

106TH CONGRESS  
2D SESSION

# S. 2601

To amend the Internal Revenue Code of 1986 to exclude from the gross income of an employee any employer-provided home computer and Internet access.

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IN THE SENATE OF THE UNITED STATES

MAY 22, 2000

Mr. ASHCROFT 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 exclude from the gross income of an employee any employer-provided home computer and Internet access.

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 “Bridging the Digital  
5 Divide Act of 2000”.

6 **SEC. 2. FINDINGS.**

7 Congress finds the following:

1           (1) Only 40 percent of computer sales are being  
2           made to households purchasing a computer for the  
3           first time.

4           (2) According to Forrester Research, only 33  
5           percent of African American households are on-line,  
6           10 percent fewer than the national average.

7           (3) According to Forrester Research, income is  
8           the main driver of Internet adoption.

9           (4) Too many people are opting out or being  
10          left behind by the Internet economy.

11          (5) According to Dr. Mark E. Dean, a specialist  
12          in advanced technology development for IBM, the  
13          solution to the digital divide is to put computers in  
14          as many homes as possible.

15          (6) According to a 1998 study by the Depart-  
16          ment of Commerce, households with income of at  
17          least \$75,000 are over 20 times more likely to have  
18          Internet access than those at the lowest income lev-  
19          els.

20          (7) According to the same report, black and  
21          Hispanic households are roughly two-fifths as likely  
22          to have Internet access as white households.

23          (8) When employers have tried to help bridge  
24          this gap by providing their employees with com-  
25          puters and Internet access, the Federal tax code has

1 widened the digital divide by treating the receipt of  
2 the new equipment as taxable income.

3 **SEC. 3. QUALIFIED HOME COMPUTER FRINGE BENEFIT.**

4 (a) **IN GENERAL.**—Section 132(a) of the Internal  
5 Revenue Code of 1986 (relating to the exclusion from  
6 gross income of certain fringe benefits) is amended by  
7 striking “or” at the end of paragraph (5), by striking the  
8 period at the end of paragraph (6) and inserting “, or”  
9 and by adding at the end the following new paragraph:  
10 “(7) qualified home computer fringe.”.

11 (b) **QUALIFIED HOME COMPUTER FRINGE.**—Section  
12 132 of the Internal Revenue Code of 1986 is amended by  
13 redesignating subsections (h) through (m) as subsections  
14 (i) through (n), respectively, and by inserting after sub-  
15 section (g) the following new subsection (h):

16 “(h) **QUALIFIED HOME COMPUTER FRINGE.**—For  
17 purposes of this section—

18 “(1) **IN GENERAL.**—The term ‘qualified home  
19 computer fringe’ means a home computer or Inter-  
20 net service or both provided by an employer to an  
21 employee under a written program adopted by such  
22 employer.

23 “(2) **DEFINITIONS AND SPECIAL RULES.**—

24 “(A) **HOME COMPUTER.**—

1                   “(i) IN GENERAL.—The term ‘home  
2                   computer’ means computer technology or  
3                   equipment (as defined in section  
4                   170(e)(6)(E)(i)) which—

5                                 “(I) at a minimum, is capable of  
6                                 providing access to the Internet, and  
7                                 is able to perform office automation  
8                                 and e-learning functions; and

9                                 “(II) is furnished for home use.

10                               “(ii) Home use of computers.—For  
11                               purposes of clause (i)(II), the rules under  
12                               subsection (i)(2) shall apply.

13                               “(B) INTERNET SERVICE.—The term ‘Internet  
14                               service’ means access to the Internet through an  
15                               Internet Service Provider (including the ability to  
16                               send and receive electronic mail) from one’s home.”.

17                   (c) NO DISCRIMINATION IN FAVOR OF HIGHLY COM-  
18                   PENSATED.—Paragraph (1) of subsection 132(k) of the  
19                   Internal Revenue Code of 1986, as redesignated by sub-  
20                   section (b), is amended to read as follows:

21                               “(1) EXCLUSIONS UNDER SUBSECTION (a)(1),  
22                               (2), AND (7) APPLY TO HIGHLY COMPENSATED EM-  
23                               PLOYEES ONLY IF NO DISCRIMINATION.—Para-  
24                               graphs (1), (2), and (7) of subsection (a) shall apply  
25                               with respect to any fringe benefit described therein

1 provided with respect to any highly compensated em-  
2 ployee only if such fringe benefit is available on sub-  
3 stantially the same terms to each member of a group  
4 of employees which is defined under a reasonable  
5 classification set up by the employer which does not  
6 discriminate in favor of highly compensated employ-  
7 ees.”.

8 (d) EFFECTIVE DATE.—The amendments made by  
9 this section shall apply to taxable years beginning after  
10 December 31, 2000.

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