115TH CONGRESS  
2D Session  

H. R. ____

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

Mrs. WATSON COLEMAN introduced the following bill; which was referred to the Committee on ____________________________

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.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “EITC Modernization Act of 2018”.

SEC. 2. FINDINGS.

Congress finds the following:
(1) The Federal earned income tax credit is a refundable tax credit for lower- and middle-income working individuals and families whose earnings are below an income threshold.

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

(3) The credit has a positive impact on the education and health of children living in poverty.

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

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

(6) There is an urgent need to address that gap, including through measures like this legislation and by raising the Federal minimum wage which together increase the wages of working Americans,
widen the path to income stability, and narrow income inequality.

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

(a) Inclusion of Individuals With Qualifying Dependents.—

(1) In general.—Section 32(c)(1)(A) of the Internal Revenue Code of 1986 is amended by striking “qualifying child” each place such term appears and inserting “qualifying dependent”.

(2) Qualifying dependent defined.—Section 32(c)(1) of such Code is amended by striking subparagraphs (B) and (F), and by redesignating subparagraphs (C) and (D) as subparagraphs (B) and (C), respectively, by redesignating subparagraph (E) as subparagraph (F), and by adding at the end the following new subparagraphs:

“(D) Qualifying dependent.—

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

“(I) a qualifying child, or

“(II) an aged or disabled dependent.
(ii) Identification Requirements.—The term ‘qualifying dependent’ shall not include an individual unless—

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

“(II) such individual has a principal place of abode in the United States for more than one-half of such taxable year.

(E) Aged or Disabled Dependent.—The term ‘aged or disabled dependent’ means a dependent for whom a deduction is allowable under section 151 who—

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

“(ii) is determined to be under a disability under title II or XVI of the Social Security Act at any point during such taxable year.”.

(3) Conforming Amendments.—

(A) The tables in paragraphs (1) and (2) of section 32(b) of such Code are amended by 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 de-
pendents”.

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

(C) Section 32(m) of such Code is amend-
ed 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 strik-
ing “or” at the end of clause (i), by striking the pe-
riod at the end of clause (ii)(III) and inserting “,
or”, and by inserting after clause (ii)(III) the fol-
lowing new clause:

“(iii) any individual who is a quali-
ifying 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 fol-
lowing 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 eligi-
ble 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 per-
centage of so much of the taxpayer’s earned in-
come for the taxable year as does not exceed
the earned income amount.

“(B) Minimum credit amount for indi-
viduals 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) 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) 1/13 of such refund (with interest) during each of the 11 months subsequent to the month determined under subparagraph (A).
“(2) Method of Payment.—A payment made under this subsection shall be made by direct deposit or by general-use prepaid card, or by such other method (other than by check) as the Secretary may prescribe and the taxpayer may elect.

“(3) One-Time Increase.—The first time an individual receives a payment under this subsection, paragraph (1)(A) shall be applied by substituting ‘4/13’ for ‘2/13’.”.

(e) Special Rule for New Low-Income Parents.—Section 32 of the Internal Revenue Code of 1986, after amendment by subsection (c), is further amended by adding at the end the following new subsection:

“(o) Special Rule for New Low-Income Parents.—In the case of an individual who—

“(1) has a qualifying child, and

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

the amount of the subsequent payments made under subsection (n)(1) by reason of such return shall be determined as if such qualifying child were a qualifying child of the taxpayer with respect to the taxable year for which such
return was filed. For purposes of determining if a child is a qualifying child for purposes of this subsection, subsection (m) shall be applied by inserting ‘or, in the case of an adoption, such other identifying information as specified by the Secretary’ before the period at the end.”.

(f) Decrease in Minimum Age for Individuals Without Dependents.—Section 32(c)(1)(A)(ii)(II) of the Internal Revenue Code of 1986 is amended by striking “age 25” and inserting “age 18”.

(g) Return Preparation Programs for Low-Income Taxpayers.—

(1) In General.—Chapter 77 of the Internal Revenue Code of 1986 is amended by inserting after section 7526 the following new section:

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

“(a) Establishment of Volunteer Income Tax Assistance Matching Grant Program.—The Secretary, through the Internal Revenue Service, shall establish a Community Volunteer Income Tax Assistance Matching Grant Program under which the Secretary may, subject to the availability of appropriated funds, make grants to provide matching funds for the development, expansion, or continuation of qualified return preparation
programs assisting low-income taxpayers and members of underserved populations.

“(b) USE OF FUNDS.—

“(1) IN GENERAL.—Qualified return preparation programs may use grants received under this section for—

“(A) ordinary and necessary costs associated with program operation in accordance with cost principles under the applicable Office of Management and Budget circular, including—

“(i) wages or salaries of persons coordinating the activities of the program,

“(ii) developing training materials, conducting training, and performing quality reviews of the returns prepared under the program,

“(iii) equipment purchases, and

“(iv) vehicle-related expenses associated with remote or rural tax preparation services,

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

“(C) services related to financial education and capability, asset development, and the es-
establishment of savings accounts in connection
with tax return preparation.

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

“(c) APPLICATION.—

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

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

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

“(B) taxpayer outreach and educational
activities relating to eligibility and availability
of income supports available through the Intern-
ral Revenue Code of 1986, including the earned
income tax credit, and
“(C) specific outreach and focus on one or more underserved populations.

“(3) AMOUNTS TAKEN INTO ACCOUNT.—In determining matching grants under this section, the Secretary shall only take into account amounts provided by the qualified return preparation program for expenses described in subsection (b).

“(d) ACCURACY REVIEWS.—

“(1) IN GENERAL.—The Secretary shall establish procedures for, and shall conduct, periodic site visits of qualified return preparation programs operating under a grant under this section—

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

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

“(2) ADDITIONAL REQUIREMENTS FOR GRANT RECIPIENTS NOT MEETING MINIMUM STANDARDS.—In the case of any qualified return preparation program which—

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

“(B) is subsequently determined—
“(i) to have a less than 90 percent average accuracy rate for preparation of tax returns, or

“(ii) not to be otherwise carrying out the purposes of this section,

such program shall not be eligible for any additional grants under this section unless such program provides sufficient documentation of corrective measures established to address any such deficiencies determined.

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

“(1) QUALIFIED RETURN PREPARATION PROGRAM.—The term ‘qualified return preparation program’ means any program—

“(A) which provides assistance to individuals, not less than 90 percent of whom are low-income taxpayers, in preparing and filing Federal income tax returns,

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

“(C) in which all volunteers who assist in the preparation of Federal income tax returns meet the training requirements prescribed by the Secretary, and
“(D) which uses a quality review process which reviews 100 percent of all returns.

“(2) QUALIFIED ENTITY.—

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

“(i) is an eligible organization,

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

“(iii) is not debarred or suspended from Federal contracts, grants, or cooperative agreements, and

“(iv) agrees to provide documentation to substantiate any matching funds provided pursuant to the grant program under this section.

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

“(i) an institution of higher education which is described in section 102 (other than subsection (a)(1)(C) thereof) of the Higher Education Act of 1965 (20 U.S.C. 1002), as in effect on the date of the enactment of this section, and which has not been disqualified from participating in a program under title IV of such Act,
“(ii) an organization described in section 501(e) and exempt from tax under section 501(a),

“(iii) a local government agency, including—

“(I) a county or municipal government agency, and

“(II) an Indian tribe, as defined in section 4(13) of the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4103(13)), including any tribally designated housing entity (as defined in section 4(22) of such Act (25 U.S.C. 4103(22))), tribal subsidiary, subdivision, or other wholly owned tribal entity,

“(iv) a local, State, regional, or national coalition (with one lead organization which meets the eligibility requirements of clause (i), (ii), or (iii) acting as the applicant organization), or

“(v) in the case of a targeted population or community with respect to which
no organizations described in the preceding
clauses are available—

“(I) a State government agency,
or

“(II) an office providing Cooperative Extension services (as established at the land-grant colleges and universities under the Smith-Lever Act of May 8, 1914).

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

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

“(f) SPECIAL RULES AND LIMITATIONS.—

“(1) DURATION OF GRANTS.—Upon application of a qualified return preparation program, the Sec-
retary is authorized to award a multi-year grant not to exceed 3 years.

“(2) AGGREGATE LIMITATION.—Unless otherwise provided by specific appropriation, the Secretary shall not allocate more than $30,000,000 per fiscal year (exclusive of costs of administering the program) to grants under this section.

“(g) PROMOTION AND REFERRAL.—

“(1) PROMOTION.—The Secretary shall promote tax preparation through qualified return preparation programs through the use of mass communications, referrals, and other means.

“(2) INTERNAL REVENUE SERVICE REFERRALS.—The Secretary may refer taxpayers to qualified return preparation programs receiving grants under this section.

“(3) VITA GRANTEE REFERRAL.—Qualified return preparation programs receiving a grant under this section are encouraged to refer, as appropriate, to local or regional Low Income Taxpayer Clinics individuals who are eligible for such clinics.”.

(2) CLERICAL AMENDMENT.—The table of sections for chapter 77 is amended by inserting after the item relating to section 7526 the following new item:

“7526A. Return preparation programs for low-income taxpayers.”.
(h) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to taxable years beginning after December 31, 2018.