

110TH CONGRESS
1ST SESSION

S. 816

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

IN THE SENATE OF THE UNITED STATES

MARCH 8, 2007

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

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”.

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

7 **CARING FOR CHILDREN AT HOME.**

8 (a) IN GENERAL.—Subsection (e) of section 21 of the
9 Internal Revenue Code of 1986 (relating to special rules)

1 is amended by adding at the end the following new para-
 2 graph:

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

11 “(A) the amount of employment-related ex-
 12 penses incurred for such qualifying individual
 13 for the taxable year (determined under this sec-
 14 tion without regard to this paragraph), or

15 “(B) \$250 for each month beginning in
 16 such taxable year with respect to which such
 17 qualifying individual has not attained age 7 as
 18 of the beginning of such month.”.

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

23 “(f) PHASEOUT OF CREDIT.—

24 “(1) IN GENERAL.—The credit determined
 25 under subsection (a) shall be reduced (but not below

1 zero) by 2 percentage points for each \$2,500 (or
2 fraction thereof) by which the taxpayer's adjusted
3 gross income for the taxable year exceeds the thresh-
4 old amount.

5 “(2) THRESHOLD AMOUNT.—For purposes of
6 this subsection, the term ‘threshold amount’
7 means—

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

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

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

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

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

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

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

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

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

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

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

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

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

19 (1) by striking “1989” and inserting “2007”,
 20 and

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

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

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

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

7 “(8) **ELIMINATION OF MARRIAGE PENALTY.**—
 8 With respect to taxable years beginning after De-
 9 cember 31, 2006, in prescribing the tables under
 10 paragraph (1)—

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

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

23 (b) **ELIMINATION OF MARRIAGE PENALTY IN DE-**
 24 **DUCTION FOR INTEREST ON STUDENT LOANS.**—Para-
 25 graph (1) of section 221 of the Internal Revenue Code

1 of 1986 (relating to general rule for maximum deduction)
 2 is amended to read as follows:

3 “(1) IN GENERAL.—

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

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

9 “(i) who make a joint return for the
 10 taxable year, and

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

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

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

1 **SEC. 5. STANDARD DEDUCTION FOR BUSINESS USE OF**
 2 **HOME.**

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

8 “(7) STANDARD HOME OFFICE DEDUCTION.—

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

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

20 “(i) \$2,500, or

21 “(ii) the gross income derived from
 22 the individual’s trade or business for which
 23 such use occurs.”.

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

1 **SEC. 6. INCREASE AND OTHER MODIFICATIONS IN CHILD**
 2 **TAX CREDIT MADE PERMANENT.**

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

7 (b) CREDIT AMOUNT ADJUSTED FOR INFLATION.—
 8 Section 24 of the Internal Revenue Code of 1986 is
 9 amended by adding at the end the following new sub-
 10 section:

11 “(g) INFLATION ADJUSTMENT.—In the case of any
 12 taxable year beginning in a calendar year after 2007, the
 13 \$1,000 amount contained in subsection (a) shall be in-
 14 creased by an amount equal to—

15 “(1) such dollar amount, multiplied by

16 “(2) the cost-of-living adjustment determined
 17 under section 1(f)(3) for the calendar year in which
 18 the taxable year begins, determined by substituting
 19 ‘calendar year 2006’ for ‘calendar year 1992’ in sub-
 20 paragraph (B) thereof.

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

23 **SEC. 7. TELECOMMUTING TAX CREDIT.**

24 (a) IN GENERAL.—Subpart D of part IV of sub-
 25 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 (relating to business related credits) is amended by
 2 adding at the end the following new section:

3 **“SEC. 450. TELECOMMUTING CREDIT.**

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

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

11 “(1) IN GENERAL.—The term ‘qualified first-
 12 year teleworking wages’ means, with respect to any
 13 individual, wages attributable to service rendered
 14 during the first teleworking year with respect to
 15 such individual.

16 “(2) FIRST TELEWORKING YEAR.—The term
 17 ‘first teleworking year’ means, with respect to any
 18 individual employed by an employer, the first 1-year
 19 period during which such individual renders not less
 20 than 40 percent of the total service rendered to such
 21 employer during such 1-year period from the individ-
 22 ual’s principal residence.

23 “(3) ONLY FIRST \$6,000 OF WAGES PER YEAR
 24 TAKEN INTO ACCOUNT.—The amount of the quali-
 25 fied first-year teleworking wages which may be taken

1 into account with respect to any individual shall not
2 exceed \$6,000.

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

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

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

10 “(A) EXCLUSION FOR EMPLOYERS RECEIV-
11 ING ON-THE-JOB TRAINING PAYMENTS.—The
12 term ‘wages’ shall not include any amounts
13 paid or incurred by an employer for any period
14 to any individual for whom the employer re-
15 ceives federally funded payments for on-the-job
16 training of such individual for such period.

17 “(B) REDUCTION FOR WORK SUPPLEMEN-
18 TATION PAYMENTS TO EMPLOYERS.—The
19 amount of wages which would (but for this sub-
20 paragraph) be qualified wages under this sec-
21 tion for an employer with respect to an indi-
22 vidual for a taxable year shall be reduced by an
23 amount equal to the amount of the payments
24 made to such employer (however utilized by
25 such employer) with respect to such individual

1 for such taxable year under a program estab-
2 lished under section 482(e) of the Social Secu-
3 rity Act.

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

8 (b) CREDIT TREATED AS BUSINESS CREDIT.—Sec-
9 tion 38(b) of such Code is amended by striking “plus”
10 at the end of paragraph (30), by striking the period at
11 the end of paragraph (31) and inserting “, plus”, and by
12 adding at the end the following new paragraph:

13 “(32) the telecommuting credit determined
14 under section 45O(a).”.

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

“Sec. 45O. Telecommuting credit.”.

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

1 **SEC. 8. EMPLOYER-PROVIDED COMPUTER EQUIPMENT**
 2 **TREATED AS FRINGE BENEFIT.**

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

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

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

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

17 “(1) IN GENERAL.—The term ‘qualified em-
 18 ployer-provided computer equipment fringe’ means
 19 any computer and related equipment and services
 20 provided to an employee by an employer if—

21 “(A) such computer and related equipment
 22 and services are necessary for the employee to
 23 perform work for the employer from the em-
 24 ployee’s home, and

1 “(B) the employee makes substantial busi-
 2 ness use of the equipment in the performance
 3 of work for the employer.

4 “(2) SUBSTANTIAL USE.—For purposes of
 5 paragraph (1), the term ‘substantial business use’
 6 includes standby use for periods when work from
 7 home may be required by the employer such as dur-
 8 ing work closures caused by the threat of terrorism,
 9 inclement weather, or natural disasters.”.

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

13 **SEC. 9. INCREASED BENEFITS FOR INDIVIDUALS PRE-**
 14 **CLUDED FROM PERFORMING REMUNERA-**
 15 **TIVE WORK BY NEED TO PROVIDE CHILD**
 16 **CARE.**

17 Title II of the Social Security Act (42 U.S.C. 401
 18 et seq.) is amended by adding at the end the following
 19 new section:

20 “INCREASED BENEFITS FOR INDIVIDUALS PRECLUDED
 21 FROM PERFORMING REMUNERATIVE WORK BY NEED
 22 TO PROVIDE CHILD CARE

23 “SEC. 235. (a) GENERAL RULE.—For purposes of
 24 determining entitlement to and the amount of any monthly
 25 benefit or lump-sum death payment payable under this
 26 title on the basis of the wages and self-employment income

1 of any individual, and for purposes of section 216(i)(3),
 2 if such individual—

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

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

10 then such individual shall be credited under this title for
 11 such year after 2007 with additional wages in an amount
 12 necessary to increase the total wages credited to such indi-
 13 vidual under this title for such year to an amount equal
 14 to the national average wage index (as so defined) for such
 15 year.

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

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

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

23 “(3) more than 75 percent of the total remu-
 24 neration of such individual and such individual’s
 25 spouse for such year which is attributable to wages

1 or self-employment income earned or derived during
 2 the period during such year for which the require-
 3 ments of paragraphs (1) and (2) are met consists of
 4 wages or self-employment income earned or derived
 5 by such spouse.

6 “(c) QUALIFIED CHILD.—For purposes of this sec-
 7 tion, the term ‘qualified child’ means, in connection with
 8 a qualified individual, a child of such individual (or such
 9 individual’s spouse referred to in subsection (b)(2)) who
 10 has not attained age 7.

11 “(d) LIMITATION TO 10 ELAPSED YEARS.—In any
 12 case in which the requirements of subsection (a) are met
 13 in connection with more than 10 elapsed years of an indi-
 14 vidual, subsection (a) shall apply only with respect to those
 15 elapsed years, not in excess of 10, which, when taken into
 16 account in the application of subsection (a), result in the
 17 highest primary insurance amount for such individual,
 18 taking into account which years would be excluded from
 19 benefit computation years under section 215(b)(2)(B)(i).

20 “(e) PROTECTION OF TRUST FUND BALANCES.—
 21 There are authorized to be appropriated to each of the
 22 Trust Funds, consisting of the Federal Old-Age and Sur-
 23 vivors Insurance Trust Fund, the Federal Disability In-
 24 surance Trust Fund, and the Federal Hospital Insurance
 25 Trust Fund, for transfer on July 1 of each calendar year

1 after 2007 to such Trust Fund from amounts in the gen-
2 eral fund in the Treasury not otherwise appropriated, an
3 amount equal to the total of the additional amounts which
4 would be appropriated to such Trust Fund for the fiscal
5 year ending September 30 of such calendar year under
6 section 201 or 1817 of this Act if the amounts of the addi-
7 tional wages credited for such calendar year by reason of
8 subsection (a) constituted remuneration for employment
9 (as defined in section 3121(b) of the Internal Revenue
10 Code of 1986) for purposes of the taxes imposed by sec-
11 tions 3101 and 3111 of the Internal Revenue Code of
12 1986. Amounts authorized to be appropriated under this
13 subsection for transfer on July 1 of each calendar year
14 shall be determined on the basis of estimates of the Com-
15 missioner of Social Security of the wages required to be
16 credited for such calendar year under subsection (a); and
17 proper adjustments shall be made in amounts authorized
18 to be appropriated for subsequent transfer to the extent
19 prior estimates were in excess of or were less than such
20 wages so credited.”.

