

105TH CONGRESS  
1ST SESSION

# S. 978

To amend the Internal Revenue Code of 1986 to allow employers a credit for a portion of the expenses of providing dependent care services to employees, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

JUNE 27, 1997

Mr. SPECTER introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to allow employers a credit for a portion of the expenses of providing dependent care services to employees, 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 “Affordable Child Care  
5       Act”.

6       **SEC. 2. PURPOSE.**

7       The purpose of this Act is to reduce costs to employ-  
8       ees for employer-provided on-site dependent care services

1 by providing employers with a credit against income tax  
 2 for a portion of the costs incurred by employers in provid-  
 3 ing those services.

4 **SEC. 3. CREDIT FOR EMPLOYER EXPENSES IN PROVIDING**  
 5 **CERTAIN DEPENDENT CARE SERVICES.**

6 (a) GENERAL RULE.—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. 45D. EMPLOYER EXPENSES IN PROVIDING DEPEND-**  
 11 **ENT CARE SERVICES.**

12 “(a) GENERAL RULE.—For purposes of section 38,  
 13 the employer day care center credit determined under this  
 14 section for the taxable year is the amount determined  
 15 under subsection (b) with respect to each qualified day  
 16 care center of the taxpayer.

17 “(b) CREDIT PER FACILITY.—For purposes of this  
 18 section—

19 “(1) IN GENERAL.—The amount determined  
 20 under this subsection for any taxable year with re-  
 21 spect to any qualified day care facility of the tax-  
 22 payer is 50 percent of the excess (if any) of—

23 “(A) the expenses paid or incurred by the  
 24 taxpayer during the taxable year in providing

1 dependent care services at such facility for em-  
 2 ployees, over

3 “(B) the aggregate amount received or ac-  
 4 crued during the taxable year by the employer  
 5 for such services.

6 “(2) DEPRECIATION ALLOWANCES.—For pur-  
 7 poses of paragraph (1), depreciation allowances  
 8 under section 167 shall be treated as expenses.

9 “(c) QUALIFIED DAY CARE CENTER.—For purposes  
 10 of this section, the term ‘qualified day care center’ means  
 11 any day care center—

12 “(1) which is operated by or for the taxpayer  
 13 exclusively for purposes of providing affordable de-  
 14 pendent care services to a fair cross section of such  
 15 taxpayer’s employees,

16 “(2) which is located on the business premises  
 17 of the taxpayer or on a site adjacent to such prem-  
 18 ises, and

19 “(3) which complies with all applicable laws and  
 20 regulations of a State or unit of local government.

21 In the case of a day care center operated jointly by a  
 22 group of employers, the requirement of paragraph (1)  
 23 shall not fail to be treated as met if such requirement is  
 24 met with respect to each employer in such group.

1       “(d) CREDIT MUST REDUCE EMPLOYEE COSTS.—No  
 2 credit shall be allowed under this section with respect to  
 3 any qualified day care center of the taxpayer for any tax-  
 4 able year unless the taxpayer certifies to the Secretary for  
 5 such year that the amount of such credit is passed on to  
 6 employees using such center in the form of reduced costs.”

7       (b) CREDIT MADE PART OF GENERAL BUSINESS  
 8 CREDIT.—Subsection (b) of section 38 of such Code is  
 9 amended by striking “plus” at the end of paragraph (11),  
 10 by striking the period at the end of paragraph (12) and  
 11 inserting “, plus”, and by adding at the end the following  
 12 new paragraph:

13               “(13) the employer day care center credit deter-  
 14 mined under section 45D(a).”

15       (c) DENIAL OF DOUBLE BENEFIT.—Section 280C of  
 16 such Code is amended by adding at the end the following  
 17 new subsection:

18       “(d) CREDIT FOR EMPLOYER DAY CARE CENTER  
 19 EXPENSES.—No deduction shall be allowed for that por-  
 20 tion of the expenses referred to in section 45D(b)(1)(A)  
 21 otherwise allowable as a deduction for the taxable year  
 22 which is equal to the amount of the credit determined for  
 23 such taxable year under section 45D(a).”

24       (d) CONFORMING AMENDMENT.—The table of sec-  
 25 tions for subpart D of part IV of subchapter A of chapter

1 1 of such Code is amended by adding at the end the follow-  
2 ing new item:

“Sec. 45D. Employer expenses in providing dependent care serv-  
ices.”

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

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