

109TH CONGRESS  
1ST SESSION

# S. 1305

To amend the Internal Revenue Code of 1986 to increase tax benefits for parents with children, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

JUNE 23, 2005

Mr. BROWNBACK 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 increase tax benefits for parents with children, 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 “Parents’ Tax Relief  
5 Act of 2005”.

6 **SEC. 2. MINIMUM DEPENDENT CARE CREDIT FOR PARENTS**

7 **CARING FOR CHILDREN AT HOME.**

8 (a) IN GENERAL.—Subsection (e) of section 21 of the  
9 Internal Revenue Code of 1986 (relating to special rules)

1 is amended by adding at the end the following new para-  
2 graph:

3           “(11) MINIMUM CREDIT ALLOWED FOR STAY-  
4 AT-HOME PARENTS.—In the case of any taxpayer  
5 with one or more qualifying individuals described in  
6 subparagraph (A) of subsection (b)(1) under the age  
7 of 6 at any time during the taxable year, such tax-  
8 payer shall be deemed to have employment-related  
9 expenses with respect to each such qualifying indi-  
10 vidual and earned income in an amount equal to the  
11 greater of—

12                   “(A) the amount of employment-related ex-  
13 penses incurred for such qualifying individuals  
14 for the taxable year (determined under this sec-  
15 tion without regard to this paragraph), or

16                   “(B) \$250 for each month beginning in  
17 such taxable year with respect to which such  
18 qualifying individual has not attained age 6 as  
19 of the beginning of such month.”.

20           (b) EFFECTIVE DATE.—The amendment made by  
21 this section shall apply to taxable years beginning after  
22 December 31, 2004.

1 **SEC. 3. INCREASE IN PERSONAL EXEMPTION AMOUNT.**

2 (a) IN GENERAL.—Paragraph (1) of section 151(d)  
3 of the Internal Revenue Code of 1986 is amended by strik-  
4 ing “\$2,000” and inserting “\$5,000”.

5 (b) INFLATION ADJUSTMENT.—Subparagraph (A) of  
6 section 151(d)(4) of such Code is amended—

7 (1) by striking “1989” and inserting “2005”,  
8 and

9 (2) by striking “1988” in clause (ii) and insert-  
10 ing “2004”.

11 (c) EFFECTIVE DATE.—The amendments made by  
12 this section shall apply to taxable years beginning after  
13 December 31, 2004.

14 **SEC. 4. ELIMINATION OF MARRIAGE PENALTY IN ALL RATE**  
15 **BRACKETS.**

16 (a) IN GENERAL.—Paragraph (8) of section 1(f) of  
17 the Internal Revenue Code of 1986 (relating to phaseout  
18 of marriage penalty in 15-percent bracket) is amended to  
19 read as follows:

20 “(8) ELIMINATION OF MARRIAGE PENALTY.—  
21 With respect to taxable years beginning after De-  
22 cember 31, 2004, in prescribing the tables under  
23 paragraph (1)—

24 “(A) the minimum and maximum amounts  
25 of taxable income in each rate bracket in the  
26 table contained in subsection (a) shall be 200

1 percent of the minimum and maximum amounts  
2 of taxable income in the corresponding rate  
3 bracket in the table contained in subsection (c)  
4 (after any other adjustment under this sub-  
5 section), and

6 “(B) the comparable taxable income  
7 amounts in the table contained in subsection  
8 (d) shall be  $\frac{1}{2}$  of the amounts determined  
9 under subparagraph (A).”.

10 (b) EFFECTIVE DATE.—The amendment made by  
11 this section apply to taxable years beginning after Decem-  
12 ber 31, 2004.

13 **SEC. 5. STANDARD DEDUCTION FOR BUSINESS USE OF**  
14 **HOME.**

15 (a) IN GENERAL.—Subsection (c) of section 280A of  
16 the Internal Revenue Code of 1986 (relating to disallow-  
17 ance of certain expenses in connection with business use  
18 of home, rental of vacation homes, etc.) is amended by  
19 adding at the end the following new paragraph:

20 “(7) STANDARD HOME OFFICE DEDUCTION.—

21 “(A) IN GENERAL.—In the case of an indi-  
22 vidual that is allowed a deduction for the use of  
23 a home office because of a use described in  
24 paragraphs (1), (2), or (4) of this subsection,  
25 notwithstanding the limitations of paragraph

1 (5), such individual may elect to use the stand-  
2 ard home office deduction for the taxable year.

3 “(B) STANDARD HOME OFFICE DEDUC-  
4 TION AMOUNT.—For purposes of this para-  
5 graph, the standard home office deduction is  
6 the lesser of—

7 “(i) \$2,500, or

8 “(ii) the gross income derived from  
9 the individual’s trade or business for which  
10 such use occurs.”.

11 (b) EFFECTIVE DATE.—The amendment made by  
12 this section shall apply to taxable years beginning after  
13 the date of the enactment of this Act.

14 **SEC. 6. INCREASE AND OTHER MODIFICATIONS IN CHILD**  
15 **TAX CREDIT MADE PERMANENT.**

16 (a) IN GENERAL.—Title IX of the Economic Growth  
17 and Tax Relief Reconciliation Act of 2001 shall not apply  
18 to the amendments made by section 201 of such Act (re-  
19 lating to modifications to child tax credit).

20 (b) CREDIT AMOUNT ADJUSTED FOR INFLATION.—  
21 Section 24 of the Internal Revenue Code of 1986 is  
22 amended by adding at the end the following new sub-  
23 section:

24 “(g) INFLATION ADJUSTMENT.—In the case of any  
25 taxable year beginning in a calendar year after 2005, the

1 \$1,000 amount contained in subsection (a) shall be in-  
2 creased by an amount equal to—

3 “(1) such dollar amount, multiplied by

4 “(2) the cost-of-living adjustment determined  
5 under section 1(f)(3) for the calendar year in which  
6 the taxable year begins, determined by substituting  
7 ‘calendar year 2004’ for ‘calendar year 1992’ in sub-  
8 paragraph (B) thereof.

9 Any increase determined under the preceding sentence  
10 shall be rounded to the nearest multiple of \$50.”.

11 **SEC. 7. TELECOMMUTING TAX CREDIT.**

12 (a) IN GENERAL.—Subpart D of part IV of sub-  
13 chapter A of chapter 1 of the Internal Revenue Code of  
14 1986 (relating to business related credits) is amended by  
15 adding at the end the following new section:

16 **“SEC. 45J. TELECOMMUTING CREDIT.**

17 “(a) DETERMINATION OF AMOUNT.—For purposes of  
18 section 38, the amount of the telecommuting credit deter-  
19 mined under this section for the taxable year shall be  
20 equal to 40 percent of the qualified first-year wages for  
21 such year.

22 “(b) QUALIFIED FIRST-YEAR WAGES.—For purposes  
23 of this section—

24 “(1) IN GENERAL.—The term ‘qualified first-  
25 year wages’ means, with respect to any individual,

1 qualified wages attributable to service rendered dur-  
2 ing the 1-year period beginning with the day the in-  
3 dividual begins work for the employer.

4 “(2) QUALIFIED WAGES.—The term ‘qualified  
5 wages’ means the wages paid or incurred by the em-  
6 ployer during the taxable year to qualified telecom-  
7 muters.

8 “(3) ONLY FIRST \$6,000 OF WAGES PER YEAR  
9 TAKEN INTO ACCOUNT.—The amount of the quali-  
10 fied first-year wages which may be taken into ac-  
11 count with respect to any individual shall not exceed  
12 \$6,000 per year.

13 “(c) QUALIFIED TELECOMMUTER.—For purposes of  
14 this section, the term ‘qualified telecommuter’ means any  
15 individual who renders not less than 40 percent of the  
16 service described in subsection (b)(2) from the individual’s  
17 principal residence.

18 “(d) WAGES.—For purposes of this section—

19 “(1) IN GENERAL.—The term ‘wages’ has the  
20 meaning given to such term by subsection (b) of sec-  
21 tion 3306 (determined without regard to any dollar  
22 limitation contained in such section).

23 “(2) ON-THE-JOB TRAINING AND WORK SUP-  
24 PLEMENTATION PAYMENTS.—

1           “(A) EXCLUSION FOR EMPLOYERS RECEIV-  
2           ING ON-THE-JOB TRAINING PAYMENTS.—The  
3           term ‘wages’ shall not include any amounts  
4           paid or incurred by an employer for any period  
5           to any individual for whom the employer re-  
6           ceives federally funded payments for on-the-job  
7           training of such individual for such period.

8           “(B) REDUCTION FOR WORK SUPPLEMEN-  
9           TATION PAYMENTS TO EMPLOYERS.—The  
10          amount of wages which would (but for this sub-  
11          paragraph) be qualified wages under this sec-  
12          tion for an employer with respect to an indi-  
13          vidual for a taxable year shall be reduced by an  
14          amount equal to the amount of the payments  
15          made to such employer (however utilized by  
16          such employer) with respect to such individual  
17          for such taxable year under a program estab-  
18          lished under section 482(e) of the Social Secu-  
19          rity Act.

20          “(e) SPECIAL RULES.—For purposes of this section,  
21          rules similar to the rules of section 52 and subsections  
22          (f), (g), (i), (j), and (k) of section 51 shall apply.”.

23          (b) CREDIT TREATED AS BUSINESS CREDIT.—Sec-  
24          tion 38(b) of such Code is amended by striking “plus”  
25          at the end of paragraph (18), by striking the period at

1 the end of paragraph (19) and inserting “, plus”, and by  
 2 adding at the end the following new paragraph:

3 “(20) the telecommuting credit determined  
 4 under section 45J(a).”.

5 (c) CLERICAL AMENDMENT.—The table of sections  
 6 for subpart D of part IV of subchapter A of chapter 1  
 7 of such Code is amended by adding at the end the fol-  
 8 lowing new item:

“Sec. 45J. Telecommuting credit.”.

9 (d) EFFECTIVE DATE.—The amendments made by  
 10 this section shall apply to taxable year beginning after De-  
 11 cember 31, 2004.

12 **SEC. 8. EMPLOYER-PROVIDED COMPUTER EQUIPMENT**  
 13 **TREATED AS FRINGE BENEFIT.**

14 (a) IN GENERAL.—Subsection (a) of section 132 of  
 15 the Internal Revenue Code of 1986 is amended by striking  
 16 “or” at the end of paragraph (7), by striking the period  
 17 at the end of paragraph (8) and inserting “, or”, and by  
 18 adding at the end the following new paragraph:

19 “(9) qualified employer-provided computer  
 20 equipment fringe.”.

21 (b) QUALIFIED EMPLOYER-PROVIDED COMPUTER  
 22 EQUIPMENT FRINGE.—Section 132 of such Code is  
 23 amended by adding at the end the following new sub-  
 24 section:

1       “(o) QUALIFIED EMPLOYER-PROVIDED COMPUTER  
2 EQUIPMENT FRINGE.—For purposes of this section—

3           “(1) IN GENERAL.—The term ‘qualified em-  
4 ployer-provided computer equipment fringe’ means  
5 any computer and related equipment and services  
6 provided to an employee by an employer if—

7           “(A) such computer and related equipment  
8 and services are necessary for the employee to  
9 perform work for the employer from the em-  
10 ployee’s home, and

11           “(B) the employee makes substantial busi-  
12 ness use of the equipment in the performance  
13 of work for the employer.

14           “(2) SUBSTANTIAL USE.—For purposes of  
15 paragraph (1), the term ‘substantial business use’  
16 includes standby use for periods when work from  
17 home may be required by the employer such as dur-  
18 ing work closures caused by the threat of terrorism,  
19 inclement weather, or natural disasters.”.

20       (c) EFFECTIVE DATE.—The amendments made by  
21 this section shall apply to taxable years beginning after  
22 December 31, 2004.

1 **SEC. 9. INCREASED BENEFITS FOR INDIVIDUALS PRE-**  
2 **CLUDED FROM PERFORMING REMUNERA-**  
3 **TIVE WORK BY NEED TO PROVIDE CHILD**  
4 **CARE.**

5 Title II of the Social Security Act (42 U.S.C. 401  
6 et seq.) is amended by adding at the end the following  
7 new section:

8 “INCREASED BENEFITS FOR INDIVIDUALS PRECLUDED  
9 FROM PERFORMING REMUNERATIVE WORK BY NEED  
10 TO PROVIDE CHILD CARE

11 “SEC. 235. (a) GENERAL RULE.—For purposes of  
12 determining entitlement to and the amount of any monthly  
13 benefit or lump-sum death payment payable under this  
14 title on the basis of the wages and self-employment income  
15 of any individual, and for purposes of section 216(i)(3),  
16 if such individual—

17 “(1) is not otherwise credited under this title,  
18 for one or more of such individual’s elapsed years  
19 (referred to in section 215(b)(3)), with wages at  
20 least equal to the national average wage index (as  
21 defined in section 209(k)) for such year, and

22 “(2) is a qualified individual in connection with  
23 any such elapsed year after 2005,  
24 then such individual shall be credited under this title for  
25 such year after 2005 with additional wages in an amount  
26 necessary to increase the total wages credited to such indi-

1 vidual under this title for such year to an amount equal  
2 to the national average wage index (as so defined) for such  
3 year.

4 “(b) QUALIFIED INDIVIDUAL.—For purposes of this  
5 section, the term ‘qualified individual’ means, in connec-  
6 tion with any year, any individual in any case in which—

7 “(1) such individual is married for a period  
8 during such year of not less than 90 days,

9 “(2) throughout such period during such year,  
10 such individual and such individual’s spouse live  
11 with a qualified child, and

12 “(3) more than 50 percent of the total remu-  
13 neration of such individual and such individual’s  
14 spouse for such year which is attributable to wages  
15 or self-employment income earned or derived during  
16 the period during such year for which the require-  
17 ments of paragraphs (1) and (2) are met consists of  
18 wages or self-employment income earned or derived  
19 away from home by such spouse.

20 “(c) QUALIFIED CHILD.—For purposes of this sec-  
21 tion, the term ‘qualified child’ means, in connection with  
22 a qualified individual, a child of such individual (or such  
23 individual’s spouse referred to in subsection (b)(2)) who—

24 “(1) is less than 6 years of age, or

1           “(2) is less than 10 years of age, is under a dis-  
2           ability, and is unable to attend school.

3           “(d) LIMITATION TO 10 ELAPSED YEARS.—In any  
4 case in which the requirements of subsection (a) are met  
5 in connection with more than 10 elapsed years of an indi-  
6 vidual, subsection (a) shall apply only with respect to those  
7 elapsed years, not in excess of 10, which, when taken into  
8 account in the application of subsection (a), result in the  
9 highest primary insurance amount for such individual,  
10 taking into account which years would be excluded from  
11 benefit computation years under section 215(b)(2)(B)(i).

12          “(e) PROTECTION OF TRUST FUND BALANCES.—  
13 There are authorized to be appropriated to each of the  
14 Trust Funds, consisting of the Federal Old-Age and Sur-  
15 vivors Insurance Trust Fund, the Federal Disability In-  
16 surance Trust Fund, and the Federal Hospital Insurance  
17 Trust Fund, for transfer on July 1 of each calendar year  
18 after 2005 to such Trust Fund from amounts in the gen-  
19 eral fund in the Treasury not otherwise appropriated, an  
20 amount equal to the total of the additional amounts which  
21 would be appropriated to such Trust Fund for the fiscal  
22 year ending September 30 of such calendar year under  
23 section 201 or 1817 of this Act if the amounts of the addi-  
24 tional wages credited for such calendar year by reason of  
25 subsection (a) constituted remuneration for employment

1 (as defined in section 3121(b) of the Internal Revenue  
2 Code of 1986) for purposes of the taxes imposed by sec-  
3 tions 3101 and 3111 of the Internal Revenue Code of  
4 1986. Amounts authorized to be appropriated under this  
5 subsection for transfer on July 1 of each calendar year  
6 shall be determined on the basis of estimates of the Com-  
7 missioner of Social Security of the wages required to be  
8 credited for such calendar year under subsection (a); and  
9 proper adjustments shall be made in amounts authorized  
10 to be appropriated for subsequent transfer to the extent  
11 prior estimates were in excess of or were less than such  
12 wages so credited.”.

○