

105TH CONGRESS  
1ST SESSION

# H. R. 1667

To amend the Internal Revenue Code of 1986 to increase the amount of the dependent care credit and to allow such credit for respite care expenses.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 20, 1997

Mrs. JOHNSON of Connecticut, 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 the amount of the dependent care credit and to allow such credit for respite care expenses.

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. INCREASE IN DEPENDENT CARE CREDIT;**  
4                       **CREDIT ALLOWED FOR RESPITE CARE EX-**  
5                       **PENSES.**

6       (a) IN GENERAL.—So much of section 21 of the In-  
7       ternal Revenue Code of 1986 (relating to expenses for  
8       household and dependent care services necessary for gain-  
9       ful employment) as precedes subsection (e) is amended to  
10      read as follows:

1 **“SEC. 21. DEPENDENT CARE SERVICES.**

2 “(a) ALLOWANCE OF CREDIT.—

3 “(1) IN GENERAL.—In the case of an individual  
4 who maintains a household which includes as a  
5 member 1 or more qualifying individuals, there shall  
6 be allowed as a credit against the tax imposed by  
7 this chapter for the taxable year an amount equal to  
8 the applicable percentage of the sum of—

9 “(A) the employment-related expenses paid  
10 by such individual during the taxable year, plus

11 “(B) the respite care expenses paid by  
12 such individual during the taxable year.

13 “(2) APPLICABLE PERCENTAGE DEFINED.—

14 “(A) IN GENERAL.—For purposes of para-  
15 graph (1), the term ‘applicable percentage’  
16 means 50 percent reduced (but not below 20  
17 percent) by 1 percentage point for each full  
18 \$1,000 by which the taxpayer’s adjusted gross  
19 income for the taxable year exceeds \$15,000.

20 “(B) COST-OF-LIVING ADJUSTMENT.—In  
21 the case of any taxable year beginning in a cal-  
22 endar year after 1997, the \$15,000 amount  
23 contained in subparagraph (A) shall be in-  
24 creased by an amount equal to—

25 “(i) such dollar amount, multiplied by

1 “(ii) the cost-of-living adjustment de-  
2 termined under section 1(f)(3) for the cal-  
3 endar year in which the taxable year be-  
4 gins by substituting ‘calendar year 1996’  
5 for ‘calendar year 1992’ in subparagraph  
6 (B) thereof.

7 If any increase determined under the preceding  
8 sentence is not a multiple of \$10, such increase  
9 shall be rounded to the nearest multiple of \$10.

10 “(b) EMPLOYMENT-RELATED EXPENSES.—For pur-  
11 poses of this section—

12 “(1) DETERMINATION OF ELIGIBLE EX-  
13 PENSES.—

14 “(A) IN GENERAL.—The term ‘employ-  
15 ment-related expenses’ means amounts paid for  
16 the following expenses, but only if such ex-  
17 penses are incurred to enable the taxpayer to be  
18 gainfully employed for any period for which  
19 there are 1 or more qualifying individuals with  
20 respect to the taxpayer:

21 “(i) expenses for household services,  
22 and

23 “(ii) expenses for the care of a quali-  
24 fying individual.

1       Such term shall not include any amount paid  
2       for services outside the taxpayer's household at  
3       a camp where the qualifying individual stays  
4       overnight and shall not include any respite care  
5       expense taken into account under subsection  
6       (a).

7               “(B)    EXCEPTION.—Employment-related  
8       expenses described in subparagraph (A) which  
9       are incurred for services outside the taxpayer's  
10      household shall be taken into account only if in-  
11      curred for the care of—

12               “(i) a qualifying individual described  
13      in subsection (d)(1), or

14               “(ii) a qualifying individual (not de-  
15      scribed in subsection (d)(1)) who regularly  
16      spends at least 8 hours each day in the  
17      taxpayer's household.

18               “(C)    DEPENDENT CARE CENTERS.—Em-  
19      ployment-related expenses described in subpara-  
20      graph (A) which are incurred for services pro-  
21      vided outside the taxpayer's household by a de-  
22      pendent care center (as defined in subpara-  
23      graph (D)) shall be taken into account only if—

1 “(i) such center complies with all ap-  
 2 plicable laws and regulations of a State or  
 3 unit of local government, and

4 “(ii) the requirements of subpara-  
 5 graph (B) are met.

6 “(D) DEPENDENT CARE CENTER DE-  
 7 FINED.—For purposes of this paragraph, the  
 8 term ‘dependent care center’ means any facility  
 9 which—

10 “(i) provides care for more than 6 in-  
 11 dividuals (other than individuals who re-  
 12 side at the facility), and

13 “(ii) receives a fee, payment, or grant  
 14 for providing services for any of the indi-  
 15 viduals (regardless of whether such facility  
 16 is operated for profit).

17 “(2) DOLLAR LIMIT ON AMOUNT CRED-  
 18 ITABLE.—

19 “(A) IN GENERAL.—The amount of the  
 20 employment-related expenses incurred during  
 21 any taxable year which may be taken into ac-  
 22 count under subsection (a) shall not exceed—

23 “(i) \$2,400 if there is 1 qualifying in-  
 24 dividual with respect to the taxpayer for  
 25 such taxable year, or

1 “(ii) \$4,800 if there are 2 or more  
2 qualifying individuals with respect to the  
3 taxpayer for such taxable year.

4 The amount determined under clause (i) or (ii)  
5 (whichever is applicable) shall be reduced by the  
6 aggregate amount excludable from gross income  
7 under section 129 for the taxable year.

8 “(B) REDUCTION IN LIMIT FOR AMOUNT  
9 OF RESPITE CARE EXPENSES.—The limitation  
10 of subparagraph (A) shall be reduced by the  
11 amount of the respite care expenses taken into  
12 account by the taxpayer under subsection (a)  
13 for the taxable year.

14 “(3) EARNED INCOME LIMITATION.—

15 “(A) IN GENERAL.—Except as otherwise  
16 provided in this paragraph, the amount of the  
17 employment-related expenses incurred during  
18 any taxable year which may be taken into ac-  
19 count under subsection (a) shall not exceed—

20 “(i) in the case of an individual who  
21 is not married at the close of such year,  
22 such individual’s earned income for such  
23 year, or

24 “(ii) in the case of an individual who  
25 is married at the close of such year, the

1            lesser of such individual's earned income or  
 2            the earned income of his spouse for such  
 3            year.

4            “(B) SPECIAL RULE FOR SPOUSE WHO IS  
 5            A STUDENT OR INCAPABLE OF CARING FOR  
 6            HIMSELF.—In the case of a spouse who is a  
 7            student or a qualified individual described in  
 8            subsection (d)(3), for purposes of subparagraph  
 9            (A), such spouse shall be deemed for each  
 10           month during which such spouse is a full-time  
 11           student at an educational institution, or is such  
 12           a qualifying individual, to be gainfully employed  
 13           and to have earned income of not less than—

14                    “(i) \$200 if paragraph (2)(A)(i) ap-  
 15                    plies for the taxable year, or

16                    “(ii) \$400 if paragraph (2)(A)(ii) ap-  
 17                    plies for the taxable year.

18            In the case of any husband and wife, this sub-  
 19            paragraph shall apply with respect to only one  
 20            spouse for any one month.

21            “(c) RESPITE CARE EXPENSES.—For purposes of  
 22            this section—

23                    “(1) IN GENERAL.—The term ‘respite care ex-  
 24                    penses’ means expenses paid (whether or not to en-  
 25                    able the taxpayer to be gainfully employed) for—

1 “(A) the care of a qualifying individual—

2 “(i) who has attained the age of 13,

3 or

4 “(ii) who is under the age of 13 but

5 has a physical or mental impairment which

6 results in the individual being incapable of

7 caring for himself,

8 during any period when such individual regu-

9 larly spends at least 8 hours each day in the

10 taxpayer’s household, or

11 “(B) care (for not more than 14 days dur-

12 ing the calendar year) of a qualifying individual

13 described in subparagraph (A) during any pe-

14 riod during which the individual does not regu-

15 larly spend at least 8 hours each day in the tax-

16 payer’s household.

17 “(2) DOLLAR LIMIT.—The amount of the res-

18 pite care expenses incurred during any taxable year

19 which may be taken into account under subsection

20 (a) shall not exceed—

21 “(A) \$1,200 if such expenses are incurred

22 with respect to only 1 qualifying individual for

23 the taxable year, or



1           “(B) \$2,400 if such expenses are incurred  
2           for 2 or more qualifying individuals for such  
3           taxable year.

4           “(d) QUALIFYING INDIVIDUAL.—For purposes of this  
5 section, the term ‘qualifying individual’ means—

6           “(1) a dependent of the taxpayer who is under  
7           the age of 13 and with respect to whom the taxpayer  
8           is entitled to a deduction under section 151(c),

9           “(2) a dependent of the taxpayer who is phys-  
10          ically or mentally incapable of caring for himself, or

11          “(3) the spouse of the taxpayer, if he is phys-  
12          ically or mentally incapable of caring for himself.”

13          (b) TECHNICAL AND CONFORMING AMENDMENTS.—

14           (1) Paragraph (5) of section 21(e) of such Code  
15           is amended by striking “subparagraph (A) or (B) of  
16           subsection (b)(1)” and inserting “paragraph (1) or  
17           (2) of subsection (d)”.

18           (2) Paragraph (2) of section 129(b) of such  
19           Code is amended by striking “section 21(d)(2)” and  
20           inserting “section 21(b)(3)(B)”.

21           (3) Paragraph (1) of section 129(e) of such  
22           Code is amended by striking “under section 21(b)(2)  
23           (relating to expenses for household and dependent  
24           care services necessary for gainful employment)”

1 and inserting “or respite care services under section  
2 21 (relating to dependent care services)”.

3 (4) Subparagraph (H) of section 6213(g)(2) of  
4 such Code is amended by striking “section 21 (relat-  
5 ed to expenses for household and dependent care  
6 services necessary for gainful employment)” and in-  
7 serting “section 21 (relating to dependent care serv-  
8 ices)”.

9 (5) The item relating to section 21 in the table  
10 of sections for subpart A of part IV of subchapter  
11 A of chapter 1 of such Code is amended to read as  
12 follows:

“Sec. 21. Dependent care services.”

13 (c) EFFECTIVE DATE.—The amendments made by  
14 this section shall apply to taxable years beginning after  
15 December 31, 1996.

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