

110TH CONGRESS  
1ST SESSION

# H. R. 2902

To amend the Internal Revenue Code to double the child tax credit for the first year, to expand the credit dependent care services, to provide relief from the alternative minimum tax, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 28, 2007

Mr. ALLEN (for himself, Mr. BISHOP of New York, Mrs. BOYDA of Kansas, Mr. BRALEY of Iowa, Ms. CASTOR, Mr. COHEN, Mr. ELLISON, Mr. HALL of New York, Mr. HARE, Ms. HIRONO, Ms. JACKSON-LEE of Texas, Mr. JOHNSON of Georgia, Mr. MCNERNEY, Mr. PERLMUTTER, Mr. SESTAK, Mr. WALZ of Minnesota, Mr. WEINER, Mr. MURPHY of Connecticut, Mr. WELCH of Vermont, and Mr. GENE GREEN of Texas) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code to double the child tax credit for the first year, to expand the credit dependent care services, to provide relief from the alternative minimum tax, and for other purposes.

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 “Middle Class Oppor-  
5 tunity Act of 2007”.

1 **SEC. 2. INCREASED CHILD TAX CREDIT FOR FIRST YEAR**  
2 **CHILD IS CLAIMED AS A QUALIFYING CHILD.**

3 (a) IN GENERAL.—Subsection (a) of section 24 of the  
4 Internal Revenue Code of 1986 (relating to child tax cred-  
5 it) is amended by striking “with respect to each qualifying  
6 child of the taxpayer an amount equal to \$1,000.” and  
7 inserting “with respect to each individual who is a quali-  
8 fying child of the taxpayer an amount equal to—

9 “(1) \$2,000, for the first taxable year in which  
10 such individual is a qualifying child, and

11 “(2) \$1,000, for any other taxable year in  
12 which such individual is a qualifying child.”.

13 (b) EFFECTIVE DATE.—The amendment made by  
14 this section shall apply to taxable years beginning after  
15 December 31, 2006.

16 **SEC. 3. EXPANSION OF DEPENDENT CARE CREDIT.**

17 (a) INCREASED PHASEOUT THRESHOLD.—Para-  
18 graph (2) of section 21(a) of the Internal Revenue Code  
19 of 1986 (defining applicable percentage) is amended by  
20 striking “\$15,000” and inserting “\$75,000”.

21 (b) CREDIT ALLOWED FOR COSTS INCURRED TO  
22 CARE FOR PARENTS AND GRANDPARENTS WHO DO NOT  
23 LIVE WITH THE TAXPAYER.—

24 (1) IN GENERAL.—Paragraph (1) of section  
25 21(b) of the Internal Revenue Code of 1986 (relat-  
26 ing to qualifying individual) is amended by striking

1 “or” at the end of subparagraph (B), by striking the  
2 period at the end of subparagraph (C) and inserting  
3 “, or”, and by adding at the end the following new  
4 subparagraph:

5 “(D) a dependent of the taxpayer (as de-  
6 fined in section 152, determined without regard  
7 to subsections (b)(1), (b)(2), and (d)(1)(B))  
8 who is the father or mother of the taxpayer (or  
9 an ancestor of such father or mother) and who  
10 is physically or mentally incapable of caring for  
11 himself or herself.”.

12 (2) CONFORMING AMENDMENT.—Section  
13 21(b)(1)(B) of such Code is amended by inserting  
14 “(other than a dependent described in subparagraph  
15 (D))” after “and (d)(1)(B)”.

16 (c) EFFECTIVE DATE.—The amendments made by  
17 this section shall apply to taxable years beginning after  
18 December 31, 2006.

19 **SEC. 4. ALTERNATIVE MINIMUM TAX RELIEF.**

20 (a) INCREASE IN ALTERNATIVE MINIMUM TAX EX-  
21 EMPTION AMOUNT FOR 2007 AND 2008.—

22 (1) IN GENERAL.—Section 55(d)(1) of the In-  
23 ternal Revenue Code of 1986 is amended—

24 (A) by striking “\$62,550” and all that fol-  
25 lows through “2006” in subparagraph (A) and

1 inserting “the joint return amount in the case  
 2 of taxable years beginning in 2006, 2007, and  
 3 2008”, and

4 (B) by striking “\$42,500” and all that fol-  
 5 lows through “2006” in subparagraph (B) and  
 6 inserting “the unmarried individual return  
 7 amount in the case of taxable years beginning  
 8 in 2006, 2007, and 2008”.

9 (2) JOINT RETURN AMOUNT; UNMARRIED INDI-  
 10 VIDUAL RETURN AMOUNT.—Section 55(d) of such  
 11 Code is amended by adding at the end the following  
 12 new paragraph:

13 “(4) JOINT RETURN AMOUNT; UNMARRIED IN-  
 14 DIVIDUAL RETURN AMOUNT.—

15 “(A) JOINT RETURN AMOUNT.—For pur-  
 16 poses of paragraph (1)(A), the joint return  
 17 amount shall be determined as follows:

<b>“For taxable years beginning in—</b>	<b>The joint return amount is—</b>
2006 .....	\$62,550
2007 .....	\$65,350
2008 .....	\$68,200.

18 “(B) UNMARRIED INDIVIDUAL RETURN  
 19 AMOUNT.—For purposes of paragraph (1)(B),  
 20 the unmarried individual return amount shall  
 21 be determined as follows:

<b>“For taxable years beginning in—</b>	<b>The unmarried individual return amount is—</b>
2006 .....	\$42,500

<b>“For taxable years beginning in—</b>	<b>The unmarried individual return amount is—</b>
2007 .....	\$43,900
2008 .....	\$45,300.”.

1           (b) ALLOWANCE OF NONREFUNDABLE PERSONAL  
2 CREDITS AGAINST REGULAR AND ALTERNATIVE MIN-  
3 IMUM TAX LIABILITY.—Paragraph (2) of section 26(a) of  
4 the Internal Revenue Code of 1986 is amended—

5           (1) by striking “2006” in the heading thereof  
6           and inserting “2008”, and

7           (2) by striking “or 2006” and inserting “2006,  
8           2007, or 2008”.

9           (c) EFFECTIVE DATE.—The amendments made by  
10 this section shall apply to taxable years beginning after  
11 December 31, 2006.

12 **SEC. 5. CONSOLIDATION OF EDUCATION TAX INCENTIVES**  
13 **INTO THE EDUCATION TAX CREDIT.**

14           (a) IN GENERAL.—Section 25A of the Internal Rev-  
15 enue Code of 1986 (relating to Hope and Lifetime Learn-  
16 ing credits) is amended to read as follows:

17 **“SEC. 25A. EDUCATION TAX CREDIT.**

18           “(a) ALLOWANCE OF CREDIT.—In the case of any  
19 eligible student for whom an election is in effect under  
20 this section for any taxable year, there shall be allowed  
21 as a credit against the tax imposed by this chapter for  
22 the taxable year in an amount equal to the sum of—

1           “(1) 100 percent of so much of the qualified  
2 tuition and related expenses paid by the taxpayer  
3 during the taxable year (for education furnished to  
4 the eligible student during any academic period be-  
5 ginning in such taxable year) as does not exceed  
6 \$1,000,

7           “(2) 50 percent of so much of such expenses as  
8 exceeds \$1,000 but does not exceed \$3,000, and

9           “(3) 20 percent of so much of such expenses as  
10 exceeds \$3,000 but does not exceed \$5,500.

11       “(b) LIMITATIONS.—

12           “(1) LIMITATION BASED ON MODIFIED AD-  
13 JUSTED GROSS INCOME.—

14           “(A) IN GENERAL.—The amount which  
15 would (but for this paragraph) be taken into ac-  
16 count under subsection (a) for the taxable year  
17 shall be reduced (but not below zero) by the  
18 amount determined under subparagraph (B).

19           “(B) AMOUNT OF REDUCTION.—The  
20 amount determined under this subparagraph is  
21 the amount which bears the same ratio to the  
22 amount which would be so taken into account  
23 as—

24           “(i) the excess of—

1                   “(I) the taxpayer’s modified ad-  
2                   justed gross income for such taxable  
3                   year, over

4                   “(II) \$70,000 (\$140,000 in the  
5                   case of a joint return), bears to

6                   “(ii) \$20,000 (\$40,000 in the case of  
7                   a joint return).

8                   “(C) MODIFIED ADJUSTED GROSS IN-  
9                   COME.—The term ‘modified adjusted gross in-  
10                  come’ means the adjusted gross income of the  
11                  taxpayer for the taxable year increased by any  
12                  amount excluded from gross income under sec-  
13                  tion 911, 931, or 933.

14                  “(2) LIMITATION BASED ON AMOUNT OF  
15                  TAX.—In the case of a taxable year to which section  
16                  26(a)(2) does not apply, the credit allowed under  
17                  subsection (a) for any taxable year shall not exceed  
18                  the excess of —

19                  “(A) the sum of the regular tax liability  
20                  (as defined in section 26(b)) plus the tax im-  
21                  posed by section 55, over

22                  “(B) the sum of the credits allowable  
23                  under this subpart (other than this section and  
24                  sections 23, 24, and 25B) and section 27 for  
25                  the taxable year.

1           “(3) CREDIT ALLOWED ONLY FOR 3 ELIGIBLE  
2 STUDENTS.—The credit under subsection (a) to any  
3 taxpayer shall not be allowed with respect to more  
4 than 3 eligible students for any taxable year.

5           “(4) OTHER LIMITATIONS.—

6           “(A) CREDIT ALLOWED ONLY FOR 4 TAX-  
7 ABLE YEARS.—An election to have this section  
8 apply with respect to any eligible student may  
9 not be made for any taxable year if such an  
10 election (by the taxpayer or any other indi-  
11 vidual) is in effect with respect to such student  
12 for any 4 prior taxable years.

13           “(B) CREDIT ALLOWED FOR YEAR ONLY IF  
14 INDIVIDUAL IS AT LEAST 1/2 TIME STUDENT  
15 FOR PORTION OF YEAR.—The credit under sub-  
16 section (a) shall not be allowed for a taxable  
17 year with respect to the qualified tuition and re-  
18 lated expenses of an individual unless such indi-  
19 vidual is an eligible student for at least one aca-  
20 demic period which begins during such year.

21           “(C) DENIAL OF CREDIT IF STUDENT CON-  
22 VICTED OF A FELONY DRUG OFFENSE.—The  
23 credit under subsection (a) shall not be allowed  
24 for qualified tuition and related expenses for  
25 the enrollment or attendance of a student for



1 any academic period if such student has been  
2 convicted of a Federal or State felony offense  
3 consisting of the possession or distribution of a  
4 controlled substance before the end of the tax-  
5 able year with or within which such period  
6 ends.

7 “(c) DEFINITIONS.—For purposes of this sub-  
8 section—

9 “(1) ELIGIBLE STUDENT.—The term ‘eligible  
10 student’ means, with respect to any academic period,  
11 a student who—

12 “(A) meets the requirements of section  
13 484(a)(1) of the Higher Education Act of 1965  
14 (20 U.S.C. 1091(a)(1)), as in effect on the date  
15 of the enactment of the Taxpayer Relief Act of  
16 1997, and

17 “(B) is carrying at least 1/2 the normal  
18 full-time work load for the course of study the  
19 student is pursuing.

20 “(2) QUALIFIED TUITION AND RELATED EX-  
21 PENSES.—

22 “(A) IN GENERAL.—The term ‘qualified  
23 tuition and related expenses’ means tuition and  
24 fees required for the enrollment or attendance  
25 of an eligible student who is—

1                   “(i) the taxpayer,  
2                   “(ii) the taxpayer’s spouse, or  
3                   “(iii) any dependent of the taxpayer  
4                   with respect to whom the taxpayer is al-  
5                   lowed a deduction under section 151,  
6                   at an eligible educational institution for courses  
7                   of instruction of such individual at such institu-  
8                   tion.

9                   “(B) INCLUSION OF CERTAIN EXPENSES  
10                  FOR BOOKS.—

11                   “(i) IN GENERAL.—For purposes of  
12                   subparagraph (A), tuition and fees shall  
13                   include 50 percent of amounts paid or in-  
14                   curred for books.

15                   “(ii) LIMITATION.—The amount of  
16                   tuition and fees taken into account under  
17                   subparagraph (A) by reason of clause (i)  
18                   for any taxable year shall not exceed \$250  
19                   with respect to any eligible student.

20                   “(C) EXCEPTION FOR EDUCATION INVOLV-  
21                   ING SPORTS, ETC.—Such term does not include  
22                   expenses with respect to any course or other  
23                   education involving sports, games, or hobbies,  
24                   unless such course or other education is part of  
25                   the individual’s degree program.

1           “(D) EXCEPTION FOR NONACADEMIC  
2 FEES.—Such term does not include student ac-  
3 tivity fees, athletic fees, insurance expenses, or  
4 other expenses unrelated to an individual’s aca-  
5 demic course of instruction.

6           “(3) ELIGIBLE EDUCATIONAL INSTITUTION.—  
7 The term ‘eligible educational institution’ means an  
8 institution—

9           “(A) which is described in section 481 of  
10 the Higher Education Act of 1965 (20 U.S.C.  
11 1088), as in effect on the date of the enactment  
12 of the Taxpayer Relief Act of 1997, and

13           “(B) which is eligible to participate in a  
14 program under title IV of the Higher Education  
15 Act of 1965.

16           “(d) ELECTION NOT TO HAVE SECTION APPLY.—  
17 A taxpayer may elect not to have this section apply with  
18 respect to the qualified tuition and related expenses of an  
19 individual for any taxable year.

20           “(e) SPECIAL RULES.—

21           “(1) IDENTIFICATION REQUIREMENT.—No  
22 credit shall be allowed under subsection (a) to a tax-  
23 payer with respect to the qualified tuition and re-  
24 lated expenses of an individual unless the taxpayer  
25 includes the name and taxpayer identification num-

1       ber of such individual on the return of tax for the  
2       taxable year.

3           “(2) ADJUSTMENT FOR CERTAIN SCHOLAR-  
4       SHIPS, ETC.—The amount of qualified tuition and  
5       related expenses otherwise taken into account under  
6       subsection (a) with respect to an individual for an  
7       academic period shall be reduced (before the applica-  
8       tion of subsections (a), (b), and (c)) by the sum of  
9       any amounts paid for the benefit of such individual  
10      which are allocable to such period as—

11           “(A) a qualified scholarship which is ex-  
12      cludable from gross income under section 117,

13           “(B) an educational assistance allowance  
14      under chapter 30, 31, 32, 34, or 35 of title 38,  
15      United States Code, or under chapter 1606 of  
16      title 10, United States Code, and

17           “(C) a payment (other than a gift, be-  
18      quest, devise, or inheritance within the meaning  
19      of section 102(a)) for such individual’s edu-  
20      cational expenses, or attributable to such indi-  
21      vidual’s enrollment at an eligible educational in-  
22      stitution, which is excludable from gross income  
23      under any law of the United States.

24           “(3) TREATMENT OF EXPENSES PAID BY DE-  
25      PENDENT.—If a deduction under section 151 with

1 respect to an individual is allowed to another tax-  
2 payer for a taxable year beginning in the calendar  
3 year in which such individual's taxable year begins—

4 “(A) no credit shall be allowed under sub-  
5 section (a) to such individual for such individ-  
6 ual's taxable year, and

7 “(B) qualified tuition and related expenses  
8 paid by such individual during such individual's  
9 taxable year shall be treated for purposes of  
10 this section as paid by such other taxpayer.

11 “(4) TREATMENT OF CERTAIN PREPAY-  
12 MENTS.—If qualified tuition and related expenses  
13 are paid by the taxpayer during a taxable year for  
14 an academic period which begins during the first 3  
15 months following such taxable year, such academic  
16 period shall be treated for purposes of this section  
17 as beginning during such taxable year.

18 “(5) DENIAL OF DOUBLE BENEFIT.—No credit  
19 shall be allowed under this section for any expense  
20 for which a deduction is allowed under any other  
21 provision of this chapter.

22 “(6) NO CREDIT FOR MARRIED INDIVIDUALS  
23 FILING SEPARATE RETURNS.—If the taxpayer is a  
24 married individual (within the meaning of section  
25 7703), this section shall apply only if the taxpayer

1 and the taxpayer's spouse file a joint return for the  
2 taxable year.

3 “(7) NONRESIDENT ALIENS.—If the taxpayer is  
4 a nonresident alien individual for any portion of the  
5 taxable year, this section shall apply only if such in-  
6 dividual is treated as a resident alien of the United  
7 States for purposes of this chapter by reason of an  
8 election under subsection (g) or (h) of section 6013.

9 “(f) INFLATION ADJUSTMENTS.—

10 “(1) DOLLAR LIMITATION ON AMOUNT OF  
11 CREDIT.—

12 “(A) IN GENERAL.—In the case of a tax-  
13 able year beginning after 2008, each of the dol-  
14 lar amounts under subsection (a) shall be in-  
15 creased by an amount equal to—

16 “(i) such dollar amount, multiplied by

17 “(ii) the cost-of-living adjustment de-  
18 termined under section 1(f)(3) for the cal-  
19 endar year in which the taxable year be-  
20 gins, determined by substituting ‘calendar  
21 year 2007’ for ‘calendar year 1992’ in sub-  
22 paragraph (B) thereof.

23 “(B) ROUNDING.—If any amount as ad-  
24 justed under subparagraph (A) is not a multiple

1 of \$100, such amount shall be rounded to the  
2 next lowest multiple of \$100.

3 “(2) INCOME LIMITS.—

4 “(A) IN GENERAL.—In the case of a tax-  
5 able year beginning after 2008, the \$70,000  
6 and \$140,000 amounts in subsection (b)(1)(B)  
7 shall each be increased by an amount equal  
8 to—

9 “(i) such dollar amount, multiplied by

10 “(ii) the cost-of-living adjustment de-  
11 termined under section 1(f)(3) for the cal-  
12 endar year in which the taxable year be-  
13 gins, determined by substituting ‘calendar  
14 year 2007’ for ‘calendar year 1992’ in sub-  
15 paragraph (B) thereof.

16 “(B) ROUNDING.—If any amount as ad-  
17 justed under subparagraph (A) is not a multiple  
18 of \$1,000, such amount shall be rounded to the  
19 next lowest multiple of \$1,000.

20 “(g) REGULATIONS.—The Secretary may prescribe  
21 such regulations as may be necessary or appropriate to  
22 carry out this section, including regulations providing for  
23 a recapture of the credit allowed under this section in  
24 cases where there is a refund in a subsequent taxable year

1 of any amount which was taken into account in deter-  
2 mining the amount of such credit.”.

3 (b) REPEAL OF DEDUCTION FOR QUALIFIED TUI-  
4 TION AND RELATED EXPENSES.—

5 (1) IN GENERAL.—Part VII of subchapter B of  
6 chapter 1 of the Internal Revenue Code of 1986 is  
7 amended by striking section 222 (relating to quali-  
8 fied tuition and related expenses).

9 (2) CLERICAL AMENDMENT.—The table of sec-  
10 tion for part VII of subchapter B of chapter 1 of  
11 such Code is amended by striking the item relating  
12 to section 222.

13 (c) CONFORMING AMENDMENTS.—

14 (1) Paragraph (1) of section 26(a) of the Inter-  
15 nal Revenue Code of 1986 is amended by inserting  
16 “25A,” after “24,”.

17 (2) Section 62(a) of such Code is amended by  
18 striking paragraph (18).

19 (3) Subparagraph (B) of section 72(t)(7) of  
20 such Code is amended by striking “section  
21 25A(g)(2)” and inserting “section 25A(e)(2)”.

22 (4) Section 221(d) of such Code is amended—

23 (A) by striking “section 25A(g)(2)” in  
24 paragraph (2)(B) and inserting “section  
25 25A(e)(2)”,



1 (B) by striking “section 25A(f)(2)” in  
2 paragraph (2)(B) and inserting “section  
3 25A(c)(3)”, and

4 (C) by striking “section 25A(b)(3)” in  
5 paragraph (3) and inserting “section  
6 25A(c)(1)”.

7 (5) Section 529 of such Code is amended—

8 (A) by striking “section 25A(g)(2)” in sub-  
9 clause (I) of subsection (c)(3)(B)(v) and insert-  
10 ing “section 25(e)(2)”,

11 (B) by striking “section 25A(b)(3)” in  
12 clause (i) of subsection (e)(3)(B) and inserting  
13 “section 25A(c)(1)”.

14 (6) Section 530 of such Code is amended—

15 (A) by striking “section 25A(g)(2)” in sub-  
16 clause (I) of subsection (d)(2)(C)(i) and insert-  
17 ing “section 25A(e)(2)”,

18 (B) by striking “section 25A(g)(2)” in  
19 clause (iii) of subsection (d)(4)(B) and inserting  
20 “section 25A(e)(2)”.

21 (7) Section 14000 of such Code is amended by

22 adding at the end the following flush sentence:

23 “For purposes of this section, any reference to section 25A  
24 shall be treated as a reference to such section before the  
25 date of the enactment of this sentence.”.

1           (8) Subsection (e) of section 6050S of such  
2 Code is amended by striking “(without regard to  
3 subsection (g)(2) thereof)” and inserting “(without  
4 regard to subsection (e)(2) thereof)”.

5           (9) Subparagraph (J) of section 6213(g)(2) of  
6 such Code is amended by striking “section  
7 25A(g)(1)” and inserting “section 25A(e)(1)”.

8           (10) The table of sections for subpart A of part  
9 IV of subchapter A of chapter 1 of such Code is  
10 amended by striking the item relating to section 25A  
11 and inserting the following:

“Sec. 25A. Education tax credit.”.

12           (d) **EFFECTIVE DATE.**—The amendments made by  
13 this section shall apply to expenses paid after December  
14 31, 2007 (in taxable years ending after such date), for  
15 education furnished in academic periods beginning after  
16 such date.

○