I

116TH CONGRESS
1ST SESSION

H. R. 2879

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

IN THE HOUSE OF REPRESENTATIVES

MAY 21, 2019

Ms. SÁNCHEZ (for herself and Mr. KELLY of Pennsylvania) introduced the following bill; which was referred to the Committee on Ways and Means

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A BILL

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

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Working Families Relief Act''.

SEC. 2. EXPANSION OF EXCLUSION FOR DEPENDENT CARE ASSISTANCE PROGRAMS.

(a) IN GENERAL.—Section 129(a)(2)(A) of the Internal Revenue Code of 1986 is amended by striking ''shall not exceed $5,000 ($2,500 in the case of a separate return by a married individual).'' and inserting ''shall not exceed—

''(i) except as provided in clause (ii), \$10,500, and

''(ii) in the case of a separate return by a married individual, ½ the amount in effect for the taxable year under clause (i).''.

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

''(D) ADJUSTMENT FOR INFLATION.—In the case of taxable years beginning after December 31, 2020, the \$10,500 amount under subparagraph (A)(i) shall be increased by an amount equal to—

''(i) such dollar amount, multiplied by

''(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2019' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

If any amount as adjusted under the preceding sentence is not a multiple of \$100, such amount shall be rounded to the next lowest multiple of $100.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred in taxable years beginning after December 31, 2019.

SEC. 3. ALLOWANCE OF CREDIT FOR SMALL EMPLOYER DEPENDENT CARE ASSISTANCE PROGRAM START-UP COSTS.

(a) IN GENERAL.—Section 45E of the Internal Revenue Code of 1986 is amended—

(1) by striking ''pension plan'' in subsection (a) and inserting ''employee benefit'', and

(2) by adding at the end the following new subsection:

''(f) APPLICATION TO DEPENDENT CARE ASSISTANCE PROGRAMS.—

''(1) IN GENERAL.—A dependent care assistance program of an eligible employer which meets the requirements of section 129(d) shall be treated as an eligible employer plan for purposes of this section.

''(2) SEPARATE APPLICATION.—This section (including the limitation under subsection (b)) shall be applied separately with respect to any such dependent care assistance program of the eligible employer and other eligible employer plans of such eligible employer.''.

(b) CONFORMING AMENDMENTS.—

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

(2) The heading for section 45E of such Code is amended by striking ''**PENSION PLAN**'' and inserting ''**EMPLOYEE BENEFIT**''.

(3) The table of sections for subpart D of part IV of subchapter A of chapter 1 of such Code is amended by striking ''pension plan'' in the item relating to section 45E and inserting ''employee benefit''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to costs paid or incurred in taxable years beginning after December 31, 2019, with respect to dependent care assistance programs first effective after such date.

SEC. 4. CREDIT FOR MATCHING DEPENDENT CARE ASSISTANCE PROGRAM CONTRIBUTIONS BY EMPLOYERS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of

1986 is amended by inserting after section 45S the following new section:

"SEC. 45T. CREDIT FOR EMPLOYER DEPENDENT CARE ASSISTANCE PROGRAM MATCHING CONTRIBUTIONS.

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

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

"(2) the amount of contributions to such dependent care assistance program elected by such employees under a cafeteria plan of the employer to which section 125 applies.

"(b) LIMITATION.—The credit allowed under subsection (a) for any taxable year with respect to any employee shall not exceed $1,000.

"(c) DEFINITIONS.—Any term used in this section which is used in section 129 shall have the meaning given such term under section 129.".

(b) CONFORMING AMENDMENTS.—

(1) Section 38(b) of the Internal Revenue Code of 1986 is amended by striking ‘‘plus’’ at the end of paragraph (31), by striking the period at the end of paragraph (32) and inserting ‘‘, plus’’, and by adding at the end the following new paragraph:

‘‘(33) the employer dependent care assistance matching contribution credit determined under section 45T(a).’’.

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after the item relating to section 45S the following new item:

‘‘Sec. 45T. Credit for employer dependent care assistance program matching contributions.’’.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2019.

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