

The Child Care Availability & Affordability Act

Senators Britt and Kaine's Pro-Family, Pro-Growth Plan to Unlock a Brighter Future for Working Parents.

Child and Dependent Care Tax Credit (CDCTC)

The proposal broadens the Child and Dependent Care Tax Credit (CDCTC) and makes it partially refundable, allowing lower income working families with out-of-pocket child care expenses to benefit from the credit for the first time. The proposal substantially expands the maximum CDCTC to \$2,500 for families with one child and \$4,000 for families with two or more children.

It gets to these maximum credits by increasing the percentage of expenses deductible to 50% (currently 35%) and increasing the max creditable expenses to \$5,000 for one child or \$8,000 for two or more (currently \$3,000 and \$6,000). The CDCTC has not been updated in over two decades and child care costs have increased more than 200% during the same time period. Given how rapidly child care costs are growing, and the continued impact of inflation, families who can claim the credit are finding its impact less effective.

Dependent Care Assistance Program (DCAP)

The proposal strengthens the DCAP program to allow families to deduct 50% more in expenses (up to \$7,500). Importantly, it also decouples the DCAP from CDCTC to allow eligible families to benefit from both when their child care expenses exceed the DCAP threshold. This will have big benefits for middle-income families who currently do not access the CDCTC but have particularly high child care costs.

In 2022, the average price of center-based child care for an infant in the United States was over \$13,200, so a family paying even the median price could deduct \$7,500 from their taxable income and then apply for the credit for the applicable percentage of costs above that.

Employer-Provided Child Care Tax Credit (45F)

The proposal bolsters an underutilized Employer-Provided Child Care Tax Credit (often referenced as 45F), encouraging businesses to provide child care to their employees. The Britt-Kaine plan would increase the maximum credit to \$500,000 (up from the current level of \$150,000) and the percentage of expenses covered to 50% (up from 25%). It has a larger incentive for small businesses (\$600,000) and allows for joint applications for groups of small businesses who want to pool resources.

56% of employers say they are prioritizing child care benefits in 2024, which is a 10% increase from 2023. This is due to the growing knowledge of child care benefits: attracting and retaining talent, boosting productivity, and reducing employee absences.

The Child Care Availability and Affordability Act is endorsed by:

The U.S. Chamber of Commerce, First Five Years Fund, Bipartisan Policy Center, the American Hotel & Lodging Association, Care.com, Save the Children, A+ Education Partnership, Children's Institute, Early Care & Education Consortium (ECEC), Healthy Kids AL, Manufacture Alabama, Mobile Area Education Foundation, National Association of Women Business Owners (NAWBO), Alabama Arise, Alabama School Readiness Alliance, Business Council of Alabama, VOICES for Alabama's Children, American Federation of Teachers (AFT), Chamber of Progress, Chamber RVA, Child Care Aware of America (CCAoA), Child Care Aware of Virginia, Hampton Roads Chamber, Northern Virginia Chamber of Commerce (NVC), Small Business Majority, Third Way, Virginia Chamber of Commerce, Virginia Early Childhood Foundation (VECF), Voices for Virginia's Kids, Metrix IQ, Gingerbread Kids Academy, National Child Care Association (NCCA), KinderCare Learning Companies, Start Early, & Educare Learning Network.