

114TH CONGRESS
2D SESSION

H. R. 5828

To amend the Internal Revenue Code of 1986 to provide a high quality child care tax credit, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 14, 2016

Ms. CLARK of Massachusetts (for herself, Ms. LINDA T. SÁNCHEZ of California, Ms. NORTON, and Mr. HONDA) 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 provide a high quality child care tax 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.**

4 This Act may be cited as the “21st Century Child
5 Care Investment Act”.

6 **SEC. 2. HIGH QUALITY CHILD CARE TAX CREDIT.**

7 (a) IN GENERAL.—Subpart A of part IV of sub-
8 chapter A of chapter 1 of the Internal Revenue Code of
9 1986 is amended by inserting before section 26 the fol-
10 lowing new section:

1 **“SEC. 25E. HIGH QUALITY CHILD CARE CREDIT.**

2 “(a) IN GENERAL.—In the case of an individual who
3 elects the application of this section for the taxable year,
4 there shall be allowed as a credit against the tax imposed
5 by this chapter an amount equal to the applicable amount
6 of high quality child care expenses paid by such individual
7 during the taxable year with respect to a qualifying child.

8 “(b) LIMITATION.—

9 “(1) IN GENERAL.—The amount of the high
10 quality child care expenses which may be taken into
11 account under subsection (a) with respect to each
12 qualifying child of the taxpayer shall not exceed—

13 “(A) \$14,000 for each qualifying child who
14 has not attained the age of 3 by the end of the
15 taxable year, and

16 “(B) \$5,000 for each qualifying child who
17 has attained the age of 3 by the end of the tax-
18 able year.

19 “(2) ADJUSTED GROSS INCOME LIMITATION.—
20 The dollar limitation under paragraph (1)—

21 “(A) shall be zero under subparagraph (A)
22 thereof in the case of a taxpayer whose adjusted
23 gross income for the taxable year exceeds an
24 amount equal to 400 percent of the poverty
25 line, and

1 “(B) shall be zero under subparagraph (B)
2 thereof in the case of a taxpayer whose adjusted
3 gross income for the taxable year exceeds an
4 amount equal to 200 percent of the poverty
5 line.

6 “(c) PORTION OF CREDIT REFUNDABLE.—

7 “(1) IN GENERAL.—The aggregate credits al-
8 lowed to a taxpayer under subpart C shall be in-
9 creased by the difference of—

10 “(A) the credit which would be allowed
11 under this section without regard to this sub-
12 section and the limitation under section 26(a),
13 over

14 “(B) the taxpayer’s applicable family con-
15 tribution.

16 The amount of the credit allowed under this sub-
17 section shall not be treated as a credit allowed under
18 this subpart and shall reduce the amount of credit
19 otherwise allowable under subsection (a) without re-
20 gard to section 26(a).

21 “(2) APPLICABLE FAMILY CONTRIBUTION.—

22 For purposes of this subsection—

23 “(A) IN GENERAL.—The taxpayer’s appli-
24 cable family contribution for a taxable year
25 shall be the sum of the amounts determined

1 under subparagraph (B) with respect to each
 2 qualifying child of the taxpayer for which high
 3 quality child care expenses are taken into ac-
 4 count under this section for the taxable year.

5 “(B) AMOUNTS DETERMINED.—The
 6 amount with respect to a qualifying child under
 7 this subparagraph shall be determined as fol-
 8 lows:

9 “(i) In the case of a qualifying child
 10 who has not attained age 3:

“If the taxpayer’s adjusted gross income for the taxable year is the following percentage of the poverty line:	Multiply such adjusted gross income by:
Not more than 133 percent	2 percent
More than 133 percent but not more than 150 percent	6 percent
More than 150 percent but not more than 200 percent	8 percent
More than 200 percent but not more than 250 percent	10 percent
More than 250 percent	12 percent.

11 “(ii) In the case of a qualifying child
 12 who has attained age 3:

“If the taxpayer’s adjusted gross income for the taxable year is the following percentage of the poverty line:	Multiply such adjusted gross income by:
Not more than 133 percent	2 percent
More than 133 percent but not more than 150 percent	6 percent
More than 150 percent but not more than 200 percent	8 percent.

13 “(d) DEFINITIONS.—For purposes of this section—

14 “(1) QUALIFYING CHILD.—The term ‘qualifying
 15 child’ means a dependent of the taxpayer (as defined
 16 in section 152(a)(1)) who has not attained age 5.

17 “(2) HIGH QUALITY CHILD CARE EXPENSES.—

1 “(A) IN GENERAL.—The term ‘high qual-
2 ity child care expenses’ means employment-re-
3 lated expenses (as defined in section
4 21(b)(2)(A)) for services provided by a high
5 quality child care center.

6 “(B) HIGH QUALITY CHILD CARE CEN-
7 TER.—The term ‘high quality child care center’
8 means any facility, including family child care
9 homes, which—

10 “(i) receives a fee, payment, or grant
11 for providing care for qualified children
12 (other than just children who reside at the
13 facility and regardless of whether such fa-
14 cility is operated for profit),

15 “(ii) meets the State licensing require-
16 ments for providing care to qualified chil-
17 dren, and

18 “(iii) in the case of taxable years be-
19 ginning more than 5 years after the date
20 of the enactment of this section—

21 “(I) meets the high quality rating
22 requirements under the quality rating
23 and improvement system of the State
24 within which the care of the qualifying
25 child is provided, or

1 “(II) is certified by the Secretary
2 of Health and Human Services under
3 such standards as the Secretary of
4 Health and Human Services, in con-
5 sultation with the Secretary, shall by
6 regulation prescribe.

7 “(C) QUALITY RATING AND IMPROVEMENT
8 SYSTEM.—The term ‘quality rating and im-
9 provement system’ means a system through
10 which a State uses a set of progressively higher
11 program standards to evaluate the quality of an
12 early childhood program and to support pro-
13 gram improvement. Any such program shall in-
14 clude the following:

15 “(i) Tiered Program Standards with
16 multiple rating categories that clearly and
17 meaningfully differentiate program quality
18 levels.

19 “(ii) Monitoring to evaluate program
20 quality based on the program standards
21 determined by the State.

22 “(iii) Support to help programs and
23 the child care workforce meet progressively
24 higher standards (including through train-
25 ing, technical assistance, and financial sup-

1 port, and facilitating participation in orga-
2 nizations that foster professional develop-
3 ment).

4 “(iv) Program quality ratings that are
5 publically available and a process for vali-
6 dating the system.

7 “(D) HIGH QUALITY RATING REQUIRE-
8 MENT.—

9 “(i) IN GENERAL.—A facility shall be
10 treated as meeting the high quality rating
11 requirements of a State’s quality rating
12 and improvement system if the facility is
13 rated in the top tier by a State with a 3-
14 tier rating system or in the top 2 tiers by
15 a State with a 4- or 5-tier rating system.
16 A facility shall not be treated as meeting
17 the requirements of the preceding sentence
18 unless the State’s rating system includes
19 compensation standards updated at least
20 every 3 years under the study required
21 under clause (ii).

22 “(ii) STUDY ON THE COST OF HIGH
23 QUALITY CHILD CARE.—A State shall not
24 be treated as having a rating system for
25 purposes of clause (i) unless the State con-

1 ducts a study on the cost of high quality
2 child care at least once every 3 years to
3 analyze costs associated with delivering
4 high quality child care including—

5 “(I) an assessment of the com-
6 pensation levels sufficient to recruit
7 and retain a qualified and diverse
8 child care workforce and allow entry-
9 level child care staff to maintain a se-
10 cure standard of living and meet their
11 families’ essential needs, and

12 “(II) information gathered
13 through a public hearing to solicit
14 input from relevant stakeholders in-
15 cluding the child care workforce.

16 “(3) POVERTY LINE.—

17 “(A) IN GENERAL.—The term ‘poverty
18 line’ has the meaning given such term in sec-
19 tion 673(2) of the Community Services Block
20 Grant Act (42 U.S.C. 9902(2)), including any
21 revision required by such section. The poverty
22 line determined with respect to taxpayer shall
23 be the poverty line for a family of the size in-
24 volved.

1 “(B) FAMILY SIZE.—The family size in-
2 volved with respect to any taxpayer shall be
3 equal to the number of individuals for whom
4 the taxpayer is allowed a deduction under sec-
5 tion 151 (relating to allowance of deduction for
6 personal exemptions) for the taxable year.

7 “(e) SPECIAL RULES.—

8 “(1) ADVANCE PAYMENT PROGRAM.—

9 “(A) IN GENERAL.—The Secretary of the
10 Treasury, in consultation with the Secretary of
11 Health and Human Services, shall establish a
12 program—

13 “(i) to make advance determinations
14 with respect to the eligibility of individuals
15 for the credit allowed under this section,
16 and

17 “(ii) to make monthly advance pay-
18 ments of the credit allowed under this sec-
19 tion, at the election of the taxpayer, di-
20 rectly to a high quality child care center
21 providing care for a qualifying child of the
22 taxpayer.

23 “(B) RECONCILIATION OF CREDIT AND AD-
24 VANCE PAYMENT.—

1 “(i) IN GENERAL.—The amount of
2 the credit allowed under this section for
3 any taxable year shall be reduced (but not
4 below zero) by the amount of any advance
5 payment of such credit under subpara-
6 graph (A).

7 “(ii) EXCESS ADVANCE PAYMENTS.—
8 If the advance payments to a taxpayer
9 under subparagraph (A) for a taxable year
10 exceed the credit allowed by this section
11 (determined without regard to subpara-
12 graph (A)), the tax imposed by this chap-
13 ter for the taxable year shall be increased
14 by the amount of such excess.

15 “(iii) LIMITATION ON INCREASE.—

16 “(I) IN GENERAL.—In the case
17 of a taxpayer whose tax is increased
18 (determined without regard to this
19 clause) for the taxable year under
20 clause (ii) with respect to a qualified
21 child, such increase shall not exceed
22 the applicable dollar amount deter-
23 mined in accordance with the table
24 under subclause (I) in the case of any
25 portion of the credit determined with

1 respect to a qualifying child who has
 2 not attained the age of 3 by the end
 3 of the taxable year, and in accordance
 4 with the table under subclause (II) in
 5 the case of any portion of the credit
 6 determined with respect to a quali-
 7 fying child who has attained the age
 8 of 3 by the end of the taxable year.

9 “(II) UNDER AGE 3.—The table
 10 under this subclause is as follows:

“If the adjusted gross income (expressed as a percent of poverty line) is:	The applicable dollar amount is:
Less than 400 percent	\$600
At least 400 percent but less than 500 percent	\$1,500
At least 500 percent but less than 600 percent	\$2,500.

11 “(III) AGE 3 AND 4.—The table
 12 under this subclause is as follows:

“If the adjusted gross income (expressed as a percent of poverty line) is:	The applicable dollar amount is:
Less than 200 percent	\$600
At least 200 percent but less than 300 percent	\$1,500
At least 300 percent but less than 400 percent	\$2,500.

13 “(C) INFLATION ADJUSTMENT.—

14 “(i) IN GENERAL.—In the case of any
 15 taxable year beginning after 2017, the dol-
 16 lar amounts in subsection (b)(1) shall be
 17 increased by an amount equal to—

18 “(I) such dollar amount, multi-
 19 plied by

1 “(II) the cost of living adjust-
2 ment determined under section 1(f)(3)
3 for the calendar year in which the tax-
4 able year begins determined by sub-
5 stituting ‘calendar year 2016’ for ‘cal-
6 endar year 1992’ in subparagraph (B)
7 thereof.

8 “(ii) ROUNDING.—If the dollar
9 amount in subsection (b)(1), after being
10 increased under clause (i), is not a mul-
11 tiple of \$100, such amount shall be round-
12 ed to the next lowest multiple of \$100.

13 “(2) INFORMATION REQUIREMENTS.—Each
14 high quality child care center which receives pay-
15 ments from the Secretary under paragraph (1) shall
16 for each calendar year provide the following informa-
17 tion to the Secretary and to the taxpayer with re-
18 spect to the child for which such payments were
19 made:

20 “(A) The total cost of care for such child
21 for such year (determined without regard to the
22 credit under this section).

23 “(B) The aggregate amount of any ad-
24 vance payment of such credit made with respect
25 to such child.

1 “(C) The name, address, age, and TIN of
2 the taxpayer and the child.

3 “(D) Any information provided to such
4 person necessary to determine eligibility for,
5 and the amount of, such credit.

6 “(3) COORDINATION WITH OTHER DEPENDENT
7 CARE PROVISIONS.—

8 “(A) DEPENDENT CARE CREDIT.—No
9 credit shall be allowed under section 21 for any
10 taxable year for which the taxpayer elects the
11 application of this section.

12 “(B) DEPENDENT CARE PROGRAMS.—The
13 amount taken into account under subsection (a)
14 with respect to a qualifying child shall be re-
15 duced by the aggregate amount excludable from
16 gross income under section 129 for the taxable
17 year with respect to such child.

18 “(4) RULES RELATING TO MARRIAGE AND PAY-
19 MENTS TO RELATED INDIVIDUALS.—Rules similar to
20 the rules of paragraphs (2), (3), (4), and (6) of sec-
21 tion 21(e) shall apply for purposes of this section.”.

22 (b) CONFORMING AMENDMENT.—Section 1324(b)(2)
23 of title 31, United States Code, is amended by inserting
24 “25E,” after “25A,”.

1 (c) CLERICAL AMENDMENT.—The table of sections
 2 for subpart A of part IV of subchapter A of chapter 1
 3 of such Code is amended by inserting before the item re-
 4 lating to section 26 the following new item:

“Sec. 25E. High quality child care credit.”.

5 (d) EFFECTIVE DATE.—The amendments made by
 6 this section shall apply to taxable years beginning after
 7 December 31, 2016.

8 **SEC. 3. PORTION OF DEPENDENT CARE CREDIT MADE RE-**
 9 **FUNDABLE.**

10 (a) IN GENERAL.—Section 21 of the Internal Rev-
 11 enue Code of 1986 is amended by redesignating subsection
 12 (f) as subsection (g) and by inserting after subsection (e)
 13 the following new subsection:

14 “(f) PORTION OF CREDIT REFUNDABLE.—The ag-
 15 gregate credits allowed to a taxpayer under subpart C
 16 shall be increased by the lesser of—

17 “(1) the credit which would be allowed under
 18 this section without regard to this subsection and
 19 the limitation under section 26(a), or

20 “(2)(A) in the case of a taxpayer with 1 quali-
 21 fying child, \$1,050, or

22 “(B) in the case of a taxpayer with more than
 23 1 qualifying child, \$2,100.

24 The amount of the credit allowed under this sub-
 25 section shall not be treated as a credit allowed under

1 this subpart and shall reduce the amount of credit
2 otherwise allowable under subsection (a) without re-
3 gard to section 26(a).”.

4 (b) CLERICAL AMENDMENT.—Section 1324(b)(2) of
5 title 31, United States Code, is amended by inserting
6 “24,” before “25A,”.

7 (c) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to taxable years beginning after
9 December 31, 2016.

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