

115TH CONGRESS
1ST SESSION

H. R. 1466

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

MARCH 9, 2017

Ms. CLARK of Massachusetts (for herself, Mr. NOLAN, Ms. SÁNCHEZ, Ms. LEE, Mr. SWALWELL of California, Mr. DESAULNIER, Ms. NORTON, Mr. RUSH, Mr. ELLISON, Mr. SOTO, and Mr. CLEAVER) 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

1 1986 is amended by inserting before section 26 the fol-
2 lowing new section:

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

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

10 “(b) LIMITATION.—

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

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

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

21 “(2) ADJUSTED GROSS INCOME LIMITATION.—

22 The dollar limitation under paragraph (1)—

23 “(A) shall be zero under subparagraph (A)
24 thereof in the case of a taxpayer whose adjusted
25 gross income for the taxable year exceeds an

1 amount equal to 400 percent of the poverty
2 line, and

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

8 “(c) PORTION OF CREDIT REFUNDABLE.—

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

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

16 “(B) the taxpayer’s applicable family con-
17 tribution.

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

23 “(2) APPLICABLE FAMILY CONTRIBUTION.—

24 For purposes of this subsection—

1 “(A) IN GENERAL.—The taxpayer’s appli-
 2 cable family contribution for a taxable year
 3 shall be the sum of the amounts determined
 4 under subparagraph (B) with respect to each
 5 qualifying child of the taxpayer for which high
 6 quality child care expenses are taken into ac-
 7 count under this section for the taxable year.

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

12 “(i) In the case of a qualifying child
 13 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.

14 “(ii) In the case of a qualifying child
 15 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.

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

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

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

5 “(A) IN GENERAL.—The term ‘high qual-
6 ity child care expenses’ means employment-re-
7 lated expenses (as defined in section
8 21(b)(2)(A)) for services provided by a high
9 quality child care center.

10 “(B) HIGH QUALITY CHILD CARE CEN-
11 TER.—The term ‘high quality child care center’
12 means any facility, including family child care
13 homes, which—

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

19 “(ii) meets the State licensing require-
20 ments for providing care to qualified chil-
21 dren, and

22 “(iii) in the case of taxable years be-
23 ginning more than 5 years after the date
24 of the enactment of this section—

1 “(I) meets the high quality rating
2 requirements under the quality rating
3 and improvement system of the State
4 within which the care of the qualifying
5 child is provided, or

6 “(II) is certified by the Secretary
7 of Health and Human Services under
8 such standards as the Secretary of
9 Health and Human Services, in con-
10 sultation with the Secretary, shall by
11 regulation prescribe.

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

20 “(i) Tiered Program Standards with
21 multiple rating categories that clearly and
22 meaningfully differentiate program quality
23 levels.

1 “(ii) Monitoring to evaluate program
2 quality based on the program standards
3 determined by the State.

4 “(iii) Support to help programs and
5 the child care workforce meet progressively
6 higher standards (including through train-
7 ing, technical assistance, and financial sup-
8 port, and facilitating participation in orga-
9 nizations that foster professional develop-
10 ment).

11 “(iv) Program quality ratings that are
12 publically available and a process for vali-
13 dating the system.

14 “(D) HIGH QUALITY RATING REQUIRE-
15 MENT.—

16 “(i) IN GENERAL.—A facility shall be
17 treated as meeting the high quality rating
18 requirements of a State’s quality rating
19 and improvement system if the facility is
20 rated in the top tier by a State with a 3-
21 tier rating system or in the top 2 tiers by
22 a State with a 4- or 5-tier rating system.
23 A facility shall not be treated as meeting
24 the requirements of the preceding sentence
25 unless the State’s rating system includes

1 compensation standards updated at least
2 every 3 years under the study required
3 under clause (ii).

4 “(ii) STUDY ON THE COST OF HIGH
5 QUALITY CHILD CARE.—A State shall not
6 be treated as having a rating system for
7 purposes of clause (i) unless the State con-
8 ducts a study on the cost of high quality
9 child care at least once every 3 years to
10 analyze costs associated with delivering
11 high quality child care including—

12 “(I) an assessment of the com-
13 pensation levels sufficient to recruit
14 and retain a qualified and diverse
15 child care workforce and allow entry-
16 level child care staff to maintain a se-
17 cure standard of living and meet their
18 families’ essential needs, and

19 “(II) information gathered
20 through a public hearing to solicit
21 input from relevant stakeholders in-
22 cluding the child care workforce.

23 “(3) POVERTY LINE.—

24 “(A) IN GENERAL.—The term ‘poverty
25 line’ has the meaning given such term in sec-

1 tion 673(2) of the Community Services Block
2 Grant Act (42 U.S.C. 9902(2)), including any
3 revision required by such section. The poverty
4 line determined with respect to taxpayer shall
5 be the poverty line for a family of the size in-
6 volved.

7 “(B) FAMILY SIZE.—The family size in-
8 volved with respect to any taxpayer shall be
9 equal to the number of individuals for whom
10 the taxpayer is allowed a deduction under sec-
11 tion 151 (relating to allowance of deduction for
12 personal exemptions) for the taxable year.

13 “(e) SPECIAL RULES.—

14 “(1) ADVANCE PAYMENT PROGRAM.—

15 “(A) IN GENERAL.—The Secretary of the
16 Treasury, in consultation with the Secretary of
17 Health and Human Services, shall establish a
18 program—

19 “(i) to make advance determinations
20 with respect to the eligibility of individuals
21 for the credit allowed under this section,
22 and

23 “(ii) to make monthly advance pay-
24 ments of the credit allowed under this sec-
25 tion, at the election of the taxpayer, di-

1 rectly to a high quality child care center
2 providing care for a qualifying child of the
3 taxpayer.

4 “(B) RECONCILIATION OF CREDIT AND AD-
5 VANCE PAYMENT.—

6 “(i) IN GENERAL.—The amount of
7 the credit allowed under this section for
8 any taxable year shall be reduced (but not
9 below zero) by the amount of any advance
10 payment of such credit under subpara-
11 graph (A).

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

20 “(iii) LIMITATION ON INCREASE.—

21 “(I) IN GENERAL.—In the case
22 of a taxpayer whose tax is increased
23 (determined without regard to this
24 clause) for the taxable year under
25 clause (ii) with respect to a qualified

1 child, such increase shall not exceed
 2 the applicable dollar amount deter-
 3 mined in accordance with the table
 4 under subclause (I) in the case of any
 5 portion of the credit determined with
 6 respect to a qualifying child who has
 7 not attained the age of 3 by the end
 8 of the taxable year, and in accordance
 9 with the table under subclause (II) in
 10 the case of any portion of the credit
 11 determined with respect to a quali-
 12 fying child who has attained the age
 13 of 3 by the end of the taxable year.

14 “(II) UNDER AGE 3.—The table
 15 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.

16 “(III) AGE 3 AND 4.—The table
 17 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.

18 “(C) INFLATION ADJUSTMENT.—

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

5 “(I) such dollar amount, multi-
6 plied by

7 “(II) the cost of living adjust-
8 ment determined under section 1(f)(3)
9 for the calendar year in which the tax-
10 able year begins determined by sub-
11 stituting ‘calendar year 2016’ for ‘cal-
12 endar year 1992’ in subparagraph (B)
13 thereof.

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

19 “(2) INFORMATION REQUIREMENTS.—Each
20 high quality child care center which receives pay-
21 ments from the Secretary under paragraph (1) shall
22 for each calendar year provide the following informa-
23 tion to the Secretary and to the taxpayer with re-
24 spect to the child for which such payments were
25 made:

1 “(A) The total cost of care for such child
2 for such year (determined without regard to the
3 credit under this section).

4 “(B) The aggregate amount of any ad-
5 vance payment of such credit made with respect
6 to such child.

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

9 “(D) Any information provided to such
10 person necessary to determine eligibility for,
11 and the amount of, such credit.

12 “(3) COORDINATION WITH OTHER DEPENDENT
13 CARE PROVISIONS.—

14 “(A) DEPENDENT CARE CREDIT.—No
15 credit shall be allowed under section 21 for any
16 taxable year for which the taxpayer elects the
17 application of this section.

18 “(B) DEPENDENT CARE PROGRAMS.—The
19 amount taken into account under subsection (a)
20 with respect to a qualifying child shall be re-
21 duced by the aggregate amount excludable from
22 gross income under section 129 for the taxable
23 year with respect to such child.

24 “(4) RULES RELATING TO MARRIAGE AND PAY-
25 MENTS TO RELATED INDIVIDUALS.—Rules similar to

1 the rules of paragraphs (2), (3), (4), and (6) of sec-
2 tion 21(e) shall apply for purposes of this section.”.

3 (b) CONFORMING AMENDMENT.—Section 1324(b)(2)
4 of title 31, United States Code, is amended by inserting
5 “25E,” after “25A,”.

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

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

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

13 **SEC. 3. PORTION OF DEPENDENT CARE CREDIT MADE RE-**
14 **FUNDABLE.**

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

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

22 “(1) the credit which would be allowed under
23 this section without regard to this subsection and
24 the limitation under section 26(a), or

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

3 “(B) in the case of a taxpayer with more than
4 1 qualifying child, \$2,100.

5 The amount of the credit allowed under this subsection
6 shall not be treated as a credit allowed under this subpart
7 and shall reduce the amount of credit otherwise allowable
8 under subsection (a) without regard to section 26(a).”.

9 (b) CLERICAL AMENDMENT.—Section 1324(b)(2) of
10 title 31, United States Code, is amended by inserting
11 “24,” before “25A,”.

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

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