

107TH CONGRESS  
1ST SESSION

# H. R. 253

To amend the Internal Revenue Code of 1986 to expand alternatives for families with children and to establish incentives to improve the quality and supply of child care.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 30, 2001

Mr. GILMAN (for himself and Mrs. McCARTHY of New York) 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 expand alternatives for families with children and to establish incentives to improve the quality and supply of child care.

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 “Tax Relief For Fami-  
5 lies With Children Act”.

1       **TITLE I—TAX BENEFITS FOR**  
2       **FAMILIES WITH CHILDREN**

3       **SEC. 101. EXPANSION OF DEPENDENT CARE TAX CREDIT.**

4           (a) DOLLAR LIMIT ON CREDITABLE EMPLOYMENT-  
5 RELATED EXPENSES INCREASED.—Section 21(c) of the  
6 Internal Revenue Code of 1986 (relating to dollar limit  
7 on amount creditable) is amended—

8                   (1) by striking “\$2,400” in paragraph (1) and  
9                   inserting “\$3,600”, and

10                   (2) by striking “\$4,800” in paragraph (2) and  
11                   inserting “\$6,000”.

12           (b) PERCENTAGE OF EMPLOYMENT-RELATED EX-  
13 PENSES INCREASED.—Section 21(a)(2) of the Internal  
14 Revenue Code of 1986 (defining applicable percentage) is  
15 amended to read as follows:

16                   “(2) APPLICABLE PERCENTAGE DEFINED.—For  
17                   purposes of paragraph (1), the term ‘applicable per-  
18                   centage’ means 40 percent reduced (but not below  
19                   10 percent) by 1 percentage point for each \$2,000  
20                   (or fraction thereof) by which the taxpayer’s ad-  
21                   justed gross income for the taxable year exceeds  
22                   \$50,000.”.

23           (c) EMPLOYMENT-RELATED EXPENSES EXPANDED  
24 TO INCLUDE TRANSPORTATION COSTS AND COSTS OF  
25 EDUCATIONAL PROGRAMS.—Section 21(b)(2)(A) of the

1 Internal Revenue Code of 1986 (defining employment-re-  
2 lated expenses) is amended—

3 (1) by striking “and” at the end of clause (i),

4 (2) by striking the period at the end of clause

5 (ii) and inserting “(including expenses for edu-  
6 cational activities provided during such care), and”,

7 and

8 (3) by adding at the end the following:

9 “(iii) expenses for transportation—

10 “(I) related to such services or  
11 care, and

12 “(II) provided by a person not  
13 described in subsection (e)(6).”.

14 (d) **EFFECTIVE DATE.**—The amendments made by  
15 this section shall apply to taxable years beginning after  
16 December 31, 2000.

17 **SEC. 102. INCREASE IN CHILD TAX CREDIT.**

18 (a) **IN GENERAL.**—Section 24(a) of the Internal Rev-  
19 enue Code of 1986 (relating to allowance of credit) is  
20 amended by striking “\$500 (\$400 in the case of taxable  
21 years beginning in 1998)” and inserting “\$900”.

22 (b) **EFFECTIVE DATE.**—The amendment made by  
23 this section shall apply to taxable years beginning after  
24 December 31, 2000.

1 **SEC. 103. EXPANSION OF DEPENDENT CARE ASSISTANCE**  
2 **PROGRAM.**

3 (a) DOLLAR LIMIT INCREASED.—Section  
4 129(a)(2)(A) of the Internal Revenue Code of 1986 (relat-  
5 ing to limitation of exclusion) is amended to read as fol-  
6 lows:

7 “(A) DOLLAR LIMITATION.—

8 “(i) IN GENERAL.—The amount which  
9 may be excluded under paragraph (1) for  
10 dependent care assistance with respect to  
11 dependent care services provided during a  
12 taxable year shall not exceed—

13 “(I) in the case of dependent  
14 care services provided for 1 qualifying  
15 individual described in section  
16 21(b)(1), \$5,000, and

17 “(II) in the case of dependent  
18 care services provided for 2 or more  
19 qualifying individuals so described,  
20 \$7,000.

21 “(ii) AMOUNTS FOR MARRIED INDI-  
22 VIDUALS FILING SEPARATE RETURNS.—In  
23 the case of a separate return by a married  
24 individual, the amount applicable under  
25 clause (i) shall be one-half of the amount  
26 specified.”.

1 (b) PAYMENTS FOR INFANT CARE, INCLUDING STAY-  
2 AT-HOME CARE, ALLOWED.—

3 (1) IN GENERAL.—Section 129(e)(1) of the In-  
4 ternal Revenue Code of 1986 (relating to definitions  
5 and special rules) is amended to read as follows:

6 “(1) DEPENDENT CARE ASSISTANCE.—The  
7 term ‘dependent care assistance’ means—

8 “(A) the payment of, or provision of, those  
9 services which if paid for by the employee would  
10 be considered employment-related expenses  
11 under section 21(b)(2) (relating to expenses for  
12 household and dependent care services nec-  
13 essary for gainful employment), and

14 “(B) any payment to the employee or any  
15 individual described in subsection (c)(2) from  
16 amounts contributed to the employee’s account  
17 during the 9-month period ending with the  
18 birth of a qualifying individual described in sec-  
19 tion 21(b)(1)(A), if paid during a period ending  
20 1 year after such birth.”.

21 (2) CONFORMING AMENDMENT.—Section 125  
22 of such Code (relating to cafeteria plans) is amended  
23 by redesignating subsections (h) and (i) as sub-  
24 sections (i) and (j) and by inserting after subsection  
25 (g) the following:

1           “(h) ALLOWANCE OF CARRYOVERS OF CERTAIN UN-  
2 USED DEPENDENT CARE ASSISTANCE TO LATER TAX-  
3 ABLE YEARS.—For purposes of this title—

4           “(1) a plan or other arrangement shall not fail  
5 to be treated as a cafeteria plan or flexible spending  
6 or similar arrangement, and

7           “(2) no amount shall be required to be included  
8 in gross income by reason of this section or any  
9 other provision of this chapter,  
10 solely because under such plan or other arrangement any  
11 dependent care assistance described in section  
12 129(e)(1)(B) which is unused as of the close of a taxable  
13 year may be carried forward to the succeeding taxable  
14 year.”.

15           (c) PAYMENTS TO CERTAIN RELATED INDIVIDUALS  
16 FOR ROUTINE CARE ALLOWED.—Section 129(c) of the  
17 Internal Revenue Code of 1986 (relating to payments to  
18 related individuals) is amended by adding at the end the  
19 following flush sentence:

20           “The preceding sentence shall not apply to any amount  
21 paid or incurred to any individual otherwise described in  
22 paragraph (1) if such amount is paid or incurred for care  
23 of a qualifying individual during the period ending with  
24 the first day of State mandatory schooling of such quali-  
25 fying individual.”.

1 (d) EFFECTIVE DATE.—The amendments made by  
2 this section apply to taxable years beginning after Decem-  
3 ber 31, 2000.

4 **SEC. 104. MUTUALLY EXCLUSIVE USE OF DEPENDENT CARE**  
5 **TAX CREDIT, CHILD TAX CREDIT, AND DE-**  
6 **PENDENT CARE ASSISTANCE PROGRAM FOR**  
7 **EACH DEPENDENT.**

8 (a) ELECTION TO APPLY DEPENDENT CARE TAX  
9 CREDIT.—

10 (1) IN GENERAL.—Section 21 of the Internal  
11 Revenue Code of 1986 (relating to expenses for  
12 household and dependent care services necessary for  
13 gainful employment) is amended by redesignating  
14 subsection (f) as subsection (g) and by inserting  
15 after subsection (e) the following:

16 “(f) ELECTION TO HAVE SECTION APPLY.—

17 “(1) IN GENERAL.—No credit shall be allowed  
18 under subsection (a) for a taxable year with respect  
19 to any qualifying individual unless the taxpayer  
20 elects to have this section apply with respect to such  
21 individual for such year.

22 “(2) COORDINATION WITH CHILD TAX CREDIT  
23 AND DEPENDENT CARE ASSISTANCE EXCLUSION.—If  
24 the taxpayer elects to apply this section with respect

1 to a qualifying individual for the taxable year, such  
2 individual may not be considered—

3 “(A) a qualifying child for purposes of sec-  
4 tion 24 for such year, or

5 “(B) a qualifying individual for purposes  
6 of section 129 for such year.”.

7 (2) CONFORMING AMENDMENT.—Section 21(c)  
8 of such Code, as amended by section 101(a), is  
9 amended by striking the last sentence.

10 (b) ELECTION TO APPLY CHILD TAX CREDIT.—Sec-  
11 tion 24 of the Internal Revenue Code of 1986 (relating  
12 to child tax credit) is amended by adding at the end the  
13 following:

14 “(g) ELECTION TO HAVE SECTION APPLY.—

15 “(1) IN GENERAL.—No credit shall be allowed  
16 under subsection (a) for a taxable year with respect  
17 to any qualifying child unless the taxpayer elects to  
18 have this section apply with respect to such child for  
19 such year.

20 “(2) COORDINATION WITH DEPENDENT CARE  
21 TAX CREDIT AND DEPENDENT CARE ASSISTANCE  
22 EXCLUSION.—If the taxpayer elects to apply this  
23 section with respect to a qualifying child for the tax-  
24 able year, such child may not be considered a quali-

1       fying individual for purposes of section 21 or 129  
2       for such year.”.

3       (c) ELECTION TO APPLY DEPENDENT CARE ASSIST-  
4 ANCE EXCLUSION.—Section 129 of the Internal Revenue  
5 Code of 1986 (dependent care assistance programs) is  
6 amended by adding at the end the following:

7       “(f) ELECTION TO HAVE SECTION APPLY.—

8               “(1) IN GENERAL.—No exclusion shall be al-  
9       lowed under subsection (a) for a taxable year with  
10       respect to any qualifying individual unless the tax-  
11       payer elects to have this section apply with respect  
12       to such individual for such year.

13               “(2) COORDINATION WITH DEPENDENT CARE  
14       TAX CREDIT AND CHILD TAX CREDIT.—If the tax-  
15       payer elects to apply this section with respect to a  
16       qualifying individual for the taxable year, such indi-  
17       vidual may not be considered—

18                       “(A) a qualifying individual for purposes of  
19               section 21 for such year, or

20                       “(B) a qualifying child for purposes of sec-  
21               tion 24 for such year.”.

22       (d) EFFECTIVE DATE.—The amendments made by  
23 this section apply to taxable years beginning after Decem-  
24 ber 31, 2000.

1 **SEC. 105. EXPANSION OF HOME OFFICE DEDUCTION TO IN-**  
2 **CLUDE USE OF OFFICE FOR DEPENDENT**  
3 **CARE.**

4 (a) IN GENERAL.—Section 280A(c)(1) of the Inter-  
5 nal Revenue Code of 1986 (relating to certain business  
6 use) is amended by adding at the end the following: “A  
7 portion of a dwelling unit and the exclusive use of such  
8 portion otherwise described in this paragraph shall not fail  
9 to be so described if such portion is also used by the tax-  
10 payer during such exclusive use to care for a dependent  
11 of the taxpayer.”.

12 (b) EFFECTIVE DATE.—The amendment made by  
13 this section shall apply to taxable years beginning after  
14 December 31, 2000.

15 **SEC. 106. INCLUSION OF CHILD CARE COSTS IN CHILD SUP-**  
16 **PORT ORDERS.**

17 (a) IN GENERAL.—Section 466(a) of the Social Secu-  
18 rity Act (42 U.S.C. 666(a)) is amended by inserting after  
19 paragraph (19) the following:

20 “(20) CHILD CARE COSTS.—Procedures under  
21 which any child support order enforced under this  
22 part shall include an equitable division between the  
23 custodial and noncustodial parents of any costs of  
24 providing child care services in any case where the  
25 custodial parent is employed or is actively seeking  
26 employment.”.

1 (b) EFFECTIVE DATE.—The amendment made by  
2 subsection (a) shall apply to child support orders enforced  
3 or otherwise modified by a court on and after the date  
4 of enactment of this Act.

5 **TITLE II—ENCOURAGING BUSI-**  
6 **NESS INVOLVEMENT IN**  
7 **CHILD CARE**

8 **SEC. 201. ALLOWANCE OF CREDIT FOR EMPLOYER EX-**  
9 **PENSES FOR CHILD CARE ASSISTANCE.**

10 (a) IN GENERAL.—Subpart D of part IV of sub-  
11 chapter A of chapter 1 of the Internal Revenue Code of  
12 1986 (relating to business related credits) is amended by  
13 adding at the end the following new section:

14 **“SEC. 45E. EMPLOYER-PROVIDED CHILD CARE CREDIT.**

15 “(a) ALLOWANCE OF CREDIT.—For purposes of sec-  
16 tion 38, the employer-provided child care credit deter-  
17 mined under this section for the taxable year is an amount  
18 equal to 40 percent of the qualified child care expenditures  
19 of the taxpayer for such taxable year.

20 “(b) DOLLAR LIMITATION.—The credit allowable  
21 under subsection (a) for any taxable year shall not exceed  
22 \$150,000 (\$250,000 in the case of qualified child care ex-  
23 penditures with respect to 3 or more qualified child care  
24 facilities each located in a different jurisdiction of State  
25 or local government).

1 “(c) DEFINITIONS.—For purposes of this section—

2 “(1) QUALIFIED CHILD CARE EXPENDITURE.—

3 The term ‘qualified child care expenditure’ means

4 any amount paid or incurred—

5 “(A) to acquire, construct, rehabilitate, or  
6 expand property—

7 “(i) which is to be used as part of a  
8 qualified child care facility of the taxpayer,

9 “(ii) with respect to which a deduction  
10 for depreciation (or amortization in lieu of  
11 depreciation) is allowable, and

12 “(iii) which does not constitute part of  
13 the principal residence (within the meaning  
14 of section 121) of the taxpayer or any em-  
15 ployee of the taxpayer,

16 “(B) for the operating costs of a qualified  
17 child care facility of the taxpayer, including  
18 costs related to the training of employees, to  
19 scholarship programs, and to the providing of  
20 increased compensation to employees with high-  
21 er levels of child care training,

22 “(C) under a contract with a qualified  
23 child care facility to provide child care services  
24 to employees of the taxpayer,

1           “(D) under a contract to provide child care  
2 resource and referral services to employees of  
3 the taxpayer, or

4           “(E) for the costs of seeking accreditation  
5 from a child care credentialing or accreditation  
6 entity with respect to a qualified child care fa-  
7 cility.

8           “(2) QUALIFIED CHILD CARE FACILITY.—

9           “(A) IN GENERAL.—The term ‘qualified  
10 child care facility’ means a facility—

11           “(i) the principal use of which is to  
12 provide child care assistance, and

13           “(ii) which meets the requirements of  
14 all applicable laws and regulations of the  
15 State or local government in which it is lo-  
16 cated, including, but not limited to, the li-  
17 censing of the facility as a child care facil-  
18 ity.

19           Clause (i) shall not apply to a facility which is  
20 the principal residence (within the meaning of  
21 section 121) of the operator of the facility.

22           “(B) SPECIAL RULES WITH RESPECT TO A  
23 TAXPAYER.—A facility shall not be treated as a  
24 qualified child care facility with respect to a  
25 taxpayer unless—

1 “(i) enrollment in the facility is open  
2 to employees of the taxpayer during the  
3 taxable year,

4 “(ii) the facility is not the principal  
5 trade or business of the taxpayer unless at  
6 least 30 percent of the enrollees of such fa-  
7 cility are dependents of employees of the  
8 taxpayer, and

9 “(iii) the use of such facility (or the  
10 eligibility to use such facility) does not dis-  
11 criminate in favor of employees of the tax-  
12 payer who are highly compensated employ-  
13 ees (within the meaning of section 414(q)).

14 “(3) CHILD CARE CREDENTIALING OR ACCREDI-  
15 TATION ENTITY.—The term ‘child care credentialing  
16 or accreditation entity’ means a nonprofit private or-  
17 ganization or public agency that—

18 (A) is recognized by a State agency, a trib-  
19 al organization, or a national organization that  
20 serves as a peer review panel on the standards  
21 and procedures of public and private child care  
22 or school accrediting bodies; and

23 (B) accredits a facility or credentials an in-  
24 dividual to provide child care on the basis of—

- 1 (i) an accreditation or credentialing  
2 instrument based on peer-validated re-  
3 search;
- 4 (ii) compliance with applicable State  
5 and local licensing requirements, or stand-  
6 ards described in section 658E(c)(2)(E)(ii)  
7 of the Child Care and Development Block  
8 Grant Act (42 U.S.C. 9858c(c)(2)(E)(ii)),  
9 as appropriate, for the facility or indi-  
10 vidual;
- 11 (iii) outside monitoring of the facility  
12 or individual; and
- 13 (iv) criteria that provide assurances  
14 of—
- 15 (I) compliance with age-appro-  
16 priate health and safety standards at  
17 the facility or by the individual;
- 18 (II) use of developmentally ap-  
19 propriate educational activities, as an  
20 integral part of the child care pro-  
21 gram carried out at the facility or by  
22 the individual; and
- 23 (III) use of ongoing staff devel-  
24 opment or training activities for the

1 staff of the facility or the individual,  
 2 including related skills-based testing.

3 “(d) RECAPTURE OF ACQUISITION AND CONSTRU-  
 4 TION CREDIT.—

5 “(1) IN GENERAL.—If, as of the close of any  
 6 taxable year, there is a recapture event with respect  
 7 to any qualified child care facility of the taxpayer,  
 8 then the tax of the taxpayer under this chapter for  
 9 such taxable year shall be increased by an amount  
 10 equal to the product of—

11 “(A) the applicable recapture percentage,  
 12 and

13 “(B) the aggregate decrease in the credits  
 14 allowed under section 38 for all prior taxable  
 15 years which would have resulted if the qualified  
 16 child care expenditures of the taxpayer de-  
 17 scribed in subsection (c)(1)(A) with respect to  
 18 such facility had been zero.

19 “(2) APPLICABLE RECAPTURE PERCENTAGE.—

20 “(A) IN GENERAL.—For purposes of this  
 21 subsection, the applicable recapture percentage  
 22 shall be determined from the following table:

<b>“If the recapture event occurs in:</b>	<b>The applicable recapture percentage is:</b>
Years 1–3 .....	100
Year 4 .....	85
Year 5 .....	70
Year 6 .....	55

Year 7 .....	40
Year 8 .....	25
Years 9 and 10 .....	10
Years 11 and thereafter .....	0.

1           “(B) YEARS.—For purposes of subpara-  
 2           graph (A), year 1 shall begin on the first day  
 3           of the taxable year in which the qualified child  
 4           care facility is placed in service by the taxpayer.

5           “(3) RECAPTURE EVENT DEFINED.—For pur-  
 6           poses of this subsection, the term ‘recapture event’  
 7           means—

8           “(A) CESSATION OF OPERATION.—The  
 9           cessation of the operation of the facility as a  
 10          qualified child care facility.

11          “(B) CHANGE IN OWNERSHIP.—

12           “(i) IN GENERAL.—Except as pro-  
 13           vided in clause (ii), the disposition of a  
 14           taxpayer’s interest in a qualified child care  
 15           facility with respect to which the credit de-  
 16           scribed in subsection (a) was allowable.

17           “(ii) AGREEMENT TO ASSUME RECAP-  
 18           TURE LIABILITY.—Clause (i) shall not  
 19           apply if the person acquiring such interest  
 20           in the facility agrees in writing to assume  
 21           the recapture liability of the person dis-  
 22           posing of such interest in effect imme-  
 23           diately before such disposition. In the

1 event of such an assumption, the person  
2 acquiring the interest in the facility shall  
3 be treated as the taxpayer for purposes of  
4 assessing any recapture liability (computed  
5 as if there had been no change in owner-  
6 ship).

7 “(4) SPECIAL RULES.—

8 “(A) TAX BENEFIT RULE.—The tax for  
9 the taxable year shall be increased under para-  
10 graph (1) only with respect to credits allowed  
11 by reason of this section which were used to re-  
12 duce tax liability. In the case of credits not so  
13 used to reduce tax liability, the carryforwards  
14 and carrybacks under section 39 shall be appro-  
15 priately adjusted.

16 “(B) NO CREDITS AGAINST TAX.—Any in-  
17 crease in tax under this subsection shall not be  
18 treated as a tax imposed by this chapter for  
19 purposes of determining the amount of any  
20 credit under subpart A, B, or D of this part.

21 “(C) NO RECAPTURE BY REASON OF CAS-  
22 UALTY LOSS.—The increase in tax under this  
23 subsection shall not apply to a cessation of op-  
24 eration of the facility as a qualified child care  
25 facility by reason of a casualty loss to the ex-

1           tent such loss is restored by reconstruction or  
2           replacement within a reasonable period estab-  
3           lished by the Secretary.

4           “(e) SPECIAL RULES.—For purposes of this  
5 section—

6           “(1) AGGREGATION RULES.—All persons which  
7           are treated as a single employer under subsections  
8           (a) and (b) of section 52 shall be treated as a single  
9           taxpayer.

10           “(2) PASS-THRU IN THE CASE OF ESTATES AND  
11           TRUSTS.—Under regulations prescribed by the Sec-  
12           retary, rules similar to the rules of subsection (d) of  
13           section 52 shall apply.

14           “(3) ALLOCATION IN THE CASE OF PARTNER-  
15           SHIPS OR JOINT VENTURES.—In the case of partner-  
16           ships or joint ventures, the credit shall be allocated  
17           among partners or members of the joint venture  
18           under regulations prescribed by the Secretary.

19           “(f) NO DOUBLE BENEFIT.—

20           “(1) REDUCTION IN BASIS.—For purposes of  
21 this subtitle—

22           “(A) IN GENERAL.—If a credit is deter-  
23           mined under this section with respect to any  
24           property by reason of expenditures described in  
25           subsection (c)(1)(A), the basis of such property

1 shall be reduced by the amount of the credit so  
2 determined.

3 “(B) CERTAIN DISPOSITIONS.—If during  
4 any taxable year there is a recapture amount  
5 determined with respect to any property the  
6 basis of which was reduced under subparagraph  
7 (A), the basis of such property (immediately be-  
8 fore the event resulting in such recapture) shall  
9 be increased by an amount equal to such recap-  
10 ture amount. For purposes of the preceding  
11 sentence, the term ‘recapture amount’ means  
12 any increase in tax (or adjustment in  
13 carrybacks or carryovers) determined under  
14 subsection (d).

15 “(2) OTHER DEDUCTIONS AND CREDITS.—No  
16 deduction or credit shall be allowed under any other  
17 provision of this chapter with respect to the amount  
18 of the credit determined under this section.

19 “(g) TERMINATION.—This section shall not apply to  
20 taxable years beginning after December 31, 2003.”

21 (b) CONFORMING AMENDMENTS.—

22 (1) Section 38(b) of the Internal Revenue Code  
23 of 1986 is amended—

24 (A) by striking out “plus” at the end of  
25 paragraph (12),

1 (B) by striking out the period at the end  
2 of paragraph (13), and inserting a comma and  
3 “plus”, and

4 (C) by adding at the end the following new  
5 paragraph:

6 “(14) the employer-provided child care credit  
7 determined under section 45E.”

8 (2) The table of sections for subpart D of part  
9 IV of subchapter A of chapter 1 of such Code is  
10 amended by adding at the end the following new  
11 item:

“Sec. 45E. Employer-provided child care credit.”

12 (c) EFFECTIVE DATE.—The amendments made by  
13 this section shall apply to taxable years beginning after  
14 December 31, 2000.

15 **SEC. 202. CHARITABLE CONTRIBUTIONS OF SCIENTIFIC**  
16 **EQUIPMENT, COMPUTER TECHNOLOGY AND**  
17 **EQUIPMENT, AND OTHER SERVICES TO**  
18 **CHILD CARE PROVIDERS AND TO ELEMEN-**  
19 **TARY AND SECONDARY SCHOOLS.**

20 (a) SCIENTIFIC EQUIPMENT.—

21 (1) IN GENERAL.—Subparagraph (B) of section  
22 170(e)(4) of the Internal Revenue Code of 1986 (re-  
23 lating to special rule for contributions of scientific  
24 property used for research) is amended to read as  
25 follows:

1           “(B) QUALIFIED RESEARCH, CHILD CARE,  
2           OR EDUCATION CONTRIBUTION.—For purposes  
3           of this paragraph, the term ‘qualified research,  
4           child care, or education contribution’ means a  
5           charitable contribution by a corporation of tan-  
6           gible personal property described in paragraph  
7           (1) of section 1221, but only if—

8                   “(i) the contribution is to—

9                           “(I) an organization described in  
10                           section 501(c)(3) and exempt from  
11                           taxation under section 501(a) which is  
12                           a child care facility in compliance with  
13                           all applicable laws and regulations of  
14                           the State or unit of local government  
15                           in which such facility is located on the  
16                           date of such contribution,

17                           “(II) an organization described  
18                           in section 501(c)(3) and exempt from  
19                           taxation under section 501(a) which is  
20                           a professional or educational support  
21                           entity for such a child care facility,

22                           “(III) an educational organiza-  
23                           tion described in subsection  
24                           (b)(1)(A)(ii),

1                   “(IV) a governmental unit de-  
2                   scribed in subsection (c)(1), or

3                   “(V) an organization described in  
4                   section 41(e)(6)(B),

5                   “(ii) the contribution is made not  
6                   later than 3 years after the date the tax-  
7                   payer acquired the property (or in the case  
8                   of property constructed by the taxpayer,  
9                   the date the construction of the property is  
10                  substantially completed),

11                  “(iii) the property is scientific equip-  
12                  ment or apparatus substantially all of the  
13                  use of which by the donee is for—

14                   “(I) research or experimentation  
15                   (within the meaning of section 174),  
16                   or for research training, in the United  
17                   States in physical or biological  
18                   sciences,

19                   “(II) activities designed to en-  
20                   hance or support the educational or  
21                   developmental achievement of children  
22                   or youth, or

23                   “(III) in the case of an organiza-  
24                   tion described in subclause (I), (II),  
25                   (III), or (IV) of clause (i), use within

1 the United States for educational pur-  
2 poses or support activities related to  
3 the purpose or function of the organi-  
4 zation,

5 “(iv) the original use of the property  
6 is by donor or the donee,

7 “(v) the property is not transferred by  
8 the donee in exchange for money, other  
9 property, or services, except for shipping,  
10 installation, and transfer costs, and

11 “(vi) the taxpayer receives from the  
12 donee a written statement representing  
13 that its use and disposition of the property  
14 will be in accordance with the provisions of  
15 clauses (iv) and (v).”.

16 (2) CONFORMING AMENDMENTS.—

17 (A) Paragraph (4)(A) of section 170(e) of  
18 such Code is amended by striking “qualified re-  
19 search contribution” each place it appears and  
20 inserting “qualified research, child care, or edu-  
21 cation contribution”.

22 (B) The heading for section 170(e)(4) of  
23 such Code is amended by inserting “, CHILD  
24 CARE, OR EDUCATION” after “RESEARCH”.

1 (b) EXPANSION OF RULES RELATING TO CONTRIBU-  
2 TIONS OF COMPUTER TECHNOLOGY AND EQUIPMENT TO  
3 CERTAIN CHILD CARE PROVIDERS.—

4 (1) IN GENERAL.—Section 170(e)(6)(B)(i) of  
5 the Internal Revenue Code of 1986 (defining quali-  
6 fied elementary or secondary educational contribu-  
7 tion) is amended by striking “or” at the end of sub-  
8 clause (I), by adding “or” at the end of subclause  
9 (II), and by inserting after subclause (II) the fol-  
10 lowing:

11 “(III) an entity described in sub-  
12 clause (I) or (II) of paragraph  
13 (4)(B)(i).”.

14 (2) CONFORMING AMENDMENTS.—

15 (A) Section 170(e)(6)(B)(ii) of such Code  
16 is amended by striking “2 years” and inserting  
17 “3 years”.

18 (B) Section 170(e)(6)(B)(iv) of such Code  
19 is amended by striking “grades K–12” and in-  
20 serting “grades preschool–12”.

21 (C) Section 170(e)(6) of such Code is  
22 amended by striking “qualified elementary or  
23 secondary” each place it appears and inserting  
24 “qualified child care, elementary, or sec-  
25 ondary”.

1 (D) The heading for section 170(e)(6)(B)  
2 of such Code is amended by striking “QUALI-  
3 FIED ELEMENTARY OR SECONDARY” and insert-  
4 ing “QUALIFIED CHILD CARE, ELEMENTARY, OR  
5 SECONDARY”.

6 (E) The heading for section 170(e)(6) of  
7 such Code is amended by striking “ELEMEN-  
8 TARY OR SECONDARY” and inserting “CHILD  
9 CARE OR ELEMENTARY OR SECONDARY”.

10 (c) DONATIONS TO CHARITY FOR REFURBISHING.—

11 (1) SCIENTIFIC EQUIPMENT.—Section  
12 170(e)(4) of the Internal Revenue Code of 1986 is  
13 amended by adding at the end the following:

14 “(E) DONATIONS TO CHARITY FOR REFUR-  
15 BISHING.—For purposes of this paragraph, a  
16 charitable contribution by a corporation shall be  
17 treated as a qualified research, child care, or  
18 education contribution if—

19 “(i) such contribution is a contribu-  
20 tion of property described in subparagraph  
21 (B)(iii) to an organization described in sec-  
22 tion 501(c)(3) and exempt from taxation  
23 under section 501(a),

24 “(ii) such organization repairs and re-  
25 furbishes the property and donates the

1 property to an organization described in  
2 subparagraph (B)(i), and

3 “(iii) the taxpayer receives from the  
4 organization to whom the taxpayer contrib-  
5 uted the property a written statement rep-  
6 resenting that its use of the property (and  
7 any use by the organization to which it do-  
8 nates the property) meets the requirements  
9 of this paragraph.”.

10 (2) COMPUTER TECHNOLOGY AND EQUIP-  
11 MENT.—Section 170(e)(6) of the Internal Revenue  
12 Code of 1986 is amended by redesignating subpara-  
13 graphs (E) and (F) as subparagraphs (F) and (G),  
14 respectively, and by inserting after subparagraph  
15 (D) the following:

16 “(E) DONATIONS TO CHARITY FOR REFUR-  
17 BISHING.—For purposes of this paragraph, a  
18 charitable contribution by a corporation shall be  
19 treated as a qualified child care, elementary, or  
20 secondary educational contribution if—

21 “(i) such contribution is a contribu-  
22 tion of computer technology or equipment  
23 to an organization described in section  
24 501(c)(3) and exempt from taxation under  
25 section 501(a),

1           “(ii) such organization repairs and re-  
 2           furbishes the property and donates the  
 3           property to an organization described in  
 4           subparagraph (B)(i), and

5           “(iii) the taxpayer receives from the  
 6           organization to whom the taxpayer contrib-  
 7           uted the property a written statement rep-  
 8           resenting that its use of the property (and  
 9           any use by the organization to which it do-  
 10          nates the property) meets the requirements  
 11          of this paragraph.”.

12          (d) CORPORATE DONATIONS OF SERVICES.—Section  
 13 170 of the Internal Revenue Code of 1986 is amended by  
 14 redesignating subsection (m) as subsection (n) and by in-  
 15 serting after subsection (l) the following:

16          “(m) TREATMENT OF THE DONATION OF CERTAIN  
 17 SERVICES.—

18           “(1) IN GENERAL.—For purposes of this sec-  
 19           tion, 50 percent of the fair market value of chari-  
 20           table services contributed by a corporation shall be  
 21           treated as a charitable contribution.

22           “(2) CHARITABLE SERVICES.—

23           “(A) IN GENERAL.—For purposes of para-  
 24           graph (1), the term ‘charitable services’ means  
 25           transportation services, qualified employee vol-

1           unteer time, and the use of facilities and  
2           equipment—

3                   “(i) provided by the taxpayer to a  
4                   donee described in subsection (e)(6)(B)(i),  
5                   and

6                   “(ii) for which the taxpayer receives  
7                   from the donee a written statement rep-  
8                   resenting that the charitable services are  
9                   not in exchange for money, other property,  
10                  or services.

11                  “(B) QUALIFIED EMPLOYEE VOLUNTEER  
12                  TIME.—For the purpose of this subsection, the  
13                  term ‘qualified employee volunteer time’ means  
14                  time—

15                   “(i) volunteered to the donee by an  
16                   employee of the taxpayer during the em-  
17                   ployee’s normal working hours, and

18                   “(ii) the value of which is based on  
19                   the usual wage rate of the employee.”.

20           (e) EFFECTIVE DATE.—The amendments made by  
21           this section shall apply to taxable years beginning after  
22           December 31, 2000.

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