

October 27, 2017

The Honorable Orrin Hatch  
Chairman, Senate Finance Committee  
219 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Ron Wyden  
Ranking Member, Senate Finance Committee  
221 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Kevin Brady  
Chairman, House Ways and Means  
1102 Longworth House Office Building  
Washington, DC 20515

The Honorable Richard Neal  
Ranking Member, House Ways and Means  
1139E Longworth House Office Building  
Washington, DC 20515

Dear Chairman Hatch, Ranking Member Wyden, Chairman Brady, and Ranking Member Neal,

Thank you for helping to push for needed reforms to America's tax code. We write to you as a collection of children's advocacy organizations, businesses, and financial institutions that have come together to support recommendations for including access to high-quality ECE in comprehensive tax reform.

We appreciate that the tax reform framework released on September 27<sup>th</sup> proposes to increase the child tax credit, which will provide assistance to families across the country. In the spirit of the President's campaign promises, however, we believe more should be done to help middle-income and low-income parents afford the soaring costs of high-quality child care. For example, while an increase in the child tax credit will put cash in the hands of working families, it does not address the challenges they face in affording high-quality child care as the Child and Dependent Care Tax Credit (CDCTC) does. We are particularly concerned about discussion of eliminating the CDCTC and using those revenues to finance an expansion of the child tax credit.

As your Committees begin to consider the details of tax reform, we urge you to consider addressing the mounting costs of child care by including the bipartisan Promoting Affordable Childcare for Everyone (PACE) Act (S.208/H.R.3632) in any tax reform package. This important, bipartisan bill, sponsored by Finance Committee member Richard Burr (R-NC), Senator Angus King (I-ME), Representative Kevin Yoder (R-KS), and Rep. Stephanie Murphy (D-FL) would enhance the value of the CDCTC to low-income working families by making the credit fully refundable, particularly those who face the greatest difficulties in affording the high cost of child care. It would also allow low-income working parents to benefit on the same scale as middle- and upper-income families. Additionally, indexing the credit to inflation will ensure the CDCTC keeps pace with rising costs of care, helping families for decades to come.

In many states, it's now more expensive to pay for child care than for in-state college tuition, which puts the cost beyond the reach of too many low- and middle-income families and places their children at a disadvantage. Access to high-quality child care helps children – especially those living in poverty – get a strong start in life. From preparing kids for kindergarten to higher graduation rates, quality child care can transform lives. And it can help strengthen the economic security of families by enabling parents to work full-time.

As you look to maximize economic growth while maintaining the level of progressivity in the current code, we urge you to consider that linking tax credits to child care is one of the best investments we can make. A study from Nobel Prize winning economist James Heckman shows that for every dollar invested in early education, there is a return of 13 percent per child per year.<sup>1</sup> The Tax Foundation has also stated that the dynamic score of credits linked specifically to child care and education will actually help increase GDP.<sup>2</sup>

Thank you for your efforts to modernize the tax code and your commitment to helping America's low- and middle-income families. We stand ready to support your efforts to grow the economy while helping parents remain in the workforce and preparing our next generation for success.

Sincerely,

Save the Children Action Network  
Council for a Strong America  
The Early Care and Education Consortium  
First Five Years Fund  
Institute for Child Success  
KinderCare Education  
Pearson  
YMCA of the USA

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<sup>1</sup> Jorge Luis Garcia, James J. Heckman, Duncan Ermini Leaf, and Maria Jose Prados, "The Life-Cycle Benefits of an Influential Early Childhood Program," *The Heckman Equation*, (2016), <https://heckmanequation.org/resource/lifecycle-benefits-influential-early-childhood-program/>

<sup>2</sup> Michael Schuyler and William McBride, "The Economic Effects of the Rubio-Lee Tax Reform Plan," *Tax Foundation Fiscal Fact*, March 2015, [https://files.taxfoundation.org/20170714134138/TaxFoundation\\_FF457\\_1.pdf](https://files.taxfoundation.org/20170714134138/TaxFoundation_FF457_1.pdf)