending on such effective
15 date, plus

16 (B) 50 percent of the excess (if any) of—

17 (i) the earned income of such indi-
18 vidual for the 1-year period beginning 1
19 year after such effective date, over

20 (ii) the earned income of such indi-
21 vidual for the 1-year period ending on such
22 effective date.

23 (b) SPECIFIED INDIVIDUAL.—For purposes of this
24 section, the “specified individual” means any individual if
25 the earned income of such individual for the 1-year period

1 ending on the effective date described in section 410 ex-
2 ceeds zero.

3 **TITLE III—EFFECTIVE DATE**

4 **SEC. 401. EFFECTIVE DATE.**

5 Except as otherwise specified in this Act, this Act,
6 and the amendments made by this Act, shall take effect
7 on the 1st day of the 3rd month that begins after the
8 date of enactment of this Act.

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