

114TH CONGRESS
2D SESSION

H. R. 5971

To amend the Internal Revenue Code of 1986 to increase the amount excludable from gross income for dependent care assistance and dependent care flexible spending arrangements and to provide for a carryover of unused dependent care benefits in dependent care flexible spending arrangements.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 8, 2016

Mr. SENSENBRENNER introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to increase the amount excludable from gross income for dependent care assistance and dependent care flexible spending arrangements and to provide for a carryover of unused dependent care benefits in dependent care flexible spending arrangements.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. INCREASE IN AMOUNT EXCLUDABLE FOR DE-**
 2 **PENDENT CARE ASSISTANCE AND DEPEND-**
 3 **ENT CARE FLEXIBLE SPENDING ARRANGE-**
 4 **MENTS.**

5 (a) IN GENERAL.—Section 129(a)(2)(A) of the Inter-
 6 nal Revenue Code of 1986 is amended by striking “\$5,000
 7 (\$2,500” and inserting “\$7,500 ($\frac{1}{2}$ such amount”.

8 (b) INFLATION ADJUSTMENT.—Section 129(a)(2) of
 9 such Code is amended by adding at the end the following
 10 new subparagraph:

11 “(D) ADJUSTMENT FOR INFLATION.—In
 12 the case of any taxable year beginning after De-
 13 cember 31, 2017, the \$7,500 amount in sub-
 14 paragraph (A) shall be increased by an amount
 15 equal to—

16 “(i) such amount, multiplied by

17 “(ii) the cost-of-living adjustment de-
 18 termined under section 1(f)(3) for the cal-
 19 endar year in which such taxable year be-
 20 gins by substituting ‘calendar year 2016’
 21 for ‘calendar year 1992’ in subparagraph
 22 (B) thereof.

23 If any increase determined under this subpara-
 24 graph is not a multiple of \$50, such increase
 25 shall be rounded to the next lowest multiple of
 26 \$50.”.

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to taxable years beginning after
 3 December 31, 2016.

4 **SEC. 2. CARRYOVER OF UNUSED DEPENDENT CARE BENE-**
 5 **FITS IN CAFETERIA PLANS AND FLEXIBLE**
 6 **SPENDING ARRANGEMENTS.**

7 (a) IN GENERAL.—Section 125(d) of the Internal
 8 Revenue Code of 1986 is amended by adding at the end
 9 the following new paragraph:

10 “(3) CARRYOVER OF UNUSED DEPENDENT
 11 CARE BENEFITS.—Notwithstanding paragraph
 12 (2)(A)—

13 “(A) IN GENERAL.—For purposes of this
 14 title, a plan or other arrangement shall not fail
 15 to be treated as a cafeteria plan or dependent
 16 care flexible spending arrangement solely be-
 17 cause qualified benefits under such plan include
 18 a dependent care flexible spending arrangement
 19 under which unused dependent care benefits
 20 may be carried forward to the succeeding plan
 21 year of such flexible spending arrangement.

22 “(B) DEPENDENT CARE FLEXIBLE SPEND-
 23 ING ARRANGEMENT.—For purposes of this
 24 paragraph, the term ‘dependent care flexible
 25 spending arrangement’ means a flexible spend-

1 ing arrangement (as defined in section 106(c))
2 that is a qualified benefit and only permits re-
3 imbursement for expenses for dependent care
4 assistance.

5 “(C) UNUSED HEALTH BENEFITS.—For
6 purposes of this paragraph, with respect to an
7 employee, the term ‘unused dependent care ben-
8 efits’ means the excess of—

9 “(i) the maximum amount of reim-
10 bursement allowable to the employee dur-
11 ing a plan year under a dependent care
12 flexible spending arrangement, taking into
13 account any election by the employee, over

14 “(ii) the actual amount of reimburse-
15 ment during such year under such ar-
16 rangement.”.

17 (b) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to plan years ending after the date
19 of the enactment of this Act.

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