

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2737 Session of 2022

INTRODUCED BY T. DAVIS, JULY 7, 2022

REFERRED TO COMMITTEE ON FINANCE, JULY 7, 2022

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," providing for Pennsylvania Child and Dependent
11 Care Tax Credit.

12 The General Assembly of the Commonwealth of Pennsylvania
13 hereby enacts as follows:

14 Section 1. The act of March 4, 1971 (P.L.6, No.2), known as
15 the Tax Reform Code of 1971, is amended by adding an article to
16 read:

17 ARTICLE XIX-H

18 PENNSYLVANIA CHILD AND DEPENDENT CARE TAX CREDIT

19 Section 1901-H. Scope of article.

20 This article establishes the Pennsylvania Child and Dependent
21 Care Tax Credit.

22 Section 1902-H. Definitions.

23 The following words and phrases when used in this article

1 shall have the meanings given to them in this section unless the
2 context clearly indicates otherwise:

3 "Day-care expenses." Employment-related expenses that:

4 (1) are within the meaning of section 21(b)(2) of the
5 Internal Revenue Code;

6 (2) relate to expenses for household and dependent care
7 services necessary for gainful employment; and

8 (3) are limited to expenses for household services and
9 care provided in this Commonwealth.

10 "Department." The Department of Revenue of the Commonwealth.

11 "Internal Revenue Code." The Internal Revenue Code of 1986
12 (Public Law 99-514, 26 U.S.C. § 1 et seq.).

13 "Qualifying individual." As defined in section 21(b)(1) of
14 the Internal Revenue Code.

15 "Secretary." The Secretary of Revenue of the Commonwealth.

16 "Taxpayer." An individual subject to tax under Article III,
17 IV, VII, VIII, IX or XV.

18 Section 1903-H. Application.

19 (a) Authorization.--A taxpayer may submit an application for
20 a tax credit under this article in a manner required by the
21 department no later than 30 days after the date of returns.

22 (b) Contents.--The application under this section must
23 contain the following information:

24 (1) The name and tax identification number of the
25 taxpayer.

26 (2) Verification that the taxpayer is eligible for the
27 Federal tax credit under section 21 of the Internal Revenue
28 Code.

29 (3) Any other information deemed appropriate by the
30 department.

1 (c) Procedure.--The application under this section must be
2 attached to the applicant's annual tax return required to be
3 filed.

4 Section 1904-H. Taxpayer eligibility.

5 (a) Credit.--A taxpayer shall be eligible for a tax credit
6 under subsection (b) if the taxpayer qualifies for the tax
7 credit established under section 21 of the Internal Revenue
8 Code.

9 (b) Maximum credit.--A taxpayer who qualifies under
10 subsection (a) may claim a tax credit as follows:

11 (1) A credit of 20% of day-care expenses that exceed 10%
12 of taxable income.

13 (2) The credit may not exceed \$5,000.

14 Section 1905-H. Refund.

15 A tax credit under this article that is approved by the
16 department in a taxable year shall first be applied against the
17 taxpayer's qualified liability for the current taxable year as
18 of the date on which the tax credit was approved.

19 Section 1906-H. Total amount of credits.

20 (a) Limit.--The total amount of tax credits authorized by
21 this article may not exceed \$10,000,000.

22 (b) Pro rata basis.--If the amount under subsection (a) is
23 insufficient for the tax credits provided under this article,
24 money shall be disbursed to applicants on a pro rata basis.

25 Section 1907-H. Report to General Assembly.

26 (a) Requirement.--No later than March 15 following the year
27 in which the tax credits under this article were approved, the
28 secretary shall submit an annual report to the General Assembly
29 indicating the effectiveness of the tax credit under this
30 article.

1 (b) Contents.--The report under this section:

2 (1) Shall include the names of all taxpayers utilizing
3 the tax credit as of the date of the report and the amount of
4 tax credits approved and utilized by each taxpayer.

5 (2) May include any recommendations for changes in the
6 calculation or administration of the tax credit.

7 (c) Public information.--Notwithstanding any law providing
8 for the confidentiality of tax records, the information
9 contained in the report under this section shall be public
10 information.

11 Section 1908-H. Penalty.

12 A taxpayer who claims a tax credit under this article but
13 fails to meet the standards under this article shall repay the
14 full amount of the tax credit to the Commonwealth.

15 Section 1909-H. Guidelines.

16 The department may establish guidelines as necessary to
17 implement this article.

18 Section 2. This act shall apply to taxable years beginning
19 after December 31, 2022.

20 Section 3. This act shall take effect immediately.