

110TH CONGRESS  
1ST SESSION

# H. R. 1421

To amend the Internal Revenue Code of 1986 to increase tax benefits for parents with children, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 8, 2007

Mr. TERRY (for himself, Mr. PAUL, Mr. BARTLETT of Maryland, Mr. FRANKS of Arizona, Mr. WAMP, Mrs. BONO, Mr. RADANOVICH, Mrs. BLACKBURN, Mr. MILLER of Florida, Mr. GARRETT of New Jersey, Mr. BILIRAKIS, Mr. SENSENBRENNER, Mr. FORTENBERRY, Mrs. MUSGRAVE, Mr. McCAUL of Texas, Mr. SOUDER, and Mr. McCOTTER) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to increase tax benefits for parents with children, 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 “Parents’ Tax Relief  
5 Act of 2007” .

1 **SEC. 2. MINIMUM DEPENDENT CARE CREDIT FOR PARENTS**

2 **CARING FOR CHILDREN AT HOME.**

3 (a) IN GENERAL.—Subsection (e) of section 21 of the  
4 Internal Revenue Code of 1986 (relating to special rules)  
5 is amended by adding at the end the following new para-  
6 graph:

7 “(11) MINIMUM CREDIT ALLOWED FOR STAY-  
8 AT-HOME PARENTS.—In the case of any taxpayer  
9 with one or more qualifying individuals under age 7  
10 at any time during the taxable year, such taxpayer  
11 shall be deemed to have employment-related ex-  
12 penses with respect to each such qualifying indi-  
13 vidual and earned income in an amount equal to the  
14 greater of—

15 “(A) the amount of employment-related ex-  
16 penses incurred for such qualifying individual  
17 for the taxable year (determined under this sec-  
18 tion without regard to this paragraph), or

19 “(B) \$250 for each month beginning in  
20 such taxable year with respect to which such  
21 qualifying individual has not attained age 7 as  
22 of the beginning of such month.”.

23 (b) PHASEOUT OF CREDIT.—Section 21 of such Code  
24 is amended by redesignating subsection (f) as subsection  
25 (g) and inserting after subsection (e) the following new  
26 subsection:

1 “(f) PHASEOUT OF CREDIT.—

2 “(1) IN GENERAL.—The credit determined  
3 under subsection (a) shall be reduced (but not below  
4 zero) by 2 percentage points for each \$2,500 (or  
5 fraction thereof) by which the taxpayer’s adjusted  
6 gross income for the taxable year exceeds the thresh-  
7 old amount.

8 “(2) THRESHOLD AMOUNT.—For purposes of  
9 this subsection, the term ‘threshold amount’  
10 means—

11 “(A) \$100,000 in the case of a joint re-  
12 turn, or a surviving spouse, for which there is  
13 one qualifying individual,

14 “(B) \$120,000 in the case of a joint re-  
15 turn, or a surviving spouse, for which there are  
16 two or three qualifying individuals,

17 “(C) \$160,000 in the case of a joint re-  
18 turn, or a surviving spouse, for which there are  
19 four or more qualifying individuals,

20 “(D) \$75,000 in the case of a head of  
21 household for which there is one qualifying indi-  
22 vidual,

23 “(E) \$90,000 in the case of a head of  
24 household for which there are two or three  
25 qualifying individuals,

1           “(F) \$120,000 in the case of a head of  
2 household for which there are four or more  
3 qualifying individuals,

4           “(G) \$50,000 in the case of any other tax-  
5 payer for which there is one qualifying indi-  
6 vidual,

7           “(H) \$60,000 in the case of any other tax-  
8 payer for which there are two or three quali-  
9 fying individuals, and

10           “(I) \$80,000 in the case of any other tax-  
11 payer for which there are four or more quali-  
12 fying individuals.”.

13       (c) EFFECTIVE DATE.—The amendments made by  
14 this section shall apply to taxable years beginning after  
15 December 31, 2006.

16 **SEC. 3. INCREASE IN PERSONAL EXEMPTION AMOUNT.**

17       (a) IN GENERAL.—Paragraph (1) of section 151(d)  
18 of the Internal Revenue Code of 1986 is amended by strik-  
19 ing “\$2,000” and inserting “\$5,000” .

20       (b) INFLATION ADJUSTMENT.—Subparagraph (A) of  
21 section 151(d)(4) of such Code is amended—

22           (1) by striking “1989” and inserting “2007”,  
23 and

24           (2) by striking “1988” in clause (ii) and insert-  
25 ing “2006”.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2006.

4 **SEC. 4. ELIMINATION OF CERTAIN MARRIAGE PENALTIES.**

5 (a) ELIMINATION OF MARRIAGE PENALTY IN ALL  
6 RATE BRACKETS.—Paragraph (8) of section 1(f) of the  
7 Internal Revenue Code of 1986 (relating to phaseout of  
8 marriage penalty in 15-percent bracket) is amended to  
9 read as follows:

10 “(8) ELIMINATION OF MARRIAGE PENALTY.—

11 With respect to taxable years beginning after De-  
12 cember 31, 2006, in prescribing the tables under  
13 paragraph (1)—

14 “(A) the minimum and maximum amounts  
15 of taxable income in each rate bracket in the  
16 table contained in subsection (a) shall be 200  
17 percent of the minimum and maximum amounts  
18 of taxable income in the corresponding rate  
19 bracket in the table contained in subsection (c)  
20 (after any other adjustment under this sub-  
21 section), and

22 “(B) the comparable taxable income  
23 amounts in the table contained in subsection  
24 (d) shall be  $\frac{1}{2}$  of the amounts determined  
25 under subparagraph (A).”.

1           (b) ELIMINATION OF MARRIAGE PENALTY IN DE-  
2 DUCTION FOR INTEREST ON STUDENT LOANS.—Para-  
3 graph (1) of section 221 of the Internal Revenue Code  
4 of 1986 (relating to general rule for maximum deduction)  
5 is amended to read as follows:

6           “(1) IN GENERAL.—

7                   “(A) GENERAL RULE.—The amount al-  
8 lowed as a deduction under subsection (a) shall  
9 not exceed \$2,500.

10                   “(B) SPECIAL RULE FOR JOINT RE-  
11 TURN.—In the case of a husband and wife—

12                           “(i) who make a joint return for the  
13 taxable year, and

14                           “(ii) each of whom is the obligor on a  
15 qualified education loan for the qualified  
16 education expenses of the husband or wife,  
17 as the case may be,

18           subparagraph (A) shall be applied separately  
19 with respect to the husband and the wife, ex-  
20 cept that not more than \$2,500 of interest ex-  
21 pense may be taken into account under this sec-  
22 tion with respect to each of the husband, the  
23 wife, and all dependents.”.

1       (c) EFFECTIVE DATE.—The amendments made by  
2 this section apply to taxable years beginning after Decem-  
3 ber 31, 2006.

4 **SEC. 5. STANDARD DEDUCTION FOR BUSINESS USE OF**  
5 **HOME.**

6       (a) IN GENERAL.—Subsection (c) of section 280A of  
7 the Internal Revenue Code of 1986 (relating to disallow-  
8 ance of certain expenses in connection with business use  
9 of home, rental of vacation homes, etc.) is amended by  
10 adding at the end the following new paragraph:

11               “(7) STANDARD HOME OFFICE DEDUCTION.—

12                       “(A) IN GENERAL.—In the case of an indi-  
13 vidual that is allowed a deduction for the use of  
14 a home office because of a use described in  
15 paragraphs (1), (2), or (4) of this subsection,  
16 notwithstanding the limitations of paragraph  
17 (5), such individual may elect to use the stand-  
18 ard home office deduction for the taxable year.

19                       “(B) STANDARD HOME OFFICE DEDUC-  
20 TION AMOUNT.—For purposes of this para-  
21 graph, the standard home office deduction is  
22 the lesser of—

23                               “(i) \$2,500, or

1                   “(ii) the gross income derived from  
2                   the individual’s trade or business for which  
3                   such use occurs.”.

4           (b) EFFECTIVE DATE.—The amendment made by  
5 this section shall apply to taxable years beginning after  
6 the date of the enactment of this Act.

7 **SEC. 6. INCREASE AND OTHER MODIFICATIONS IN CHILD**  
8                   **TAX CREDIT MADE PERMANENT.**

9           (a) IN GENERAL.—Title IX of the Economic Growth  
10 and Tax Relief Reconciliation Act of 2001 shall not apply  
11 to the amendments made by section 201 of such Act (re-  
12 lating to modifications to child tax credit).

13           (b) CREDIT AMOUNT ADJUSTED FOR INFLATION.—  
14 Section 24 of the Internal Revenue Code of 1986 is  
15 amended by adding at the end the following new sub-  
16 section:

17           “(g) INFLATION ADJUSTMENT.—In the case of any  
18 taxable year beginning in a calendar year after 2007, the  
19 \$1,000 amount contained in subsection (a) shall be in-  
20 creased by an amount equal to—

21                   “(1) such dollar amount, multiplied by

22                   “(2) the cost-of-living adjustment determined  
23                   under section 1(f)(3) for the calendar year in which  
24                   the taxable year begins, determined by substituting



1 ‘calendar year 2006’ for ‘calendar year 1992’ in sub-  
2 paragraph (B) thereof.

3 Any increase determined under the preceding sentence  
4 shall be rounded to the nearest multiple of \$50.”.

5 **SEC. 7. TELECOMMUTING TAX CREDIT.**

6 (a) IN GENERAL.—Subpart D of part IV of sub-  
7 chapter A of chapter 1 of the Internal Revenue Code of  
8 1986 (relating to business related credits) is amended by  
9 adding at the end the following new section:

10 **“SEC. 450. TELECOMMUTING CREDIT.**

11 “(a) DETERMINATION OF AMOUNT.—For purposes of  
12 section 38, the amount of the telecommuting credit deter-  
13 mined under this section for the taxable year shall be  
14 equal to 40 percent of the qualified first-year teleworking  
15 wages paid or incurred during such year.

16 “(b) QUALIFIED FIRST-YEAR TELEWORKING  
17 WAGES.—For purposes of this section—

18 “(1) IN GENERAL.—The term ‘qualified first-  
19 year teleworking wages’ means, with respect to any  
20 individual, wages attributable to service rendered  
21 during the first teleworking year with respect to  
22 such individual.

23 “(2) FIRST TELEWORKING YEAR.—The term  
24 ‘first teleworking year’ means, with respect to any  
25 individual employed by an employer, the first 1-year

1 period during which such individual renders not less  
2 than 40 percent of the total service rendered to such  
3 employer during such 1-year period from the individ-  
4 ual's principal residence.

5 “(3) ONLY FIRST \$6,000 OF WAGES PER YEAR  
6 TAKEN INTO ACCOUNT.—The amount of the quali-  
7 fied first-year teleworking wages which may be taken  
8 into account with respect to any individual shall not  
9 exceed \$6,000.

10 “(c) WAGES.—For purposes of this section—

11 “(1) IN GENERAL.—The term ‘wages’ has the  
12 meaning given to such term by subsection (b) of sec-  
13 tion 3306 (determined without regard to any dollar  
14 limitation contained in such section).

15 “(2) ON-THE-JOB TRAINING AND WORK SUP-  
16 PLEMENTATION PAYMENTS.—

17 “(A) EXCLUSION FOR EMPLOYERS RECEIV-  
18 ING ON-THE-JOB TRAINING PAYMENTS.—The  
19 term ‘wages’ shall not include any amounts  
20 paid or incurred by an employer for any period  
21 to any individual for whom the employer re-  
22 ceives federally funded payments for on-the-job  
23 training of such individual for such period.

24 “(B) REDUCTION FOR WORK SUPPLEMEN-  
25 TATION PAYMENTS TO EMPLOYERS.—The

1 amount of wages which would (but for this sub-  
2 paragraph) be qualified wages under this sec-  
3 tion for an employer with respect to an indi-  
4 vidual for a taxable year shall be reduced by an  
5 amount equal to the amount of the payments  
6 made to such employer (however utilized by  
7 such employer) with respect to such individual  
8 for such taxable year under a program estab-  
9 lished under section 482(e) of the Social Secu-  
10 rity Act.

11 “(d) SPECIAL RULES.—For purposes of this section,  
12 rules similar to the rules of section 52 and subsections  
13 (f), (g), (i) (other than paragraph (2) thereof), (j), and  
14 (k) of section 51 shall apply.”.

15 (b) CREDIT TREATED AS BUSINESS CREDIT.—Sec-  
16 tion 38(b) of such Code is amended by striking “plus”  
17 at the end of paragraph (30), by striking the period at  
18 the end of paragraph (31) and inserting “, plus”, and by  
19 adding at the end the following new paragraph:

20 “(32) the telecommuting credit determined  
21 under section 450(a).”.

22 (c) CLERICAL AMENDMENT.—The table of sections  
23 for subpart D of part IV of subchapter A of chapter 1  
24 of such Code is amended by adding at the end the fol-  
25 lowing new item:

“Sec. 450. Telecommuting credit.”.

1 (d) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2006, and shall take into account first tele-  
4 working years beginning before, on, or after such date.

5 **SEC. 8. EMPLOYER-PROVIDED COMPUTER EQUIPMENT**  
6 **TREATED AS FRINGE BENEFIT.**

7 (a) IN GENERAL.—Subsection (a) of section 132 of  
8 the Internal Revenue Code of 1986 is amended by striking  
9 “or” at the end of paragraph (7), by striking the period  
10 at the end of paragraph (8) and inserting “, or”, and by  
11 adding at the end the following new paragraph:

12 “(9) qualified employer-provided computer  
13 equipment fringe.”.

14 (b) QUALIFIED EMPLOYER-PROVIDED COMPUTER  
15 EQUIPMENT FRINGE.—Section 132 of such Code is  
16 amended by redesignating subsection (o) as subsection (p)  
17 and by inserting after subsection (n) the following new  
18 subsection:

19 “(o) QUALIFIED EMPLOYER-PROVIDED COMPUTER  
20 EQUIPMENT FRINGE.—For purposes of this section—

21 “(1) IN GENERAL.—The term ‘qualified em-  
22 ployer-provided computer equipment fringe’ means  
23 any computer and related equipment and services  
24 provided to an employee by an employer if—



1 “INCREASED BENEFITS FOR INDIVIDUALS PRECLUDED  
2 FROM PERFORMING REMUNERATIVE WORK BY NEED  
3 TO PROVIDE CHILD CARE

4 “SEC. 235. (a) GENERAL RULE.—For purposes of  
5 determining entitlement to and the amount of any monthly  
6 benefit or lump-sum death payment payable under this  
7 title on the basis of the wages and self-employment income  
8 of any individual, and for purposes of section 216(i)(3),  
9 if such individual—

10 “(1) is not otherwise credited under this title,  
11 for one or more of such individual’s elapsed years  
12 (referred to in section 215(b)(3)), with wages at  
13 least equal to the national average wage index (as  
14 defined in section 209(k)) for such year, and

15 “(2) is a qualified individual in connection with  
16 any such elapsed year after 2007,

17 then such individual shall be credited under this title for  
18 such year after 2007 with additional wages in an amount  
19 necessary to increase the total wages credited to such indi-  
20 vidual under this title for such year to an amount equal  
21 to the national average wage index (as so defined) for such  
22 year.

23 “(b) QUALIFIED INDIVIDUAL.—For purposes of this  
24 section, the term ‘qualified individual’ means, in connec-  
25 tion with any year, any individual in any case in which—

1           “(1) such individual is married for a period  
2 during such year of not less than 90 days,

3           “(2) throughout such period during such year,  
4 such individual lives with a qualified child, and

5           “(3) more than 75 percent of the total remuneration of such individual and such individual’s  
6 spouse for such year which is attributable to wages  
7 or self-employment income earned or derived during  
8 the period during such year for which the requirements of paragraphs (1) and (2) are met consists of  
9 wages or self-employment income earned or derived  
10 by such spouse.  
11  
12

13           “(c) QUALIFIED CHILD.—For purposes of this section, the term ‘qualified child’ means, in connection with  
14 a qualified individual, a child of such individual (or such  
15 individual’s spouse referred to in subsection (b)(2)) who  
16 has not attained age 7.  
17

18           “(d) LIMITATION TO 10 ELAPSED YEARS.—In any  
19 case in which the requirements of subsection (a) are met  
20 in connection with more than 10 elapsed years of an individual, subsection (a) shall apply only with respect to those  
21 elapsed years, not in excess of 10, which, when taken into  
22 account in the application of subsection (a), result in the  
23 highest primary insurance amount for such individual,  
24

1 taking into account which years would be excluded from  
2 benefit computation years under section 215(b)(2)(B)(i).

3 “(e) PROTECTION OF TRUST FUND BALANCES.—

4 There are authorized to be appropriated to each of the  
5 Trust Funds, consisting of the Federal Old-Age and Sur-  
6 vivors Insurance Trust Fund, the Federal Disability In-  
7 surance Trust Fund, and the Federal Hospital Insurance  
8 Trust Fund, for transfer on July 1 of each calendar year  
9 after 2007 to such Trust Fund from amounts in the gen-  
10 eral fund in the Treasury not otherwise appropriated, an  
11 amount equal to the total of the additional amounts which  
12 would be appropriated to such Trust Fund for the fiscal  
13 year ending September 30 of such calendar year under  
14 section 201 or 1817 of this Act if the amounts of the addi-  
15 tional wages credited for such calendar year by reason of  
16 subsection (a) constituted remuneration for employment  
17 (as defined in section 3121(b) of the Internal Revenue  
18 Code of 1986) for purposes of the taxes imposed by sec-  
19 tions 3101 and 3111 of the Internal Revenue Code of  
20 1986. Amounts authorized to be appropriated under this  
21 subsection for transfer on July 1 of each calendar year  
22 shall be determined on the basis of estimates of the Com-  
23 missioner of Social Security of the wages required to be  
24 credited for such calendar year under subsection (a); and  
25 proper adjustments shall be made in amounts authorized



1 to be appropriated for subsequent transfer to the extent  
2 prior estimates were in excess of or were less than such  
3 wages so credited.”.

○