



STATE BY STATE: Child & Dependent Care Tax Credit

Better Support for Working Families with an Expanded Credit

Millions of hard-working American families struggle to afford quality child care so they can work or attend school.

The Child and Dependent Care Tax Credit (CDCTC) is the only tax credit that directly helps low- and middle-income working parents offset the cost of child care. However, the credit hasn't been meaningfully updated in more than 2 decades. Even as the cost of living and price of child care has risen, the CDCTC has remained at 2001 levels, making it much less helpful in defraying the cost of child care.

The time is right for Congress to take action and modernize the CDCTC to support working families, young children, the workforce, and local economies.

The CDCTC is long overdue for an update.

- CDCTC benefit levels were last updated in 2001. It isn't adjusted for inflation, so the benefit has remained the same even as the cost of child care has risen dramatically.
- It also isn't fully refundable, so once it reduces a tax bill to zero, any leftover credit is forfeited. That means many low-income working families with small tax bills cannot access the full credit.

Temporarily updating the CDCTC in 2021 made a huge difference to working families.

In 2021, the American Rescue Plan (ARP) temporarily expanded the CDCTC for one year by:

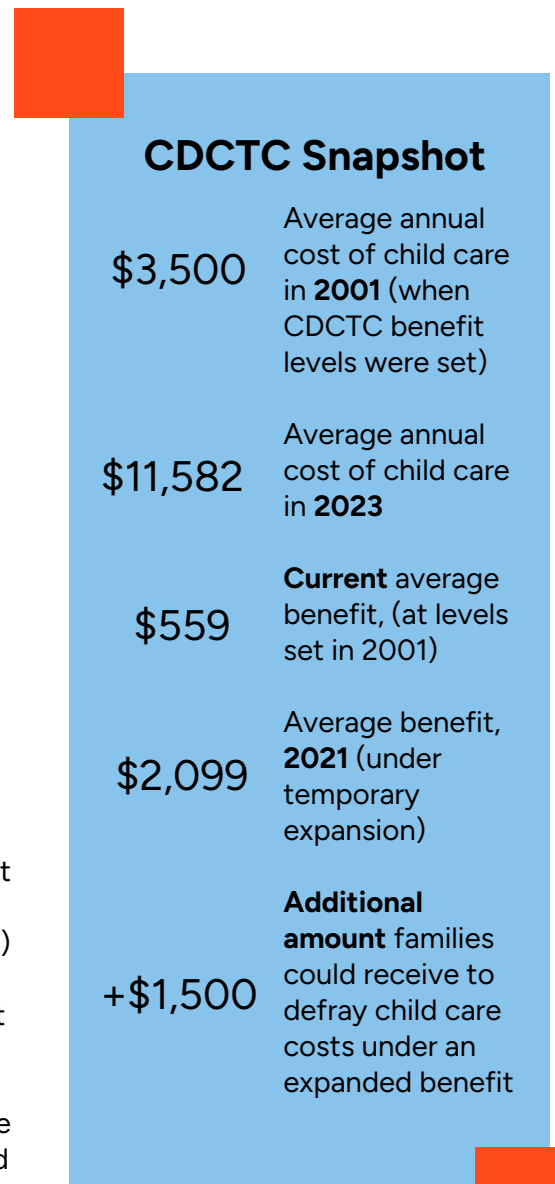
- Making it fully refundable, so families with low tax bills could receive the full benefit;
- Increasing the amount of eligible child care expenses parents could claim; and
- Increasing the credit rate.

As a result, more families received a larger benefit, helping to cover more of their child care expenses.

The time is right to update the CDCTC. There is momentum and opportunity.

With the major provisions of the Tax Cuts and Jobs Act of 2017 (TCJA) expiring at the end of 2025, Congress will be focused on tax debates next year. This provides a don't-miss opportunity to reform the tax code and modernize the CDCTC (along with other child care-related tax provisions) to better help working families offset the cost of quality child care.

- This has public support. In a 2024 national poll, 76% of voters support modernizing the CDCTC, including 62% of Republicans, 74% of Independents, and 92% of Democrats.
- And momentum is already growing on the Hill, with multiple child care bills introduced by Republicans and Democrats in both the House and Senate. These bills would modernize child care-specific provisions of the tax code to support working families with young children, incentivize employers, and bolster the economy.



Child and Development Care Tax Credit: Side-By-Side

CDCTC Comparison	Amount of child care expenses families can claim on their taxes	Credit Rate (phased down as income rises)	Refundable	Bottom Line: Average credit for a working family
2001-Today	\$3,000 – 1 child \$6,000 – 2+ children	20-35%	No	\$500-600
2021 single-year expansion	\$8,000 – 1 child \$16,000 – 2+ children	20-50%	Yes	\$2,099

Child Care Tax Legislation in the 118th Congress

Senate

- **The Child Care Availability and Affordability Act** - S. 4874
Sen. Katie Britt (R-AL)
Sen. Tim Kaine (D-VA)
- **The Child and Dependent Care Tax Credit Enhancement Act** - S.3657
Sen. Robert Casey (D-PA)
Sen. Ron Wyden (D-OR)
Sen. Patty Murray (D-WA)

House

- **Child Care Investment Act of 2023** - H.R. 4571
Rep. Salud Carbajal (D-CA)
Rep. Lori Chavez De-Remer (R-OR)
- **Promoting Affordable Child Care for Everyone (PACE) Act** – H.R. 7360
Rep. Claudia Tenney (R-NY),
Rep. Brad Schneider (D-IL)
- **The Child and Dependent Care Tax Credit Enhancement Act** - H.R. 7252
Rep. Danny Davis (D-IL)
Rep. Suzan DelBene (D-WA)

Learn More

- [An Overview: The Child and Dependent Care Tax Credit \(CDCTC\)](#)
- [Side-By-Side: Comparing Tax Bills, 2024](#)
- [The Child Tax Credit and the Child and Dependent Care Tax Credit — and Why We Need Both](#)

The CDCTC and the CTC... Why Families Need Both

The **Child and Dependent Care Tax Credit** is the only tax credit that directly helps working parents offset the cost of child care, which they must have to go to work. It also helps to ensure more children have access to high-quality early learning opportunities.

The **Child Tax Credit** can be used by families with children to offset any costs associated with raising a child, like food, rent, clothes, medicine, diapers and more. It plays an essential role in helping families manage the costs associated with raising children and lifting families out of poverty.

As parents struggle with the rising cost of basic goods and services including child care, **both credits are essential** to supporting parent's ability to provide for their family and creating a path to prosperity for current and future generations.

	2020: Average CDCTC amount	2021: Average CDCTC amount	Difference in CDCTC amount
Alabama	\$542	\$2,215	\$1,673
Alaska	\$609	\$2,138	\$1,529
Arizona	\$532	\$2,019	\$1,487
Arkansas	\$555	\$2,003	\$1,447
California	\$575	\$2,105	\$1,530
Colorado	\$528	\$1,934	\$1,406
Connecticut	\$542	\$1,923	\$1,381
D.C.	\$552	\$1,904	\$1,352
Delaware	\$552	\$2,192	\$1,640
Florida	\$555	\$2,142	\$1,587
Georgia	\$559	\$2,267	\$1,708
Hawaii	\$503	\$1,815	\$1,311
Idaho	\$533	\$1,845	\$1,312
Illinois	\$550	\$2,095	\$1,545
Indiana	\$530	\$2,015	\$1,485
Iowa	\$536	\$2,065	\$1,529
Kansas	\$554	\$2,086	\$1,532
Kentucky	\$504	\$1,977	\$1,473
Louisiana	\$566	\$2,242	\$1,676
Maine	\$569	\$2,176	\$1,608
Maryland	\$589	\$2,159	\$1,570
Massachusetts	\$513	\$1,861	\$1,348
Michigan	\$508	\$2,188	\$1,680
Minnesota	\$506	\$2,048	\$1,542
Mississippi	\$586	\$2,331	\$1,745
Missouri	\$540	\$2,052	\$1,512

	2020: Average CDCTC amount	2021: Average CDCTC amount	Difference in CDCTC amount
Montana	\$513	\$1,820	\$1,308
Nebraska	\$551	\$2,098	\$1,547
Nevada	\$608	\$2,357	\$1,749
New Hampshire	\$543	\$2,081	\$1,537
New Jersey	\$571	\$1,978	\$1,407
New Mexico	\$475	\$1,744	\$1,269
New York	\$585	\$1,968	\$1,383
North Carolina	\$519	\$2,025	\$1,506
North Dakota	\$576	\$2,321	\$1,745
Ohio	\$519	\$2,122	\$1,603
Oklahoma	\$531	\$1,976	\$1,445
Oregon	\$494	\$1,799	\$1,305
Pennsylvania	\$534	\$1,989	\$1,456
Rhode Island	\$530	\$2,079	\$1,548
South Carolina	\$555	\$2,195	\$1,640
South Dakota	\$585	\$2,152	\$1,567
Tennessee	\$526	\$2,012	\$1,486
Texas	\$584	\$2,283	\$1,699
Utah	\$552	\$1,929	\$1,377
Vermont	\$519	\$2,012	\$1,493
Virginia	\$560	\$2,123	\$1,562
Washington	\$551	\$1,990	\$1,439
West Virginia	\$454	\$1,645	\$1,192
Wisconsin	\$497	\$2,061	\$1,564
Wyoming	\$556	\$1,910	\$1,354
United States	\$552	\$2,099	\$1,548