

Congress of the United States

Washington, DC 20515

January 12, 2024

The Honorable Jason Smith
Chairman
House Ways and Means Committee
1139 Longworth House Office Building
Washington, DC 20515

The Honorable Richard Neal
Ranking Member
House Ways and Means Committee
1129 Longworth House Office Building
Washington, DC 20515

Dear Chairman Smith and Ranking Member Neal,

As Co-Chairs of the Pre-K and Child Care Caucus, we write to urge you to include tax proposals that support children, parents, and child care providers as you negotiate an upcoming tax package. Enhancements to the Child and Dependent Care Tax Credit, Child Tax Credit, Dependent Care Assistance Program, and Employer Provided Child Care Tax Credit will provide immediate relief for working families and small businesses nationally.

Improving access to affordable, high-quality child care is essential for children, families, and the future of our economy. A report from ReadyNation shows that the shortage of child care supply results in \$122 billion in lost earnings, productivity, and revenue annually.¹ This crisis is not new, and parents in the United States have consistently reported that child care access affects both job opportunities and productivity. In a 2022 Census Bureau survey, more than 365,000 adults reported losing a job because they needed to take time to care for children under the age of five in the four weeks preceding the survey. In the same survey, more than 1.3 million households reported that an adult in their household had left a job to care for children in the past four weeks, and more than 1.6 million parents reported supervising one or more children during work hours.²

The child care industry has continued to struggle to meet demand because of staffing shortages and facilities' needs. According to the Bureau of Statistics at the Department of Labor, the median hourly wage of child care workers is only \$13.71 per hour,³ despite the importance of their work and costly training and credentialing requirements. These low wages are also disproportionately harmful to women, who make up a large proportion of the care workforce. Additionally, the majority of child care providers are small businesses that also face challenges like access to capital, yet their services are fundamental to the survival of other small businesses. Employees rely on them to care for their kids, which allows employers across the country to keep their doors open.

Addressing the child care crisis will require a comprehensive and holistic approach. Meeting the needs of child care providers, employers, and, most importantly, parents and their children, can be accomplished through incorporating improvements to the tax code. Accordingly, we urge you

¹ ReadyNation, *\$122 Billion: The Growing, Annual Cost of the Infant-Toddler Child Care Crisis*, Council for a Strong America (Feb. 2023), <https://www.strongnation.org/articles/2038-122-billion-the-growing-annual-cost-of-the-infant-toddler-child-carecrisis>.

² U.S. Census Bureau, *Week 48 Household Pulse Survey: July 27-August 8, 2022* (Aug. 17, 2022), <https://www.census.gov/data/tables/2022/demo/hhp/hhp48.html>.

³ U.S. Bureau of Labor Statistics, *Occupational Outlook Handbook: Childcare Workers* (September 6, 2023), <https://www.bls.gov/ooh/personal-care-and-service/childcare-workers.htm>.

Congress of the United States

Washington, DC 20515

to include the following improvements to several aspects of Title 26 to quickly and urgently address access to child care:

Child and Dependent Care Tax Credit (CDCTC)

- Increase the credit rate for the lowest-earning families.
- Make the CDCTC advanceable so taxpayers have the ability to pay for the child care they need throughout the year.
- Index increases to CDCTC maximum eligible expenses to inflation.

Child Tax Credit (CTC)

- Increase the credit amount.
- Raise the value of the credit claimed for children under the age of six.
- Require the credit to be adjusted for inflation and index increases to CTC to inflation.

Dependent Care Assistance Program (DCAP)

- Increase the exclusion maximum to better reflect the cost of child care.
- Decouple DCAP exclusions from CDCTC expenditures to would allow taxpayers to claim the CDCTC up to the maximum allowable expenses for any out-of-pocket child care expenses, regardless of employer DCAP contribution.

Employer Provided Child Care Tax Credit (45F)

- Increase the maximum credit and credit rate.
- Develop a tiered system with a greater credit rate and maximum credit for small employers and employers in rural areas to make it more financially feasible to claim the credit.
- Simplify the process to allow multiple employers to jointly enter a contract with a qualified child care provider for services to claim the credit.

Through these policies we can expand child care supply, incentivize employers to invest in providing child care to their employees, and support parents and their kids. Addressing child care needs is both urgent and bipartisan. The bipartisan Child Care Investment Act (H.R. 4571) would achieve many of the priorities we have included here.

We established the Pre-K and Child Care Caucus to promote policy recommendations that improve and expand high-quality access to child care and early childhood education in the United States. Congress must focus on our nation's future - our children - as we consider any tax package. Thank you for your consideration of our request and ongoing leadership to build an economy that benefits children, families, child care providers, and employers.

Sincerely,

Congress of the United States

Washington, DC 20515

Suzanne Bonamici

Suzanne Bonamici
Member of Congress

Ashley Hinson

Ashley Hinson
Member of Congress

JOAQUIN CASTRO

Joaquin Castro
Member of Congress