

### Child and Dependent Care Tax Credit - CDCTC

This credit is specifically targeted to help low- and middle-income working parents offset the cost of child care, but the benefit hasn't kept pace with the cost of care and thus is too low to meet the need for families

#### Suggested Improvements

- Index the credit to inflation
- Make it fully refundable
- Increase the maximum credit amount

### The Employer-Provided Child Care Tax Credit (45F)

This credit for employers supports businesses who want to locate or provide child care for their workforce. However, the low credit rate and high threshold for participation keeps most businesses from utilizing it.

#### Suggested Improvements

- Increase the maximum credit from \$150,000 to \$500,000
- Allow businesses to jointly own and operate a child care facility with the credit
- Increase the credit rate for qualified child care expenses from 25% to 50%,
- Give small businesses a larger credit of a 60% rate and maximum credit amount of \$600,000.

### Dependent Care Assistance Plan (DCAP)

This credit allows working parents to set aside pre-tax income to pay for child care in an employer-offered flexible spending account. However, the current DCAP contribution limit has been the same since 1986.

#### Suggested Improvements

- Increase amount of money that can be saved by a family in a DCAP to cover child care expenses.

(For details on specific legislative proposals, see the back of this document.)

	Introduced By	Improves CDCTC	Improves 45F	Improves DCAP
<b>The Child Care Investment Act of 2023 - <a href="#">H.R. 4571</a></b>	Rep. Salud Carabajal (D-CA) Rep. Lori Chavez De-Remer (R-OR)	✓	✓	✓
<b>The Promoting Affordable Child Care for Everyone (PACE) Act - <a href="#">H.R. 7360</a></b>	Rep. Claudia Tenney (R-NY) Rep. Brad Schneider (D-IL)	✓		✓
<b>The Child and Dependent Care Tax Credit Enhancement Act - <a href="#">S.3657</a> / <a href="#">H.R. 7252</a></b>	Senate: Sen. Robert Casey (D-PA) House: Rep. Danny Davis (D-IL) Rep. Suzan DelBene (D-WA)	✓		
<b>Right Start Child Care and Education Act of 2024 - <a href="#">S. 3787</a></b>	Sen. Jeanne Shaheen (D-NJ) Sen. Angus King (I-ME)		✓	✓

# Child Care Tax Legislation Details

## **The Child Care Investment Act of 2023 - H.R. 4571**

Introduced by: Rep. Salud Carabjal (D-CA) and Rep. Lori Chavez De-Remer (R-OR)

### **CDCTC**

- Makes the credit refundable
- Indexes the credit to inflation
- Increases the current rates, making a family with two children eligible for child care credits up to \$3,000;

### **45F**

- Increases the credit rate for qualified child care expenses from 25% to 50%,
- Increases the maximum credit amount from \$150,000 to \$500,000,
- Allows businesses to jointly own and operate a child care facility
- Makes accredited in-home child care service expenses eligible, and
- Gives small businesses a larger credit of a 60% rate and maximum credit amount of \$600,000.

### **DCAP**

- Doubles the amount of money that can be saved by a family in a DCAP to cover child care expenses from \$5,000 up to \$10,000 annually.

## **The Promoting Affordable Child Care for Everyone (PACE) Act – H.R. 7360**

Introduced by Rep. Claudia Tenney (R-NY) and Rep. Brad Schneider (D-IL)

### **CDCTC**

- Makes the credit refundable,
- Amends the range for the credit to between 35% and 50% of expenses, and
- Requires the AGI threshold and the maximum credit amounts to be adjusted for inflation.
- 45F

### **DCAP**

- Increases the maximum amount of the exclusion from an employee's gross income for the DCAP from \$5,000 to \$7,500 and
- Requires annual inflation adjustments.

## **The Child and Dependent Care Tax Credit Enhancement Act - S.3657 / H.R. 7252**

Introduced, Senate: Sen. Robert Casey (D-PA)

Introduced, House: Rep. Danny Davis (D-IL) and Rep. Suzan DelBene (D-WA)

### **CDCTC**

- Makes the credit refundable,
- Increases the maximum percentage of expenses families can claim from 35% to 50%,
- Adds a phaseout of 0-20% for taxpayers with adjusted gross income (AGI) above \$400,000,
- Increases the maximum expense amount to \$8,000 (\$16,000 for two or more children), and
- Indexes the expense amounts for inflation.

## **Right Start Child Care and Education Act of 2024 – S. 3787**

Introduced by: Sen. Jeanne Shaheen (D-NJ) and Sen. Angus King (I-ME)

### **45F**

- Increases the credit rate for qualified child care expenses from 25% to 50%, and for qualified resource and referral expenditures from 10% to 20%,
- Increases the maximum credit amount from \$150,000 to \$500,000,
- Allows businesses to jointly own and operate a child care facility.
- Gives small businesses a larger credit of a 60% rate and maximum credit amount of \$600,000.

### **DCAP**

- Doubles the amount of money that can be saved by a family in a DCAP to cover child care expenses from \$5,000 up to \$10,000 annually.