

116TH CONGRESS  
1ST SESSION

# S. 4

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.

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## IN THE SENATE OF THE UNITED STATES

JANUARY 3, 2019

Ms. HARRIS introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

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.

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 “LIFT (Livable In-  
5 comes for Families Today) the Middle Class Act”.

6 **SEC. 2. ESTABLISHMENT OF MIDDLE CLASS TAX CREDIT.**

7 (a) IN GENERAL.—Subpart C of part IV of sub-  
8 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 is amended by inserting after section 36 the fol-  
2 lowing new section:

3 **“SEC. 36A. MIDDLE CLASS TAX CREDIT.**

4 “(a) ALLOWANCE OF CREDIT.—

5 “(1) IN GENERAL.—In the case of an eligible  
6 individual, for any taxable year beginning after De-  
7 cember 31, 2018, there shall be allowed as a credit  
8 against the tax imposed by this subtitle for the tax-  
9 able year an amount equal to so much of the tax-  
10 payer’s earned income for the preceding taxable year  
11 as does not exceed \$3,000.

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

18 “(A) the amount (not less than zero) equal  
19 to the adjusted gross income (or, if greater, the  
20 earned income) of the taxpayer for the pre-  
21 ceding taxable year minus \$30,000, bears to

22 “(B) \$20,000.

23 “(3) JOINT RETURNS.—

24 “(A) IN GENERAL.—For purposes of deter-  
25 mining the amount of the credit allowed under

1 this section for any taxable year, if a joint re-  
2 turn was filed for the preceding taxable year by  
3 an eligible individual and such individual's  
4 spouse, each of the dollar amounts under para-  
5 graphs (1) and (2) shall be doubled.

6 “(B) MARRIED INDIVIDUALS.—For pur-  
7 poses of determining the amount of the credit  
8 allowed under this section for any taxable year,  
9 if an individual was married during the pre-  
10 ceeding taxable year (within the meaning of sec-  
11 tion 7703), this section shall apply only if a  
12 joint return was filed for the preceding taxable  
13 year under section 6013.

14 “(4) HEAD OF HOUSEHOLD.—For purposes of  
15 determining the amount of the credit allowed under  
16 this section for any taxable year, if a taxpayer filed  
17 a return as a head of household for the preceding  
18 taxable year, the reduction of the credit allowable to  
19 the taxpayer under paragraph (1) shall be deter-  
20 mined under paragraph (2) by substituting  
21 ‘\$60,000’ for ‘\$30,000’ in subparagraph (A) thereof.

22 “(5) INFLATION ADJUSTMENTS.—

23 “(A) IN GENERAL.—In the case of any  
24 taxable year after 2019, each of the dollar

1 amounts under paragraphs (1), (2), and (4)  
2 shall be increased by an amount equal to—

3 “(i) such dollar amount, multiplied by

4 “(ii) the cost-of-living adjustment de-  
5 termined under section 1(f)(3) for the cal-  
6 endar year in which the taxable year be-  
7 gins, determined by substituting ‘calendar  
8 year 2018’ for ‘calendar year 2016’ in sub-  
9 paragraph (A)(ii) thereof.

10 “(B) ROUNDING.—If any increase deter-  
11 mined under subparagraph (A) is not a multiple  
12 of \$50, such increase shall be rounded to the  
13 nearest multiple of \$50.

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

16 “(1) ELIGIBLE INDIVIDUAL.—

17 “(A) IN GENERAL.—The term ‘eligible in-  
18 dividual’ means an individual—

19 “(i) who attained 18 years of age be-  
20 fore the close of the preceding taxable  
21 year,

22 “(ii) whose principal place of abode  
23 was in the United States for more than  
24 one-half of the preceding taxable year,

1           “(iii) who was not a dependent for  
2           whom a deduction is allowable under sec-  
3           tion 151 to another taxpayer for any tax-  
4           able year beginning in the same calendar  
5           year as the preceding taxable year, and

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

8           “(B) LIMITATION ON ELIGIBILITY OF NON-  
9           RESIDENT ALIENS.—The term ‘eligible indi-  
10          vidual’ shall not include any individual who is  
11          a nonresident alien individual for any portion of  
12          the preceding taxable year, unless such indi-  
13          vidual is treated for such taxable year as a resi-  
14          dent of the United States for purposes of this  
15          chapter by reason of an election under sub-  
16          section (g) or (h) of section 6013.

17          “(C) IDENTIFICATION NUMBER REQUIRE-  
18          MENT.—No credit shall be allowed under this  
19          section to an eligible individual who does not in-  
20          clude on the return of tax for the taxable  
21          year—

22                 “(i) such individual’s taxpayer identi-  
23                 fication number, and

24                 “(ii) if the individual was married  
25                 during the preceding taxable year (within

1           the meaning of section 7703), the taxpayer  
2           identification number of such individual's  
3           spouse.

4           “(D) TREATMENT OF MILITARY PER-  
5           SONNEL STATIONED OUTSIDE OF THE UNITED  
6           STATES.—For purposes of subparagraph  
7           (A)(ii), the principal place of abode of a mem-  
8           ber of the Armed Forces of the United States  
9           shall be treated as in the United States during  
10          any period during which such member is sta-  
11          tioned outside the United States while serving  
12          on extended active duty with the Armed Forces  
13          of the United States. For purposes of the pre-  
14          ceding sentence, the term ‘extended active duty’  
15          means any period of active duty pursuant to a  
16          call or order to such duty for a period in excess  
17          of 90 days or for an indefinite period.

18          “(2) EARNED INCOME.—The term ‘earned in-  
19          come’ has the same meaning given such term under  
20          section 32(e)(2), except that such term shall include  
21          any amounts received by the taxpayer as a Federal  
22          Pell Grant under section 401 of the Higher Edu-  
23          cation Act of 1965.

24          “(c) TAXABLE YEAR MUST BE FULL TAXABLE  
25          YEAR.—Except in the case of a taxable year closed by rea-

1 son of the death of the taxpayer, no credit shall be allow-  
2 able under this section in the case of a taxable year cov-  
3 ering a period of less than 12 months.

4 “(d) RESTRICTIONS ON TAXPAYER WHO IMPROP-  
5 ERLY CLAIMED CREDIT IN PRIOR YEAR.—Rules similar  
6 to subsection (k) of section 32 shall apply for purposes  
7 of this section.

8 “(e) AMOUNT OF CREDIT TO BE DETERMINED  
9 UNDER TABLES.—

10 “(1) IN GENERAL.—The amount of the credit  
11 allowed by this section shall be determined under ta-  
12 bles prescribed by the Secretary.

13 “(2) REQUIREMENTS FOR TABLES.—The tables  
14 prescribed under paragraph (1) shall reflect the pro-  
15 visions of subsection (a) and shall have income  
16 brackets of not greater than \$50 each—

17 “(A) for earned income between \$0 and  
18 the amount of earned income at which the cred-  
19 it is phased out under subsection (a)(2), and

20 “(B) for adjusted gross income between  
21 the dollar amount at which the phaseout begins  
22 under subsection (a)(2) and the amount of ad-  
23 justed gross income at which the credit is  
24 phased out under such subsection.

1       “(f) RECONCILIATION OF CREDIT AND ADVANCE  
 2 PAYMENTS.—The amount of the credit allowed under this  
 3 section for any taxable year shall be reduced (but not  
 4 below zero) by the aggregate amount of any advance pay-  
 5 ments of such credit under section 7527A for such taxable  
 6 year.”.

7       (b) ADVANCE PAYMENT OF MIDDLE CLASS TAX  
 8 CREDIT.—

9           (1) IN GENERAL.—Chapter 77 of the Internal  
 10 Revenue Code of 1986 is amended by inserting after  
 11 section 7527 the following new section:

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

14       “(a) IN GENERAL.—Not later than 6 months after  
 15 the date of the enactment of the LIFT (Livable Incomes  
 16 for Families Today) the Middle Class Act, the Secretary  
 17 shall establish a program for making advance payments  
 18 of the credit allowed under section 36A on a monthly basis  
 19 (determined without regard to subsection (f) of such sec-  
 20 tion) to any taxpayer who—

21           “(1) the Secretary has determined will be al-  
 22 lowed such credit for the taxable year, and

23           “(2) has made an election under subsection (c).

24       “(b) AMOUNT OF ADVANCE PAYMENT.—



1           “(1) IN GENERAL.—For purposes of subsection  
2           (a), the amount of the monthly advance payment of  
3           the credit provided to a taxpayer during the applica-  
4           ble period shall be equal to the lesser of—

5                   “(A) an amount equal to—

6                           “(i) the amount of the credit which  
7                           the Secretary has determined will be al-  
8                           lowed to such taxpayer under section 36A  
9                           for the taxable year ending in such applica-  
10                          ble period, divided by

11                           “(ii) 12, or

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

14           “(2) APPLICABLE PERIOD.—For purposes of  
15           this section, the term ‘applicable period’ means the  
16           12-month period from the month of July of the tax-  
17           able year through the month of June of the subse-  
18           quent taxable year.

19           “(c) ELECTION OF ADVANCE PAYMENT.—A taxpayer  
20           may elect to receive an advance payment of the credit al-  
21           lowed under section 36A for any taxable year by including  
22           such election on a timely filed return for the preceding  
23           taxable year.

24           “(d) INTERNAL REVENUE SERVICE NOTIFICA-  
25           TION.—The Internal Revenue Service shall take such

1 steps as may be appropriate to ensure that taxpayers who  
2 are eligible to receive the credit under section 36A are  
3 aware of the availability of the advance payment of such  
4 credit under this section.

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

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

18 (d) CONFORMING AMENDMENTS.—

19 (1) Section 6211(b)(4)(A) of the Internal Rev-  
20 enue Code of 1986 is amended by inserting “36A,”  
21 after “36,”.

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

24 (A) in subparagraph (F), by inserting “or  
25 section 36A” after “credit”;

1 (B) in subparagraph (G), by inserting “or  
2 36A” after “section 32”;

3 (C) by striking subparagraph (K) and in-  
4 serting the following:

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

8 “(i) the credit under section 32 for a  
9 taxable year for which the credit is dis-  
10 allowed under subsection (k)(1) thereof, or

11 “(ii) the credit under section 36A for  
12 a taxable year for which the credit is dis-  
13 allowed under subsection (d) thereof,”; and

14 (D) in subparagraph (L), by striking “or  
15 32” and inserting “32, or 36A”.

16 (3) The table of sections for subpart C of part  
17 IV of subchapter A of chapter 1 of such Code is  
18 amended by inserting after the item relating to sec-  
19 tion 36 the following new item:

“Sec. 36A. Middle class tax credit.”.

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

“Sec. 7527A. Advance payment of middle class tax credit.”.

1 (e) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to earned income received after De-  
3 cember 31, 2017.

4 **SEC. 3. RETURN PREPARATION PROGRAMS FOR LOW-IN-**  
5 **COME TAXPAYERS.**

6 (a) IN GENERAL.—Chapter 77 of the Internal Rev-  
7 enue Code of 1986 is amended by inserting after section  
8 7526 the following new section:

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

11 **“(a) VOLUNTEER INCOME TAX ASSISTANCE MATCH-**  
12 **ING GRANT PROGRAM.—**

13 **“(1) ESTABLISHMENT OF PROGRAM.—**The Sec-  
14 retary, through the Internal Revenue Service, shall  
15 establish a Community Volunteer Income Tax As-  
16 sistance Matching Grant Program (hereinafter in  
17 this section referred to as the ‘VITA grant pro-  
18 gram’). Except as otherwise provided in this section,  
19 the VITA grant program shall be administered in a  
20 manner which is substantially similar to the Commu-  
21 nity Volunteer Income Tax Assistance matching  
22 grants demonstration program established under  
23 title I of division D of the Consolidated Appropria-  
24 tions Act, 2008.

25 **“(2) MATCHING GRANTS.—**

1           “(A) IN GENERAL.—The Secretary may,  
2           subject to the availability of appropriated funds,  
3           make available grants under the VITA grant  
4           program to provide matching funds for the de-  
5           velopment, expansion, or continuation of quali-  
6           fied return preparation programs assisting low-  
7           income taxpayers and members of underserved  
8           populations.

9           “(B) APPLICATION.—

10           “(i) IN GENERAL.—Subject to clause  
11           (ii), in order to be eligible for a grant  
12           under this section, a qualified return prep-  
13           aration program shall submit an applica-  
14           tion to the Secretary at such time, in such  
15           manner, and containing such information  
16           as the Secretary may reasonably require.

17           “(ii) ACCURACY REVIEW.—In the case  
18           of any qualified return preparation pro-  
19           gram which was awarded a grant under  
20           this section and was subsequently subject  
21           to a field site visit by the Internal Revenue  
22           Service (including through the Stakeholder  
23           Partnerships, Education, and Communica-  
24           tion office) in which it was determined that  
25           the average accuracy rate for preparation

1 of tax returns through such program was  
2 less than 90 percent, such program shall  
3 not be eligible for any additional grants  
4 under this section unless such program  
5 provides, as part of their application, suffi-  
6 cient documentation regarding the correc-  
7 tive measures established by such program  
8 to address the deficiencies identified fol-  
9 lowing the field site visit.

10 “(C) PRIORITY.—In awarding grants  
11 under this section, the Secretary shall give pri-  
12 ority to applications—

13 “(i) demonstrating assistance to low-  
14 income taxpayers, with emphasis on out-  
15 reach to and services for such taxpayers,

16 “(ii) demonstrating taxpayer outreach  
17 and educational activities relating to eligi-  
18 bility and availability of income supports  
19 available through the Internal Revenue  
20 Code of 1986, such as the earned income  
21 tax credit, and

22 “(iii) demonstrating specific outreach  
23 and focus on one or more underserved pop-  
24 ulations.

1           “(D) DURATION OF GRANTS.—Upon appli-  
2 cation of a qualified return preparation pro-  
3 gram, the Secretary is authorized to award a  
4 multi-year grant not to exceed 3 years.

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

10          “(b) USE OF FUNDS.—

11           “(1) IN GENERAL.—Qualified return prepara-  
12 tion programs receiving a grant under this section  
13 may use the grant for—

14           “(A) ordinary and necessary costs associ-  
15 ated with program operation in accordance with  
16 Cost Principles Circulars as set forth by the Of-  
17 fice of Management and Budget, including—

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

20           “(ii) to develop training materials,  
21 conduct training, and perform quality re-  
22 views of the returns for which assistance  
23 has been provided under the program, and

1           “(iii) for equipment purchases and ve-  
2           hicle-related expenses associated with re-  
3           mote or rural tax preparation services,

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

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

10          “(2) USE OF GRANTS FOR OVERHEAD EX-  
11          PENSES PROHIBITED.—No grant made under this  
12          section may be used for overhead expenses that are  
13          not directly related to any qualified return prepara-  
14          tion program.

15          “(c) PROMOTION AND REFERRAL.—

16                 “(1) PROMOTION.—The Secretary shall pro-  
17                 mote the benefits of, and encourage the use of, tax  
18                 preparation through qualified return preparation  
19                 programs through the use of mass communications,  
20                 referrals, and other means.

21                 “(2) INTERNAL REVENUE SERVICE REFER-  
22                 RALS.—The Secretary may refer taxpayers to quali-  
23                 fied return preparation programs receiving funding  
24                 under this section.



1           “(3) VITA GRANTEE REFERRAL.—Qualified re-  
 2           turn preparation programs receiving a grant under  
 3           this section are encouraged to refer, as appropriate,  
 4           to local or regional Low Income Taxpayer Clinics in-  
 5           dividuals who are eligible to receive services at such  
 6           clinics.

7           “(d) DEFINITIONS.—For purposes of this section—

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

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

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

17           “(C) in which all of the volunteers who as-  
 18          sist in the preparation of Federal income tax  
 19          returns meet the training requirements pre-  
 20          scribed by the Secretary, and

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

23          “(2) QUALIFIED ENTITY.—

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

1 “(i) is an eligible organization (as de-  
2 scribed in subparagraph (B)),

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

5 “(iii) is not debarred or suspended  
6 from Federal contracts, grants, or coopera-  
7 tive agreements, and

8 “(iv) agrees to provide documentation  
9 to substantiate any matching funds pro-  
10 vided under the VITA grant program.

11 “(B) ELIGIBLE ORGANIZATION.—

12 “(i) IN GENERAL.—Subject to clause  
13 (ii), the term ‘eligible organization’  
14 means—

15 “(I) an institution of higher edu-  
16 cation which is described in section  
17 102 (other than subsection (a)(1)(C)  
18 thereof) of the Higher Education Act  
19 of 1965 (20 U.S.C. 1088), as in effect  
20 on the date of the enactment of this  
21 section, and which has not been dis-  
22 qualified from participating in a pro-  
23 gram under title IV of such Act,

24 “(II) an organization described  
25 in section 501(c) of the Internal Rev-

1           enue Code of 1986 and exempt from  
2           tax under section 501(a) of such  
3           Code,

4           “(III) a local government agency,  
5           including—

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

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

19           “(IV) a local, State, regional, or  
20           national coalition (with one lead orga-  
21           nization which meets the eligibility re-  
22           quirements of subclause (I), (II), or  
23           (III) acting as the applicant organiza-  
24           tion).

1                   “(ii) ALTERNATIVE ELIGIBLE ORGANI-  
 2                   ZATION.—If no eligible organization de-  
 3                   scribed in clause (i) is available to assist  
 4                   the targeted population or community, the  
 5                   term ‘eligible organization’ shall include—

6                                 “(I) a State government agency,  
 7                                 and

8                                 “(II) a Cooperative Extension  
 9                                 Service office.

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

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

24                   (b) CLERICAL AMENDMENT.—The table of sections  
 25 for chapter 77 of the Internal Revenue Code of 1986 is

1 amended by inserting after the item relating to section  
2 7526 the following new item:

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

3 **SEC. 4. SENSE OF THE SENATE.**

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

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

11 (2) a fee, in such amount as is determined ap-  
12 propriate by the Secretary of the Treasury for pur-  
13 poses of offsetting the costs of carrying out this Act  
14 and the amendments made by this Act, to be as-  
15 sessed on any financial institution that has total  
16 consolidated assets of more than \$50,000,000,000.

○