

119TH CONGRESS
1ST SESSION

H. R. 1067

To amend the Internal Revenue Code of 1986 to establish the childcare provider startup credit, to increase the amount of and make refundable the expenses for household and dependent care credit, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 6, 2025

Mr. GOTTHEIMER 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 establish the childcare provider startup credit, to increase the amount of and make refundable the expenses for household and dependent care credit, and for other purposes.

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 “Lowering Infant and
5 Toddler Tuition for Learning and Education Act of 2025”
6 or the “LITTLE Act of 2025”.

1 **SEC. 2. CHILDCARE PROVIDER STARTUP CREDIT.**

2 (a) IN GENERAL.—Subpart D of part IV of sub-
3 chapter A of chapter 1 of the Internal Revenue Code of
4 1986 is amended by adding at the end the following new
5 section:

6 **“SEC. 45BB. CHILDCARE PROVIDER STARTUP CREDIT.**

7 “(a) ALLOWANCE OF CREDIT.—In the case of a
8 qualified taxpayer, there shall be allowed as a credit
9 against the tax imposed by this subtitle an amount equal
10 to 30 percent of the qualified childcare startup expenses
11 of the taxpayer for the taxable year.

12 “(b) QUALIFIED TAXPAYER.—For purposes of this
13 section, the term ‘qualified taxpayer’ means, with respect
14 to a taxable year, a taxpayer that—

15 “(1) provides childcare services in compliance
16 with any applicable State or local requirements for
17 such services, and

18 “(2) provided such services to 2 or more chil-
19 dren for a significant portion of the taxable year.

20 “(c) QUALIFIED CHILDCARE STARTUP EXPENSES.—
21 For purposes of this section, the term ‘qualified childcare
22 startup expenses’ means, with respect to a taxable year,
23 a start-up expenditure (as defined in section 195(c)(1))
24 paid or incurred during the 2-year period ending on the
25 last day of such taxable year to establish and operate a
26 childcare service.

1 “(d) LIMITATION.—The aggregate amount of credits
2 determined under subsection (a) for any taxpayer in all
3 taxable years may not exceed \$10,000.

4 “(e) DENIAL OF DOUBLE BENEFIT.—No credit shall
5 be allowed under subsection (a) for any expense for which
6 a deduction or credit is allowed under any other provision
7 of this chapter.”.

8 (b) CREDIT ALLOWED S PART OF GENERAL BUSI-
9 NESS CREDIT.—Section 38(b) is amended by striking
10 “plus” at the end of paragraph (40), by striking the period
11 at the end of paragraph (41) and inserting “, plus”, and
12 by adding at the end the following new paragraph:

13 “(42) the childcare provider startup credit de-
14 termined under section 45BB(a).”.

15 (c) CLERICAL AMENDMENT.—The table of sections
16 for subpart B of part IV of subchapter A of chapter 1
17 of the Internal Revenue Code of 1986 is amended by in-
18 serting after the item relating to section 36B the following
19 new item:

“Sec. 45BB. Childcare provider startup credit.”.

20 (d) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to expenses paid or incurred after
22 the date of the enactment of this Act.

1 **SEC. 3. HOUSEHOLD AND DEPENDENT CARE CREDIT IN-**
 2 **CREASED AND MADE REFUNDABLE.**

3 (a) IN GENERAL.—Subpart C of part IV of sub-
 4 chapter A of chapter 1 of the Internal Revenue Code of
 5 1986 is amending by inserting after section 36B the fol-
 6 lowing new section:

7 **“SEC. 36C. EXPENSES FOR HOUSEHOLD AND DEPENDENT**
 8 **CARE SERVICES NECESSARY FOR GAINFUL**
 9 **EMPLOYMENT.**

10 “(a) ALLOWANCE OF CREDIT.—

11 “(1) IN GENERAL.—In the case of an individual
 12 for which there are 1 or more qualifying individuals
 13 with respect to such individual, there shall be al-
 14 lowed as a credit against the tax imposed by this
 15 chapter for the taxable year an amount equal to the
 16 applicable percentage of the employment-related ex-
 17 penses paid by such individual during the taxable
 18 year.

19 “(2) APPLICABLE PERCENTAGE DEFINED.—For
 20 purposes of paragraph (1), the term ‘applicable per-
 21 centage’ means 50 percent reduced (but not below
 22 35 percent) by 1 percentage point for each \$2,000
 23 (or fraction thereof) by which the taxpayer’s ad-
 24 justed gross income for the taxable year exceeds
 25 \$15,000.

1 “(b) DEFINITIONS OF QUALIFYING INDIVIDUAL AND
2 EMPLOYMENT-RELATED EXPENSES.—For purposes of
3 this section—

4 “(1) QUALIFYING INDIVIDUAL.—The term
5 ‘qualifying individual’ means—

6 “(A) a dependent of the taxpayer (as de-
7 fined in section 152(a)(1)) who has not attained
8 age 13,

9 “(B) a dependent of the taxpayer (as de-
10 fined in section 152, determined without regard
11 to subsections (b)(1), (b)(2), and (d)(1)(B))
12 who is physically or mentally incapable of car-
13 ing for himself or herself and who has the same
14 principal place of abode as the taxpayer for
15 more than one-half of such taxable year, or

16 “(C) the spouse of the taxpayer, if the
17 spouse is physically or mentally incapable of
18 caring for himself or herself and who has the
19 same principal place of abode as the taxpayer
20 for more than one-half of such taxable year.

21 “(2) EMPLOYMENT-RELATED EXPENSES.—

22 “(A) IN GENERAL.—The term ‘employ-
23 ment-related expenses’ means amounts paid for
24 the following expenses, but only if such ex-
25 penses are incurred to enable the taxpayer to be

1 gainfully employed for any period for which
2 there are 1 or more qualifying individuals with
3 respect to the taxpayer:

4 “(i) expenses for household services,
5 and

6 “(ii) expenses for the care of a quali-
7 fying individual.

8 Such term shall not include any amount paid
9 for services outside the taxpayer’s household at
10 a camp where the qualifying individual stays
11 overnight.

12 “(B) EXCEPTION.—Employment-related
13 expenses described in subparagraph (A) which
14 are incurred for services outside the taxpayer’s
15 household shall be taken into account only if in-
16 curred for the care of—

17 “(i) a qualifying individual described
18 in paragraph (1)(A), or

19 “(ii) a qualifying individual (not de-
20 scribed in paragraph (1)(A)) who regularly
21 spends at least 8 hours each day in the
22 taxpayer’s household.

23 “(C) DEPENDENT CARE CENTERS.—Em-
24 ployment-related expenses described in subpara-
25 graph (A) which are incurred for services pro-

1 vided outside the taxpayer’s household by a de-
 2 pendent care center (as defined in subpara-
 3 graph (D)) shall be taken into account only if—

4 “(i) such center complies with all ap-
 5 plicable laws and regulations of a State or
 6 unit of local government, and

7 “(ii) the requirements of subpara-
 8 graph (B) are met.

9 “(D) DEPENDENT CARE CENTER DE-
 10 FINED.—For purposes of this paragraph, the
 11 term ‘dependent care center’ means any facility
 12 which—

13 “(i) provides care for more than six
 14 individuals (other than individuals who re-
 15 side at the facility), and

16 “(ii) receives a fee, payment, or grant
 17 for providing services for any of the indi-
 18 viduals (regardless of whether such facility
 19 is operated for profit).

20 “(c) DOLLAR LIMIT ON AMOUNT CREDITABLE.—The
 21 amount of the employment-related expenses incurred dur-
 22 ing any taxable year which may be taken into account
 23 under subsection (a) shall not exceed—

1 “(1) \$7,500 if there is 1 qualifying individual
 2 with respect to the taxpayer for such taxable year,
 3 or

4 “(2) \$15,000 if there are 2 or more qualifying
 5 individuals with respect to the taxpayer for such tax-
 6 able year.

7 The amount determined under paragraph (1) or (2)
 8 (whichever is applicable) shall be reduced by the aggregate
 9 amount excludable from gross income under section 129
 10 for the taxable year.

11 “(d) EARNED INCOME LIMITATION.—

12 “(1) IN GENERAL.—Except as otherwise pro-
 13 vided in this subsection, the amount of the employ-
 14 ment-related expenses incurred during any taxable
 15 year which may be taken into account under sub-
 16 section (a) shall not exceed—

17 “(A) in the case of an individual who is
 18 not married at the close of such year, such indi-
 19 vidual’s earned income for such year, or

20 “(B) in the case of an individual who is
 21 married at the close of such year, the lesser of
 22 such individual’s earned income or the earned
 23 income of his spouse for such year.

24 “(2) SPECIAL RULE FOR SPOUSE WHO IS A
 25 STUDENT OR INCAPABLE OF CARING FOR HIM-

1 SELF.—In the case of a spouse who is a student or
2 a qualifying individual described in subsection
3 (b)(1)(C), for purposes of paragraph (1), such
4 spouse shall be deemed for each month during which
5 such spouse is a full-time student at an educational
6 institution, or is such a qualifying individual, to be
7 gainfully employed and to have earned income of not
8 less than—

9 “(A) \$250 if subsection (c)(1) applies for
10 the taxable year, or

11 “(B) \$500 if subsection (c)(2) applies for
12 the taxable year.

13 “(e) INFLATION ADJUSTMENT.—

14 “(1) IN GENERAL.—In the case of any taxable
15 year beginning after 2024, the dollar amounts in
16 this section shall be increased by an amount equal
17 to—

18 “(A) such dollar amount, multiplied by

19 “(B) the cost-of-living adjustment deter-
20 mined under section 1(f)(3) for the calendar
21 year in which the taxable year begins, deter-
22 mined by substituting ‘calendar year 2023’ for
23 ‘calendar year 2016’ in subparagraph (A)(ii).

1 “(2) ROUNDING.—If any increase under para-
2 graph (1) is not a multiple of \$10, such increase
3 shall be rounded to the nearest multiple of \$10.

4 “(f) SPECIAL RULES.—For purposes of this sec-
5 tion—

6 “(1) PLACE OF ABODE.—An individual shall
7 not be treated as having the same principal place of
8 abode of the taxpayer if at any time during the tax-
9 able year of the taxpayer the relationship between
10 the individual and the taxpayer is in violation of
11 local law.

12 “(2) MARRIED COUPLES MUST FILE JOINT RE-
13 TURN.—If the taxpayer is married at the close of
14 the taxable year, the credit shall be allowed under
15 subsection (a) only if the taxpayer and his spouse
16 file a joint return for the taxable year.

17 “(3) MARITAL STATUS.—An individual legally
18 separated from his spouse under a decree of divorce
19 or of separate maintenance shall not be considered
20 as married.

21 “(4) CERTAIN MARRIED INDIVIDUALS LIVING
22 APART.—If—

23 “(A) an individual who is married and who
24 files a separate return—

1 “(i) maintains as his home a house-
2 hold which constitutes for more than one-
3 half of the taxable year the principal place
4 of abode of a qualifying individual, and

5 “(ii) furnishes over half of the cost of
6 maintaining such household during the
7 taxable year, and

8 “(B) during the last 6 months of such tax-
9 able year such individual’s spouse is not a mem-
10 ber of such household,

11 such individual shall not be considered as married.

12 “(5) SPECIAL DEPENDENCY TEST IN CASE OF
13 DIVORCED PARENTS, ETC.—If—

14 “(A) section 152(e) applies to any child
15 with respect to any calendar year, and

16 “(B) such child is under the age of 13 or
17 is physically or mentally incapable of caring for
18 himself,

19 in the case of any taxable year beginning in such
20 calendar year, such child shall be treated as a quali-
21 fying individual described in subparagraph (A) or
22 (B) of subsection (b)(1) (whichever is appropriate)
23 with respect to the custodial parent (as defined in
24 section 152(e)(4)(A)), and shall not be treated as a

1 qualifying individual with respect to the noncustodial
2 parent.

3 “(6) PAYMENTS TO RELATED INDIVIDUALS.—

4 No credit shall be allowed under subsection (a) for
5 any amount paid by the taxpayer to an individual—

6 “(A) with respect to whom, for the taxable
7 year, a deduction under section 151(c) (relating
8 to deduction for personal exemptions for de-
9 pendents) is allowable either to the taxpayer or
10 his spouse, or

11 “(B) who is a child of the taxpayer (within
12 the meaning of section 152(f)(1)) who has not
13 attained the age of 19 at the close of the tax-
14 able year.

15 For purposes of this paragraph, the term ‘taxable
16 year’ means the taxable year of the taxpayer in
17 which the service is performed.

18 “(7) STUDENT.—The term ‘student’ means an
19 individual who during each of 5 calendar months
20 during the taxable year is a full-time student at an
21 educational organization.

22 “(8) EDUCATIONAL ORGANIZATION.—The term
23 ‘educational organization’ means an educational or-
24 ganization described in section 170(b)(1)(A)(ii).

1 “(9) IDENTIFYING INFORMATION REQUIRED
2 WITH RESPECT TO SERVICE PROVIDER.—No credit
3 shall be allowed under subsection (a) for any amount
4 paid to any person unless—

5 “(A) the name, address, and taxpayer
6 identification number of such person are in-
7 cluded on the return claiming the credit, or

8 “(B) if such person is an organization de-
9 scribed in section 501(c)(3) and exempt from
10 tax under section 501(a), the name and address
11 of such person are included on the return
12 claiming the credit.

13 In the case of a failure to provide the information
14 required under the preceding sentence, the preceding
15 sentence shall not apply if it is shown that the tax-
16 payer exercised due diligence in attempting to pro-
17 vide the information so required.

18 “(10) IDENTIFYING INFORMATION REQUIRED
19 WITH RESPECT TO QUALIFYING INDIVIDUALS.—No
20 credit shall be allowed under this section with re-
21 spect to any qualifying individual unless the TIN of
22 such individual is included on the return claiming
23 the credit.

1 “(g) REGULATIONS.—The Secretary shall issue such
 2 regulations or other guidance as may be necessary or ap-
 3 propriate to carry out the purposes of this section.”.

4 (b) CONFORMING AMENDMENTS.—

5 (1) Section 1324(b) of title 31, United States
 6 Code, is amended by inserting “36C,” after “36B,”.

7 (2) Subpart A of part IV of subchapter A of
 8 chapter 1 of such Code is amended by repealing sec-
 9 tion 21 and by striking the item relating to such sec-
 10 tion in the table of sections for such subpart.

11 (3) Section 45F(C)(1)(A)(iv) of such Code, as
 12 added by this Act, is amended by striking “section
 13 21(b)(1)(A)” and inserting “section 36C(b)(1)(A)”.

14 (4) The table of sections for subpart A of part
 15 IV of subchapter A of chapter 1 of such Code is
 16 amended by striking the item relating to section 21.

17 (5) Section 6211(b)(4)(A) of such Code is
 18 amended by striking “21 by reason of subsection (g)
 19 thereof,”.

20 (6) Section 6213(g)(2) of such Code is amend-
 21 ed—

22 (A) in subparagraph (H), by striking “sec-
 23 tion 21” and inserting “section 36C”, and

24 (B) in subparagraph (L)—

25 (i) by striking “21,”, and

1 (ii) by inserting “36C,” after “32,”.

2 (7) The following sections of such Code are
3 each amended by striking “section 21(e)” and in-
4 serting “section 36C(e)”.

5 (A) Section 23(f)(1).

6 (B) Section 35(g)(6).

7 (C) Section 129(a)(2)(C), as amended by
8 this Act.

9 (8) Section 129 of such Code is further amend-
10 ed—

11 (A) in subsection (b)(2), by striking “sec-
12 tion 21(d)(2)” and inserting “section
13 36C(d)(2)”, and

14 (B) in subsection (e)(1), by striking “sec-
15 tion 21(b)(2)” and inserting “section
16 36C(b)(2)”.

17 (9) Section 213(e) of such Code is amended by
18 striking “section 21” and inserting “section 36C”.

19 (c) CLERICAL AMENDMENT.—The table of sections
20 for subpart C of part IV of subchapter A of chapter 1
21 of such Code is amended by inserting after the item relat-
22 ing to section 36B the following new item:

“Sec. 36C. Expenses for household and dependent care services necessary for
gainful employment.”.

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 the date of the enactment of this section.

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