

106TH CONGRESS  
1ST SESSION

# S. 811

To amend the Internal Revenue Code of 1986 to expand alternatives for families with children, to establish incentives to improve the quality and supply of child care, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

APRIL 15, 1999

Mr. JEFFORDS (for himself, Ms. LANDRIEU, Mr. DODD, and Mr. KOHL) 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 expand alternatives for families with children, to establish incentives to improve the quality and supply of child care, 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; TABLE OF CONTENTS.**

4       (a) **SHORT TITLE.**—This Act may be cited as the  
5       “Tax Relief for Families With Children Act”.

6       (b) **TABLE OF CONTENTS.**—The table of contents of  
7       this Act is as follows:

Sec. 1. Short title; table of contents.

Sec. 2. Definitions.

TITLE I—TAX BENEFITS FOR FAMILIES WITH CHILDREN

Sec. 101. Expansion of dependent care tax credit.

Sec. 102. Increase in child tax credit.

Sec. 103. Expansion of dependent care assistance program.

Sec. 104. Mutually exclusive use of dependent care tax credit, child tax credit, and dependent care assistance program for each dependent.

Sec. 105. Expansion of home office deduction to include use of office for dependent care.

Sec. 106. Inclusion of child care costs in child support orders.

TITLE II—ACTIVITIES TO IMPROVE THE QUALITY OF CHILD CARE

Sec. 201. Allowance of credit for employer expenses for child care assistance.

Sec. 202. Charitable contributions of scientific equipment, computer technology and equipment, and other services to child care providers and to elementary and secondary schools.

**1 SEC. 2. DEFINITIONS.**

2 In this Act:

3 (1) CHILD CARE CREDENTIALING OR ACCREDI-  
4 TATION ENTITY.—The term “child care credentialing  
5 or accreditation entity” means a nonprofit private  
6 organization or public agency that—

7 (A) is recognized by a State agency, a trib-  
8 al organization, or a national organization that  
9 serves as a peer review panel on the standards  
10 and procedures of public and private child care  
11 or school accrediting bodies; and

12 (B) accredits a facility or credentials an in-  
13 dividual to provide child care on the basis of—

14 (i) an accreditation or credentialing  
15 instrument based on peer-validated re-  
16 search;

(ii) compliance with applicable State and local licensing requirements, or standards described in section 658E(c)(2)(E)(ii) of the Child Care and Development Block Grant Act (42 U.S.C. 9858c(c)(2)(E)(ii)), as appropriate, for the facility or individual;

(iii) outside monitoring of the facility or individual; and

(iv) criteria that provide assurances of—

(I) compliance with age-appropriate health and safety standards at the facility or by the individual;

(II) use of developmentally appropriate educational activities, as an integral part of the child care program carried out at the facility or by the individual; and

(III) use of ongoing staff development or training activities for the staff of the facility or the individual, including related skills-based testing.

(2) STATE; TRIBAL ORGANIZATION.—The terms “State” and “tribal organization” have the meaning

1 given the term in section 658P of the Child Care  
 2 and Development Block Grant Act (42 U.S.C.  
 3 9858n).

## 4 **TITLE I—TAX BENEFITS FOR** 5 **FAMILIES WITH CHILDREN**

### 6 **SEC. 101. EXPANSION OF DEPENDENT CARE TAX CREDIT.**

7 (a) DOLLAR LIMIT ON CREDITABLE EMPLOYMENT-  
 8 RELATED EXPENSES INCREASED.—Section 21(c) of the  
 9 Internal Revenue Code of 1986 (relating to dollar limit  
 10 on amount creditable) is amended—

11 (1) by striking “\$2,400” in paragraph (1) and  
 12 inserting “\$3,600”, and

13 (2) by striking “\$4,800” in paragraph (2) and  
 14 inserting “\$6,000”.

15 (b) PERCENTAGE OF EMPLOYMENT-RELATED EX-  
 16 PENSES INCREASED.—Section 21(a)(2) of the Internal  
 17 Revenue Code of 1986 (defining applicable percentage) is  
 18 amended to read as follows:

19 “(2) APPLICABLE PERCENTAGE DEFINED.—For  
 20 purposes of paragraph (1), the term ‘applicable per-  
 21 centage’ means 40 percent reduced (but not below  
 22 10 percent) by 1 percentage point for each \$2,000  
 23 (or fraction thereof) by which the taxpayers’s ad-  
 24 justed gross income for the taxable year exceeds  
 25 \$50,000.”.

1       (c) EMPLOYMENT-RELATED EXPENSES EXPANDED  
 2 TO INCLUDE TRANSPORTATION COSTS AND COSTS OF  
 3 EDUCATIONAL PROGRAMS.—Section 21(b)(2)(A) of the  
 4 Internal Revenue Code of 1986 (defining employment-re-  
 5 lated expenses) is amended—

6           (1) by striking “and” at the end of clause (i),  
 7           (2) by striking the period at the end of clause  
 8       (ii) and inserting “(including expenses for edu-  
 9       cational activities provided during such care), and”,  
 10       and

11           (3) by adding at the end the following:

12                       “(iii) expenses for transportation—  
 13                       “(I) related to such services or  
 14                       care, and  
 15                       “(II) provided by a person not  
 16                       described in subsection (e)(6).”.

17       (d) EFFECTIVE DATE.—The amendments made by  
 18 this section shall apply to taxable years beginning after  
 19 December 31, 2000.

20 **SEC. 102. INCREASE IN CHILD TAX CREDIT.**

21       (a) IN GENERAL.—Section 24(a) of the Internal Rev-  
 22 enue Code of 1986 (relating to allowance of credit) is  
 23 amended by striking “\$500 (\$400 in the case of taxable  
 24 years beginning in 1998)” and inserting “\$900”.

1 (b) EFFECTIVE DATE.—The amendment made by  
 2 this section shall apply to taxable years beginning after  
 3 December 31, 2000.

4 **SEC. 103. EXPANSION OF DEPENDENT CARE ASSISTANCE**  
 5 **PROGRAM.**

6 (a) DOLLAR LIMIT INCREASED.—Section  
 7 129(a)(2)(A) of the Internal Revenue Code of 1986 (relat-  
 8 ing to limitation of exclusion) is amended to read as fol-  
 9 lows:

10 “(A) DOLLAR LIMITATION.—

11 “(i) IN GENERAL.—The amount which  
 12 may be excluded under paragraph (1) for  
 13 dependent care assistance with respect to  
 14 dependent care services provided during a  
 15 taxable year shall not exceed—

16 “(I) in the case of dependent  
 17 care services provided for 1 qualifying  
 18 individual described in section  
 19 21(b)(1), \$5,000, and

20 “(II) in the case of dependent  
 21 care services provided for 2 or more  
 22 qualifying individuals so described,  
 23 \$7,000.

24 “(ii) AMOUNTS FOR MARRIED INDIV-  
 25 IDUALS FILING SEPARATE RETURNS.—In

1           the case of a separate return by a married  
 2           individual, the amount applicable under  
 3           clause (i) shall be one-half of the amount  
 4           specified.”.

5           (b) PAYMENTS FOR INFANT CARE, INCLUDING STAY-  
 6 AT-HOME CARE, ALLOWED.—

7           (1) IN GENERAL.—Section 129(e)(1) of the In-  
 8           ternal Revenue Code of 1986 (relating to definitions  
 9           and special rules) is amended to read as follows:

10           “(1) DEPENDENT CARE ASSISTANCE.—The  
 11           term ‘dependent care assistance’ means—

12                   “(A) the payment of, or provision of, those  
 13                   services which if paid for by the employee would  
 14                   be considered employment-related expenses  
 15                   under section 21(b)(2) (relating to expenses for  
 16                   household and dependent care services nec-  
 17                   essary for gainful employment), and

18                   “(B) any payment to the employee or any  
 19                   individual described in subsection (c)(2) from  
 20                   amounts contributed to the employee’s account  
 21                   during the 9-month period ending with the  
 22                   birth of a qualifying individual described in sec-  
 23                   tion 21(b)(1)(A), if paid during a period ending  
 24                   1 year after such birth.”.

1           (2) CONFORMING AMENDMENT.—Section 125  
 2           of such Code (relating to cafeteria plans) is amended  
 3           by redesignating subsections (h) and (i) as sub-  
 4           sections (i) and (j) and by inserting after subsection  
 5           (g) the following:

6           “(h) ALLOWANCE OF CARRYOVERS OF CERTAIN UN-  
 7           USED DEPENDENT CARE ASSISTANCE TO LATER TAX-  
 8           ABLE YEARS.—For purposes of this title—

9           “(1) a plan or other arrangement shall not fail  
 10          to be treated as a cafeteria plan or flexible spending  
 11          or similar arrangement, and

12          “(2) no amount shall be required to be included  
 13          in gross income by reason of this section or any  
 14          other provision of this chapter,  
 15          solely because under such plan or other arrangement any  
 16          dependent care assistance described in section  
 17          129(e)(1)(B) which is unused as of the close of a taxable  
 18          year may be carried forward to the succeeding taxable  
 19          year.”.

20          (c) PAYMENTS TO CERTAIN RELATED INDIVIDUALS  
 21          FOR ROUTINE CARE ALLOWED.—Section 129(c) of the  
 22          Internal Revenue Code of 1986 (relating to payments to  
 23          related individuals) is amended by adding at the end the  
 24          following flush sentence:



1 “The preceding sentence shall not apply to any amount  
 2 paid or incurred to any individual otherwise described in  
 3 paragraph (1) if such amount is paid or incurred for care  
 4 of a qualifying individual during the period ending with  
 5 the first day of State mandatory schooling of such quali-  
 6 fying individual.”.

7 (d) DEPENDENT CARE ASSISTANCE PROGRAM FOR  
 8 FEDERAL EMPLOYEES.—Subpart G of part III of title 5,  
 9 United States Code, is amended by inserting after chapter  
 10 87 the following:

11 **“CHAPTER 88—DEPENDENT CARE**  
 12 **ASSISTANCE PROGRAM**

13 **“§ 8801. Definitions**

14 “(a) For the purpose of this chapter, ‘employee’  
 15 means—

16 “(1) an employee as defined by section 2105 of  
 17 this title;

18 “(2) a Member of Congress as defined by sec-  
 19 tion 2106 of this title;

20 “(3) a Congressional employee as defined by  
 21 section 2107 of this title;

22 “(4) the President;

23 “(5) a justice or judge of the United States ap-  
 24 pointed to hold office during good behavior (i) who  
 25 is in regular active judicial service, or (ii) who is re-

1       tired from regular active service under section  
2       371(b) or 372(a) of title 28, United States Code, or  
3       (iii) who has resigned the judicial office under sec-  
4       tion 371(a) of title 28 with the continued right dur-  
5       ing the remainder of his lifetime to receive the sal-  
6       ary of the office at the time of his resignation;

7               “(6) an individual first employed by the govern-  
8       ment of the District of Columbia before October 1,  
9       1987;

10              “(7) an individual employed by Gallaudet Col-  
11      lege;

12              “(8) an individual employed by a county com-  
13      mittee established under section 590h(b) of title 16;

14              “(9) an individual appointed to a position on  
15      the office staff of a former President under section  
16      1(b) of the Act of August 25, 1958 (72 Stat. 838);  
17      and

18              “(10) an individual appointed to a position on  
19      the office staff of a former President, or a former  
20      Vice President under section 4 of the Presidential  
21      Transition Act of 1963, as amended (78 Stat. 153),  
22      who immediately before the date of such appoint-  
23      ment was an employee as defined under any other  
24      paragraph of this subsection;

25   but does not include—

1           “(A) an employee of a corporation supervised  
2           by the Farm Credit Administration if private inter-  
3           ests elect or appoint a member of the board of direc-  
4           tors;

5           “(B) an individual who is not a citizen or na-  
6           tional of the United States and whose permanent  
7           duty station is outside the United States, unless the  
8           individual was an employee for the purpose of this  
9           chapter on September 30, 1979, by reason of service  
10          in an Executive agency, the United States Postal  
11          Service, or the Smithsonian Institution in the area  
12          which was then known as the Canal Zone; or

13          “(C) an employee excluded by regulation of the  
14          Office of Personnel Management under section  
15          8716(b) of this title.

16          “(b) For the purpose of this chapter, ‘dependent care  
17          assistance program’ has the meaning given such term by  
18          section 129(d) of the Internal Revenue Code of 1986.

19       **“§ 8802. Dependent care assistance program**

20          “The Office of Personnel Management shall establish  
21          and maintain a dependent care assistance program for the  
22          benefit of employees.”.

23          (e) EFFECTIVE DATE.—The amendments made by  
24          this section apply to taxable years beginning after Decem-  
25          ber 31, 2000.

1 **SEC. 104. MUTUALLY EXCLUSIVE USE OF DEPENDENT CARE**  
 2 **TAX CREDIT, CHILD TAX CREDIT, AND DE-**  
 3 **PENDENT CARE ASSISTANCE PROGRAM FOR**  
 4 **EACH DEPENDENT.**

5 (a) ELECTION TO APPLY DEPENDENT CARE TAX  
 6 CREDIT.—

7 (1) IN GENERAL.—Section 21 of the Internal  
 8 Revenue Code of 1986 (relating to expenses for  
 9 household and dependent care services necessary for  
 10 gainful employment) is amended by redesignating  
 11 subsection (f) as subsection (g) and by inserting  
 12 after subsection (e) the following:

13 “(f) ELECTION TO HAVE SECTION APPLY.—

14 “(1) IN GENERAL.—No credit shall be allowed  
 15 under subsection (a) for a taxable year with respect  
 16 to any qualifying individual unless the taxpayer  
 17 elects to have this section apply with respect to such  
 18 individual for such year.

19 “(2) COORDINATION WITH CHILD TAX CREDIT  
 20 AND DEPENDENT CARE ASSISTANCE EXCLUSION.—If  
 21 the taxpayer elects to apply this section with respect  
 22 to a qualifying individual for the taxable year, such  
 23 individual may not be considered—

24 “(A) a qualifying child for purposes of sec-  
 25 tion 24 for such year, or

1           “(B) a qualifying individual for purposes  
2           of section 129 for such year.”.

3           (2) CONFORMING AMENDMENT.—Section 21(c)  
4           of such Code, as amended by section 101(a), is  
5           amended by striking the last sentence.

6           (b) ELECTION TO APPLY CHILD TAX CREDIT.—Sec-  
7           tion 24 of the Internal Revenue Code of 1986 (relating  
8           to child tax credit) is amended by adding at the end the  
9           following:

10          “(g) ELECTION TO HAVE SECTION APPLY.—

11           “(1) IN GENERAL.—No credit shall be allowed  
12           under subsection (a) for a taxable year with respect  
13           to any qualifying child unless the taxpayer elects to  
14           have this section apply with respect to such child for  
15           such year.

16           “(2) COORDINATION WITH DEPENDENT CARE  
17           TAX CREDIT AND DEPENDENT CARE ASSISTANCE  
18           EXCLUSION.—If the taxpayer elects to apply this  
19           section with respect to a qualifying child for the tax-  
20           able year, such child may not be considered a quali-  
21           fying individual for purposes of section 21 or 129  
22           for such year.”.

23           (c) ELECTION TO APPLY DEPENDENT CARE ASSIST-  
24           ANCE EXCLUSION.—Section 129 of the Internal Revenue

1 Code of 1986 (dependent care assistance programs) is  
 2 amended by adding at the end the following:

3 “(f) ELECTION TO HAVE SECTION APPLY.—

4 “(1) IN GENERAL.—No exclusion shall be al-  
 5 lowed under subsection (a) for a taxable year with  
 6 respect to any qualifying individual unless the tax-  
 7 payer elects to have this section apply with respect  
 8 to such individual for such year.

9 “(2) COORDINATION WITH DEPENDENT CARE  
 10 TAX CREDIT AND CHILD TAX CREDIT.—If the tax-  
 11 payer elects to apply this section with respect to a  
 12 qualifying individual for the taxable year, such indi-  
 13 vidual may not be considered—

14 “(A) a qualifying individual for purposes of  
 15 section 21 for such year, or

16 “(B) a qualifying child for purposes of sec-  
 17 tion 24 for such year.”.

18 (d) EFFECTIVE DATE.—The amendments made by  
 19 this section apply to taxable years beginning after Decem-  
 20 ber 31, 2000.

21 **SEC. 105. EXPANSION OF HOME OFFICE DEDUCTION TO IN-**  
 22 **CLUDE USE OF OFFICE FOR DEPENDENT**  
 23 **CARE.**

24 (a) IN GENERAL.—Section 280A(c)(1) of the Inter-  
 25 nal Revenue Code of 1986 (relating to certain business

1 use) is amended by adding at the end the following: “A  
 2 portion of a dwelling unit and the exclusive use of such  
 3 portion otherwise described in this paragraph shall not fail  
 4 to be so described if such portion is also used by the tax-  
 5 payer during such exclusive use to care for a dependent  
 6 of the taxpayer.”.

7 (b) EFFECTIVE DATE.—The amendment made by  
 8 this section shall apply to taxable years beginning after  
 9 December 31, 1999.

10 **SEC. 106. INCLUSION OF CHILD CARE COSTS IN CHILD SUP-**  
 11 **PORT ORDERS.**

12 (a) IN GENERAL.—Section 466(a) of the Social Secu-  
 13 rity Act (42 U.S.C. 666(a)) is amended by inserting after  
 14 paragraph (19) the following:

15 “(20) CHILD CARE COSTS.—Procedures under  
 16 which any child support order enforced under this  
 17 part shall include an equitable division between the  
 18 custodial and noncustodial parents of any costs of  
 19 providing child care services in any case where the  
 20 custodial parent is employed or is actively seeking  
 21 employment.”.

22 (b) EFFECTIVE DATE.—The amendment made by  
 23 subsection (a) shall apply to child support orders enforced  
 24 or otherwise modified by a court on and after the date  
 25 of enactment of this Act.

1 **TITLE II—ACTIVITIES TO IM-**  
 2 **PROVE THE QUALITY OF**  
 3 **CHILD CARE**

4 **SEC. 201. ALLOWANCE OF CREDIT FOR EMPLOYER EX-**  
 5 **PENSES FOR CHILD CARE ASSISTANCE.**

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. 45D. EMPLOYER-PROVIDED CHILD CARE CREDIT.**

11 “(a) ALLOWANCE OF CREDIT.—For purposes of sec-  
 12 tion 38, the employer-provided child care credit deter-  
 13 mined under this section for the taxable year is an amount  
 14 equal to 40 percent of the qualified child care expenditures  
 15 of the taxpayer for such taxable year.

16 “(b) DOLLAR LIMITATION.—The credit allowable  
 17 under subsection (a) for any taxable year shall not exceed  
 18 \$150,000 (\$250,000 in the case of qualified child care ex-  
 19 penditures with respect to 3 or more qualified child care  
 20 facilities each located in a different jurisdiction of State  
 21 or local government).

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

23 “(1) QUALIFIED CHILD CARE EXPENDITURE.—

24 The term ‘qualified child care expenditure’ means  
 25 any amount paid or incurred—



1 “(A) to acquire, construct, rehabilitate, or  
2 expand property—

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

5 “(ii) with respect to which a deduction  
6 for depreciation (or amortization in lieu of  
7 depreciation) is allowable, and

8 “(iii) which does not constitute part of  
9 the principal residence (within the meaning  
10 of section 121) of the taxpayer or any em-  
11 ployee of the taxpayer,

12 “(B) for the operating costs of a qualified  
13 child care facility of the taxpayer, including  
14 costs related to the training of employees, to  
15 scholarship programs, and to the providing of  
16 increased compensation to employees with high-  
17 er levels of child care training,

18 “(C) under a contract with a qualified  
19 child care facility to provide child care services  
20 to employees of the taxpayer,

21 “(D) under a contract to provide child care  
22 resource and referral services to employees of  
23 the taxpayer, or

24 “(E) for the costs of seeking accreditation  
25 from a child care credentialing or accreditation

entity (as defined in section 2 of the Tax Relief for Families With Children Act) with respect to a qualified child care facility.

“(2) QUALIFIED CHILD CARE FACILITY.—

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

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

“(ii) which meets the requirements of all applicable laws and regulations of the State or local government in which it is located, including, but not limited to, the licensing of the facility as a child care facility.

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

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

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

1 “(ii) the facility is not the principal  
 2 trade or business of the taxpayer unless at  
 3 least 30 percent of the enrollees of such fa-  
 4 cility are dependents of employees of the  
 5 taxpayer, and

6 “(iii) the use of such facility (or the  
 7 eligibility to use such facility) does not dis-  
 8 criminate in favor of employees of the tax-  
 9 payer who are highly compensated employ-  
 10 ees (within the meaning of section 414(q)).

11 “(d) RECAPTURE OF ACQUISITION AND CONSTRUC-  
 12 TION CREDIT.—

13 “(1) IN GENERAL.—If, as of the close of any  
 14 taxable year, there is a recapture event with respect  
 15 to any qualified child care facility of the taxpayer,  
 16 then the tax of the taxpayer under this chapter for  
 17 such taxable year shall be increased by an amount  
 18 equal to the product of—

19 “(A) the applicable recapture percentage,  
 20 and

21 “(B) the aggregate decrease in the credits  
 22 allowed under section 38 for all prior taxable  
 23 years which would have resulted if the qualified  
 24 child care expenditures of the taxpayer de-

1           scribed in subsection (c)(1)(A) with respect to  
2           such facility had been zero.

3           “(2) APPLICABLE RECAPTURE PERCENTAGE.—

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

<b>“If the recapture event occurs in:</b>	<b>The applicable recapture percentage is:</b>
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.

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

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

14                   “(A) CESSATION OF OPERATION.—The  
15           cessation of the operation of the facility as a  
16           qualified child care facility.

17                   “(B) CHANGE IN OWNERSHIP.—

18                           “(i) IN GENERAL.—Except as pro-  
19           vided in clause (ii), the disposition of a  
20           taxpayer’s interest in a qualified child care

1 facility with respect to which the credit de-  
2 scribed in subsection (a) was allowable.

3 “(ii) AGREEMENT TO ASSUME RECAP-  
4 TURE LIABILITY.—Clause (i) shall not  
5 apply if the person acquiring such interest  
6 in the facility agrees in writing to assume  
7 the recapture liability of the person dis-  
8 posing of such interest in effect imme-  
9 diately before such disposition. In the  
10 event of such an assumption, the person  
11 acquiring the interest in the facility shall  
12 be treated as the taxpayer for purposes of  
13 assessing any recapture liability (computed  
14 as if there had been no change in owner-  
15 ship).

16 “(4) SPECIAL RULES.—

17 “(A) TAX BENEFIT RULE.—The tax for  
18 the taxable year shall be increased under para-  
19 graph (1) only with respect to credits allowed  
20 by reason of this section which were used to re-  
21 duce tax liability. In the case of credits not so  
22 used to reduce tax liability, the carryforwards  
23 and carrybacks under section 39 shall be appro-  
24 priately adjusted.

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

6           “(C) NO RECAPTURE BY REASON OF CAS-  
 7           UALTY LOSS.—The increase in tax under this  
 8           subsection shall not apply to a cessation of op-  
 9           eration of the facility as a qualified child care  
 10          facility by reason of a casualty loss to the ex-  
 11          tent such loss is restored by reconstruction or  
 12          replacement within a reasonable period estab-  
 13          lished by the Secretary.

14          “(e) SPECIAL RULES.—For purposes of this  
 15          section—

16               “(1) AGGREGATION RULES.—All persons which  
 17               are treated as a single employer under subsections  
 18               (a) and (b) of section 52 shall be treated as a single  
 19               taxpayer.

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

24               “(3) ALLOCATION IN THE CASE OF PARTNER-  
 25               SHIPS OR JOINT VENTURES.—In the case of partner-

1 ships or joint ventures, the credit shall be allocated  
 2 among partners or members of the joint venture  
 3 under regulations prescribed by the Secretary.

4 “(f) NO DOUBLE BENEFIT.—

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

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

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

1           “(2) OTHER DEDUCTIONS AND CREDITS.—No  
 2       deduction or credit shall be allowed under any other  
 3       provision of this chapter with respect to the amount  
 4       of the credit determined under this section.

5           “(g) TERMINATION.—This section shall not apply to  
 6       taxable years beginning after December 31, 2002.”

7           (b) CONFORMING AMENDMENTS.—

8               (1) Section 38(b) of the Internal Revenue Code  
 9       of 1986 is amended—

10                   (A) by striking out “plus” at the end of  
 11       paragraph (11),

12                   (B) by striking out the period at the end  
 13       of paragraph (12), and inserting a comma and  
 14       “plus”, and

15                   (C) by adding at the end the following new  
 16       paragraph:

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

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

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

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



1 **SEC. 202. CHARITABLE CONTRIBUTIONS OF SCIENTIFIC**  
 2 **EQUIPMENT, COMPUTER TECHNOLOGY AND**  
 3 **EQUIPMENT, AND OTHER SERVICES TO**  
 4 **CHILD CARE PROVIDERS AND TO ELEMEN-**  
 5 **TARY AND SECONDARY SCHOOLS.**

6 (a) SCIENTIFIC EQUIPMENT.—

7 (1) IN GENERAL.—Subparagraph (B) of section  
 8 170(e)(4) of the Internal Revenue Code of 1986 (re-  
 9 lating to special rule for contributions of scientific  
 10 property used for research) is amended to read as  
 11 follows:

12 “(B) QUALIFIED RESEARCH, CHILD CARE,  
 13 OR EDUCATION CONTRIBUTION.—For purposes  
 14 of this paragraph, the term ‘qualified research,  
 15 child care, or education contribution’ means a  
 16 charitable contribution by a corporation of tan-  
 17 gible personal property described in paragraph  
 18 (1) of section 1221, but only if—

19 “(i) the contribution is to—

20 “(I) an organization described in  
 21 section 501(c)(3) and exempt from  
 22 taxation under section 501(a) which is  
 23 a child care facility in compliance with  
 24 all applicable laws and regulations of  
 25 the State or unit of local government

1 in which such facility is located on the  
2 date of such contribution,

3 “(II) an organization described  
4 in section 501(c)(3) and exempt from  
5 taxation under section 501(a) which is  
6 a professional or educational support  
7 entity for such a child care facility,

8 “(III) an educational organiza-  
9 tion described in subsection  
10 (b)(1)(A)(ii),

11 “(IV) a governmental unit de-  
12 scribed in subsection (c)(1), or

13 “(V) an organization described in  
14 section 41(e)(6)(B),

15 “(ii) the contribution is made not  
16 later than 3 years after the date the tax-  
17 payer acquired the property (or in the case  
18 of property constructed by the taxpayer,  
19 the date the construction of the property is  
20 substantially completed),

21 “(iii) the property is scientific equip-  
22 ment or apparatus substantially all of the  
23 use of which by the donee is for—

24 “(I) research or experimentation  
25 (within the meaning of section 174),

1 or for research training, in the United  
2 States in physical or biological  
3 sciences,

4 “(II) activities designed to en-  
5 hance or support the educational or  
6 developmental achievement of children  
7 or youth, or

8 “(III) in the case of an organiza-  
9 tion described in subclause (I), (II),  
10 (III), or (IV) of clause (i), use within  
11 the United States for educational pur-  
12 poses or support activities related to  
13 the purpose or function of the organi-  
14 zation,

15 “(iv) the original use of the property  
16 is by donor or the donee,

17 “(v) the property is not transferred by  
18 the donee in exchange for money, other  
19 property, or services, except for shipping,  
20 installation, and transfer costs, and

21 “(vi) the taxpayer receives from the  
22 donee a written statement representing  
23 that its use and disposition of the property  
24 will be in accordance with the provisions of  
25 clauses (iv) and (v).”.

1 (2) CONFORMING AMENDMENTS.—

2 (A) Paragraph (4)(A) of section 170(e) of  
3 such Code is amended by striking “qualified re-  
4 search contribution” each place it appears and  
5 inserting “qualified research, child care, or edu-  
6 cation contribution”.

7 (B) The heading for section 170(e)(4) of  
8 such Code is amended by inserting “, CHILD  
9 CARE, OR EDUCATION” after “RESEARCH”.

10 (b) EXPANSION OF RULES RELATING TO CONTRIBU-  
11 TIONS OF COMPUTER TECHNOLOGY AND EQUIPMENT TO  
12 CERTAIN CHILD CARE PROVIDERS.—

13 (1) IN GENERAL.—Section 170(e)(6)(B)(i) of  
14 the Internal Revenue Code of 1986 (defining quali-  
15 fied elementary or secondary educational contribu-  
16 tion) is amended by striking “or” at the end of sub-  
17 clause (I), by adding “or” at the end of subclause  
18 (II), and by inserting after subclause (II) the fol-  
19 lowing:

20 “(III) an entity described in sub-  
21 clause (I) or (II) of paragraph  
22 (4)(B)(i).”.

23 (2) CONFORMING AMENDMENTS.—

1 (A) Section 170(e)(6)(B)(ii) of such Code  
 2 is amended by striking “2 years” and inserting  
 3 “3 years”.

4 (B) Section 170(e)(6)(B)(iv) of such Code  
 5 is amended by striking “grades K–12” and in-  
 6 serting “grades preschool–12”.

7 (C) Section 170(e)(6) of such Code is  
 8 amended by striking “qualified elementary or  
 9 secondary” each place it appears and inserting  
 10 “qualified child care, elementary, or sec-  
 11 ondary”.

12 (D) The heading for section 170(e)(6)(B)  
 13 of such Code is amended by striking “QUALI-  
 14 FIED ELEMENTARY OR SECONDARY” and insert-  
 15 ing “QUALIFIED CHILD CARE, ELEMENTARY, OR  
 16 SECONDARY”.

17 (E) The heading for section 170(e)(6) of  
 18 such Code is amended by striking “ELEMEN-  
 19 TARY OR SECONDARY” and inserting “CHILD  
 20 CARE OR ELEMENTARY OR SECONDARY”.

21 (c) DONATIONS TO CHARITY FOR REFURBISHING.—

22 (1) SCIENTIFIC EQUIPMENT.—Section  
 23 170(e)(4) of the Internal Revenue Code of 1986 is  
 24 amended by adding at the end the following:

“(E) DONATIONS TO CHARITY FOR REFUR-  
 BISHING.—For purposes of this paragraph, a  
 charitable contribution by a corporation shall be  
 treated as a qualified research, child care, or  
 education contribution if—

“(i) such contribution is a contribu-  
 tion of property described in subparagraph  
 (B)(iii) to an organization described in sec-  
 tion 501(c)(3) and exempt from taxation  
 under section 501(a),

“(ii) such organization repairs and re-  
 furbishes the property and donates the  
 property to an organization described in  
 subparagraph (B)(i), and

“(iii) the taxpayer receives from the  
 organization to whom the taxpayer contrib-  
 uted the property a written statement rep-  
 resenting that its use of the property (and  
 any use by the organization to which it do-  
 nates the property) meets the requirements  
 of this paragraph.”.

(2) COMPUTER TECHNOLOGY AND EQUIP-  
 MENT.—Section 170(e)(6) of the Internal Revenue  
 Code of 1986 is amended by redesignating subpara-  
 graphs (E) and (F) as subparagraphs (F) and (G),

1       respectively, and by inserting after subparagraph  
2       (D) the following:

3               “(E) DONATIONS TO CHARITY FOR REFUR-  
4       BISHING.—For purposes of this paragraph, a  
5       charitable contribution by a corporation shall be  
6       treated as a qualified child care, elementary, or  
7       secondary educational contribution if—

8               “(i) such contribution is a contribu-  
9       tion of computer technology or equipment  
10       to an organization described in section  
11       501(c)(3) and exempt from taxation under  
12       section 501(a),

13              “(ii) such organization repairs and re-  
14       furbishes the property and donates the  
15       property to an organization described in  
16       subparagraph (B)(i), and

17              “(iii) the taxpayer receives from the  
18       organization to whom the taxpayer contrib-  
19       uted the property a written statement rep-  
20       resenting that its use of the property (and  
21       any use by the organization to which it do-  
22       nates the property) meets the requirements  
23       of this paragraph.”.

24       (d) CORPORATE DONATIONS OF SERVICES.—Section  
25   170 of the Internal Revenue Code of 1986 is amended by

1 redesignating subsection (m) as subsection (n) and by in-  
 2 serting after subsection (l) the following:

3       “(m) TREATMENT OF THE DONATION OF CERTAIN  
 4 SERVICES.—

5           “(1) IN GENERAL.—For purposes of this sec-  
 6 tion, 50 percent of the fair market value of chari-  
 7 table services contributed by a corporation shall be  
 8 treated as a charitable contribution.

9           “(2) CHARITABLE SERVICES.—

10           “(A) IN GENERAL.—For purposes of para-  
 11 graph (1), the term ‘charitable services’ means  
 12 transportation services, qualified employee vol-  
 13 unteer time, and the use of facilities and  
 14 equipment—

15           “(i) provided by the taxpayer to a  
 16 donee described in subsection (e)(6)(B)(i),  
 17 and

18           “(ii) for which the taxpayer receives  
 19 from the donee a written statement rep-  
 20 resenting that the charitable services are  
 21 not in exchange for money, other property,  
 22 or services.

23           “(B) QUALIFIED EMPLOYEE VOLUNTEER  
 24 TIME.—For the purpose of this subsection, the



1 term ‘qualified employee volunteer time’ means  
2 time—

3 “(i) volunteered to the donee by an  
4 employee of the taxpayer during the em-  
5 ployee’s normal working hours, and

6 “(ii) the value of which is based on  
7 the usual wage rate of the employee.”.

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

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