

SENATE No. 1671

By Mr. Costello, a petition (accompanied by bill, Senate, No. 1671) of Nicholas J. Costello and Lawrence R. Alexander for legislation to provide tax incentives to corporations who share the dependent care costs of their employees by offering dependent care assistance programs as benefits. Taxation.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Eighty-four.

AN ACT TO PROVIDE TAX INCENTIVES TO CORPORATIONS WHO SHARE THE DEPENDENT CARE COSTS OF THEIR EMPLOYEES BY OFFERING DEPENDENT CARE ASSISTANCE PROGRAMS AS BENEFITS.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 Chapter 63 of the General Laws is hereby amended by add-
2 ing after section 38H the following new sections: —

3 *Section 38I.* (a) Definitions. For the purposes of this sec-
4 tions: —

5 (1) Department Care Assistance means the payment, reim-
6 bursement or contribution made by a corporation for ex-
7 penditures incurred by or on behalf of an employee for de-
8 pendent care.

9 (2) Dependent means any person under the age of eleven
10 who the employee can claim as a tax deduction or who is a
11 child of employee.

12 (b) Dependent Care Assistance Program shall be written
13 plan of a corporation for the exclusive benefit of its employees
14 to provide its employees with dependent care assistance which
15 meets the requirements of paragraphs (A) through (C) of this
16 subsection.

17 (A) The program shall benefit those employees who qualify
18 under a non-discriminatory classification established by the
19 corporation. The corporation need not consider those employ-
20 ees who, as members of a collective bargaining unit, have se-
21 cured dependent care assistance through collective bargaining.

22 (B) No more than 25% of the amount paid or incurred
23 annually by a corporation for dependent care assistance may
24 be provided to any person who

25 1) is a shareholder or owner of the corporation and

26 2) each of whom owns more than 5% of the stock or capital
27 or profits interests of the corporation.

28 (C) The corporation shall provide reasonable notification
29 of the availability and terms of the program to eligible em-
30 ployees.

31 (C) In determining the net income subject to tax under this
32 chapter, a domestic or foreign business corporation, at its
33 election, may deduct the expenditures paid or incurred during
34 the taxable year for dependent care assistance provided to em-
35 ployees through a dependent care assistance program notwith-
36 standing any other deduction available under Chapter 63.

37 *Senate 38J.* (a) A corporation that contributes to a child
38 care resource referral agency for purposes of community plan-
39 ning for child care, starting new child care in geographic areas
40 where employees live or work, assisting existing child care
41 services, referring employees to child care services, or admin-
42 istering a program of individual purchase of service for em-
43 ployees, shall be allowed a credit against its excise, limited to
44 25 percent of its total expenditures for these purposes, except
45 that the total credit shall be no greater than \$7,000 in any
46 year. The provisions of this section shall expire on January
47 1, 1985.

48 *Section 38K.* (a) The Commissioner of Revenue shall notify
49 all corporate employees subject to taxation under this chapter
50 of the provisions of sections 38I and 38J,