

115TH CONGRESS
2D SESSION

H. R. 6873

To amend the Internal Revenue Code of 1986 to extend the earned income tax credit to all taxpayers with dependents and to qualifying students, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 25, 2018

Mrs. WATSON COLEMAN (for herself, Mr. KHANNA, Mr. RYAN of Ohio, Mr. GRIJALVA, Ms. NORTON, Mr. SOTO, Ms. CLARKE of New York, Ms. JACKSON LEE, Ms. BASS, Ms. BARRAGÁN, Mr. LAWSON of Florida, Ms. JAYAPAL, Mr. THOMPSON of Mississippi, and Mr. RASKIN) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to extend the earned income tax credit to all taxpayers with dependents and to qualifying students, 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 “EITC Modernization
5 Act of 2018”.

6 **SEC. 2. FINDINGS.**

7 Congress finds the following:

1 (1) The Federal earned income tax credit is a
2 refundable tax credit for lower- and middle-income
3 working individuals and families whose earnings are
4 below an income threshold.

5 (2) Since its establishment in 1975, the credit
6 has increased family income, reduced child poverty,
7 and promoted employment by supplementing the
8 earnings of low-wage workers, including military
9 families.

10 (3) The credit has a positive impact on the edu-
11 cation and health of children living in poverty.

12 (4) The credit has a positive economic impact
13 on local economies and businesses because it puts
14 more money in the hands of low- and middle-income
15 working people who spend the money on immediate
16 needs, such as groceries, school supplies, car repairs,
17 rent, and health care.

18 (5) The widening gap between the incomes of
19 the wealthiest Americans and those of middle- and
20 lower-income Americans is alarming.

21 (6) There is an urgent need to address that
22 gap, including through measures like this legislation
23 and by raising the Federal minimum wage which to-
24 gether increase the wages of working Americans,

1 widen the path to income stability, and narrow in-
 2 come inequality.

3 **SEC. 3. MODIFICATIONS OF THE EARNED INCOME TAX**
 4 **CREDIT.**

5 (a) INCLUSION OF INDIVIDUALS WITH QUALIFYING
 6 DEPENDENTS.—

7 (1) IN GENERAL.—Section 32(c)(1)(A) of the
 8 Internal Revenue Code of 1986 is amended by strik-
 9 ing “qualifying child” each place such term appears
 10 and inserting “qualifying dependent”.

11 (2) QUALIFYING DEPENDENT DEFINED.—Sec-
 12 tion 32(c)(1) of such Code is amended by striking
 13 subparagraphs (B) and (F), and by redesignating
 14 subparagraphs (C) and (D) as subparagraphs (B)
 15 and (C), respectively, by redesignating subparagraph
 16 (E) as subparagraph (F), and by adding at the end
 17 the following new subparagraphs:

18 “(D) QUALIFYING DEPENDENT.—

19 “(i) The term ‘qualifying dependent’
 20 means, with respect to a taxable year—

21 “(I) a qualifying child, or

22 “(II) an aged or disabled depen-
 23 ent.

1 “(ii) IDENTIFICATION REQUIRE-
2 MENTS.—The term ‘qualifying dependent’
3 shall not include an individual unless—

4 “(I) the taxpayer includes the
5 name, age, and TIN of the individual
6 on the return of tax for the taxable
7 year, and

8 “(II) such individual has a prin-
9 cipal place of abode in the United
10 States for more than one-half of such
11 taxable year.

12 “(E) AGED OR DISABLED DEPENDENT.—
13 The term ‘aged or disabled dependent’ means a
14 dependent for whom a deduction is allowable
15 under section 151 who—

16 “(i) has attained the age of 65 before
17 the close of the taxable year, or

18 “(ii) is determined to be under a dis-
19 ability under title II or XVI of the Social
20 Security Act at any point during such tax-
21 able year.”.

22 (3) CONFORMING AMENDMENTS.—

23 (A) The tables in paragraphs (1) and (2)
24 of section 32(b) of such Code are amended by
25 striking “qualifying child” each place such term

appears and inserting “qualifying dependent” and by striking “qualifying children” each place such term appears and inserting “qualifying dependents”.

(B) Section 32(c)(3) of such Code is amended by striking subparagraphs (C) and (D).

(C) Section 32(m) of such Code is amended by striking “(c)(3)(D)” and inserting “(c)(1)(G)(ii)”.

(b) INCLUSION OF QUALIFYING STUDENTS.—

(1) IN GENERAL.—Section 32(c)(1)(A) of the Internal Revenue Code of 1986 is amended by striking “or” at the end of clause (i), by striking the period at the end of clause (ii)(III) and inserting “, or”, and by inserting after clause (ii)(III) the following new clause:

“(iii) any individual who is a qualifying student.”.

(2) QUALIFYING STUDENT DEFINED.—Section 32(c)(1) of such Code, as amended by subsection (a), is further amended by adding at the end the following new subparagraph:

“(G) QUALIFYING STUDENT.—The term ‘qualifying student’ means, with respect to

month in a taxable year, an individual who is an eligible student (as defined in section 25A(b)(3)) with respect to an institution of higher education (as defined in section 101 of the Higher Education Act of 1965) who—

“(i) is eligible for a Federal Pell Grant with respect to the academic year beginning in such taxable year, and

“(ii) is not a dependent for whom a deduction is allowable under section 151 to another taxpayer for the taxable year.”.

(c) MINIMUM CREDIT AMOUNT FOR INDIVIDUALS WITH QUALIFYING DEPENDENTS AND FOR QUALIFYING STUDENTS.—Section 32(a)(1) of the Internal Revenue Code of 1986 is amended to read as follows:

“(1) CREDIT AMOUNT.—

“(A) IN GENERAL.—In the case of an eligible individual, there shall be allowed as a credit against the tax imposed by this subtitle for the taxable year an amount equal to the credit percentage of so much of the taxpayer’s earned income for the taxable year as does not exceed the earned income amount.

“(B) MINIMUM CREDIT AMOUNT FOR INDIVIDUALS WITH DEPENDENTS AND FOR QUALI-

FYING STUDENTS.—In the case of an eligible individual described in clause (i) or (iii) of subsection (c)(1)(A), the following provisions shall be applied by inserting ‘the greater of \$1,200 or’ before ‘the credit percentage’:

“(i) CREDIT AMOUNT.—Subparagraph (A).

“(ii) PHASEOUT.—Paragraph (2)(A).”.

(d) MONTHLY PAYMENT.—Section 32 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

“(n) MONTHLY PAYMENT.—

“(1) IN GENERAL.—In the case of an individual entitled under this section to a refund that exceeds \$240, such individual may elect to have the Secretary, in lieu of such refund, make a payment equal to—

“(A) $\frac{2}{13}$ of such refund (with interest) during the earlier of the first practicable month or the second month that begins after the date the return was filed, and

“(B) $\frac{1}{13}$ of such refund (with interest) during each of the 11 months subsequent to the month determined under subparagraph (A).

1 “(2) METHOD OF PAYMENT.—A payment made
 2 under this subsection shall be made by direct deposit
 3 or by general-use prepaid card, or by such other
 4 method (other than by check) as the Secretary may
 5 prescribe and the taxpayer may elect.

6 “(3) ONE-TIME INCREASE.—The first time an
 7 individual receives a payment under this subsection,
 8 paragraph (1)(A) shall be applied by substituting
 9 ‘ $\frac{4}{13}$ ’ for ‘ $\frac{2}{13}$ ’.”.

10 (e) SPECIAL RULE FOR NEW LOW-INCOME PAR-
 11 ENTS.—Section 32 of the Internal Revenue Code of 1986,
 12 after amendment by subsection (c), is further amended by
 13 adding at the end the following new subsection:

14 “(o) SPECIAL RULE FOR NEW LOW-INCOME PAR-
 15 ENTS.—In the case of an individual who—

16 “(1) has a qualifying child, and

17 “(2) is, on the date of the birth (or adoption by
 18 such taxpayer) of such child, eligible for a payment
 19 under subsection (n)(1) to be made after the date
 20 that is one month after such date of birth or adop-
 21 tion by reason of a return,

22 the amount of the subsequent payments made under sub-
 23 section (n)(1) by reason of such return shall be determined
 24 as if such qualifying child were a qualifying child of the
 25 taxpayer with respect to the taxable year for which such

1 return was filed. For purposes of determining if a child
 2 is a qualifying child for purposes of this subsection, sub-
 3 section (m) shall be applied by inserting ‘or, in the case
 4 of an adoption, such other identifying information as spec-
 5 ified by the Secretary’ before the period at the end.”.

6 (f) DECREASE IN MINIMUM AGE FOR INDIVIDUALS
 7 WITHOUT DEPENDENTS.—Section 32(c)(1)(A)(ii)(II) of
 8 the Internal Revenue Code of 1986 is amended by striking
 9 “age 25” and inserting “age 18”.

10 (g) RETURN PREPARATION PROGRAMS FOR LOW-IN-
 11 COME TAXPAYERS.—

12 (1) IN GENERAL.—Chapter 77 of the Internal
 13 Revenue Code of 1986 is amended by inserting after
 14 section 7526 the following new section:

15 **“SEC. 7526A. RETURN PREPARATION PROGRAMS FOR LOW-**
 16 **INCOME TAXPAYERS.**

17 “(a) ESTABLISHMENT OF VOLUNTEER INCOME TAX
 18 ASSISTANCE MATCHING GRANT PROGRAM.—The Sec-
 19 retary, through the Internal Revenue Service, shall estab-
 20 lish a Community Volunteer Income Tax Assistance
 21 Matching Grant Program under which the Secretary may,
 22 subject to the availability of appropriated funds, make
 23 grants to provide matching funds for the development, ex-
 24 pansion, or continuation of qualified return preparation

1 programs assisting low-income taxpayers and members of
2 underserved populations.

3 “(b) USE OF FUNDS.—

4 “(1) IN GENERAL.—Qualified return prepara-
5 tion programs may use grants received under this
6 section for—

7 “(A) ordinary and necessary costs associ-
8 ated with program operation in accordance with
9 cost principles under the applicable Office of
10 Management and Budget circular, including—

11 “(i) wages or salaries of persons co-
12 ordinating the activities of the program,

13 “(ii) developing training materials,
14 conducting training, and performing qual-
15 ity reviews of the returns prepared under
16 the program,

17 “(iii) equipment purchases, and

18 “(iv) vehicle-related expenses associ-
19 ated with remote or rural tax preparation
20 services,

21 “(B) outreach and educational activities
22 described in subsection (c)(2)(B), and

23 “(C) services related to financial education
24 and capability, asset development, and the es-

1 tablishment of savings accounts in connection
2 with tax return preparation.

3 “(2) USE OF GRANTS FOR OVERHEAD EX-
4 PENSES PROHIBITED.—No grant received under this
5 section may be used for overhead expenses that are
6 not directly related to a qualified return preparation
7 program.

8 “(c) APPLICATION.—

9 “(1) IN GENERAL.—Each applicant for a grant
10 under this section shall submit an application to the
11 Secretary at such time, in such manner, and con-
12 taining such information as the Secretary may rea-
13 sonably require.

14 “(2) PRIORITY.—In awarding grants under this
15 section, the Secretary shall give priority to applica-
16 tions which demonstrate—

17 “(A) assistance to low-income taxpayers,
18 with emphasis on outreach to, and services for,
19 such taxpayers,

20 “(B) taxpayer outreach and educational
21 activities relating to eligibility and availability
22 of income supports available through the Inter-
23 nal Revenue Code of 1986, including the earned
24 income tax credit, and

1 “(C) specific outreach and focus on one or
2 more underserved populations.

3 “(3) AMOUNTS TAKEN INTO ACCOUNT.—In de-
4 termining matching grants under this section, the
5 Secretary shall only take into account amounts pro-
6 vided by the qualified return preparation program
7 for expenses described in subsection (b).

8 “(d) ACCURACY REVIEWS.—

9 “(1) IN GENERAL.—The Secretary shall estab-
10 lish procedures for, and shall conduct, periodic site
11 visits of qualified return preparation programs oper-
12 ating under a grant under this section—

13 “(A) to ensure such programs are carrying
14 out the purposes of this section, and

15 “(B) to determine the return preparation
16 accuracy rate of the program.

17 “(2) ADDITIONAL REQUIREMENTS FOR GRANT
18 RECIPIENTS NOT MEETING MINIMUM STANDARDS.—
19 In the case of any qualified return preparation pro-
20 gram which—

21 “(A) is awarded a grant under this section,
22 and

23 “(B) is subsequently determined—

1 “(i) to have a less than 90 percent av-
2 erage accuracy rate for preparation of tax
3 returns, or

4 “(ii) not to be otherwise carrying out
5 the purposes of this section,
6 such program shall not be eligible for any addi-
7 tional grants under this section unless such pro-
8 gram provides sufficient documentation of cor-
9 rective measures established to address any
10 such deficiencies determined.

11 “(e) DEFINITIONS.—For purposes of this section—

12 “(1) QUALIFIED RETURN PREPARATION PRO-
13 GRAM.—The term ‘qualified return preparation pro-
14 gram’ means any program—

15 “(A) which provides assistance to individ-
16 uals, not less than 90 percent of whom are low-
17 income taxpayers, in preparing and filing Fed-
18 eral income tax returns,

19 “(B) which is administered by a qualified
20 entity,

21 “(C) in which all volunteers who assist in
22 the preparation of Federal income tax returns
23 meet the training requirements prescribed by
24 the Secretary, and

1 “(D) which uses a quality review process
2 which reviews 100 percent of all returns.

3 “(2) QUALIFIED ENTITY.—

4 “(A) IN GENERAL.—The term ‘qualified
5 entity’ means any entity which—

6 “(i) is an eligible organization,

7 “(ii) is in compliance with Federal tax
8 filing and payment requirements,

9 “(iii) is not debarred or suspended
10 from Federal contracts, grants, or coopera-
11 tive agreements, and

12 “(iv) agrees to provide documentation
13 to substantiate any matching funds pro-
14 vided pursuant to the grant program under
15 this section.

16 “(B) ELIGIBLE ORGANIZATION.—The term
17 ‘eligible organization’ means—

18 “(i) an institution of higher education
19 which is described in section 102 (other
20 than subsection (a)(1)(C) thereof) of the
21 Higher Education Act of 1965 (20 U.S.C.
22 1002), as in effect on the date of the en-
23 actment of this section, and which has not
24 been disqualified from participating in a
25 program under title IV of such Act,

1 “(ii) an organization described in sec-
2 tion 501(c) and exempt from tax under
3 section 501(a),

4 “(iii) a local government agency, in-
5 cluding—

6 “(I) a county or municipal gov-
7 ernment agency, and

8 “(II) an Indian tribe, as defined
9 in section 4(13) of the Native Amer-
10 ican Housing Assistance and Self-De-
11 termination Act of 1996 (25 U.S.C.
12 4103(13)), including any tribally des-
13 ignated housing entity (as defined in
14 section 4(22) of such Act (25 U.S.C.
15 4103(22))), tribal subsidiary, subdivi-
16 sion, or other wholly owned tribal en-
17 tity,

18 “(iv) a local, State, regional, or na-
19 tional coalition (with one lead organization
20 which meets the eligibility requirements of
21 clause (i), (ii), or (iii) acting as the appli-
22 cant organization), or

23 “(v) in the case of a targeted popu-
24 lation or community with respect to which

1 no organizations described in the preceding
2 clauses are available—

3 “(I) a State government agency,
4 or

5 “(II) an office providing Cooper-
6 ative Extension services (as estab-
7 lished at the land-grant colleges and
8 universities under the Smith-Lever
9 Act of May 8, 1914).

10 “(3) LOW-INCOME TAXPAYERS.—The term ‘low-
11 income taxpayer’ means a taxpayer whose income
12 for the taxable year does not exceed an amount
13 equal to the completed phaseout amount under sec-
14 tion 32(b) for a married couple filing a joint return
15 with 3 or more qualifying children, as determined in
16 a revenue procedure or other published guidance.

17 “(4) UNDERSERVED POPULATION.—The term
18 ‘underserved population’ includes populations of per-
19 sons with disabilities, persons with limited English
20 proficiency, Native Americans, individuals living in
21 rural areas, members of the Armed Forces and their
22 spouses, and the elderly.

23 “(f) SPECIAL RULES AND LIMITATIONS.—

24 “(1) DURATION OF GRANTS.—Upon application
25 of a qualified return preparation program, the Sec-

1 retary is authorized to award a multi-year grant not
2 to exceed 3 years.

3 “(2) AGGREGATE LIMITATION.—Unless other-
4 wise provided by specific appropriation, the Sec-
5 retary shall not allocate more than \$30,000,000 per
6 fiscal year (exclusive of costs of administering the
7 program) to grants under this section.

8 “(g) PROMOTION AND REFERRAL.—

9 “(1) PROMOTION.—The Secretary shall pro-
10 mote tax preparation through qualified return prepa-
11 ration programs through the use of mass commu-
12 nications, referrals, and other means.

13 “(2) INTERNAL REVENUE SERVICE REFER-
14 RALS.—The Secretary may refer taxpayers to quali-
15 fied return preparation programs receiving grants
16 under this section.

17 “(3) VITA GRANTEE REFERRAL.—Qualified re-
18 turn preparation programs receiving a grant under
19 this section are encouraged to refer, as appropriate,
20 to local or regional Low-Income Taxpayer Clinics in-
21 dividuals who are eligible for such clinics.”.

22 “(2) CLERICAL AMENDMENT.—The table of sec-
23 tions for chapter 77 is amended by inserting after
24 the item relating to section 7526 the following new
25 item:

“7526A. Return preparation programs for low-income taxpayers.”.

1 (h) EFFECTIVE DATE.—The amendments made by
2 this section shall apply with respect to taxable years begin-
3 ning after December 31, 2018.

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