

The Child and Dependent Care Tax Credit Enhancement Act

Senator Tina Smith (D-MN), Senator Jeanne Shaheen (D-NH), Senator Reverend Raphael Warnock (D-GA), Senator Patty Murray (D-WA) and Senator Ron Wyden (D-OR)

In much of the US, childcare costs families more than \$20,000 per year. Low-income families are spending a third of their income just on [childcare expenses](#). Quality and affordable childcare allows parents to participate in the workforce, supports healthy child development, and provides flexibility in families' budgets. While other credits like the Child Tax Credit (CTC) can provide for families' daily needs, they are often too small to make a dent in childcare expenses. The Child and Dependent Care Tax Credit Enhancement Act will update this credit, which has been eroded over decades by inflation, to provide benefits at the scale needed for this large budget expense.

The Child and Dependent Care Tax Credit Enhancement Act was temporarily enacted into law in the American Rescue Plan. In 2021, this nearly quadrupled the average CDCTC credit per family from \$593 to \$2,158, while allowing the working poor to claim the credit for the first time by making the credit refundable. Making the Child and Dependent Care Tax Credit Enhancement Act permanent would ease the burden of childcare costs for working families, at a scale that is geared to the expenses families face.

The ***Child and Dependent Care Tax Credit Enhancement Act*** would allow working parents to recoup up to half their childcare costs, wherever those costs come from: center-based care, after school care, summer school, or more informal family arrangements. The CDCTC Enhancement Act would:

- make the credit refundable, ensuring low-income families can benefit;
- increase the maximum credit to \$4,000 per child, allowing families to receive up to \$8,000 in tax credits to offset up to \$16,000 in expenses;
- introduce fiscal responsibility by phasing-out the credit for families making more than \$400,000, saving money by ensuring the credit is targeted to those who need it most; and
- ensure the credit retains its value over time by indexing it for inflation.

Supporting Organizations:

National Women's Law Center, Child Care Aware, Save the Children, First Focus, Campaign for Children, First Five Years Fund, Moms Rising, NAEYC, Center for Law and Social Policy (CLASP), ROC United, Zero to Three, PA Partnerships for Children, Society for Human Resource Management (SHRM), KinderCare, Early Care and Education Consortium (ECEC).