To amend the Internal Revenue Code of 1986 to establish a refundable tax credit to increase the take-home pay of American workers and enhance their financial stability, and for other purposes.

SECTION 1. SHORT TITLE.

This Act may be cited as the “LIFT (Livable Incomes for Families Today) the Middle Class Act”.

SECTION 2. ESTABLISHMENT OF MIDDLE CLASS TAX CREDIT.

(a) IN GENERAL.—Subpart C of part IV of subchapter A of chapter 1 of the Internal Revenue Code of
1986 is amended by inserting after section 36 the following new section:

"SEC. 36A. MIDDLE CLASS TAX CREDIT.

"(a) ALLOWANCE OF CREDIT.—

"(1) IN GENERAL.—In the case of an eligible individual, for any taxable year beginning after December 31, 2018, there shall be allowed as a credit against the tax imposed by this subtitle for the taxable year an amount equal to so much of the taxpayer’s earned income for the preceding taxable year as does not exceed $3,000.

"(2) PHASEOUT OF CREDIT.—The amount of the credit allowable to the taxpayer under paragraph (1) for the taxable year shall be reduced (but not below zero) by an amount which bears the same ratio to the amount of the credit determined under such paragraph as—

"(A) the amount (not less than zero) equal to the adjusted gross income (or, if greater, the earned income) of the taxpayer for the preceding taxable year minus $30,000, bears to

"(B) $20,000.

"(3) JOINT RETURNS.—

"(A) IN GENERAL.—For purposes of determining the amount of the credit allowed under
this section for any taxable year, if a joint return was filed for the preceding taxable year by an eligible individual and such individual’s spouse, each of the dollar amounts under paragraphs (1) and (2) shall be doubled.

“(B) MARRIED INDIVIDUALS.—For purposes of determining the amount of the credit allowed under this section for any taxable year, if an individual was married during the preceding taxable year (within the meaning of section 7703), this section shall apply only if a joint return was filed for the preceding taxable year under section 6013.

“(4) HEAD OF HOUSEHOLD.—For purposes of determining the amount of the credit allowed under this section for any taxable year, if a taxpayer filed a return as a head of household for the preceding taxable year, the reduction of the credit allowable to the taxpayer under paragraph (1) shall be determined under paragraph (2) by substituting ‘$60,000’ for ‘$30,000’ in subparagraph (A) thereof.

“(5) INFLATION ADJUSTMENTS.—

“(A) IN GENERAL.—In the case of any taxable year after 2019, each of the dollar
amounts under paragraphs (1), (2), and (4) shall be increased by an amount equal to—

“(i) such dollar amount, multiplied by

“(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2018’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

“(B) Rounding.—If any increase determined under subparagraph (A) is not a multiple of $50, such increase shall be rounded to the nearest multiple of $50.

“(b) Definitions.—For purposes of determining the credit allowed under this section for any taxable year—

“(1) Eligible Individual.—

“(A) In General.—The term ‘eligible individual’ means an individual—

“(i) who attained 18 years of age before the close of the preceding taxable year,

“(ii) whose principal place of abode was in the United States for more than one-half of the preceding taxable year,
“(iii) who was not a dependent for whom a deduction is allowable under section 151 to another taxpayer for any taxable year beginning in the same calendar year as the preceding taxable year, and

“(iv) who did not claim the benefits of section 911 for the preceding taxable year.

“(B) LIMITATION ON ELIGIBILITY OF NON-RESIDENT ALIENS.—The term ‘eligible individual’ shall not include any individual who is a nonresident alien individual for any portion of the preceding taxable year, unless such individual is treated for such taxable year as a resident of the United States for purposes of this chapter by reason of an election under subsection (g) or (h) of section 6013.

“(C) IDENTIFICATION NUMBER REQUIREMENT.—No credit shall be allowed under this section to an eligible individual who does not include on the return of tax for the taxable year—

“(i) such individual’s taxpayer identification number, and

“(ii) if the individual was married during the preceding taxable year (within
the meaning of section 7703), the taxpayer identification number of such individual’s spouse.

“(D) TREATMENT OF MILITARY PERSONNEL STATIONED OUTSIDE OF THE UNITED STATES.—For purposes of subparagraph (A)(ii), the principal place of abode of a member of the Armed Forces of the United States shall be treated as in the United States during any period during which such member is stationed outside the United States while serving on extended active duty with the Armed Forces of the United States. For purposes of the preceding sentence, the term ‘extended active duty’ means any period of active duty pursuant to a call or order to such duty for a period in excess of 90 days or for an indefinite period.

“(2) EARNED INCOME.—The term ‘earned income’ has the same meaning given such term under section 32(c)(2), except that such term shall include any amounts received by the taxpayer as a Federal Pell Grant under section 401 of the Higher Education Act of 1965.

“(c) TAXABLE YEAR MUST BE FULL TAXABLE YEAR.—Except in the case of a taxable year closed by rea-
son of the death of the taxpayer, no credit shall be allowable under this section in the case of a taxable year covering a period of less than 12 months.

“(d) Restrictions on Taxpayer Who Improperly Claimed Credit in Prior Year.—Rules similar to subsection (k) of section 32 shall apply for purposes of this section.

“(e) Amount of Credit To Be Determined Under Tables.—

“(1) In general.—The amount of the credit allowed by this section shall be determined under tables prescribed by the Secretary.

“(2) Requirements for tables.—The tables prescribed under paragraph (1) shall reflect the provisions of subsection (a) and shall have income brackets of not greater than $50 each—

“(A) for earned income between $0 and the amount of earned income at which the credit is phased out under subsection (a)(2), and

“(B) for adjusted gross income between the dollar amount at which the phaseout begins under subsection (a)(2) and the amount of adjusted gross income at which the credit is phased out under such subsection.
“(f) Reconciliation of Credit and Advance Payments.—The amount of the credit allowed under this section for any taxable year shall be reduced (but not below zero) by the aggregate amount of any advance payments of such credit under section 7527A for such taxable year.”.

(b) Advance Payment of Middle Class Tax Credit.—

(1) In general.—Chapter 77 of the Internal Revenue Code of 1986 is amended by inserting after section 7527 the following new section:

“SEC. 7527A. ADVANCE PAYMENT OF MIDDLE CLASS TAX CREDIT.

“(a) In General.—Not later than 6 months after the date of the enactment of the LIFT (Livable Incomes for Families Today) the Middle Class Act, the Secretary shall establish a program for making advance payments of the credit allowed under section 36A on a monthly basis (determined without regard to subsection (f) of such section) to any taxpayer who—

“(1) the Secretary has determined will be allowed such credit for the taxable year, and

“(2) has made an election under subsection (e).

“(b) Amount of Advance Payment.—
“(1) **IN GENERAL.**—For purposes of subsection (a), the amount of the monthly advance payment of the credit provided to a taxpayer during the applicable period shall be equal to the lesser of—

“(A) an amount equal to—

“(i) the amount of the credit which the Secretary has determined will be allowed to such taxpayer under section 36A for the taxable year ending in such applicable period, divided by

“(ii) 12, or

“(B) such other amount as is elected by the taxpayer.

“(2) **APPLICABLE PERIOD.**—For purposes of this section, the term ‘applicable period’ means the 12-month period from the month of July of the taxable year through the month of June of the subsequent taxable year.

“(c) **ELECTION OF ADVANCE PAYMENT.**—A taxpayer may elect to receive an advance payment of the credit allowed under section 36A for any taxable year by including such election on a timely filed return for the preceding taxable year.

“(d) **INTERNAL REVENUE SERVICE NOTIFICATION.**—The Internal Revenue Service shall take such
steps as may be appropriate to ensure that taxpayers who
are eligible to receive the credit under section 36A are
aware of the availability of the advance payment of such
credit under this section.

“(e) AUTHORITY.—The Secretary may prescribe such
regulations or other guidance as may be appropriate or
necessary for the purposes of carrying out this section.”.

(c) INCOME DISREGARD.—Any credit or refund al-
lowed or made to any individual by reason of section 36A
of the Internal Revenue Code of 1986 (as added by this
section) shall not be taken into account as income and
shall not be taken into account as resources for purposes
of determining the eligibility of such individual or any
other individual for benefits or assistance, or the amount
or extent of benefits or assistance, under any Federal pro-
gram or under any State or local program financed in
whole or in part with Federal funds.

(d) CONFORMING AMENDMENTS.—

(1) Section 6211(b)(4)(A) of the Internal Rev-

enue Code of 1986 is amended by inserting “36A,”

after “36,”.

(2) Section 6213(g)(2) of such Code is amend-
ed—

(A) in subparagraph (F), by inserting “or

section 36A” after “credit”);
(B) in subparagraph (G), by inserting “or 36A” after “section 32”;

(C) by striking subparagraph (K) and inserting the following:

“(K) an omission of information required by section 32(k)(2) or 36(e) or an entry on the return claiming—

“(i) the credit under section 32 for a taxable year for which the credit is disallowed under subsection (k)(1) thereof, or

“(ii) the credit under section 36A for a taxable year for which the credit is disallowed under subsection (d) thereof,”; and

(D) in subparagraph (L), by striking “or 32” and inserting “32, or 36A”.

(3) The table of sections for subpart C of part IV of subchapter A of chapter 1 of such Code is amended by inserting after the item relating to section 36 the following new item:

“Sec. 36A. Middle class tax credit.”.

(4) The table of sections for chapter 77 of such Code is amended by inserting after the item relating to section 7527 the following:

“Sec. 7527A. Advance payment of middle class tax credit.”.
(c) Effective Date.—The amendments made by this section shall apply to earned income received after December 31, 2017.

SEC. 3. RETURN PREPARATION PROGRAMS FOR LOW-INCOME TAXPAYERS.

(a) 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) Volunteer Income Tax Assistance Matching Grant Program.—

“(1) Establishment of program.—The Secretary, through the Internal Revenue Service, shall establish a Community Volunteer Income Tax Assistance Matching Grant Program (hereinafter in this section referred to as the ‘VITA grant program’). Except as otherwise provided in this section, the VITA grant program shall be administered in a manner which is substantially similar to the Community Volunteer Income Tax Assistance matching grants demonstration program established under title I of division D of the Consolidated Appropriations Act, 2008.

“(2) Matching grants.—
“(A) IN GENERAL.—The Secretary may, subject to the availability of appropriated funds, make available grants under the VITA grant program 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) APPLICATION.—

“(i) IN GENERAL.—Subject to clause (ii), in order to be eligible for a grant under this section, a qualified return preparation program shall submit an application to the Secretary at such time, in such manner, and containing such information as the Secretary may reasonably require.

“(ii) ACCURACY REVIEW.—In the case of any qualified return preparation program which was awarded a grant under this section and was subsequently subject to a field site visit by the Internal Revenue Service (including through the Stakeholder Partnerships, Education, and Communication office) in which it was determined that the average accuracy rate for preparation
of tax returns through such program was less than 90 percent, such program shall not be eligible for any additional grants under this section unless such program provides, as part of their application, sufficient documentation regarding the corrective measures established by such program to address the deficiencies identified following the field site visit.

“(C) PRIORITY.—In awarding grants under this section, the Secretary shall give priority to applications—

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

“(ii) demonstrating taxpayer outreach and educational activities relating to eligibility and availability of income supports available through the Internal Revenue Code of 1986, such as the earned income tax credit, and

“(iii) demonstrating specific outreach and focus on one or more underserved populations.
“(D) **Duration of Grants.**—Upon application of a qualified return preparation program, the Secretary is authorized to award a multi-year grant not to exceed 3 years.

“(3) **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 carry out the purposes of this section.

“(b) **Use of Funds.**—

“(1) **In General.**—Qualified return preparation programs receiving a grant under this section may use the grant for—

“(A) ordinary and necessary costs associated with program operation in accordance with Cost Principles Circulars as set forth by the Office of Management and Budget, including—

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

“(ii) to develop training materials, conduct training, and perform quality reviews of the returns for which assistance has been provided under the program, and
“(iii) for equipment purchases and vehicle-related expenses associated with remote or rural tax preparation services,

“(B) outreach and educational activities described in subsection (a)(2)(C)(ii), and

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

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

“(c) PROMOTION AND REFERRAL.—

“(1) PROMOTION.—The Secretary shall promote the benefits of, and encourage the use of, 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 funding 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 to receive services at such clinics.

“(d) 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 of the 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 (as described in subparagraph (B)),

“(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 under the VITA grant program.

“(B) ELIGIBLE ORGANIZATION.—

“(i) IN GENERAL.—Subject to clause (ii), 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. 1088), 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) of the Internal Rev-
income Code of 1986 and exempt from
tax under section 501(a) of such
Code,

“(III) a local government agency,
including—

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

“(bb) an Indian tribe, as de-
defined in section 4(13) of the Na-
tive American Housing Assist-
ance and Self-Determination Act
of 1996 (25 U.S.C. 4103(13)),
including any tribally designated
housing entity (as defined in sec-
tion 4(22) of such Act (25
U.S.C. 4103(22))), tribal sub-
sidiary, subdivision, or other
wholly owned tribal entity, or

“(IV) a local, State, regional, or
national coalition (with one lead orga-
nization which meets the eligibility re-
quirements of subclause (I), (II), or
(III) acting as the applicant organiza-
tion).
“(ii) ALTERNATIVE ELIGIBLE ORGANIZATION.—If no eligible organization described in clause (i) is available to assist the targeted population or community, the term ‘eligible organization’ shall include—

“(I) a State government agency, and

“(II) a Cooperative Extension Service office.

“(3) LOW-INCOME TAXPAYERS.—The term ‘low-income taxpayer’ means a taxpayer who has income for the taxable year which does not exceed an amount equal to the completed phaseout amount under section 32(b) for a married couple filing a joint return with three 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.”.

(b) CLERICAL AMENDMENT.—The table of sections for chapter 77 of the Internal Revenue Code of 1986 is
amended by inserting after the item relating to section 7526 the following new item:

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

SEC. 4. SENSE OF THE SENATE.

It is the sense of the Senate that the costs of carrying out this Act and the amendments made by this Act should be fully offset through—

(1) the repeal of Public Law 115–97, with the exception of any provisions or amendments under such Public Law that provide relief to taxpayers with less than $100,000 in annual income; and

(2) a fee, in such amount as is determined appropriate by the Secretary of the Treasury for purposes of offsetting the costs of carrying out this Act and the amendments made by this Act, to be assessed on any financial institution that has total consolidated assets of more than $50,000,000,000.