

116TH CONGRESS  
1ST SESSION

# S. 137

To amend the Internal Revenue Code of 1986 to increase the credit for employers establishing workplace child care facilities, to increase the child care credit to encourage greater use of quality child care services, to provide incentives for students to earn child care-related degrees and to work in child care facilities, and to increase the exclusion for employer-provided dependent care assistance.

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## IN THE SENATE OF THE UNITED STATES

JANUARY 16, 2019

Mrs. SHAHEEN (for herself, Mrs. GILLIBRAND, Ms. KLOBUCHAR, and Mr. SCHATZ) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to increase the credit for employers establishing workplace child care facilities, to increase the child care credit to encourage greater use of quality child care services, to provide incentives for students to earn child care-related degrees and to work in child care facilities, and to increase the exclusion for employer-provided 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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Right Start Child Care  
3 and Education Act of 2019”.

4 **SEC. 2. INCREASE IN EMPLOYER-PROVIDED CHILD CARE**  
5 **CREDIT.**

6 (a) INCREASE IN CREDITABLE PERCENTAGE OF  
7 CHILD CARE EXPENDITURES.—Paragraph (1) of section  
8 45F(a) of the Internal Revenue Code of 1986 is amended  
9 by striking “25 percent” and inserting “35 percent”.

10 (b) INCREASE IN CREDITABLE PERCENTAGE OF RE-  
11 SOURCE AND REFERRAL EXPENDITURES.—Paragraph (2)  
12 of section 45F(a) of the Internal Revenue Code of 1986  
13 is amended by striking “10 percent” and inserting “20  
14 percent”.

15 (c) INCREASE IN MAXIMUM CREDIT.—Subsection (b)  
16 of section 45F of the Internal Revenue Code of 1986 is  
17 amended by striking “\$150,000” and inserting  
18 “\$225,000”.

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

22 **SEC. 3. INCREASE IN DEPENDENT CARE CREDIT.**

23 (a) INCREASE IN INCOMES ELIGIBLE FOR FULL  
24 CREDIT.—Paragraph (2) of section 21(a) of the Internal  
25 Revenue Code of 1986 is amended by striking “\$15,000”  
26 and inserting “\$30,000”.

1 (b) INCREASE IN PERCENTAGE OF EXPENSES AL-  
 2 LOWABLE.—Paragraph (2) of section 21(a) of the Internal  
 3 Revenue Code of 1986 is amended—

4 (1) by striking “35 percent” and inserting “50  
 5 percent”, and

6 (2) by striking “20 percent” and inserting “35  
 7 percent”.

8 (c) INCREASE IN DOLLAR LIMIT ON AMOUNT CRED-  
 9 ITABLE.—Subsection (c) of section 21 of the Internal Rev-  
 10 enue Code of 1986 is amended—

11 (1) by striking “\$3,000” in paragraph (1) and  
 12 inserting “\$6,000”, and

13 (2) by striking “\$6,000” in paragraph (2) and  
 14 inserting “\$12,000”.

15 (d) CREDIT TO BE REFUNDABLE.—

16 (1) IN GENERAL.—The Internal Revenue Code  
 17 of 1986 is amended—

18 (A) by redesignating section 21 as section  
 19 36C, and

20 (B) by moving section 36C, as so redesign-  
 21 nated, from subpart A of part IV of subchapter  
 22 A of chapter 1 to the location immediately be-  
 23 fore section 37 in subpart C of part IV of sub-  
 24 chapter A of chapter 1.

25 (2) TECHNICAL AMENDMENTS.—

1 (A) Paragraph (1) of section 23(f) of such  
 2 Code is amended by striking “21(e)” and in-  
 3 serting “36C(e)”.

4 (B) Paragraph (6) of section 35(g) of such  
 5 Code is amended by striking “21(e)” and in-  
 6 serting “36C(e)”.

7 (C) Paragraph (1) of section 36C(a) of  
 8 such Code (as redesignated by paragraph (1))  
 9 is amended by striking “this chapter” and in-  
 10 serting “this subtitle”.

11 (D) Subparagraph (C) of section 129(a)(2)  
 12 of such Code is amended by striking “section  
 13 21(e)” and inserting “section 36C(e)”.

14 (E) Paragraph (2) of section 129(b) of  
 15 such Code is amended by striking “section  
 16 21(d)(2)” and inserting “section 36C(d)(2)”.

17 (F) Paragraph (1) of section 129(e) of  
 18 such Code is amended by striking “section  
 19 21(b)(2)” and inserting “section 36C(b)(2)”.

20 (G) Subsection (e) of section 213 of such  
 21 Code is amended by striking “section 21” and  
 22 inserting “section 36C”.

23 (H) Subparagraph (H) of section  
 24 6213(g)(2) of such Code is amended by striking  
 25 “section 21” and inserting “section 36C”.

1 (I) Subparagraph (L) of section  
 2 6213(g)(2) of such Code is amended by striking  
 3 “section 21, 24, or 32” and inserting “section  
 4 24, 32, or 36C”.

5 (J) Paragraph (2) of section 1324(b) of  
 6 title 31, United States Code, is amended by in-  
 7 serting “36C,” after “36B,”.

8 (K) The table of sections for subpart C of  
 9 part IV of subchapter A of chapter 1 of the In-  
 10 ternal Revenue Code of 1986 is amended by in-  
 11 serting after the item relating to section 36B  
 12 the following:

“Sec. 36C. Expenses for household and dependent care services necessary for  
 gainful employment.”.

13 (L) The table of sections for subpart A of  
 14 such part IV is amended by striking the item  
 15 relating to section 21.

16 (e) EFFECTIVE DATE.—The amendments made by  
 17 this section shall apply to taxable years beginning after  
 18 December 31, 2018.

19 **SEC. 4. 3-YEAR CREDIT FOR INDIVIDUALS HOLDING CHILD**  
 20 **CARE-RELATED DEGREES WHO WORK IN LI-**  
 21 **CENSED CHILD CARE FACILITIES.**

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

1 1986 is amended by inserting after section 25D the fol-  
 2 lowing new section:

3 **“SEC. 25E. RIGHT START CHILD CARE AND EDUCATION**  
 4 **CREDIT.**

5 “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
 6 dividual who is an eligible child care provider for the tax-  
 7 able year, there shall be allowed as a credit against the  
 8 tax imposed by this chapter for the taxable year the  
 9 amount of \$2,000.

10 “(b) 3-YEAR CREDIT.—

11 “(1) IN GENERAL.—The credit allowable by  
 12 subsection (a) for any taxable year to an individual  
 13 shall be allowed for such year only if the individual  
 14 elects the application of this section for such year.

15 “(2) ELECTION.—An election to have this sec-  
 16 tion apply may not be made by an individual for any  
 17 taxable year if such an election by such individual is  
 18 in effect for any 3 prior taxable years.

19 “(c) ELIGIBLE CHILD CARE PROVIDER.—For pur-  
 20 poses of this section—

21 “(1) IN GENERAL.—The term ‘eligible child  
 22 care provider’ means, for any taxable year, any indi-  
 23 vidual if—

24 “(A) as of the close of such taxable year,  
 25 such individual holds a bachelor’s degree in

1 early childhood education, child care, or a re-  
2 lated degree and such degree was awarded by  
3 an eligible educational institution (as defined in  
4 section 25A(f)(2)), and

5 “(B) during such taxable year, such indi-  
6 vidual performs at least 1,200 hours of child  
7 care services at a facility if—

8 “(i) the principal use of the facility is  
9 to provide child care services,

10 “(ii) no more than 25 percent of the  
11 children receiving child care services at the  
12 facility are children (as defined in section  
13 152(f)) of the individual or such individ-  
14 ual’s spouse, and

15 “(iii) the facility meets the require-  
16 ments of all applicable laws and regula-  
17 tions of the State or local government in  
18 which it is located, including the licensing  
19 of the facility as a child care facility.

20 Subparagraph (B)(i) shall not apply to a facil-  
21 ity which is the principal residence (within the  
22 meaning of section 121) of the operator of the  
23 facility.

1           “(2) CHILD CARE SERVICES.—The term ‘child  
2       care services’ means child care and early childhood  
3       education.”.

4       (b) CLERICAL AMENDMENT.—The table of sections  
5       for subpart A of part IV of subchapter A of chapter 1  
6       of the Internal Revenue Code of 1986 is amended by in-  
7       serting after the item relating to section 25D the following  
8       new item:

      “Sec. 25E. Right Start Child Care and Education Credit.”.

9       (c) EFFECTIVE DATE.—The amendments made by  
10      this section shall apply to taxable years beginning after  
11      December 31, 2018.

12      **SEC. 5. INCREASE IN EXCLUSION FOR EMPLOYER-PRO-**  
13                                   **VIDED DEPENDENT CARE ASSISTANCE.**

14      (a) IN GENERAL.—Subparagraph (A) of section  
15      129(a)(2) of the Internal Revenue Code of 1986 is amend-  
16      ed by striking “\$5,000 (\$2,500” and inserting “\$7,500  
17      (\$3,750”.

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

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