

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1259 Session of 2023

INTRODUCED BY T. DAVIS, SHUSTERMAN, BURGOS, MADDEN, McNEILL, KAZEEM, SIEGEL, GALLAGHER, SCHLOSSBERG, HILL-EVANS, ZABEL, SANCHEZ, PROBST, VENKAT, HOHENSTEIN, BOROWSKI, GUENST, CIRESI, KINKEAD, STURLA, OTTEN, MERSKI, CEPHAS, D. WILLIAMS, ZIMMERMAN, HOWARD, O'MARA, MALAGARI, CONKLIN, KRAJEWSKI, KINSEY, RABB, ROZZI, HANBIDGE, CEPEDA-FREYTIZ, ABNEY, TAKAC, CERRATO, GREEN, DONAHUE, FREEMAN, WARREN, TOMLINSON, HOGAN, KRUEGER, WEBSTER AND DALEY, MAY 24, 2023

AS AMENDED ON SECOND CONSIDERATION, HOUSE OF REPRESENTATIVES, JUNE 7, 2023

AN ACT

1 Amending the act of March 4, 1971 (P.L.6, No.2), entitled "An
2 act relating to tax reform and State taxation by codifying
3 and enumerating certain subjects of taxation and imposing
4 taxes thereon; providing procedures for the payment,
5 collection, administration and enforcement thereof; providing
6 for tax credits in certain cases; conferring powers and
7 imposing duties upon the Department of Revenue, certain
8 employers, fiduciaries, individuals, persons, corporations
9 and other entities; prescribing crimes, offenses and
10 penalties," IN PERSONAL INCOME TAX, FURTHER PROVIDING FOR <--
11 CLASSES OF INCOME; AND, in Pennsylvania Child and Dependent
12 Care Enhancement Tax Credit Program, further providing for
13 credit for child and dependent care employment-related
14 expenses.

15 The General Assembly of the Commonwealth of Pennsylvania
16 hereby enacts as follows:

17 ~~Section 1. Section 1903 I(a) and (b) of the act of March 4, <--~~
18 ~~1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, added~~
19 ~~July 8, 2022 (P.L.513, No.53), are amended and the section is~~
20 ~~amended by adding a subsection to read:~~

1 SECTION 1. SECTION 303(A.7) (2) (I) OF THE ACT OF MARCH 4,  
2 1971 (P.L.6, NO.2), KNOWN AS THE TAX REFORM CODE OF 1971, IS  
3 AMENDED BY ADDING A CLAUSE TO READ:

4 SECTION 303. CLASSES OF INCOME.--\* \* \*

5 (A.7) THE FOLLOWING APPLY:

6 \* \* \*

7 (2) (I) THE FOLLOWING SHALL NOT BE SUBJECT TO TAX UNDER  
8 THIS ARTICLE:

9 \* \* \*

10 (E) AMOUNTS PAID OR INCURRED BY AN EMPLOYER OF AN EMPLOYE  
11 FOR DEPENDENT CARE ASSISTANCE PROVIDED TO THE EMPLOYEE THAT ARE  
12 EXCLUDABLE UNDER SECTION 129 OF THE INTERNAL REVENUE CODE OF  
13 1986, AS AMENDED.

14 \* \* \*

15 SECTION 2. SECTION 1903-I(A) AND (B) OF THE ACT, ADDED JULY  
16 8, 2022 (P.L.513, NO.53), ARE AMENDED AND THE SECTION IS AMENDED  
17 BY ADDING A SUBSECTION TO READ:

18 Section 1903-I. Credit for child and dependent care employment-  
19 related expenses.

20 (a) Tax credit.--[For taxable years beginning after December  
21 31, 2021, a] A taxpayer who receives a credit under section 21  
22 of the Internal Revenue Code of 1986 may claim a tax credit  
23 against the taxpayer's tax liability in accordance with this  
24 section.

25 [(b) Amount of tax credit.--The amount of the tax credit  
26 under subsection (a) shall be equal to 30% of:

27 (1) the actual amount of employment-related expenses  
28 incurred by the taxpayer and claimed for the Federal tax  
29 credit under section 21 of the Internal Revenue Code of 1986  
30 during the prior taxable year, or the following, as

1 applicable, whichever is less:

2 (i) \$3,000 for one qualifying individual with  
3 respect to the taxpayer; or

4 (ii) \$6,000 for two or more qualifying individuals  
5 with respect to the taxpayer; multiplied by

6 (2) the applicable percent, with respect to the  
7 taxpayer, in effect for the taxable year beginning after  
8 December 31, 2021, and ending before January 1, 2023.]

9 (b.1) Amount of tax credit in subsequent tax years.--For  
10 taxable years beginning after December 31, 2022, and ending <--  
11 before January 1, 2028 DECEMBER 31, 2021, the amount of the tax <--  
12 credit under subsection (a) shall be equal to the following:

13 (1) FOR THE TAXABLE YEAR BEGINNING AFTER DECEMBER 31, <--  
14 2021, AND ENDING BEFORE JANUARY 1, 2023, 30% OF:

15 (I) THE ACTUAL AMOUNT OF EMPLOYMENT-RELATED EXPENSES  
16 INCURRED BY THE TAXPAYER AND CLAIMED FOR THE FEDERAL TAX  
17 CREDIT UNDER SECTION 21 OF THE INTERNAL REVENUE CODE OF  
18 1986 DURING THE PRIOR TAXABLE YEAR, OR THE FOLLOWING, AS  
19 APPLICABLE, WHICHEVER IS LESS:

20 (A) \$3,000 FOR ONE QUALIFYING INDIVIDUAL WITH  
21 RESPECT TO THE TAXPAYER; OR

22 (B) \$6,000 FOR TWO OR MORE QUALIFYING  
23 INDIVIDUALS WITH RESPECT TO THE TAXPAYER; MULTIPLIED  
24 BY

25 (II) THE APPLICABLE PERCENT, WITH RESPECT TO THE  
26 TAXPAYER, IN EFFECT FOR THE TAXABLE YEAR BEGINNING AFTER  
27 DECEMBER 31, 2021, AND ENDING BEFORE JANUARY 1, 2023.

28 ~~(1)~~ (2) For the taxable year beginning after December <--  
29 31, 2022, and ending before January 1, 2024, 30% of the  
30 actual FOLLOWING AMOUNTS, WHICHEVER IS LESS: <--

1           (I) THE ACTUAL amount of employment-related expenses  
2           incurred by the taxpayer and claimed for the Federal tax  
3           credit under section 21 of the Internal Revenue Code of  
4           1986 during the prior taxable year, ~~or the following,~~ <--  
5           whichever is less; OR <--

6           (II) THE FOLLOWING AMOUNTS:

7           ~~(i)~~ (A) \$3,000 for one qualifying individual <--  
8           with respect to the taxpayer; or

9           ~~(ii)~~ (B) \$6,000 for two or more qualifying <--  
10           individuals with respect to the taxpayer.

11           ~~(2)~~ (3) For the taxable year beginning after December <--  
12           31, 2023, and ending before January 1, 2025, 35% of the  
13           actual FOLLOWING AMOUNTS, WHICHEVER IS LESS: <--

14           (I) THE ACTUAL amount of employment-related expenses  
15           incurred by the taxpayer and claimed for the Federal tax  
16           credit under section 21 of the Internal Revenue Code of  
17           1986 during the prior taxable year, ~~or the following,~~ <--  
18           whichever is less; OR <--

19           (II) THE FOLLOWING AMOUNTS:

20           ~~(i)~~ (A) \$3,500 for one qualifying individual <--  
21           with respect to the taxpayer; or

22           ~~(ii)~~ (B) \$7,000 for two or more qualifying <--  
23           individuals with respect to the taxpayer.

24           ~~(3)~~ (4) For the taxable year beginning after December <--  
25           31, 2024, and ending before January 1, 2026, 40% of the  
26           actual FOLLOWING AMOUNTS, WHICHEVER IS LESS: <--

27           (I) THE ACTUAL amount of employment-related expenses  
28           incurred by the taxpayer and claimed for the Federal tax  
29           credit under section 21 of the Internal Revenue Code of  
30           1986 during the prior taxable year, ~~or the following,~~ <--

1 ~~whichever is less;~~ OR <--

2 (II) THE FOLLOWING AMOUNTS:

3 ~~(i)~~ (A) \$4,000 for one qualifying individual <--

4 with respect to the taxpayer; or

5 ~~(ii)~~ (B) \$8,000 for two or more qualifying <--

6 individuals with respect to the taxpayer.

7 ~~(4)~~ (5) For the taxable year beginning after December <--

8 31, 2025, and ending before January 1, 2027, 45% of the

9 ~~actual~~ FOLLOWING AMOUNTS, WHICHEVER IS LESS: <--

10 (I) THE ACTUAL amount of employment-related expenses

11 incurred by the taxpayer and claimed for the Federal tax

12 credit under section 21 of the Internal Revenue Code of

13 1986 during the prior taxable year, or the following, <--

14 ~~whichever is less;~~ OR <--

15 (II) THE FOLLOWING AMOUNTS:

16 ~~(i)~~ (A) \$4,500 for one qualifying individual <--

17 with respect to the taxpayer; or

18 ~~(ii)~~ (B) \$9,000 for two or more qualifying <--

19 individuals with respect to the taxpayer.

20 ~~(5)~~ (6) For the taxable year beginning after December <--

21 31, 2026, and ending before January 1, 2028, FOR EACH TAXABLE <--

22 YEAR THEREAFTER, 50% of the actual FOLLOWING AMOUNTS, <--

23 WHICHEVER IS LESS:

24 (I) THE ACTUAL amount of employment-related expenses

25 incurred by the taxpayer and claimed for the Federal tax

26 credit under section 21 of the Internal Revenue Code of

27 1986 during the prior taxable year, or the following, <--

28 ~~whichever is less;~~ OR <--

29 (II) THE FOLLOWING AMOUNTS:

30 ~~(i)~~ (A) \$5,000 for one qualifying individual <--

1                   with respect to the taxpayer; or  
2                    ~~(ii)~~ (B) \$10,000 for two or more qualifying       <--  
3                   individuals with respect to the taxpayer.  
4           \* \* \*  
5           Section 2 3. This act shall take effect in 60 days.       <--