

117TH CONGRESS
1ST SESSION

H. R. 174

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

JANUARY 4, 2021

Mrs. WATSON COLEMAN (for herself and Ms. MOORE of Wisconsin) 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”.

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 “(ii) an aged dependent, or

2 “(iii) a qualifying individual described
3 in subparagraph (B) or (C) of section
4 21(b)(1).

5 “(B) IDENTIFICATION REQUIREMENTS.—
6 No credit shall be allowed under this section
7 with respect to a qualifying dependent unless
8 the taxpayer includes the name, age, and TIN
9 of the individual on the return of tax for the
10 taxable year.

11 “(C) PLACE OF ABODE.—The term ‘quali-
12 fying dependent’ shall not include an individual
13 unless such individual has a principal place of
14 abode in the United States for more than one-
15 half of such taxable year.

16 “(4) AGED DEPENDENT.—The term ‘aged de-
17 pendent’ means a dependent for whom a deduction
18 is allowable under section 151 who has attained the
19 age of 65 before the close of the taxable year.”.

20 (3) CONFORMING AMENDMENTS.—

21 (A) The tables in paragraphs (1) and (2)
22 of section 32(b) of such Code are each amend-
23 ed—

1 (i) by striking “qualifying child” each
2 place it appears and inserting “qualifying
3 dependent”, and

4 (ii) by striking “qualifying children”
5 each place it appears and inserting “quali-
6 fying dependents”.

7 (B) Section 32(c)(5) of such Code, as re-
8 designated by this Act, is amended by striking
9 subparagraphs (C) and (D).

10 (C) Section 32(m) of such Code is amend-
11 ed by striking “(c)(3)(D)” and inserting
12 “(c)(3)(B)”.

13 (b) INCLUSION OF QUALIFYING STUDENTS.—

14 (1) IN GENERAL.—Section 32(c)(1)(A) of such
15 Code is amended by striking “or” at the end of
16 clause (i), by striking the period at the end of clause
17 (ii)(III) and inserting “, or”, and by inserting after
18 clause (ii)(III) the following new clause:

19 “(iii) any individual who is a quali-
20 fying student.”.

21 (2) QUALIFYING STUDENT DEFINED.—Section
22 32(c)(1) of such Code, as amended by subsection
23 (a), is further amended by adding at the end the fol-
24 lowing new subparagraph:

1 “(E) QUALIFYING STUDENT.—The term
2 ‘qualifying student’ means, with respect to a
3 taxable year, an individual who is an eligible
4 student (as defined in section 25A(b)(3)) with
5 respect to an institution of higher education (as
6 defined in section 101 of the Higher Education
7 Act of 1965) who—

8 “(i) is not a dependent for whom a
9 deduction is allowable under section 151 to
10 another taxpayer for any taxable year be-
11 ginning in the same calendar year as such
12 taxable year, and

13 “(ii) either—

14 “(I) is qualified for a Federal
15 Pell Grant with respect to the aca-
16 demic year beginning in such taxable
17 year, or

18 “(II) has modified adjusted gross
19 income of less than 250 percent of the
20 poverty line for the size of the family
21 involved for the taxable year.

22 “(F) DEFINITIONS.—For purposes of this
23 subparagraph:

24 “(i) MODIFIED ADJUSTED GROSS IN-
25 COME.—The term ‘modified adjusted gross

1 income' means the adjusted gross income
2 of the taxpayer for the taxable year in-
3 creased by any amount excluded from
4 gross income under section 911, 931, or
5 933.

6 “(ii) POVERTY LINE.—

7 “(I) IN GENERAL.—The term
8 ‘poverty line’ has the meaning given
9 such term in section 673(2) of the
10 Community Services Block Grant Act
11 (42 U.S.C. 9902(2)), including any
12 revision required by such section.

13 “(II) FAMILY SIZE.—For pur-
14 poses of determining the poverty line
15 applicable to the taxpayer, the family
16 size with respect to any taxpayer shall
17 be equal to the number of individuals
18 for whom the taxpayer is allowed a
19 deduction under section 151 (relating
20 to allowance of deduction for personal
21 exemptions) for the taxable year.”.

22 (3) CONFORMING AMENDMENT.—Section
23 32(c)(1)(A)(ii) of such Code is amended by inserting
24 “(other than a qualifying student)” after “any other
25 individual”.

1 (c) MINIMUM CREDIT FOR STUDENTS AND FOR INDI-
2 VIDUALS WITH CERTAIN QUALIFYING DEPENDENTS.—
3 Section 32(a) of such Code is amended by adding at the
4 end the following new paragraph:

5 “(3) MINIMUM CREDIT FOR STUDENTS AND
6 FOR INDIVIDUALS WITH CERTAIN QUALIFYING DE-
7 PENDENTS.—

8 “(A) IN GENERAL.—In the case of a quali-
9 fying student, or an eligible individual who has
10 a specified dependent for the taxable year, the
11 amount determined under paragraph (1) (be-
12 fore the application of paragraph (2)) and the
13 amount determined under paragraph (2)(A)
14 shall not be less than \$1,200.

15 “(B) SPECIFIED DEPENDENT.—For pur-
16 poses of this paragraph, the term ‘specified de-
17 pendent’ means any qualifying dependent (other
18 than a qualifying child who has attained the
19 age of 7 before the close of the taxable year).”.

20 (d) MONTHLY PAYMENT.—Section 32 of such Code,
21 as amended by this Act, is further amended by adding
22 at the end the following new subsection:

23 “(n) MONTHLY PAYMENT.—

24 “(1) IN GENERAL.—In the case of an individual
25 who is entitled to a refund relating to an overpay-

1 ment of tax imposed by this subtitle that exceeds
2 \$240 (but only to the extent such refund does not
3 exceed the credit allowed under this section) such in-
4 dividual may elect to have the Secretary, in lieu of
5 such refund, make a payment equal to—

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

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

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

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

22 (e) SPECIAL RULE FOR NEW LOW-INCOME PAR-
23 ENTS.—Section 32 of such Code, as amended by this Act,
24 is further amended by adding at the end the following new
25 subsection:

1 “(o) SPECIAL RULE FOR NEW LOW-INCOME PAR-
2 ENTS.—

3 “(1) IN GENERAL.—In the case of an individual
4 who—

5 “(A) is eligible for payments under sub-
6 section (o)(1) with respect to a refund for a
7 taxable year, and

8 “(B) has a qualifying child who is born or
9 adopted during the following taxable year and
10 not later than the penultimate month for which
11 the taxpayer is eligible for such payments,

12 the amount of any such payments made after such
13 birth or adoption shall be adjusted to the amount
14 such payments would be if such qualifying child were
15 a qualifying child of the taxpayer under this section
16 for the taxable year to which such payments relate.

17 “(2) QUALIFYING CHILD DETERMINATION.—
18 For purposes of determining if a child is a quali-
19 fying child for purposes of this subsection, sub-
20 section (m) shall be applied by inserting ‘or, in the
21 case of an adoption, such other identifying informa-
22 tion as specified by the Secretary’ before the period
23 at the end.”.

24 “(f) AGE OF ELIGIBLE INDIVIDUALS WITHOUT DE-
25 PENDENTS.—Section 32(c)(1)(A)(ii)(II) of such Code is

1 amended by striking “age 25 but not attained age 65”
2 and inserting “age 18”.

3 (g) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to taxable years beginning after
5 the date of the enactment of this Act.

6 **SEC. 4. RETURN PREPARATION PROGRAMS FOR LOW-IN-**
7 **COME TAXPAYERS.**

8 (a) IN GENERAL.—Chapter 77 of such Code is
9 amended by inserting after section 7526A the following
10 new section:

11 **“SEC. 7526B. RETURN PREPARATION PROGRAMS FOR LOW-**
12 **INCOME TAXPAYERS.**

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

23 “(b) USE OF FUNDS.—

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

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

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

10 “(ii) developing training materials,
11 conducting training, and performing qual-
12 ity reviews of the returns prepared under
13 the program,

14 “(iii) equipment purchases, and

15 “(iv) vehicle-related expenses associ-
16 ated with remote or rural tax preparation
17 services,

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

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

24 “(2) USE OF GRANTS FOR OVERHEAD EX-
25 PENSES PROHIBITED.—No grant received under this

1 section may be used for overhead expenses that are
2 not directly related to a qualified return preparation
3 program.

4 “(c) APPLICATION.—

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

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

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

16 “(B) taxpayer outreach and educational
17 activities relating to eligibility and availability
18 of income supports available through the Inter-
19 nal Revenue Code of 1986, including the earned
20 income tax credit, and

21 “(C) specific outreach and focus on one or
22 more underserved populations.

23 “(3) AMOUNTS TAKEN INTO ACCOUNT.—In de-
24 termining matching grants under this section, the
25 Secretary shall only take into account amounts pro-

1 vided by the qualified return preparation program
2 for expenses described in subsection (b).

3 “(d) ACCURACY REVIEWS.—

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

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

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

12 “(2) ADDITIONAL REQUIREMENTS FOR GRANT
13 RECIPIENTS NOT MEETING MINIMUM STANDARDS.—

14 In the case of any qualified return preparation pro-
15 gram which—

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

18 “(B) is subsequently determined—

19 “(i) to have a less than 90 percent av-
20 erage accuracy rate for preparation of tax
21 returns, or

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

24 such program shall not be eligible for any addi-
25 tional grants under this section unless such pro-

1 gram provides sufficient documentation of cor-
2 rective measures established to address any
3 such deficiencies determined.

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

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

8 “(A) which provides assistance to individ-
9 uals, not less than 90 percent of whom are low-
10 income taxpayers, in preparing and filing Fed-
11 eral income tax returns,

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

14 “(C) in which all volunteers who assist in
15 the preparation of Federal income tax returns
16 meet the training requirements prescribed by
17 the Secretary, and

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

20 “(2) QUALIFIED ENTITY.—

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

23 “(i) is an eligible organization,

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

1 “(iii) is not debarred or suspended
2 from Federal contracts, grants, or coopera-
3 tive agreements, and

4 “(iv) agrees to provide documentation
5 to substantiate any matching funds pro-
6 vided pursuant to the grant program under
7 this section.

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

10 “(i) an institution of higher education
11 which is described in section 102 (other
12 than subsection (a)(1)(C) thereof) of the
13 Higher Education Act of 1965 (20 U.S.C.
14 1002), as in effect on the date of the en-
15 actment of this section, and which has not
16 been disqualified from participating in a
17 program under title IV of such Act,

18 “(ii) an organization described in sec-
19 tion 501(c) and exempt from tax under
20 section 501(a),

21 “(iii) a local government agency, in-
22 cluding—

23 “(I) a county or municipal gov-
24 ernment agency, and

1 “(II) an Indian tribe, as defined
2 in section 4(13) of the Native Amer-
3 ican Housing Assistance and Self-De-
4 termination Act of 1996 (25 U.S.C.
5 4103(13)), including any tribally des-
6 ignated housing entity (as defined in
7 section 4(22) of such Act (25 U.S.C.
8 4103(22))), tribal subsidiary, subdivi-
9 sion, or other wholly owned tribal en-
10 tity,

11 “(iv) a local, State, regional, or na-
12 tional coalition (with one lead organization
13 which meets the eligibility requirements of
14 clause (i), (ii), or (iii) acting as the appli-
15 cant organization), or

16 “(v) in the case of a targeted popu-
17 lation or community with respect to which
18 no organizations described in the preceding
19 clauses are available—

20 “(I) a State government agency,
21 or

22 “(II) an office providing Cooper-
23 ative Extension services (as estab-
24 lished at the land-grant colleges and

1 universities under the Smith-Lever
2 Act of May 8, 1914).

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

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

16 “(f) SPECIAL RULES AND LIMITATIONS.—

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

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

1 “(g) PROMOTION AND REFERRAL.—

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

6 “(2) INTERNAL REVENUE SERVICE REFER-
7 RALS.—The Secretary may refer taxpayers to quali-
8 fied return preparation programs receiving grants
9 under this section.

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

15 (b) CLERICAL AMENDMENT.—The table of sections
16 for chapter 77 is amended by inserting after the item re-
17 lating to section 7526A the following new item:

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

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply with respect to taxable years begin-
20 ning after the date of enactment of this Act.

○