THE FIRST FIVE THINGS TO KNOW ABOUT

THE PACE ACT, 2024

Millions of working families with young children need quality child care, but the eye-watering cost of care today means many can't afford it. And without it, many parents are forced to miss work or exit the workforce entirely, leaving families financially unstable, employers scrambling to fill jobs, and young children missing opportunities to learn and grow. Existing provisions in the federal tax code can play a powerful role in easing the tremendous financial burden of child care for working families, but they currently have a limited reach.

The bipartisan Promoting Affordable Childcare for Everyone (PACE) Act, introduced on February 14, 2024, would update tax provisions to help more parents afford the child care they need.

1 Child care is one of the largest expenses most families with young children face.

It can easily cost more than in-state college tuition or the average rent, leaving millions of working families struggling to afford the quality care they need. And without it, many parents are forced to miss work or exit the workforce entirely, leaving families financially unstable, employers scrambling to fill jobs, and young children missing opportunities to learn and grow.

2 The Promoting Affordable Childcare for Everyone (PACE) Act would help.

Introduced by Reps. Claudia Tenney (R-NY) and Brad Schneider (D-IL), this bipartisan bill would fine-tune existing provisions in the U.S. tax code to help more families afford child care.

- Enhancing the Child and Dependent Care Tax Credit (CDCTC) by making the credit fully refundable so that it reaches more low- and middle-income working families; indexing the credit to inflation to ensure it matches rising costs of child care into the future, and raising the credit rate so that families will see more money back in their pockets.
- Expanding the Dependent Care Assistance Plan (DCAP) by increasing the amount of pre-tax dollars families can put into a child care assistance plan (similar to a Flexible Spending Account) from $5,000 to $7,500.

3 The policies in the PACE Act are popular with voters.

- A 2023 poll from First Five Years Fund found that 78% of voters (including 72% of conservatives, 77% of moderates, and 89% of liberals) support increasing the tax credit specifically designed to help working parents offset the cost of child care.
- And 82% of voters (including 78% of Republicans and 86% of Democrats) support providing tax incentives to businesses which provide or help their employees find and afford quality early childhood education programs.

4 And its goal of modernizing the tax code to help families afford child care is popular with lawmakers.

- Leaders of the Bipartisan Pre-K and Child Care Caucus recently sent a letter to the Ways and Means Committee, urging their colleagues to update the tax code to help make child care more affordable.
- In early 2024, Sens Bob Casey (D-PA), Ron Wyden (D-OR) and Patty Murray (D-WA), and Reps. Danny Davis (D-IL), Suzan Delbene (D-WA), and Linda Sanchez (D-CA), introduced the Child and Dependent Care Tax Credit Enhancement Act, which would make essential updates to the CDCTC to support child care.
- The "Right Start Child and Education Act," introduced by Sens. Jeanne Shaheen (D-NH) and Angus King (I-ME) in February 2024, would expand the employer-provided child care credit (45F) and expand dependent care flexible spending accounts (DCAP).
- And last fall, Rep. Salud Carbajal (D-CA) and Rep. Lori Chavez-DeRemer (R-OR) introduced the bipartisan Child Care Investment Act of 2023, which would enhance existing tax credits – specifically the Child and Dependent Care Tax Credit, the Employer-Provided Child Care Tax Credit, and Dependent Care Assistance Plans -- to address the cost and accessibility of child care for working parents.

5 And the PACE Act has had strong, bipartisan support.

The current bill has a history of bipartisan support; its previous version in the 116th Congress was led by Ways & Means Committee Chairman Jason Smith (R-MO) and former Rep. Stephanie Murphy (D-FL) in the House and Sens. Angus King (I-ME), Susan Collins (R-ME), Jacky Rosen (D-NV), Kyrsten Sinema (D-AZ), and former Sen. Richard Burr (R-NC), in the Senate.

The Bottom Line

Pairing tax reform with robust funding to strengthen child care supports families with young children while ensuring greater economic stability across the country. Together, strong funding and tax reform have the power to benefit working parents and young children while supporting economic stability across the country. Learn more about how adapting the tax code is a step towards more affordable child care in the United States.

ABOUT FIRST FIVE YEARS FUND:
The first five years last forever. At First Five Years Fund, we work with lawmakers on both sides of the aisle to protect, prioritize, and build support for early learning and child care programs at the federal level. Reliable, affordable, and high-quality early learning and child care can be transformative, not only enhancing a child's prospects for a brighter future but also bolstering working parents and fostering economic stability nationwide. Join us at **www.ffyf.org**.