

The First Five Things To Know About: The Child Care Investment Act 2023

Millions of working families with young children need quality child care, but affordable, reliable options can be hard to find. 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 Child Care Investment Act, introduced in July 2023, would update tax provisions to help make child care more affordable and accessible for more families with young children.

Here are the First Five Things To Know about the Child Care Investment Act:

**1**

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

Child care is a major expense for families with young children. A [recent study](#) found that a majority of parents spend more than \$1,500 per month on child care, with one in five reporting spending \$3,000 per month or more.

**2**

The federal tax code has provisions designed to help offset the high cost of child care. These provisions, however, are outdated and often fail to meet the needs of many of today's families and employers.

- The **Child and Dependent Care Tax Credit (CDCTC)** is the only tax credit designed specifically to help parents offset the cost of child care. Unfortunately, the benefit hasn't kept pace with the cost of care and thus is too low to meet the need for families.
- The **Dependent Care Assistance Program (DCAP)** allows some working parents to set aside a small amount of their pre-tax paycheck to pay for child care expenses (including employer-sponsored child care contributions). However, the current DCAP contribution limit has been the same since 1986, even as the cost of care has risen dramatically.
- The **Employer-Provided Child Care Credit (known as 45F)** supports businesses who want to locate or provide child care for their workforce, while also increasing the number of child care slots available in their community. However, the low credit rate and high threshold for participation keeps many businesses from utilizing it.

**3**

Improving the tax code to better support child care has strong bipartisan support among voters and employers.

- 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.
- Additionally, [employers say](#) the ability to offer child care benefits has "a positive impact on talent recruitment (81%), retention (80%), and productivity (82%)."

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There is broad support for each of five child care policy proposals tested. Alabama voters provide clear bi-partisan support to each of five child care reform policies proposed. Each proposal wins easily across gender and generational lines, as well as across both ideological and partisan lines. In fact, even '24 Trump voters provide at least 72% support for each of the five policies tested. These include:

- Providing tax incentives to businesses which provide or help their employees find and afford quality early childhood education programs – 83% support (including 79% of Republicans and 89% of Democrats)
- Increasing the federal funding to states to expand current programs that directly help low-income children (also known as the Child Care & Development Block Grant, or CCDBG) – 81% support (including 73% of Republicans and 89% of Democrats)
- Providing greater funding to Head Start and Early Head Start to support families with the greatest needs. – 81% support (including 70% of Republicans and 90% of Democrats)
- Increasing the Child Tax Credit, a tax benefit for families with children which can be used on any household expense – 79% support (including 73% of Republicans and 86% of Democrats)
- Increasing the tax credit specifically designed to help working parents offset the cost of child care (also known as the Child and Dependent Care Tax Credit, or CDCTC) – 77% support (Including 71% of Republicans and 85% of Democrats)

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This overall goal of modernizing the tax code to help families afford child care is popular with lawmakers.

- In February 2024, the Problem Solvers Caucus endorsed the Child Care Investment Act.
- 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).

Putting It All In Context, From FFYF

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 to protect, prioritize, and build bipartisan support for quality child care and early learning 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.