The Worker Relief and Credit Reform Act (the WRCR Act)

Strengthening the earned income tax credit. The WRCR Act would increase the amount of the earned income tax credit (EITC) available. The maximum credit for single filers would be $4,000; married filers would receive $8,000. The WRCR Act also features a 100% phase-in and would increase the phase-out amount for the credit: the phase-out amount for single taxpayers is $30,000, and $50,000 for married taxpayers. The credit would phase-out at a rate of 20%, i.e., the credit gradually decreases to zero at a fixed rate of 20% once the initial phase-out amount threshold is reached.

Treating caregiving as work. The WRCR Act would expand the types of activities that constitute "work" to include family caregiving (as well as caregiving of cohabitating individuals). To receive the credit based on caregiving services, the taxpayer must have a qualifying dependent. A qualifying dependent, generally, includes: a child under the age of 12 years, the taxpayer's relative or spouse who is mentally/physically incapable of carrying for her/himself, and a relative over 65. For purposes of determining who a qualifying dependent, the taxpayer must provide over one-half of the dependent's support but the computation of the minimum support test excludes payments received by the dependent from a Federal program (or any State or local program financed in whole or in part with Federal funds) related to health care, cash aid, child care, food assistance, housing and development, social services, employment and training, and energy assistance.

Treating higher-education as work. The WRCR Act would also treat educational activities as work. Qualifying students are students in school half-time or more, and either qualifies for a Federal Pell Grant, or is an independent student whose household income is less than 300% of the poverty line, or is a dependent student whose household income plus the income of specified supporter is less than 300% of the poverty line.

Deeming minimum income of certain eligible individuals. Caregivers and low-income students would be treated as though they have enough income to qualify for the maximum credit.

Expanding the eligibility age range. The WRCR Act decreases the eligibility age for workers without children from 25 to 18 and removes the eligibility upper-age limit of 65 years.

Reinstating and improving advanced payments. The WRCR Act includes an option for recipients to receive 75% of their estimated credit monthly. Taxpayers may elect to receive the payments by direct deposit, low-fee debit card, or check.

Broadening taxpayer assistance initiatives. Taxpayers would be able to avail themselves of optional consultations, in-person at IRS Taxpayer Assistance Offices, telephonically, or virtual one-on-one consultations with IRS to assist taxpayers evaluate their eligibility and estimate EITC credit available, at any time during the year. The IRS would establish an online portal, which taxpayers could use to sign up for advance payments, estimate their advance payment amount, track payments disbursed and their remaining balance, report changes in their circumstances, turn off the advanced EITC and pay back any amounts due as a result of a change in circumstances.

Adding taxpayer safeguards. Under the WRCR Act, the IRS would be required to send individuals who receive advance payments a statement that provides the total amount received by taxpayer during the year to facilitate the tax return preparation. This statement must be accompanied by a notice that the individual must file a tax return, even if the individual has no tax liability. If a taxpayer receives payments based on the estimates that result in the taxpayer receiving an amount greater than the taxpayer should have, the taxpayer's annual tax liability will be increased by the amount of the excess, i.e., the taxpayer must pay back the difference. A taxpayer's failure to file a tax return or failure to comply with the recapture of excess payments provision will nullify that taxpayer's eligibility for the advance payments system for 2 years.

Establishing an outreach pilot program. The IRS would be required to send EITC education letters to qualifying taxpayers informing the taxpayers of the credit, qualifications for receiving the credit, and the advance payment program. District offices of the Internal Revenue Service would also be required to provide workshops and seminars to assist taxpayers with the advanced payment program. The IRS would be required to send quarterly reminders to taxpayers participating in the advance payment program that reiterate that the advance payments are estimates and that the taxpayer is responsible for reconciling any overpayments. The WRCR Act also requires that the Commissioner of Internal Revenue submit a written report to Congress after 5 years that evaluates the effectiveness of these outreach initiatives.