

110TH CONGRESS
1ST SESSION

S. 614

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.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 15, 2007

Mr. SCHUMER (for himself, Mr. BROWN, Mr. CASEY, Ms. KLOBUCHAR, Mrs. McCASKILL, Mr. TESTER, Mr. WHITEHOUSE, Mrs. BOXER, and Mr. NELSON of Nebraska) introduced the following bill; which was read twice and referred to the Committee on Finance

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:

“For taxable years beginning in—	The joint return amount is—
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:

“For taxable years beginning in—	The unmarried individual return amount is—
2006	\$42,500

“For taxable years beginning in—	The unmarried individual return amount is—
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.

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