

104TH CONGRESS
2D SESSION

S. 2148

To amend the Internal Revenue Code of 1986 to expand the child and dependent care credit, and for other purposes.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 27, 1996

Mr. HARKIN (for himself and Mrs. MURRAY) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to expand the child and dependent care credit, 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; AMENDMENT OF 1986 CODE.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Working Family Child Care Tax Relief Act of 1996”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment
9 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-
 2 sion of the Internal Revenue Code of 1986.

3 **SEC. 2. EXPANSION OF CHILD AND DEPENDENT CARE**
 4 **CREDIT.**

5 (a) INCREASE IN CREDIT.—Paragraph (2) of section
 6 21(a) (relating to credit for expenses for household and
 7 dependent care services necessary for gainful employment)
 8 is amended to read as follows:

9 “(2) APPLICABLE PERCENTAGE DEFINED.—For
 10 purposes of paragraph (1), the term ‘applicable per-
 11 centage’ means 30 percent reduced (but not below
 12 20 percent) by 1 percentage point for each \$3,000
 13 (or fraction thereof) by which the taxpayer’s ad-
 14 justed gross income exceeds \$50,000.”

15 (b) INCREASE IN MAXIMUM AMOUNT CREDITABLE.—

16 (1) IN GENERAL.—Section 21(c) (relating to
 17 dollar limit on amount creditable) is amended—

18 (A) by striking “\$2,400” in paragraph (1)
 19 and inserting “\$4,000”, and

20 (B) by striking “\$4,800” in paragraph (2)
 21 and inserting “\$8,000”.

22 (2) PHASEOUT FOR TAXPAYERS WITH AD-
 23 JUSTED GROSS INCOME IN EXCESS OF \$50,000.—

1 (A) IN GENERAL.—Section 21(c) is amend-
 2 ed by adding at the end the following new para-
 3 graph:

4 “(2) LIMITATION BASED ON ADJUSTED GROSS
 5 INCOME.—If the taxpayer’s adjusted gross income
 6 for the taxable year exceeds \$50,000, the applicable
 7 dollar amount under paragraph (1) shall be reduced
 8 as follows:

9 “(A) The \$4,000 amount under paragraph
 10 (1)(A) shall be reduced (but not below \$2,400)
 11 by \$53.33 for each \$1,000 (or fraction thereof)
 12 of such excess.

13 “(B) The \$8,000 amount under paragraph
 14 (1)(B) shall be reduced (but not below \$4,800)
 15 by \$106.66 for each \$1,000 (or fraction there-
 16 of) of such excess.”

17 (2) CONFORMING AMENDMENTS.—Section
 18 21(c), as amended by subsection (b), is amended—

19 (A) by striking “The amount” and insert-
 20 ing:

21 “(1) IN GENERAL.—The amount”,

22 (B) by redesignating paragraphs (1) and
 23 (2) as subparagraphs (A) and (B), respectively,
 24 and

1 (C) by striking “paragraph (1) or (2)” and
 2 inserting “subparagraph (A) or (B)”.

3 (c) CREDIT MADE REFUNDABLE.—

4 (1) IN GENERAL.—Section 21 (relating to cred-
 5 it for expenses for household and dependent care
 6 services), as amended by this section, is transferred
 7 to subpart C of part IV of subchapter A of chapter
 8 1, inserted after section 35, and redesignated as sec-
 9 tion 36.

10 (2) CONFORMING AMENDMENTS.—

11 (A) Section 129 is amended—

12 (i) by striking “21(e)” in subsection
 13 (a)(2)(C) and inserting “36(e)”,

14 (ii) by striking “21(d)(2)” in sub-
 15 section (b)(2) and inserting “36(d)(2)”,
 16 and

17 (iii) by striking “21(b)(2)” in sub-
 18 section (e)(1) and inserting “36(b)(2)”.

19 (B) Section 213(e) is amended by striking
 20 “section 21” and inserting “section 36”.

21 (3) CLERICAL AMENDMENTS.—

22 (A) The table of sections for subpart A of
 23 part IV of subchapter A of chapter 1 is amend-
 24 ed by striking the item relating to section 21.

1 (B) The table of sections for subpart C of
 2 part IV of subchapter A of chapter 1 is amend-
 3 ed by adding at the end the following new item:

“Sec. 36. Expenses for household and dependent care services
 necessary for gainful employment.”

4 (d) EFFECTIVE DATE.—The amendments made by
 5 this section shall apply to taxable years beginning after
 6 December 31, 1997.

7 **SEC. 3. OFFSETS OF REVENUE LOSS.**

8 (a) MODIFICATIONS TO FOREIGN EARNED INCOME
 9 EXCLUSION.—

10 (1) REPEAL OF \$70,000 EXCLUSION.—Para-
 11 graph (1) of section 911(a) (relating to exclusion
 12 from gross income) is amended by inserting “in the
 13 case of taxable years beginning before January 1,
 14 1998,” before “the foreign earned income”.

15 (2) QUALIFIED SCHOOLING EXPENSES.—

16 (A) IN GENERAL.—Section 911(a) is
 17 amended by striking “and” at the end of para-
 18 graph (1), by striking the period at the end of
 19 paragraph (2) and inserting “, and”, and by
 20 adding at the end the following new paragraph:

21 “(3) the qualified schooling expenses of such in-
 22 dividual.”

23 (B) QUALIFIED SCHOOLING EXPENSES.—
 24 Section 911 is amended by redesignating sub-

1 sections (e) and (f) as subsections (f) and (g)
 2 and by inserting after subsection (d) the follow-
 3 ing new subsection:

4 “(e) QUALIFIED SCHOOLING EXPENSES.—For pur-
 5 poses of this section—

6 “(1) IN GENERAL.—For purposes of this sec-
 7 tion, the term ‘qualified schooling expenses’ means
 8 the reasonable schooling expenses paid or incurred
 9 by or on behalf of the individual during the taxable
 10 year for the education of each dependent of the indi-
 11 vidual at the elementary or secondary level. For pur-
 12 poses of the preceding sentence, the elementary or
 13 secondary level means education which is the equiva-
 14 lent of education from the kindergarten through the
 15 12th grade in a United States-type school.

16 “(2) EXPENSES INCLUDED.—For purposes of
 17 paragraph (1), the term ‘schooling expenses’ means
 18 the cost of tuition, fees, books, and local transpor-
 19 tation and of other expenses required by the school.
 20 Except as provided in paragraph (3), such term does
 21 not include expenses of room and board or expenses
 22 of transportation other than local transportation.

23 “(3) ROOM, BOARD, AND TRAVEL ALLOWED IN
 24 CERTAIN CASES.—If an adequate United States-type
 25 school is not available within a reasonable commut-

ing distance of the individual's tax home, the expenses of room and board of the dependent and the expenses of the transportation of the dependent each school year between such tax home and the location of the school shall be treated as schooling expenses.

“(4) DETERMINATION OF REASONABLE EXPENSES.—If—

“(A) there is an adequate United States-type school available within a reasonable commuting distance of the individual's tax home, and

“(B) the dependent attends a school other than the school referred to in subparagraph (A),

then the amount taken into account under paragraph (2) shall not exceed the aggregate amount which would be charged for the period by the school referred to in subparagraph (A).

“(5) PERIOD TAKEN INTO ACCOUNT.—An amount shall be taken into account as a qualified schooling expense only if it is attributable to education for a period during which the individual's tax home is in a foreign country.

“(6) SPECIAL RULES WHERE SCHOOLING EXPENSES NOT PROVIDED BY EMPLOYER.—

“(A) IN GENERAL.—To the extent the qualified schooling expenses of any individual for any taxable year is not attributable to employer provided amounts, such expenses shall be treated as a deduction allowable in computing adjusted gross income to the extent of the limitation of subparagraph (B).

“(B) LIMITATION.—For purposes of subparagraph (A), the limitation of this subparagraph is the excess of—

“(i) the foreign earned income of the individual for the taxable year, over

“(ii) the amount of such income excluded from gross income under subsection (a) for the taxable year.

“(C) 1-YEAR CARRYOVER OF EXPENSES NOT ALLOWED BY REASON OF SUBPARAGRAPH (B).—

“(i) IN GENERAL.—The amount not allowable as a deduction for any taxable year under subparagraph (A) by reason of the limitation of subparagraph (B) shall be treated as a deduction allowable in computing adjusted gross income for the succeeding taxable year (and only for the suc-

ceeding taxable year) to the extent of the
 limitation of clause (ii) for such succeeding
 taxable year.

“(ii) LIMITATION.—For purposes of
 clause (i), the limitation of this clause for
 any taxable year is the excess of—

“(I) the limitation of subpara-
 graph (B) for such taxable year, over

“(II) amounts treated as a de-
 duction under subparagraph (A) for
 such taxable year.

“(D) EMPLOYER PROVIDED AMOUNTS.—

For purposes of this paragraph, the term ‘em-
 ployer provided amounts’ means any amount
 paid or incurred on behalf of the individual by
 the individual’s employer which is foreign
 earned income included in the individual’s gross
 income for the taxable year (without regard to
 this section).”

(C) CONFORMING AMENDMENT.—Section

911(d)(7) is amended by inserting “or
 (e)(6)(A)” after “subsection (c)(3)(A)”.

(3) EFFECTIVE DATE.—The amendments made
 by this subsection shall apply to taxable years begin-
 ning after December 31, 1997.

1 (b) SAVINGS FROM WELFARE REFORM.—If there is
2 an overall decrease in Federal revenues for any fiscal year
3 by reason of this Act (without regard to this subsection),
4 such decrease shall be offset by the decrease in Federal
5 expenditures for such fiscal year by reason of the amend-
6 ments made by, and provisions of, the Personal Respon-
7 sibility and Work Opportunity Reconciliation Act of 1996
8 (Public Law 104–193).

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