

118TH CONGRESS
2D SESSION

S. 3787

To amend the Internal Revenue Code of 1986 to increase the credit for employers establishing workplace child care facilities, to increase the child care credit to encourage greater use of quality child care services, to provide incentives for students to earn child care-related degrees and to work in child care facilities, and to increase the exclusion for employer-provided dependent care assistance.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 8 (legislative day, FEBRUARY 7), 2024

Mrs. SHAHEEN (for herself, Mr. KING, Ms. KLOBUCHAR, and Mrs. GILLIBRAND) 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 increase the credit for employers establishing workplace child care facilities, to increase the child care credit to encourage greater use of quality child care services, to provide incentives for students to earn child care-related degrees and to work in child care facilities, and to increase the exclusion for employer-provided dependent care assistance.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Right Start Child Care
3 and Education Act of 2024”.

4 **SEC. 2. INCREASE IN EMPLOYER-PROVIDED CHILD CARE**
5 **CREDIT.**

6 (a) INCREASE IN CREDITABLE PERCENTAGE OF
7 CHILD CARE EXPENDITURES.—Paragraph (1) of section
8 45F(a) of the Internal Revenue Code of 1986 is amended
9 by striking “25 percent” and inserting “50 percent”.

10 (b) INCREASE IN CREDITABLE PERCENTAGE OF RE-
11 SOURCE AND REFERRAL EXPENDITURES.—Paragraph (2)
12 of section 45F(a) of the Internal Revenue Code of 1986
13 is amended by striking “10 percent” and inserting “20
14 percent”.

15 (c) INCREASE IN MAXIMUM CREDIT.—Subsection (b)
16 of section 45F of the Internal Revenue Code of 1986 is
17 amended by striking “\$150,000” and inserting
18 “\$500,000”.

19 (d) SPECIAL RULE FOR SMALL BUSINESSES.—Sec-
20 tion 45F(e) of the Internal Revenue Code of 1986 is
21 amended by adding at the end the following new para-
22 graph:

23 “(4) SMALL BUSINESSES.—

24 “(A) IN GENERAL.—In the case of a tax-
25 payer described in subparagraph (B)—

1 “(i) subsection (a)(1) shall be applied
2 by substituting ‘60 percent’ for ‘50 per-
3 cent’, and

4 “(ii) subsection (b) shall be applied by
5 substituting ‘\$600,000’ for ‘\$500,000’.

6 “(B) TAXPAYER DESCRIBED.—A taxpayer
7 described in this subparagraph is a taxpayer
8 that meets the gross receipts test of section
9 448(c), determined—

10 “(i) by substituting ‘5-taxable-year’
11 for ‘3-taxable-year’ in paragraph (1) there-
12 of, and

13 “(ii) by substituting ‘5-year’ for ‘3-
14 year’ each place such term appears in
15 paragraph (3)(A) thereof.”.

16 (e) TREATMENT OF JOINTLY OWNED OR OPERATED
17 CHILDCARE FACILITY.—Section 45F(c)(1) of the Internal
18 Revenue Code of 1986 is amended by adding at the end
19 the following new subparagraph:

20 “(C) JOINTLY OWNED OR OPERATED
21 CHILDCARE FACILITY.—For purposes of sub-
22 paragraph (A)(i)(I), a facility shall not fail to
23 be treated as a qualified childcare facility of the
24 taxpayer merely because such facility is jointly

1 owned or operated by the taxpayer and other
2 persons.”.

3 (f) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to taxable years beginning after
5 December 31, 2024.

6 **SEC. 3. 3-YEAR CREDIT FOR INDIVIDUALS HOLDING CHILD**
7 **CARE-RELATED DEGREES WHO WORK IN LI-**
8 **CENSED CHILD CARE FACILITIES.**

9 (a) IN GENERAL.—Subpart C of part IV of sub-
10 chapter A of chapter 1 of the Internal Revenue Code of
11 1986 is amended by inserting after section 36B the fol-
12 lowing new section:

13 **“SEC. 36C. RIGHT START CHILD CARE AND EDUCATION**
14 **CREDIT.**

15 “(a) IN GENERAL.—In the case of an individual who
16 is an eligible child care provider for the taxable year, there
17 shall be allowed as a credit against the tax imposed by
18 this chapter for the taxable year the amount of—

19 “(1) \$4,000, in the case of an eligible child care
20 provider with a degree described in subsection
21 (c)(1)(A)(i), and

22 “(2) \$2,500, in any other case.

23 “(b) 3-YEAR CREDIT.—

24 “(1) IN GENERAL.—The credit allowable by
25 subsection (a) for any taxable year to an individual

1 shall be allowed for such year only if the individual
2 elects the application of this section for such year.

3 “(2) ELECTION.—An election to have this sec-
4 tion apply may not be made by an individual for any
5 taxable year if such an election by such individual is
6 in effect for any 3 prior taxable years.

7 “(c) ELIGIBLE CHILD CARE PROVIDER.—For pur-
8 poses of this section—

9 “(1) IN GENERAL.—The term ‘eligible child
10 care provider’ means, for any taxable year, any indi-
11 vidual if—

12 “(A) as of the close of such taxable year,
13 such individual holds—

14 “(i) a bachelor’s degree, or

15 “(ii) an associate’s degree,

16 in early childhood education, child care, or a re-
17 lated degree, and such degree was awarded by
18 an eligible educational institution (as defined in
19 section 25A(f)(2)), and

20 “(B) during such taxable year, such indi-
21 vidual performs at least 1,200 hours of child
22 care services at a facility if—

23 “(i) the principal use of the facility is
24 to provide child care services,

1 “(ii) no more than 25 percent of the
2 children receiving child care services at the
3 facility are children (as defined in section
4 152(f)) of the individual or such individ-
5 ual’s spouse, and

6 “(iii) the facility meets the require-
7 ments of all applicable laws and regula-
8 tions of the State or local government in
9 which it is located, including the licensing
10 of the facility as a child care facility.

11 Subparagraph (B)(i) shall not apply to a facil-
12 ity which is the principal residence (within the
13 meaning of section 121) of the operator of the
14 facility.

15 “(2) CHILD CARE SERVICES.—The term ‘child
16 care services’ means child care and early childhood
17 education.”.

18 (b) CONFORMING AMENDMENTS.—

19 (1) Section 6211(b)(4)(A) of the Internal Rev-
20 enue Code of 1986 is amended by inserting “, 36C”
21 after “36B”.

22 (2) Paragraph (2) of section 1324(b) of title
23 31, United States Code, is amended by inserting “,
24 36C” after “36B”.

1 (c) CLERICAL AMENDMENT.—The table of sections
 2 for subpart C of part IV of subchapter A of chapter 1
 3 of the Internal Revenue Code of 1986 is amended by in-
 4 serting after the item relating to section 36B the following
 5 new item:

“Sec. 36C. Right start child care and education credit.”.

6 (d) EFFECTIVE DATE.—The amendments made by
 7 this section shall apply to taxable years beginning after
 8 December 31, 2024.

9 **SEC. 4. INCREASE IN EXCLUSION FOR EMPLOYER-PRO-**
 10 **VIDED DEPENDENT CARE ASSISTANCE.**

11 (a) IN GENERAL.—Section 129(a)(2)(A) of the Inter-
 12 nal Revenue Code of 1986 is amended by striking “\$5,000
 13 (\$2,500” and inserting “the applicable limitation amount
 14 (half such amount”.

15 (b) CONFORMING AMENDMENT.—Section 129(a)(2)
 16 of the Internal Revenue Code of 1986 is amended by strik-
 17 ing subparagraph (D) and by inserting after subparagraph
 18 (C) the following new subparagraph:

19 (D) APPLICABLE LIMITATION AMOUNT.—

20 For purposes of this paragraph, the term ‘ap-
 21 plicable limitation amount’ means the amount
 22 that is the sum of—

23 (i) \$10,000, and

24 (ii) \$2,000 for each individual de-
 25 scribed in subparagraph (A) or (B) of sec-

1 tion 21(b)(1) with respect to the tax-
2 payer.”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to taxable years beginning after
5 December 31, 2024.

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