

119TH CONGRESS  
1ST SESSION

# H. R. 905

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.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 31, 2025

Mrs. WATSON COLEMAN (for herself, Mrs. HAYES, Mrs. McIVER, Ms. NORTON, Mr. BISHOP, Mr. JOHNSON of Georgia, Mr. THOMPSON of Mississippi, Ms. CLARKE of New York, Mrs. CHERFILUS-McCORMICK, Ms. ANSARI, Ms. McDONALD RIVET, Ms. WILSON of Florida, Ms. KAMLAGER-DOVE, Mr. MFUME, Mrs. FOUSHEE, Ms. BROWN, and Ms. McCLELLAN) introduced the following bill; which was referred to the Committee on Ways and Means

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## 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”.

1 **SEC. 2. FINDINGS.**

2 Congress finds the following:

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

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

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

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

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

23 (6) There is an urgent need to address that  
24 gap, including through measures like this legislation  
25 and by raising the Federal minimum wage which to-  
26 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) of the In-  
8       ternal Revenue Code of 1986 is amended—

9                       (A) in subparagraph (A), by striking  
10                      “qualifying child” each place such term appears  
11                      and inserting “qualifying dependent”, and

12                     (B) by striking subparagraphs (B) and (F)  
13                      and by redesignating subparagraphs (C), (D),  
14                      and (E) as subparagraphs (B), (C), and (D),  
15                      respectively.

16               (2) QUALIFYING DEPENDENT DEFINED.—Sec-  
17       tion 32(c) of such Code is amended by redesignating  
18       paragraphs (3) and (4) as paragraphs (5) and (6),  
19       and by inserting after paragraph (2) the following  
20       new paragraphs:

21                      “(3) QUALIFYING DEPENDENT.—

22                               “(A) IN GENERAL.—The term ‘qualifying  
23                               dependent’ means, with respect to a taxable  
24                               year—

25                                       “(i) a qualifying child,

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.

○