

106TH CONGRESS
1ST SESSION

H. R. 1119

To enable a greater number of children to receive child care services, and
to improve the quality of child care services.

IN THE HOUSE OF REPRESENTATIVES

MARCH 16, 1999

Mr. CARDIN (for himself, Mr. RANGEL, Mr. MATSUI, Mr. COYNE, Mr. JEFFERSON, Mr. LEVIN, Mr. LEWIS of Georgia, Mr. DOGGETT, and Mr. STARK) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To enable a greater number of children to receive child
care services, and to improve the quality of child care
services.

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 “Child Care Improve-
5 ment Act of 1999”.

1 **SEC. 2. CHILD CARE SUBSIDY FUNDING.**

2 (a) APPROPRIATION; ALLOCATION.—Section 418 of
3 the Social Security Act (42 U.S.C. 618) is amended—

4 (1) by redesignating subsections (b), (c), and
5 (d) as subsections (d), (e), and (f), respectively; and

6 (2) by inserting after subsection (a) the fol-
7 lowing:

8 “(b) CHILD CARE SUBSIDY FUNDING.—

9 “(1) APPROPRIATION.—Out of any funds in the
10 Treasury not otherwise appropriated, there are ap-
11 propriated for grants and other activities under this
12 subsection—

13 “(A) \$1,155,000,000 for fiscal year 2000;

14 “(B) \$1,280,000,000 for fiscal year 2001;

15 “(C) \$1,400,000,000 for fiscal year 2002;

16 “(D) \$1,600,000,000 for fiscal year 2003;

17 and

18 “(E) \$2,065,000,000 for fiscal year 2004.

19 “(2) ALLOTMENT AND RESERVATION OF
20 FUNDS.—

21 “(A) ALLOTMENTS FOR INDIAN TRIBES.—

22 From the amount appropriated pursuant to
23 paragraph (1) for a fiscal year, the Secretary
24 shall allot to each Indian tribe that has received
25 a share for the fiscal year under section
26 6580(c) of the CCDBG Act, an amount that

bears the same ratio to such sum as the Secretary may determine that is not less than 1 and not more than 2 percent of the amount so appropriated as the share so received by the tribe bears to the total of the shares so received by all Indian tribes.

“(B) RESERVATION FOR SECRETARY’S ACTIVITIES.—From the amount appropriated pursuant to paragraph (1) for a fiscal year, the Secretary shall reserve \$1,000,000 for expenditure by the Secretary for quality assurance and quality improvement activities relating to programs under the CCDBG Act.

“(C) ALLOTMENTS FOR STATES AND TERRITORIES.—From the amount appropriated pursuant to paragraph (1) for a fiscal year that remains after applying subparagraphs (A) and (B) of this paragraph for the fiscal year, the Secretary shall allot to each State and territory an amount that bears the same ratio to such remaining amount as the number of children residing in the State or territory in the second preceding fiscal year bears to the number of children residing in the United States in the second preceding fiscal year.

1 “(3) MATCHING PAYMENTS TO STATES AND
2 TERRITORIES.—

3 “(A) IN GENERAL.—From the amount al-
4 lotted to a State or territory for a fiscal year
5 under paragraph (2), the Secretary shall pay to
6 the State or territory for the fiscal year an
7 amount equal to the lesser of the amount so al-
8 lotted or 80 percent of the amount of eligible
9 child care expenditures of the State or territory
10 during the fiscal year.

11 “(B) ELIGIBLE CHILD CARE EXPENDI-
12 TURES DEFINED.—In subparagraph (A), the
13 term ‘eligible child care expenditures’ means,
14 with respect to a State or territory,
15 expenditures—

16 “(i) made under the approved plan of
17 the State or territory under the CCDBG
18 Act;

19 “(ii) for which Federal matching pay-
20 ments or reimbursements have not other-
21 wise been made; and

22 “(iii) in the case of a State, to the ex-
23 tent the amount of such expenditures ex-
24 ceeds the amount necessary to secure pay-
25 ment of the full amount of the State’s al-

1 lotment (if any) under subsection (a)(2)
2 (determined without regard to subsection
3 (a)(2)(D)).

4 “(C) REDISTRIBUTION.—The Secretary
5 shall, to the extent necessary, determine the
6 need for redistribution of, and redistribute,
7 amounts allotted under this subsection to
8 States, in accordance with the procedures and
9 formula set forth in subsection (a)(2)(D).

10 “(4) PAYMENTS TO INDIAN TRIBES.—From the
11 amount allotted to an Indian tribe for a fiscal year
12 under paragraph (2), the Secretary shall pay to the
13 tribe for the fiscal year an amount equal to the less-
14 er of the amount so allotted or the total amount ex-
15 pended by the tribe pursuant to the CCDBG Act for
16 which Federal payments have not otherwise been
17 made.

18 “(5) TARGETING OF FUNDS FOR WORKING
19 NON-WELFARE FAMILIES.—Notwithstanding sub-
20 section (e) of this section, a State or territory to
21 which amounts are provided under this subsection
22 shall use not less than 70 percent of the amounts for
23 child care assistance to working families who are not
24 recipients of assistance under the State or territory
25 program funded under section 403(a)(1).”.

1 (b) INCLUSION OF TERRITORIES IN DEFINITIONS.—

2 Section 418(f) of such Act, as so redesignated by sub-
3 section (a)(1) of this section, is amended to read as fol-
4 lows:

5 “(f) DEFINITIONS.—As used in this section:

6 “(1) CCDBG ACT.—The term ‘CCDBG Act’
7 means the Child Care and Development Block Grant
8 Act of 1990 (42 U.S.C. 9801 et seq.).

9 “(2) STATE.—The term ‘State’ means each of
10 the 50 States, the District of Columbia, and (except
11 for purposes of subsection (a)) the Commonwealth of
12 Puerto Rico.

13 “(3) TERRITORY.—The term ‘territory’ means
14 the United States Virgin Islands, Guam, American
15 Samoa, and the Commonwealth of the Northern
16 Mariana Islands.”.

17 (c) CONFORMING AMENDMENTS.—

18 (1) Section 418(a)(3) of such Act (42 U.S.C.
19 618(a)(3)) is amended by striking “this section” and
20 inserting “this subsection”.

21 (2) Section 418(d) of such Act (as so redesign-
22 ated by subsection (a)(1) of this section) is amend-
23 ed in paragraphs (1) and (2) by striking “under this
24 section” each place it appears and inserting “under
25 subsection (a)”.

1 (3) Section 1108(a)(2) of such Act (42 U.S.C.
 2 1308(a)(2)) is amended by striking “or 413(f)” and
 3 inserting “413(f), or 418(b)(3)(A)”.

4 **SEC. 3. CHILD CARE QUALITY AND EARLY LEARNING PRO-**
 5 **GRAM.**

6 (a) **FUNDING.**—Section 418 of the Social Security
 7 Act (42 U.S.C. 618), as amended by section 2(b) of this
 8 Act, is amended by inserting after subsection (b) the fol-
 9 lowing:

10 “(c) **APPROPRIATIONS FOR CHILD CARE QUALITY**
 11 **AND EARLY LEARNING PROGRAM.**—

12 “(1) **IN GENERAL.**—Out of any funds in the
 13 Treasury not otherwise appropriated, there are ap-
 14 propriated \$600,000,000 for each of fiscal years
 15 2000 through 2004 for carrying out activities re-
 16 lated to early learning programs in accordance with
 17 this section and section 658T of the CCDBG Act.

18 “(2) **ALLOTMENT AND RESERVATION OF**
 19 **FUNDS.**—

20 “(A) **ALLOTMENTS FOR INDIAN TRIBES.**—

21 From the amount appropriated pursuant to
 22 paragraph (1) for a fiscal year, the Secretary
 23 shall allot to each Indian tribe that has received
 24 a share for the fiscal year under section
 25 658O(c) of the CCDBG Act, an amount that

bears the same ratio to such sum as the Secretary may determine that is not more than 2 percent of the amount so appropriated as the share so received by the tribe bears to the total of the shares so received by all Indian tribes.

“(B) ALLOTMENTS FOR TERRITORIES.—

From the amount appropriated pursuant to paragraph (1) for a fiscal year, the Secretary shall allot to each territory an amount that bears the same ratio to $\frac{1}{2}$ of 1 percent of the amount so appropriated as the amount allotted to the territory for the fiscal year under section 6580(a)(1) of the CCDBG Act bears to the total amount received by all territories for the fiscal year under such section.

“(C) RESERVATION FOR SECRETARY’S AC-

TIVITIES.—From the amount appropriated pursuant to paragraph (1) for a fiscal year, the Secretary shall reserve \$6,000,000 for expenditure by the Secretary for costs of providing technical assistance to, and conducting national evaluations of, State, local, and tribal early learning programs under such section 658T of the CCDBG Act.

1 “(D) ALLOTMENTS TO STATES AND TERRI-
2 TORIES.—From the amount appropriated pur-
3 suant to paragraph (1) for a fiscal year that re-
4 mains after applying subparagraphs (A), (B),
5 and (C) of this paragraph for the fiscal year,
6 the Secretary shall allot to each State an
7 amount based on the formula used for deter-
8 mining the amount of Federal payments to the
9 State under section 658O of the CCDBG Act.

10 “(3) MATCHING PAYMENTS TO STATES AND
11 TERRITORIES.—

12 “(A) IN GENERAL.—From the amount al-
13 lotted to a State or territory for a fiscal year
14 under paragraph (2), the Secretary shall pay to
15 the State or territory for the fiscal year an
16 amount equal to the lesser of the amount so al-
17 lotted or 80 percent of the amount expended by
18 the State or territory during the fiscal year for
19 an early learning program under a plan ap-
20 proved under section 658T of the CCDBG Act.

21 “(B) REDISTRIBUTION.—The Secretary
22 shall, to the extent necessary, determine the
23 need for redistribution of, and redistribute,
24 amounts allotted under this subsection to

1 States, in accordance with the procedures and
2 formula set forth in subsection (a)(2)(D).

3 “(4) PAYMENTS TO INDIAN TRIBES.—The Sec-
4 retary shall pay to each Indian tribe for a fiscal year
5 an amount equal to the lesser of its allotment under
6 paragraph (2)(A) or the total amount of expendi-
7 tures by the tribe for an early learning program
8 under section 658T of the CCDBG Act.”.

9 (b) ESTABLISHMENT OF CHILD CARE QUALITY AND
10 EARLY LEARNING PROGRAM.—

11 (1) STATE PLAN REQUIREMENT.—Section
12 658E(c) of the Child Care and Development Block
13 Grant Act of 1990 (42 U.S.C. 9858c(c)) is amended
14 by adding at the end the following new:

15 “(6) EARLY LEARNING PROGRAM PLAN RE-
16 QUIREMENTS.—In the case of a State electing to im-
17 plement an early learning program under section
18 658T, the State plan shall meet the requirements
19 specified in section 658T(b)(2).”.

20 (2) EARLY LEARNING PROGRAM.—The Child
21 Care and Development Block Grant Act of 1990 (42
22 U.S.C. 9858 et seq.) is amended by adding at the
23 end the following:

1 **“SEC. 658T. EARLY LEARNING PROGRAM.**

2 “(a) PROGRAM PURPOSE.—The purpose of the pro-
3 gram under this section is to enable States, through
4 grants to communities, to support activities that—

5 “(1) promote children’s healthy development
6 during the earliest years of life;

7 “(2) improve the quality and safety of child
8 care for children aged five and under, including
9 those with disabilities;

10 “(3) encourage and facilitate emerging literacy
11 and language development, and school readiness,
12 based on research-based practices; and

13 “(4) enhance programs designed to achieve
14 these goals.

15 **“(b) REQUIREMENTS FOR STATE PARTICIPATION.—**

16 “(1) IN GENERAL.—In order to be eligible for
17 Federal matching funds under section 418(c) of the
18 Social Security Act, the State shall have in effect
19 under its plan under section 658E an early learning
20 program plan meeting the requirements specified in
21 paragraph (2).

22 “(2) EARLY LEARNING PROGRAM PLAN RE-
23 QUIREMENTS.—The early learning program plan
24 shall meet the following requirements:

1 “(A) LEAD AGENCY.—The plan shall pro-
2 vide that the program will be administered by
3 the lead agency designated under 658D.

4 “(B) COMMUNITY GRANT PROCEDURES.—
5 The plan shall describe the standards and pro-
6 cedures to be applied in the review and approval
7 of community applications, and in setting
8 amounts, terms, and conditions of community
9 grants, including the methods to be used to en-
10 sure that no less than 70 percent of grant
11 funds are awarded to low-income communities.

12 “(C) COMMUNITY PARTICIPATION IN PLAN-
13 NING AND MONITORING.—The plan shall de-
14 scribe the methods to be used to ensure partici-
15 pation, in planning and monitoring activities
16 under the community plan, of representatives of
17 concerned elements of the community, including
18 parents of young children, child care providers,
19 child development and mental health profes-
20 sionals, early intervention specialists, health
21 care providers, public school representatives,
22 local interagency coordinating councils for chil-
23 dren with disabilities, local government, and
24 business leaders.

1 “(D) PROGRAM ACTIVITIES.—The plan
2 shall specify which of the allowable activities
3 enumerated in subsection (c) may be carried
4 out under community grants under the plan.

5 “(E) PERFORMANCE GOALS AND MEAS-
6 URES.—The plan shall specify—

7 “(i) performance goals to be achieved
8 and the interim and long term performance
9 measures and timetables, as appropriate,
10 to be used to assess progress toward each
11 goal under the plan, which—

12 “(I) shall be developed pursuant
13 to guidance provided by the Secretary
14 and in consultation with local govern-
15 ment authorities in accordance with
16 section 658D(b)(2); and

17 “(II) shall be designed to im-
18 prove child development through co-
19 ordination with health care and men-
20 tal health services; enhanced early
21 learning environments, especially
22 those that promote language skills
23 and literacy growth of children; qual-
24 ity of infant and toddler care; paren-
25 tal involvement; consumer education;

1 reduced staff turnover; and increased
2 rates of accreditation by nationally
3 recognized accreditation organizations;
4 “(ii) the steps to be taken by the
5 State or grantees in accordance with guid-
6 ance provided by the Secretary if the speci-
7 fied benchmarks are not achieved.

8 “(F) COORDINATION WITH ACTIVITIES TO
9 IMPROVE THE QUALITY OF CHILD CARE.—The
10 State plan shall specify the methods to be used
11 to coordinate activities under this section and
12 section 658G(a), including coordination of plan-
13 ning and of performance goals and measures, in
14 order to maximize the effectiveness of both pro-
15 grams.

16 “(c) ALLOWABLE ACTIVITIES.—An early learning
17 program under a State plan under this section may pro-
18 vide for any or all of the following activities to promote
19 cognitive, social, emotional, and physical development in
20 order to enhance emerging literacy and language develop-
21 ment, and school readiness:

22 “(1) INFORMATION AND RESOURCES.—

23 “(A) PARENTING EDUCATION.—Provision
24 of parenting education, including use of or col-
25 laboration with Head Start, Even Start or simi-

lar programs, for parents of young children by means including use of community-based resource centers, family literacy programs with parenting education components, collaboration with early intervention and preschool providers of services for children, public elementary schools, centers that serve children with special health care needs or disabilities and their families, and home visiting programs.

“(B) INFORMATION AND REFERRAL.—Initiatives to develop or increase the availability of consumer education information and referral services and other resources to assist parents to locate and assess the quality of available child care services.

“(C) FAMILY CHILD CARE NETWORKS.—Development of support networks, information and referral services, and other supportive services addressing needs of family child care providers for access to such resources as education, training, and community support services.”.

“(2) QUALITY AND AVAILABILITY.—

“(A) PROVIDER TRAINING.—Training of child care personnel, which may include training in early childhood development, early lit-

1 eracy, health, nutrition, hygiene, first-aid and
2 safety, best practices for serving children with
3 disabilities in child care, awareness of resources
4 in the community, awareness of Medicaid, the
5 Children’s Health Insurance Program (CHIP),
6 and other health services, and other appropriate
7 matters.

8 “(B) IMPROVED STAFFING RATIOS.—Ini-
9 tiatives to increase ratios of child care staff to
10 children in care and to reduce child care group
11 sizes.

12 “(C) LICENSING AND ACCREDITATION AS-
13 SISTANCE.—Assistance to entities and individ-
14 uals in meeting applicable child care accredita-
15 tion and licensing requirements and in obtain-
16 ing licensing or accreditation.

17 “(D) STANDARDS ENFORCEMENT.—Initia-
18 tives to increase the numbers of qualified child
19 care licensing and standards enforcement staff
20 and activities to increase monitoring and en-
21 forcement of State and local health and safety
22 standards, and activities to educate child care
23 providers on the requirements of State and
24 local health and safety standards.

1 “(E) HEALTH SERVICES.—Improving co-
2 ordination of child care with appropriate health
3 services including health and mental health con-
4 sultations, hearing and vision testing, blood
5 lead level screening, and immunizations, by
6 methods such as co-location of health and child
7 care services, referrals of children in child care
8 to health care providers or screening services,
9 and transfer of child health records to public
10 school at school entry. Services under this sub-
11 paragraph shall not include direct provision of
12 or payment for health care services.

13 “(F) CARE FOR CHILDREN WITH SPECIAL
14 NEEDS.—Increasing the availability and quality
15 of child care for young children with special
16 health care needs, developmental delays, and
17 disabilities; and coordinating with early inter-
18 vention and preschool special education services.

19 “(G) SALARY AND BENEFIT ENHANCE-
20 MENT.—Assistance to child care programs to
21 increase the quality and continuity of care by
22 attracting or retaining highly qualified child
23 care staff working directly with children
24 through enhanced compensation.

1 “(H) MONITORING AND TECHNICAL AS-
 2 SISTANCE.—Technical assistance to grantees,
 3 and monitoring of programs, assisted under this
 4 section. State expenditures under this subpara-
 5 graph shall not exceed a percentage of total
 6 State expenditures for the program under this
 7 section equal to 10 percent for each of fiscal
 8 years 2000 through 2002, and 5 percent for fis-
 9 cal year 2003 and each succeeding fiscal year.”.

10 (c) ANNUAL REPORT.—Section 658K(a)(2) of the
 11 Child Care and Development Block Grant Act of 1990 (42
 12 U.S.C. 9858i(a)(2)) is amended—

13 (1) by striking “and” at the end of subpara-
 14 graph (D);

15 (2) by striking the period at the end of sub-
 16 paragraph (E) and inserting a semicolon; and

17 (3) by inserting after and below subparagraph
 18 (E) the following new subparagraphs:

19 “(F) the early learning program under sec-
 20 tion 658T, including—

21 “(i) the number and average dollar
 22 amount of grants awarded;

23 “(ii) the number, average dollar
 24 amount, and percentage of the total State

1 award of such grants made to low-income
2 communities;

3 “(iii) the number of early learning
4 programs;

5 “(iv) the number of children served
6 with special health care needs, disabilities
7 or developmental delays;

8 “(v) the number of early learning pro-
9 grams that assist children with special
10 needs;

11 “(vi) progress toward achievement of
12 each performance goal, for each specific,
13 quantifiable and measurable objective;

14 “(vii) expenditures for each allowable
15 activity listed in section 658T(c), total ex-
16 penditures and, to the extent feasible, the
17 volume or frequency of such activity and
18 the average expenditure per unit of such
19 activity; and

20 “(viii) with respect to any allowable
21 activity listed in section 658T(c) for which
22 expenditures are made by the State both
23 under section 658G(a) and under section
24 658T, the amount expended under each
25 such section; and

1 “(ix) such other data as the Secretary
2 may require.”.

3 **SEC. 4. 4% MINIMUM QUALITY EXPENDITURES.**

4 Section 658G of the Child Care and Development
5 Block Grant Act of 1990 (42 U.S.C. 9858e) is amended—

6 (1) by striking “A State” and inserting the following:

7 “(a) 4 PERCENT MINIMUM QUALITY EXPENDI-
8 TURES.—Subject to subsection (b), a State”; and

9 (2) by adding at the end the following new subsection:

10 “(b) DISREGARD OF EARLY LEARNING PROGRAM
11 FUNDS.—For purposes of subsection (a), amounts re-
12 ceived by the State from amounts appropriated under sec-
13 tion 418(c) of the Social Security Act and expended under
14 a plan in accordance with section 658T shall be dis-
15 regarded.”.

16 **SEC. 5. EXPANSION OF DEPENDENT CARE TAX CREDIT.**

17 (a) IN GENERAL.—Paragraph (2) of section 21(a) of
18 the Internal Revenue Code of 1986 (relating to expenses
19 for household and dependent care services necessary for
20 gainful employment) is amended to read as follows:

21 “(2) APPLICABLE PERCENTAGE DEFINED.—For
22 purposes of paragraph (1), the term ‘applicable per-
23 centage’ means 50 percent reduced (but not below
24 20 percent) by 1 percentage point for each \$1,000
25 (or fraction thereof) by which the taxpayer’s ad-

1 justed gross income for the taxable year exceeds
2 \$30,000.”

3 (b) MINIMUM CREDIT ALLOWED FOR STAY-AT-
4 HOME PARENTS.—Section 21(e) of such Code (relating
5 to special rules) is amended by adding at the end the fol-
6 lowing:

7 “(11) MINIMUM CREDIT ALLOWED FOR STAY-
8 AT-HOME PARENTS.—Notwithstanding subsection
9 (d), in the case of any taxpayer with one or more
10 qualifying individuals described in subsection
11 (b)(1)(A) under the age of 1 at any time during the
12 taxable year, such taxpayer shall be deemed to have
13 employment-related expenses with respect to such
14 qualifying individuals in an amount equal to the
15 greater of—

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

20 “(B) \$125 for each month in such taxable
21 year during which such qualifying individual is
22 under the age of 1.”.

23 (c) INFLATION ADJUSTMENT OF DOLLAR
24 AMOUNTS.—

1 (1) Section 21 of such Code is amended by re-
2 designating subsection (f) as subsection (g) and by
3 inserting after subsection (e) the following new sub-
4 section:

5 “(f) INFLATION ADJUSTMENT.—In the case of any
6 taxable year beginning in a calendar year after 2000, the
7 \$30,000 amount contained in subsection (a), the \$2,400
8 amount in subsection (c), and the \$125 amount in sub-
9 section (e)(11) shall be increased by an amount equal to—

10 “(1) such dollar amount, multiplied by

11 “(2) the cost-of-living adjustment determined
12 under section 1(f)(3) for such calendar year by sub-
13 stituting ‘calendar year 1999’ for ‘calendar year
14 1992’ in subparagraph (B) thereof.

15 If the increase determined under the preceding sentence
16 is not a multiple of \$50 (\$5 in the case of the amount
17 in subsection (e)(11)), such amount shall be rounded to
18 the next lowest multiple thereof.”

19 (2) Paragraph (2) of section 21(c) of such Code
20 is amended by striking “\$4,800” and inserting
21 “twice the dollar amount applicable under paragraph
22 (1)”.

23 (3) Paragraph (2) of section 21(d) of such Code
24 is amended by striking “less than—” and all that
25 follows through the end of the first sentence and in-

1 serting “less than $\frac{1}{12}$ of the amount which applies
 2 under subsection (c) to the taxpayer for the taxable
 3 year.”

4 (d) CREDIT ALLOWED BASED ON RESIDENCY IN
 5 CERTAIN CASES.—Subsection (e) of section 21 of such
 6 Code is amended by adding at the end the following new
 7 paragraph:

8 “(12) CREDIT ALLOWED BASED ON RESIDENCY
 9 IN CERTAIN CASES.—In the case of a taxpayer—

10 “(A) who does not satisfy the household
 11 maintenance test of subsection (a) for any pe-
 12 riod, but

13 “(B) whose principal place of abode for
 14 such period is also the principal place of abode
 15 of any qualifying individual,

16 then such taxpayer shall be treated as satisfying
 17 such test for such period but the amount of credit
 18 allowable under this section with respect to such in-
 19 dividual shall be determined by allowing only $\frac{1}{12}$ of
 20 the limitation under subsection (c) for each full
 21 month that the requirement of subparagraph (B) is
 22 met.”

23 (e) EFFECTIVE DATE.—The amendments made by
 24 this section shall apply to taxable years beginning after
 25 December 31, 1999.

1 **SEC. 6. ALLOWANCE OF CREDIT FOR EMPLOYER EXPENSES**
2 **FOR CHILD CARE ASSISTANCE.**

3 (a) IN GENERAL.—Subpart D of part IV of sub-
4 chapter A of chapter 1 of the Internal Revenue Code of
5 1986 (relating to business related credits) is amended by
6 adding at the end the following new section:

7 **“SEC. 45D. EMPLOYER-PROVIDED CHILD CARE CREDIT.**

8 “(a) IN GENERAL.—For purposes of section 38, the
9 employer-provided child care credit determined under this
10 section for the taxable year is an amount equal to 25 per-
11 cent of the qualified child care expenditures of the tax-
12 payer for such taxable year.

13 “(b) DOLLAR LIMITATION.—The credit allowable
14 under subsection (a) for any taxable year shall not exceed
15 \$150,000.

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

17 “(1) QUALIFIED CHILD CARE EXPENDITURE.—
18 The term ‘qualified child care expenditure’ means
19 any amount paid or incurred—

20 “(A) to acquire, construct, rehabilitate, or
21 expand property—

22 “(i) which is to be used as part of a
23 qualified child care facility of the taxpayer,

24 “(ii) with respect to which a deduction
25 for depreciation (or amortization in lieu of
26 depreciation) is allowable, and

1 “(iii) which does not constitute part of
2 the principal residence (within the meaning
3 of section 121) of the taxpayer or any em-
4 ployee of the taxpayer,

5 “(B) for the operating costs of a qualified
6 child care facility of the taxpayer, including
7 costs related to the training of employees, to
8 scholarship programs, and to the providing of
9 increased compensation to employees with high-
10 er levels of child care training,

11 “(C) under a contract with a qualified
12 child care facility to provide child care services
13 to employees of the taxpayer,

14 “(D) under a contract to provide child care
15 resource and referral services to employees of
16 the taxpayer, or

17 “(E) for the costs of seeking accreditation
18 from a child care credentialing or accreditation
19 entity.

20 “(2) QUALIFIED CHILD CARE FACILITY.—

21 “(A) IN GENERAL.—The term ‘qualified
22 child care facility’ means a facility—

23 “(i) the principal use of which is to
24 provide child care assistance, and

1 “(ii) which meets the requirements of
2 all applicable laws and regulations of the
3 State or local government in which it is lo-
4 cated, including, but not limited to, the li-
5 censing of the facility as a child care
6 facility.

7 Clause (i) shall not apply to a facility which is
8 the principal residence (within the meaning of
9 section 121) of the operator of the facility.

10 “(B) SPECIAL RULES WITH RESPECT TO A
11 TAXPAYER.—A facility shall not be treated as a
12 qualified child care facility with respect to a
13 taxpayer unless—

14 “(i) enrollment in the facility is open
15 to all employees of the taxpayer during the
16 taxable year,

17 “(ii) services available at such facility
18 do not discriminate in favor of employees
19 of the taxpayer who are highly com-
20 pensated employees (within the meaning of
21 section 414(q)), and

22 “(iii) in the case of a facility which is
23 owned or operated by the taxpayer, at least
24 30 percent of the enrollees of such facility

1 are dependents of employees of the tax-
2 payer.

3 “(d) RECAPTURE OF ACQUISITION AND CONSTRUC-
4 TION CREDIT.—

5 “(1) IN GENERAL.—If, as of the close of any
6 taxable year, there is a recapture event with respect
7 to any qualified child care facility of the taxpayer,
8 then the tax of the taxpayer under this chapter for
9 such taxable year shall be increased by an amount
10 equal to the product of—

11 “(A) the applicable recapture percentage,
12 and

13 “(B) the aggregate decrease in the credits
14 allowed under section 38 for all prior taxable
15 years which would have resulted if the qualified
16 child care expenditures of the taxpayer de-
17 scribed in subsection (c)(1)(A) with respect to
18 such facility had been zero.

19 “(2) APPLICABLE RECAPTURE PERCENTAGE.—

20 “(A) IN GENERAL.—For purposes of this
21 subsection, the applicable recapture percentage
22 shall be determined from the following table:

“If the recapture event occurs in:	The applicable recapture percentage is:
Years 1–3	100
Year 4	85
Year 5	70
Year 6	55

Year 7	40
Year 8	25
Years 9 and 10	10
Years 11 and thereafter	0.

1 “(B) YEARS.—For purposes of subpara-
2 graph (A), year 1 shall begin on the first day
3 of the taxable year in which the qualified child
4 care facility is placed in service by the taxpayer.

5 “(3) RECAPTURE EVENT DEFINED.—For pur-
6 poses of this subsection, the term ‘recapture event’
7 means—

8 “(A) CESSATION OF OPERATION.—The
9 cessation of the operation of the facility as a
10 qualified child care facility.

11 “(B) CHANGE IN OWNERSHIP.—

12 “(i) IN GENERAL.—Except as pro-
13 vided in clause (ii), the disposition of a
14 taxpayer’s interest in a qualified child care
15 facility with respect to which the credit de-
16 scribed in subsection (a) was allowable.

17 “(ii) AGREEMENT TO ASSUME RECAP-
18 TURE LIABILITY.—Clause (i) shall not
19 apply if the person acquiring such interest
20 in the facility agrees in writing to assume
21 the recapture liability of the person dis-
22 posing of such interest in effect imme-
23 diately before such disposition. In the

1 event of such an assumption, the person
2 acquiring the interest in the facility shall
3 be treated as the taxpayer for purposes of
4 assessing any recapture liability (computed
5 as if there had been no change in owner-
6 ship).

7 “(4) SPECIAL RULES.—

8 “(A) TAX BENEFIT RULE.—The tax for
9 the taxable year shall be increased under para-
10 graph (1) only with respect to credits allowed
11 by reason of this section which were used to re-
12 duce tax liability. In the case of credits not so
13 used to reduce tax liability, the carryforwards
14 and carrybacks under section 39 shall be appro-
15 priately adjusted.

16 “(B) NO CREDITS AGAINST TAX.—Any in-
17 crease in tax under this subsection shall not be
18 treated as a tax imposed by this chapter for
19 purposes of determining the amount of any
20 credit under subpart A, B, or D of this part.

21 “(C) NO RECAPTURE BY REASON OF CAS-
22 UALTY LOSS.—The increase in tax under this
23 subsection shall not apply to a cessation of op-
24 eration of the facility as a qualified child care
25 facility by reason of a casualty loss to the ex-

1 tent such loss is restored by reconstruction or
2 replacement within a reasonable period estab-
3 lished by the Secretary.

4 “(e) SPECIAL RULES.—For purposes of this
5 section—

6 “(1) AGGREGATION RULES.—All persons which
7 are treated as a single employer under subsections
8 (a) and (b) of section 52 shall be treated as a single
9 taxpayer.

10 “(2) PASS-THRU IN THE CASE OF ESTATES AND
11 TRUSTS.—Under regulations prescribed by the Sec-
12 retary, rules similar to the rules of subsection (d) of
13 section 52 shall apply.

14 “(3) PARTNERSHIPS.—In the case of partner-
15 ships, the credit under this section shall be deter-
16 mined at the partnership level and allocated among
17 the partners under regulations prescribed by the
18 Secretary; except that—

19 “(A) subsection (b) shall be applied at the
20 partner level, and

21 “(B) the employees of the partnership and
22 of each partner shall be treated as employees of
23 the taxpayer for purposes of applying sub-
24 section (c)(2)(B)(iii).

25 “(f) NO DOUBLE BENEFIT.—

1 “(1) REDUCTION IN BASIS.—For purposes of
2 this subtitle—

3 “(A) IN GENERAL.—If a credit is deter-
4 mined under this section with respect to any
5 property by reason of expenditures described in
6 subsection (c)(1)(A), the basis of such property
7 shall be reduced by the amount of the credit so
8 determined.

9 “(B) CERTAIN DISPOSITIONS.—If during
10 any taxable year there is a recapture amount
11 determined with respect to any property the
12 basis of which was reduced under subparagraph
13 (A), the basis of such property (immediately be-
14 fore the event resulting in such recapture) shall
15 be increased by an amount equal to such recap-
16 ture amount. For purposes of the preceding
17 sentence, the term ‘recapture amount’ means
18 any increase in tax (or adjustment in
19 carrybacks or carryovers) determined under
20 subsection (d).

21 “(2) OTHER DEDUCTIONS AND CREDITS.—No
22 deduction or credit shall be allowed under any other
23 provision of this chapter with respect to the amount
24 of the credit determined under this section.”

25 (b) CONFORMING AMENDMENTS.—

1 (1) Section 38(b) of such Code is amended—

2 (A) by striking “plus” at the end of para-
3 graph (11),

4 (B) by striking the period at the end of
5 paragraph (12), and inserting a comma and
6 “plus”, and

7 (C) by adding at the end the following new
8 paragraph:

9 “(13) the employer-provided child care credit
10 determined under section 45D.”.

11 (2) Subsection (d) of section 39 of such Code
12 (relating to carryback and carryforward of unused
13 credits) is amended by adding at the end the fol-
14 lowing new paragraph:

15 “(9) NO CARRYBACK OF SECTION 45D CREDIT
16 BEFORE JANUARY 1, 2000.—No portion of the un-
17 used business credit for any taxable year which is
18 attributable to the credit determined under section
19 45D may be carried back to a taxable year begin-
20 ning before January 1, 2000.”.

21 (3) The table of sections for subpart D of part
22 IV of subchapter A of chapter 1 of such Code is
23 amended by adding at the end the following new
24 item:

“Sec. 45D. Employer-provided child care credit.”.

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to taxable years beginning after
 3 December 31, 1999.

4 **SEC. 7. DEPENDENT CARE CREDIT ALLOWED AGAINST THE**
 5 **ALTERNATIVE MINIMUM TAX.**

6 (a) IN GENERAL.—Subsection (a) of section 26 of the
 7 Internal Revenue Code of 1986 is amended by inserting
 8 “(other than the credit allowed by section 21)” after
 9 “credits allowed by this subpart”.

10 (b) CONFORMING AMENDMENT.—Section 21 of such
 11 Code is amended by adding at the end the following new
 12 subsection:

13 “(f) LIMITATION BASED ON AMOUNT OF TAX.—The
 14 aggregate credit allowed by this section for the taxable
 15 year shall not exceed the sum of—

16 “(1) the taxpayer’s regular tax liability for the
 17 taxable year reduced by the sum of the credits al-
 18 lowed by this subpart other than this section, plus

19 “(2) the tax imposed by section 55 for such
 20 taxable year.”

21 (c) EFFECTIVE DATE.—The amendments made by
 22 this section shall apply to taxable years beginning after
 23 December 31, 1999.

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