

114TH CONGRESS
2D SESSION

S. 2879

To amend the Internal Revenue Code of 1986 to provide further tax incentives for dependent care assistance.

IN THE SENATE OF THE UNITED STATES

APRIL 28, 2016

Ms. AYOTTE (for herself and Mrs. CAPITO) 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 provide further tax incentives for dependent care assistance.

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 “Working Families Re-
5 lief Act”.

6 **SEC. 2. EXPANSION OF EXCLUSION FOR DEPENDENT CARE**
7 **ASSISTANCE PROGRAMS.**

8 (a) EXPANSION.—

9 (1) IN GENERAL.—Subparagraph (A) of section
10 129(a)(2) of the Internal Revenue Code of 1986 is

1 amended by striking “shall not exceed \$5,000
 2 (\$2,500 in the case of a separate return by a mar-
 3 ried individual” and inserting “shall not exceed—

4 “(i) except as provided in clause (ii),
 5 \$10,500, and

6 “(ii) in the case of a separate return
 7 by a married individual, $\frac{1}{2}$ the amount in
 8 effect under clause (i).”.

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

12 “(D) ADJUSTMENT FOR INFLATION.—In
 13 the case of taxable years beginning after De-
 14 cember 31, 2017, the \$10,500 amount under
 15 subparagraph (A)(i) shall be increased by an
 16 amount equal to—

17 “(i) such dollar amount, multiplied by

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

24 If any amount as adjusted under the preceding
 25 sentence is not a multiple of \$100, such amount

1 shall be rounded to the next lowest multiple of
2 \$100.”.

3 (b) **EFFECTIVE DATE.**—The amendments made by
4 this section shall apply to amounts paid or incurred in tax-
5 able years beginning after December 31, 2016.

6 **SEC. 3. ALLOWANCE OF CREDIT FOR SMALL EMPLOYER DE-**
7 **PENDENT CARE ASSISTANCE PROGRAM**
8 **START UP COSTS.**

9 (a) **IN GENERAL.**—Section 45E of the Internal Rev-
10 enue Code of 1986 is amended—

11 (1) by striking “pension plan” in subsection (a)
12 and inserting “employee benefit”, and

13 (2) by adding at the end the following new sub-
14 section:

15 “(f) **APPLICATION TO DEPENDENT CARE ASSIST-**
16 **ANCE PROGRAMS.**—For purposes of this section—

17 “(1) a dependent care assistance program of an
18 eligible employer which meets the requirements of
19 section 129(d) shall be treated as an eligible em-
20 ployer plan, and

21 “(2) this section (including the limitation under
22 subsection (b)) shall be applied separately with re-
23 spect to any such dependent care assistance program
24 of the eligible employer and other eligible employer
25 plans of such eligible employer.”.

1 (b) CONFORMING AMENDMENTS.—

2 (1) Section 38(b)(14) of the Internal Revenue
3 Code of 1986 is amended by striking “pension plan”
4 and inserting “employee benefit”.

5 (2) The heading for section 45E of such Code
6 is amended by striking “**PENSION PLAN**” and in-
7 serting “**EMPLOYEE BENEFIT**”.

8 (3) The table of sections for subpart D of part
9 IV of subchapter A of chapter 1 of such Code is
10 amended by striking “pension plan” in the item re-
11 lating to section 45E and inserting “employee ben-
12 efit”.

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to costs paid or incurred in taxable
15 years beginning after December 31, 2016, with respect to
16 dependent care assistance programs first effective after
17 such date.

18 **SEC. 4. CREDIT FOR MATCHING DEPENDENT CARE ASSIST-**
19 **ANCE PROGRAM CONTRIBUTIONS BY EM-**
20 **PLOYERS.**

21 (a) IN GENERAL.—Subpart D of part IV of sub-
22 chapter A of chapter 1 of the Internal Revenue Code of
23 1986 is amended by inserting after section 45R the fol-
24 lowing new section:

1 **“SEC. 45S. CREDIT FOR EMPLOYER DEPENDENT CARE AS-**
2 **SISTANCE PROGRAM MATCHING CONTRIBU-**
3 **TIONS.**

4 “(a) IN GENERAL.—For purposes of section 38, the
5 employer dependent care assistance matching contribution
6 credit determined under this section for any taxable year
7 is an amount equal to the lesser of—

8 “(1) the amount of contributions made by the
9 employer with respect to employees to a dependent
10 care assistance program that meets the requirements
11 of section 129(d), or

12 “(2) the amount of contributions to such de-
13 pendent care assistance program elected by such em-
14 ployees under a cafeteria plan of the employer to
15 which section 125 applies.

16 “(b) LIMITATION.—The credit allowed under sub-
17 section (a) for any taxable year with respect to any em-
18 ployee shall not exceed \$1,000.

19 “(c) DEFINITIONS.—Any term used in this section
20 which is used in section 129 shall have the meaning given
21 such term under section 129.”.

22 (b) CONFORMING AMENDMENTS.—

23 (1) Section 38(b) of the Internal Revenue Code
24 of 1986 is amended by striking “plus” at the end of
25 paragraph (35), by striking the period at the end of

1 paragraph (36) and inserting “, plus”, and by add-
 2 ing at the end the following new paragraph:

3 “(37) the employer dependent care assistance
 4 matching contribution credit determined under sec-
 5 tion 45S(a).”.

6 (2) The table of sections for subpart D of part
 7 IV of subchapter A of chapter 1 of the Internal Rev-
 8 enue Code of 1986 is amended by inserting after the
 9 item relating to section 45R the following new item:

“Sec. 45S. Credit for employer dependent care assistance program matching
 contributions.”.

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

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