

115TH CONGRESS
2D SESSION

H. R. 7057

To amend the Internal Revenue Code to increase the exclusion for employer-provided dependent care assistance and to allow limited annual carryforward of unused dependent care flexible spending arrangement account balances.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 9, 2018

Mrs. WAGNER (for herself and Mr. SESSIONS) introduced the following bill;
which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code to increase the exclusion for employer-provided dependent care assistance and to allow limited annual carryforward of unused dependent care flexible spending arrangement account balances.

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 and Dependent
5 Care Modernization Act of 2018”.

1 **SEC. 2. INCREASE IN EXCLUSION FOR EMPLOYER-PRO-**
 2 **VIDED DEPENDENT CARE ASSISTANCE.**

3 (a) IN GENERAL.—Section 129(a)(2) of the Internal
 4 Revenue Code of 1986 is amended—

5 (1) by striking “shall not exceed” in subpara-
 6 graph (A) and all that follows and inserting the fol-
 7 lowing: “shall not exceed—

8 “(i) \$8,000 (half such dollar amount
 9 in the case of a separate return by a mar-
 10 ried individual) if there is 1 qualifying in-
 11 dividual with respect to the taxpayer dur-
 12 ing such taxable year, or

13 “(ii) \$16,000 (half such dollar amount
 14 in the case of such a separate return) if
 15 there are 2 or more qualifying individuals
 16 with respect to the taxpayer during such
 17 taxable year.”; and

18 (2) by adding at the end the following new sub-
 19 paragraph:

20 “(D) QUALIFYING INDIVIDUAL.—For pur-
 21 poses of this paragraph, the term ‘qualifying in-
 22 dividual’ has the meaning given to such term
 23 under section 21(b)(1).”.

24 (b) INFLATION ADJUSTMENT.—Section 129(a)(2) of
 25 such Code is amended by redesignating subparagraph (C)

1 as subparagraph (D) and by inserting after subparagraph
2 (B) the following new subparagraph:

3 “(C) INFLATION ADJUSTMENT.—In the
4 case of any taxable year beginning in a calendar
5 year after 2019, the dollar amounts in clauses
6 (i) and (ii) of subparagraph (A) shall be in-
7 creased by an amount equal to—

8 “(i) such dollar amount, multiplied by

9 “(ii) the cost-of-living adjustment de-
10 termined under section 1(f)(3) for the cal-
11 endar year in which the taxable year be-
12 gins, determined by substituting ‘calendar
13 year 2018’ for ‘calendar year 1992’ in sub-
14 paragraph (A)(ii) thereof.

15 Any increase determined under the preceding
16 sentence shall be rounded to the nearest mul-
17 tiple of \$100.”.

18 (c) CONFORMING AMENDMENT.—Section 129(a)(2).

19 (d) EFFECTIVE DATE.—The amendment made by
20 this section shall apply to taxable years beginning after
21 December 31, 2018.

1 **SEC. 3. CARRYFORWARD AND LIMITATION FOR DEPEND-**
 2 **ENT CARE FLEXIBLE SPENDING ARRANGE-**
 3 **MENT ACCOUNT BALANCE.**

4 (a) IN GENERAL.—Section 125 of the Internal Rev-
 5 enue Code of 1986 is amended by redesignating sub-
 6 sections (k) and (l) as subsections (l) and (m), respectively
 7 and by inserting after subsection (j) the following new sub-
 8 section:

9 “(k) RULES FOR DEPENDENT CARE FLEXIBLE
 10 SPENDING ARRANGEMENTS.—

11 “(1) CARRYFORWARD OF UNUSED DEPENDENT
 12 CARE BENEFITS.—For purposes of this title, a plan
 13 or other arrangement shall not fail to be treated as
 14 a cafeteria plan or dependent care flexible spending
 15 arrangement merely because such arrangement pro-
 16 vides that an amount not exceeding the lesser of—

17 “(A) such arrangement’s account balance
 18 determined as of the end of any plan year, or

19 “(B) the limitation described in paragraph
 20 (2) for the succeeding plan year,
 21 may be carried forward to the succeeding plan year
 22 of such flexible spending arrangement.

23 “(2) CUMULATIVE LIMITATION.—For purposes
 24 of this section, if a benefit is provided under a cafe-
 25 teria plan through a dependent care flexible spend-
 26 ing arrangement, such benefit shall not be treated as

1 a qualified benefit unless it provides that the ac-
2 count balance of the employee shall not exceed the
3 dollar limitation in effect with respect to the em-
4 ployee under section 129(a)(2)(A) for such plan
5 year.”.

6 (b) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to taxable years beginning after
8 December 31, 2018.

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