

HR 1421 IH

110th CONGRESS

1st Session

**H. R. 1421**

To amend the Internal Revenue Code of 1986 to increase tax benefits for parents with children, and for other purposes.

**IN THE HOUSE OF REPRESENTATIVES**

**March 8, 2007**

Mr. TERRY (for himself, Mr. PAUL, Mr. BARTLETT of Maryland, Mr. FRANKS of Arizona, Mr. WAMP, Mrs. BONO, Mr. RADANOVICH, Mrs. BLACKBURN, Mr. MILLER of Florida, Mr. GARRETT of New Jersey, Mr. BILIRAKIS, Mr. SENSENBRENNER, Mr. FORTENBERRY, Mrs. MUSGRAVE, Mr. MCCAUL of Texas, Mr. SOUDER, and Mr. MCCOTTER) 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 increase tax benefits for parents with children, and for other purposes.

*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 'Parents' Tax Relief Act of 2007' .

**SEC. 2. MINIMUM DEPENDENT CARE CREDIT FOR PARENTS CARING FOR CHILDREN AT HOME.**

(a) In General- Subsection (e) of section 21 of the Internal Revenue Code of 1986 (relating to special rules) is amended by adding at the end the following new paragraph:

“(11) MINIMUM CREDIT ALLOWED FOR STAY-AT-HOME PARENTS- In the case of any taxpayer with one or more qualifying individuals under age 7 at any time during the taxable year, such taxpayer shall be deemed to have employment-related expenses with respect to each such qualifying

individual and earned income in an amount equal to the greater of--

- ˘ (A) the amount of employment-related expenses incurred for such qualifying individual for the taxable year (determined under this section without regard to this paragraph), or
- ˘ (B) \$250 for each month beginning in such taxable year with respect to which such qualifying individual has not attained age 7 as of the beginning of such month.'

(b) Phaseout of Credit- Section 21 of such Code is amended by redesignating subsection (f) as subsection (g) and inserting after subsection (e) the following new subsection:

˘ (f) Phaseout of Credit-

˘ (1) IN GENERAL- The credit determined under subsection (a) shall be reduced (but not below zero) by 2 percentage points for each \$2,500 (or fraction thereof) by which the taxpayer's adjusted gross income for the taxable year exceeds the threshold amount.

˘ (2) THRESHOLD AMOUNT- For purposes of this subsection, the term 'threshold amount' means--

˘ (A) \$100,000 in the case of a joint return, or a surviving spouse, for which there is one qualifying individual,

˘ (B) \$120,000 in the case of a joint return, or a surviving spouse, for which there are two or three qualifying individuals,

˘ (C) \$160,000 in the case of a joint return, or a surviving spouse, for which there are four or more qualifying individuals,

˘ (D) \$75,000 in the case of a head of household for which there is one qualifying individual,

˘ (E) \$90,000 in the case of a head of household for which there are two or three qualifying individuals,

˘ (F) \$120,000 in the case of a head of household for which there are four or more qualifying individuals,

˘ (G) \$50,000 in the case of any other taxpayer for which there is one qualifying individual,

˘ (H) \$60,000 in the case of any other taxpayer for which there are two or three qualifying individuals, and

` (I) \$80,000 in the case of any other taxpayer for which there are four or more qualifying individuals.'

(c) Effective Date- The amendments made by this section shall apply to taxable years beginning after December 31, 2006.

### **SEC. 3. INCREASE IN PERSONAL EXEMPTION AMOUNT.**

(a) In General- Paragraph (1) of section 151(d) of the Internal Revenue Code of 1986 is amended by striking `\$2,000' and inserting `\$5,000' .

(b) Inflation Adjustment- Subparagraph (A) of section 151(d)(4) of such Code is amended--

(1) by striking `1989' and inserting `2007', and

(2) by striking `1988' in clause (ii) and inserting `2006'.

(c) Effective Date- The amendments made by this section shall apply to taxable years beginning after December 31, 2006.

### **SEC. 4. ELIMINATION OF CERTAIN MARRIAGE PENALTIES.**

(a) Elimination of Marriage Penalty in All Rate Brackets- Paragraph (8) of section 1(f) of the Internal Revenue Code of 1986 (relating to phaseout of marriage penalty in 15-percent bracket) is amended to read as follows:

` (8) ELIMINATION OF MARRIAGE PENALTY- With respect to taxable years beginning after December 31, 2006, in prescribing the tables under paragraph (1)--

` (A) the minimum and maximum amounts of taxable income in each rate bracket in the table contained in subsection (a) shall be 200 percent of the minimum and maximum amounts of taxable income in the corresponding rate bracket in the table contained in subsection (c) (after any other adjustment under this subsection), and

` (B) the comparable taxable income amounts in the table contained in subsection (d) shall be 1/2 of the amounts determined under subparagraph (A).'

(b) Elimination of Marriage Penalty in Deduction for Interest on Student Loans- Paragraph (1) of section 221 of the Internal Revenue Code of 1986 (relating to general rule for maximum deduction) is amended to read as follows:

` (1) IN GENERAL-

^ (A) GENERAL RULE- The amount allowed as a deduction under subsection (a) shall not exceed \$2,500.

^ (B) SPECIAL RULE FOR JOINT RETURN- In the case of a husband and wife--

^ (i) who make a joint return for the taxable year, and

^ (ii) each of whom is the obligor on a qualified education loan for the qualified education expenses of the husband or wife, as the case may be,

subparagraph (A) shall be applied separately with respect to the husband and the wife, except that not more than \$2,500 of interest expense may be taken into account under this section with respect to each of the husband, the wife, and all dependents.'

(c) Effective Date- The amendments made by this section apply to taxable years beginning after December 31, 2006.

## **SEC. 5. STANDARD DEDUCTION FOR BUSINESS USE OF HOME.**

(a) In General- Subsection (c) of section 280A of the Internal Revenue Code of 1986 (relating to disallowance of certain expenses in connection with business use of home, rental of vacation homes, etc.) is amended by adding at the end the following new paragraph:

^ (7) STANDARD HOME OFFICE DEDUCTION-

^ (A) IN GENERAL- In the case of an individual that is allowed a deduction for the use of a home office because of a use described in paragraphs (1), (2), or (4) of this subsection, notwithstanding the limitations of paragraph (5), such individual may elect to use the standard home office deduction for the taxable year.

^ (B) STANDARD HOME OFFICE DEDUCTION AMOUNT- For purposes of this paragraph, the standard home office deduction is the lesser of--

^ (i) \$2,500, or

^ (ii) the gross income derived from the individual's trade or business for which such use occurs.'

(b) Effective Date- The amendment made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

## **SEC. 6. INCREASE AND OTHER MODIFICATIONS IN CHILD TAX CREDIT MADE PERMANENT.**

(a) In General- Title IX of the Economic Growth and Tax Relief Reconciliation Act of 2001 shall not apply to the amendments made by section 201 of such Act (relating to modifications to child tax credit).

(b) Credit Amount Adjusted for Inflation- Section 24 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

“(g) Inflation Adjustment- In the case of any taxable year beginning in a calendar year after 2007, the \$1,000 amount contained in subsection (a) shall be increased by an amount equal to--

“(1) such dollar amount, multiplied by

“(2) 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 2006” for “calendar year 1992” in subparagraph (B) thereof.

Any increase determined under the preceding sentence shall be rounded to the nearest multiple of \$50.’.

## **SEC. 7. TELECOMMUTING TAX CREDIT.**

(a) In General- Subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to business related credits) is amended by adding at the end the following new section:

### **“ SEC. 450. TELECOMMUTING CREDIT.**

“(a) Determination of Amount- For purposes of section 38, the amount of the telecommuting credit determined under this section for the taxable year shall be equal to 40 percent of the qualified first-year teleworking wages paid or incurred during such year.

“(b) Qualified First-Year Teleworking Wages- For purposes of this section--

“(1) IN GENERAL- The term “qualified first-year teleworking wages” means, with respect to any individual, wages attributable to service rendered during the first teleworking year with respect to such individual.

“(2) FIRST TELEWORKING YEAR- The term “first teleworking year” means, with respect to any individual employed by an employer, the first 1-year period during which such individual renders not less than 40 percent of the total service rendered to such employer during such 1-year

period from the individual's principal residence.

` (3) ONLY FIRST \$6,000 OF WAGES PER YEAR TAKEN INTO ACCOUNT- The amount of the qualified first-year teleworking wages which may be taken into account with respect to any individual shall not exceed \$6,000.

` (c) Wages- For purposes of this section--

` (1) IN GENERAL- The term `wages' has the meaning given to such term by subsection (b) of section 3306 (determined without regard to any dollar limitation contained in such section).

` (2) ON-THE-JOB TRAINING AND WORK SUPPLEMENTATION PAYMENTS-

` (A) EXCLUSION FOR EMPLOYERS RECEIVING ON-THE-JOB TRAINING PAYMENTS- The term `wages' shall not include any amounts paid or incurred by an employer for any period to any individual for whom the employer receives federally funded payments for on-the-job training of such individual for such period.

` (B) REDUCTION FOR WORK SUPPLEMENTATION PAYMENTS TO EMPLOYERS- The amount of wages which would (but for this subparagraph) be qualified wages under this section for an employer with respect to an individual for a taxable year shall be reduced by an amount equal to the amount of the payments made to such employer (however utilized by such employer) with respect to such individual for such taxable year under a program established under section 482(e) of the Social Security Act.

` (d) Special Rules- For purposes of this section, rules similar to the rules of section 52 and subsections (f), (g), (i) (other than paragraph (2) thereof), (j), and (k) of section 51 shall apply.'

(b) Credit Treated as Business Credit- Section 38(b) of such Code is amended by striking `plus' at the end of paragraph (30), by striking the period at the end of paragraph (31) and inserting `, plus', and by adding at the end the following new paragraph:

` (32) the telecommuting credit determined under section 450(a).'

(c) Clerical Amendment- The table of sections for subpart D of part IV of subchapter A of chapter 1 of such Code is amended by adding at the end the following new item:

` Sec. 450. Telecommuting credit.'

(d) Effective Date- The amendments made by this section shall apply to

taxable years beginning after December 31, 2006, and shall take into account first teleworking years beginning before, on, or after such date.

## **SEC. 8. EMPLOYER-PROVIDED COMPUTER EQUIPMENT TREATED AS FRINGE BENEFIT.**

(a) In General- Subsection (a) of section 132 of the Internal Revenue Code of 1986 is amended by striking `or' at the end of paragraph (7), by striking the period at the end of paragraph (8) and inserting `, or', and by adding at the end the following new paragraph:

`(9) qualified employer-provided computer equipment fringe.'

(b) Qualified Employer-Provided Computer Equipment Fringe- Section 132 of such Code is amended by redesignating subsection (o) as subsection (p) and by inserting after subsection (n) the following new subsection:

`(o) Qualified Employer-Provided Computer Equipment Fringe- For purposes of this section--

`(1) IN GENERAL- The term `qualified employer-provided computer equipment fringe' means any computer and related equipment and services provided to an employee by an employer if--

`(A) such computer and related equipment and services are necessary for the employee to perform work for the employer from the employee's home, and

`(B) the employee makes substantial business use of the equipment in the performance of work for the employer.

`(2) SUBSTANTIAL USE- For purposes of paragraph (1), the term `substantial business use' includes standby use for periods when work from home may be required by the employer such as during work closures caused by the threat of terrorism, inclement weather, or natural disasters.'

(c) Effective Date- The amendments made by this section shall apply to taxable years beginning after December 31, 2006.

## **SEC. 9. INCREASED BENEFITS FOR INDIVIDUALS PRECLUDED FROM PERFORMING REMUNERATIVE WORK BY NEED TO PROVIDE CHILD CARE.**

Title II of the Social Security Act (42 U.S.C. 401 et seq.) is amended by adding at the end the following new section:

## INCREASED BENEFITS FOR INDIVIDUALS PRECLUDED FROM PERFORMING REMUNERATIVE WORK BY NEED TO PROVIDE CHILD CARE

Sec. 235. (a) General Rule- For purposes of determining entitlement to and the amount of any monthly benefit or lump-sum death payment payable under this title on the basis of the wages and self-employment income of any individual, and for purposes of section 216(i)(3), if such individual--

(1) is not otherwise credited under this title, for one or more of such individual's elapsed years (referred to in section 215(b)(3)), with wages at least equal to the national average wage index (as defined in section 209(k)) for such year, and

(2) is a qualified individual in connection with any such elapsed year after 2007,

then such individual shall be credited under this title for such year after 2007 with additional wages in an amount necessary to increase the total wages credited to such individual under this title for such year to an amount equal to the national average wage index (as so defined) for such year.

(b) Qualified Individual- For purposes of this section, the term 'qualified individual' means, in connection with any year, any individual in any case in which--

(1) such individual is married for a period during such year of not less than 90 days,

(2) throughout such period during such year, such individual lives with a qualified child, and

(3) more than 75 percent of the total remuneration of such individual and such individual's spouse for such year which is attributable to wages or self-employment income earned or derived during the period during such year for which the requirements of paragraphs (1) and (2) are met consists of wages or self-employment income earned or derived by such spouse.

(c) Qualified Child- For purposes of this section, the term 'qualified child' means, in connection with a qualified individual, a child of such individual (or such individual's spouse referred to in subsection (b)(2)) who has not attained age 7.

(d) Limitation to 10 Elapsed Years- In any case in which the requirements of subsection (a) are met in connection with more than 10 elapsed years of an

individual, subsection (a) shall apply only with respect to those elapsed years, not in excess of 10, which, when taken into account in the application of subsection (a), result in the highest primary insurance amount for such individual, taking into account which years would be excluded from benefit computation years under section 215(b)(2)(B)(i).

^ (e) Protection of Trust Fund Balances- There are authorized to be appropriated to each of the Trust Funds, consisting of the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, and the Federal Hospital Insurance Trust Fund, for transfer on July 1 of each calendar year after 2007 to such Trust Fund from amounts in the general fund in the Treasury not otherwise appropriated, an amount equal to the total of the additional amounts which would be appropriated to such Trust Fund for the fiscal year ending September 30 of such calendar year under section 201 or 1817 of this Act if the amounts of the additional wages credited for such calendar year by reason of subsection (a) constituted remuneration for employment (as defined in section 3121(b) of the Internal Revenue Code of 1986) for purposes of the taxes imposed by sections 3101 and 3111 of the Internal Revenue Code of 1986. Amounts authorized to be appropriated under this subsection for transfer on July 1 of each calendar year shall be determined on the basis of estimates of the Commissioner of Social Security of the wages required to be credited for such calendar year under subsection (a); and proper adjustments shall be made in amounts authorized to be appropriated for subsequent transfer to the extent prior estimates were in excess of or were less than such wages so credited.'

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