

115TH CONGRESS  
1ST SESSION

# S. 208

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

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IN THE SENATE OF THE UNITED STATES

JANUARY 24, 2017

Mr. KING (for himself and Mr. BURR) 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 make the Child and Dependent Care Tax Credit fully refundable, 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 “Promoting Affordable  
5 Childcare for Everyone Act” or the “PACE Act”.

6 **SEC. 2. REFUNDABILITY OF CHILD AND DEPENDENT CARE**  
7 **TAX CREDIT.**

8 (a) IN GENERAL.—The Internal Revenue Code of  
9 1986 is amended—

1           (1) by redesignating section 21 as section 36C,  
2           and

3           (2) by moving section 36C, as so redesignated,  
4           from subpart A of part IV of subchapter A of chap-  
5           ter 1 to the location immediately before section 37  
6           in subpart C of part IV of subchapter A of chapter  
7           1.

8           (b) TECHNICAL AMENDMENTS.—

9           (1) Paragraph (1) of section 23(f) of the Inter-  
10          nal Revenue Code of 1986 is amended by striking  
11          “21(e)” and inserting “36C(e)”.

12          (2) Paragraph (6) of section 35(g) of such Code  
13          is amended by striking “21(e)” and inserting  
14          “36C(e)”.

15          (3) Paragraph (1) of section 36C(a) of such  
16          Code (as redesignated by subsection (a)) is amended  
17          by striking “this chapter” and inserting “this sub-  
18          title”.

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

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

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

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

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

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

13           (10) Paragraph (2) of section 1324(b) of title  
14 31, United States Code, is amended by inserting  
15 “36C,” after “36B,”.

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

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

20           (12) The table of sections for subpart A of such  
21 part IV is amended by striking the item relating to  
22 section 21.

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

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

6 (a) IN GENERAL.—Section 36C of the Internal Rev-  
 7 enue Code of 1986, as redesignated by section 2 of this  
 8 Act, is amended—

9 (1) in paragraph (1) of subsection (a), by strik-  
 10 ing “35 percent reduced (but not below 20 percent)”  
 11 and inserting “50 percent reduced (but not below 35  
 12 percent)”,

13 (2) by redesignating subsection (f) as sub-  
 14 section (g), and

15 (3) by inserting after subsection (e) the fol-  
 16 lowing new subsection:

17 “(f) INFLATION ADJUSTMENT.—

18 “(1) IN GENERAL.—In the case of any taxable  
 19 year beginning after 2017, each of the dollar  
 20 amounts in subsections (a)(2) and (c) shall be in-  
 21 creased by an amount equal to—

22 “(A) such dollar amount, multiplied by

23 “(B) the cost-of-living adjustment deter-  
 24 mined under section 1(f)(3) for the calendar  
 25 year in which the taxable year begins, deter-

1           mined by substituting ‘calendar year 2016’ for  
2           ‘calendar year 1992’ in subparagraph (B)  
3           thereof.

4           “(2) ROUNDING.—If any increase determined  
5           under paragraph (1) is not a multiple of \$50, such  
6           increase shall be rounded to the nearest multiple of  
7           \$50.”.

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

11   **SEC. 4. INCREASE IN EXCLUSION FOR EMPLOYER-PRO-**  
12                           **VIDED DEPENDENT CARE ASSISTANCE.**

13          (a) IN GENERAL.—Subparagraph (A) of section  
14          129(a)(2) of the Internal Revenue Code of 1986 (relating  
15          to dependent care assistance programs) is amended by  
16          striking “\$5,000 (\$2,500” and inserting “\$7,500 (half  
17          such dollar amount”.

18          (b) INFLATION ADJUSTMENT.—Paragraph (2) of sec-  
19          tion 129(a) of such Code is amended by redesignating sub-  
20          paragraph (C) as subparagraph (D) and by inserting after  
21          subparagraph (B) the following new subparagraph:

22                           “(C) INFLATION ADJUSTMENT.—In the  
23                           case of any taxable year beginning in a calendar  
24                           year after 2018, the \$7,500 amount in subpara-

1 graph (A) shall be increased by an amount  
2 equal to—

3 “(i) such dollar amount, multiplied by

4 “(ii) the cost-of-living adjustment de-  
5 termined under section 1(f)(3) for the cal-  
6 endar year in which the taxable year be-  
7 gins, determined by substituting ‘calendar  
8 year 2017’ for ‘calendar year 1992’ in sub-  
9 paragraph (B) thereof.

10 Any increase determined under the preceding  
11 sentence shall be rounded to the nearest mul-  
12 tiple of \$100.”.

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

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