

103<sup>D</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 4470

To amend the Internal Revenue Code of 1986 to make the dependent care tax credit refundable, to phaseout such credit for higher-income taxpayers, and to provide for advance payments of such credit.

---

## IN THE HOUSE OF REPRESENTATIVES

MAY 20, 1994

Ms. SHEPHERD 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 make the dependent care tax credit refundable, to phaseout such credit for higher-income taxpayers, and to provide for advance payments of such credit.

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 “Children and Incapaci-  
5 tated Dependents Care Annual Refund (CIDCARE) Act”.

6 **SEC. 2. DEPENDENT CARE CREDIT TO BE REFUNDABLE;**

7 **ADVANCE PAYMENTS OF CREDIT.**

8 (a) CREDIT TO BE REFUNDABLE.—

1           (1) IN GENERAL.—Section 21 of the Internal  
2 Revenue Code of 1986 (relating to expenses for  
3 household and dependent care services necessary for  
4 gainful employment) is hereby moved to subpart C  
5 of part IV of subchapter A of chapter 1 of such  
6 Code (relating to refundable credits) and inserted  
7 after section 34.

8           (2) TECHNICAL AMENDMENTS.—

9           (A) Section 35 of such Code is redesign-  
10 nated as section 36.

11           (B) Section 21 of such Code is redesign-  
12 nated as section 35.

13           (C) Paragraph (1) of section 35(a) of such  
14 Code (as redesignated by subparagraph (B)) is  
15 amended by striking “this chapter” and insert-  
16 ing “this subtitle”.

17           (D) Subparagraph (C) of section 129(a)(2)  
18 of such Code is amended by striking “section  
19 21(e)” and inserting “section 35(e)”.

20           (E) Paragraph (2) of section 129(b) of  
21 such Code is amended by striking “section  
22 21(d)(2)” and inserting “section 35(d)(2)”.

23           (F) Paragraph (1) of section 129(e) of  
24 such Code is amended by striking “section  
25 21(b)(2)” and inserting “section 35(b)(2)”.

1 (G) Subsection (e) of section 213 of such  
2 Code is amended by striking “section 21” and  
3 inserting “section 35”.

4 (H) Paragraph (2) of section 1324(b) of  
5 title 31, United States Code, is amended by in-  
6 serting before the period “or from section 35 of  
7 such Code”.

8 (I) The table of sections for subpart C of  
9 part IV of subchapter A of chapter 1 of such  
10 Code is amended by striking the item relating  
11 to section 35 and inserting the following:

“Sec. 35. Expenses for household and dependent care services  
necessary for gainful employment.

“Sec. 36. Overpayments of tax.”

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

15 (b) HIGHER-INCOME TAXPAYERS INELIGIBLE FOR  
16 CREDIT.—Subsection (a) of section 35 of such Code, as  
17 redesignated by subsection (a), is amended by adding at  
18 the end the following new paragraph:

19 “(3) PHASEOUT OF CREDIT FOR HIGHER-IN-  
20 COME TAXPAYERS.—The amount of the credit which  
21 would (but for this paragraph) be allowed by this  
22 section shall be reduced (but not below zero) by an  
23 amount which bears the same ratio to such amount  
24 of credit as the excess of the taxpayer’s adjusted

1 gross income for the taxable year over \$110,000  
2 bears to \$10,000. Any reduction determined under  
3 the preceding sentence which is not a multiple of  
4 \$10 shall be rounded to the nearest multiple of  
5 \$10.”

6 (c) ADVANCE PAYMENT OF CREDIT.—

7 (1) IN GENERAL.—Chapter 25 of such Code  
8 (relating to general provisions relating to employ-  
9 ment taxes) is amended by inserting after section  
10 3507 the following new section:

11 **“SEC. 3507A. ADVANCE PAYMENT OF DEPENDENT CARE**  
12 **CREDIT.**

13 “(a) GENERAL RULE.—Except as otherwise provided  
14 in this section, every employer making payment of wages  
15 to an employee with respect to whom a dependent care  
16 credit eligibility certificate is in effect shall, at the time  
17 of paying such wages, make an additional payment equal  
18 to such employee’s dependent care credit advance amount.

19 “(b) DEPENDENT CARE CREDIT ELIGIBILITY CER-  
20 TIFICATE.—For purposes of this title, a dependent care  
21 credit eligibility certificate is a statement furnished by an  
22 employee to the employer which—

23 “(1) certifies that the employee will be eligible  
24 to receive the credit provided by section 35 for the  
25 taxable year,

1           “(2) certifies that the employee does not have  
2           a dependent care credit eligibility certificate in effect  
3           for the calendar year with respect to the payment of  
4           wages by another employer,

5           “(3) states whether or not the employee’s  
6           spouse has a dependent care credit eligibility certifi-  
7           cate in effect, and

8           “(4) estimates the amount of dependent care  
9           credit of the employee for the calendar year.

10 For purposes of this section, a certificate shall be treated  
11 as being in effect with respect to a spouse if such a certifi-  
12 cate will be in effect on the first status determination date  
13 following the date on which the employee furnishes the  
14 statement in question.

15       “(c) DEPENDENT CARE CREDIT ADVANCE  
16 AMOUNT.—

17           “(1) IN GENERAL.—For purposes of this title,  
18           the term ‘dependent care credit advance amount’  
19           means, with respect to any payroll period, the  
20           amount determined—

21                   “(A) on the basis of the employee’s wages  
22                   from the employer for such period,

23                   “(B) on the basis of the employee’s esti-  
24                   mated amount of dependent care credit included

1 in the dependent care credit eligibility certifi-  
2 cate, and

3 “(C) in accordance with tables provided by  
4 the Secretary.

5 “(2) ADVANCE AMOUNT TABLES.—The tables  
6 referred to in paragraph (1)(C) shall be similar in  
7 form to the tables prescribed under section 3402  
8 and, to the maximum extent feasible, shall be coordi-  
9 nated with such tables and the tables prescribed  
10 under section 3507(c).

11 “(d) OTHER RULES.—For purposes of this section,  
12 rules similar to the rules of subsections (d) and (e) of sec-  
13 tion 3507 shall apply.

14 “(e) REGULATIONS.—The Secretary shall prescribe  
15 such regulations as may be necessary to carry out the pur-  
16 poses of this section.”.

17 (2) CLERICAL AMENDMENT.—The table of sec-  
18 tions for chapter 25 of such Code is amended by in-  
19 sserting after the item relating to section 3507 the  
20 following new item:

“Sec. 3507A. Advance payment of dependent care credit.”.

21 (d) EFFECTIVE DATE.—The amendments made by  
22 this section shall apply to taxable years beginning after  
23 December 31, 1994.

○