H. R. 3632

To amend the Internal Revenue Code of 1986 to make the Child and Dependent Care Tax Credit fully refundable, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 28, 2017

Mr. YODER (for himself and Mrs. MURPHY of Florida) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to make the Child and Dependent Care Tax Credit fully refundable, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Promoting Affordable Childcare for Everyone Act” or the “PACE Act”.

SEC. 2. REFUNDABILITY OF CHILD AND DEPENDENT CARE TAX CREDIT.

(a) IN GENERAL.—The Internal Revenue Code of 1986 is amended—
(1) by redesignating section 21 as section 36C;

and

(2) by moving section 36C, as so redesignated, from subpart A of part IV of subchapter A of chapter 1 to the location immediately before section 37 in subpart C of part IV of subchapter A of chapter 1.

(b) TECHNICAL AMENDMENTS.—

(1) Paragraph (1) of section 23(f) of the Internal Revenue Code of 1986 is amended by striking “21(e)” and inserting “36C(e)”.

(2) Paragraph (6) of section 35(g) of such Code is amended by striking “21(e)” and inserting “36C(e)”.

(3) Paragraph (1) of section 36C(a) of such Code (as redesignated by subsection (a)) is amended by striking “this chapter” and inserting “this subtitle”.

(4) Subparagraph (C) of section 129(a)(2) of such Code is amended by striking “section 21(e)” and inserting “section 36C(e)”.

(5) Paragraph (2) of section 129(b) of such Code is amended by striking “section 21(d)(2)” and inserting “section 36C(d)(2)”.

(6) Paragraph (1) of section 129(e) of such Code is amended by striking “section 21(b)(2)” and inserting “section 36C(b)(2)”.

(7) Subsection (e) of section 213 of such Code is amended by striking “section 21” and inserting “section 36C”.

(8) Subparagraph (H) of section 6213(g)(2) of such Code is amended by striking “section 21” and inserting “section 36C”.

(9) Subparagraph (L) of section 6213(g)(2) of such Code is amended by striking “section 21, 24, or 32,” and inserting “section 24, 32, or 36C,”.

(10) Paragraph (2) of section 1324(b) of title 31, United States Code, is amended by inserting “36C,” after “36B,”.

(11) The table of sections for subpart C of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after the item relating to section 36B the following:

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

(12) The table of sections for subpart A of such part IV is amended by striking the item relating to section 21.
(c) **Effective Date.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

**SEC. 3. ENHANCEMENT OF THE CHILD AND DEPENDENT CARE TAX CREDIT.**

(a) **In General.**—Section 36C of the Internal Revenue Code of 1986, as redesignated by section 2 of this Act, is amended—

(1) in paragraph (1) of subsection (a), by striking “35 percent reduced (but not below 20 percent)” and inserting “50 percent reduced (but not below 35 percent)”;

(2) by redesignating subsection (f) as subsection (g); and

(3) by inserting after subsection (e) the following new subsection:

“(f) **Inflation Adjustment.**—

“(1) **In General.**—In the case of any taxable year beginning after 2017, each of the dollar amounts in subsections (a)(2) and (c) shall be increased by an amount equal to—

“(A) such dollar amount, multiplied by

“(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, deter-
mined by substituting ‘calendar year 2016’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(2) Rounding.—If any increase determined under paragraph (1) is not a multiple of $50, such increase shall be rounded to the nearest multiple of $50.”.

(b) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 4. INCREASE IN EXCLUSION FOR EMPLOYER-PROVIDED DEPENDENT CARE ASSISTANCE.

(a) In General.—Subparagraph (A) of section 129(a)(2) of the Internal Revenue Code of 1986 (relating to dependent care assistance programs) is amended by striking “$5,000 ($2,500” and inserting “$7,500 (half such dollar amount”).

(b) Inflation Adjustment.—Paragraph (2) of section 129(a) of such Code is amended by redesignating subparagraph (C) as subparagraph (D) and by inserting after subparagraph (B) the following new subparagraph:

“(C) Inflation Adjustment.—In the case of any taxable year beginning in a calendar year after 2018, the $7,500 amount in subpara-
graph (A) shall be increased by an amount equal to—

“(i) such dollar amount, multiplied by

“(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2017’ for ‘calendar year 1992’ in subparagraph (B) thereof.

Any increase determined under the preceding sentence shall be rounded to the nearest multiple of $100.”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.