

By Mr. Palumbo of Newbury, petition of Thomas G. Palumbo and Bruce E. Tarr for legislation to provide tax incentives to corporations for sharing dependent care cost of their employees by offering dependent care assistance programs as benefits. Taxation.

**The Commonwealth of Massachusetts**

In the Year One Thousand Nine Hundred and Ninety-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 SECTION 1. Chapter 63 of the General Laws, as most recently  
2 amended by Section 122 of Chapter 240 of the Acts of 1989, is  
3 hereby further amended by inserting after section 38L the  
4 following section: —

5 Section 38M. 1. Definitions. For purposes of this section: —

6 a. Dependent Care Assistance means the payment, reimburse-  
7 ment or contribution made by a corporation for expenditures  
8 incurred by or on behalf of an employee for dependent care.

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

12 c. Dependent Care Assistance Program shall be a written plan  
13 of a corporation for the exclusive benefit of its employees to  
14 provide its employees with dependent care assistance which meets  
15 the requirements of paragraphs (2) through (5) of this subsection.

16 2. The program shall benefit those employees who qualify  
17 under a non-discriminatory classification established by the  
18 corporation. The corporation need not consider those employees  
19 who, as members of a collective bargaining unit, have secured  
20 dependent care assistance through collective bargaining.

21 3. No more than 25% of the amount paid or incurred annually  
22 by a corporation for dependent care assistance may be provided  
23 by any person who —

24 (a) is a shareholder or owner of the corporation and

25 (b) owns more than 5% of the stock or capital or profit interests  
26 of the corporation.

27 4. The corporation shall provide reasonable notification of the  
28 availability and terms of the program to eligible employees.

29 5. In determining the net income subject to tax under this  
30 chapter, a domestic or foreign business corporation, at its election,  
31 may deduct the expenditures paid or incurred during the taxable  
32 year for dependent care assistance provided to employees through  
33 a dependent care assistance program notwithstanding any other  
34 deductions available under chapter 63.

1 SECTION 2. Chapter 63 of the General Laws, as most recently  
2 amended by Section 122 of Chapter 240 of the Acts of 1989, is  
3 hereby further amended by inserting after section 38M the  
4 following section: —

5 Section 38N. In addition to any benefits provided in  
6 section 38I, a corporation that offers a dependent care assistance  
7 program shall be allowed a credit against its excise due under this  
8 chapter. The amount of this credit will equal 25% of the total  
9 expenditures for dependent care assistance incurred by the  
10 corporation.

1 SECTION 3. Chapter 63 of the General Laws, as most recently  
2 amended by Section 122 of Chapter 240 of the Acts of 1989, is  
3 hereby further amended by inserting after Section 38N the  
4 following section: —

5 Section 38O. The Commissioner of Revenue shall notify all  
6 corporate employees subject to taxation under this chapter of the  
7 provisions of sections 38L and 38M.