Helping Working Families Afford Child Care Act

Senators Jeanne Shaheen, Barbara Boxer, Patty Murray, and Kirsten Gillibrand

For many families, access to affordable child care is the difference between achieving economic security and struggling to get by. In many parts of the country, full-time day care costs for young children exceed $10,000 per year. Among households who pay for child care, such expenses consume roughly one-third of the incomes of families below the poverty level, on average.

The challenge parents currently face in finding affordable child care hurts our economy through increased employee absenteeism and reduced productivity. And it acts as a major barrier to women's participation in the labor force because, after factoring in child care costs and marriage penalties in our tax code, spouses – most commonly mothers – often find it difficult to earn enough to justify a return to a work.

The Child and Dependent Care Tax Credit (CDCTC), originally enacted in 1976, is intended to defray the cost of child care for working families. But the size of the current credit is outdated and does not reflect the costs of care faced by today's working parents. It also is poorly targeted, providing zero benefit to countless low-income families struggling to work their way up the economic ladder.

The Helping Working Families Afford Child Care Act would support work and expand opportunity for millions of Americans by updating our tax code to make child care more affordable.

The legislation would:

- *Increase the amount of expenses eligible for the credit*. Currently, working families are eligible for a CDCTC equal to between 20 and 35 percent of child care expenses up to $3,000 for one child and $6,000 for two or more children. Because the 20 percent credit rate applies to families with income over just $43,000, many households are eligible for a maximum credit of only $600 or $1,200 – a tiny fraction of what child care costs working families each year. These expense thresholds are not indexed for inflation and, in fact, have not been increased since 2001.

  The Helping Working Families Afford Child Care Act would boost the amount of expenses eligible for the credit to amounts commensurate with the child care costs faced by today's parents – $8,000 for one child and $16,000 for two or more children. Under the bill, in 2015, low- and middle-income families would be eligible for maximum credits of $1,600 or $3,200. The legislation also would index the new expense limits for inflation to ensure the reformed credit does not lose value over time.

- *Make the credit fully refundable*. Under current law, struggling families who do not owe federal income tax – because their income is too low – are ineligible for the CDCTC. As a result, those parents whose workforce participation is most likely to be encouraged by the credit get no benefit at all.

  The Helping Working Families Afford Child Care Act would fix this problem by making the credit fully refundable, enabling more low-income working parents to better afford the child care they need to boost their productivity on the job and support their families.

- *Phase-out the credit for high-income families*. Presently, high-income families – even millionaires – can claim a $600 or $1,200 child care credit even though they clearly do not need the assistance. This bill would better target the credit, and make it more efficient, by gradually phasing it out on household income over $200,000. The $200,000 income threshold would be indexed for inflation to ensure that middle-income families do not lose access to the credit over time.