

Quick Look: Child Care Tax Credits 118th Congress

Child and Dependent Care Tax Credit (CDCTC)

This credit is specifically targeted to help low- and middle-income working parents offset the cost of child care, but the benefit hasn't kept pace with the cost of care and thus is too low to meet the needs of families.

The Employer-Provided Child Care Tax Credit (45F)

This credit for employers supports businesses who want to locate or provide child care for their workforce. However, the low credit rate and high threshold for participation keeps most businesses from utilizing it.

Dependent Care Assistance Plan (DCAP)

These plans allow working parents to set aside pre-tax income to pay for child care in an employer-offered flexible spending account. However, the current DCAP contribution limit has been the same since 1986.

		Introduced By	Improves CDCTC	Improves 45F	Improves DCAP
Senate	Child Care Availability and Affordability Act <u>S. 4874</u>	Sen. Katie Britt (R-AL) Sen. Tim Kaine (D-VA)	✓	✓	✓
	Child and Dependent Care Tax Credit Enhancement Act <u>S.3657</u>	Sen. Robert Casey (D-PA) Sen. Ron Wyden (D-OR) Sen. Patty Murray (D-WA)	✓		
	Child Care for American Families Act <u>S. 5254</u>	Sen. Michael Bennet (D-CO) Sen. Marsha Blackburn (R-TN)		✓	
	Right Start Child Care and Education Act of 2024 <u>S. 3787</u>	Sen. Jeanne Shaheen (D-NH) Sen. Angus King (I-ME)		✓	✓
House	Child Care Investment Act of 2023 <u>H.R. 4571</u>	Rep. Salud Carbajal (D-CA) Rep. Lori Chavez De-Remer (R-OR)	✓	✓	✓
	Promoting Affordable Child Care for Everyone (PACE) Act <u>H.R. 7360</u>	Rep. Claudia Tenney (R-NY) Rep. Brad Schneider (D-IL)	✓	✓	
	Child and Dependent Care Tax Credit Enhancement Act <u>H.R. 7252</u>	Rep. Danny Davis (D-IL) Rep. Suzan DelBene (D-WA)	✓		
	Affordable Childcare Act <u>H.R. 8635</u>	Rep. Marc Molinaro (R-NY) Rep. Sharice Davids (D-KS)	✓	✓	✓
	Child Care for American Families Act <u>H.R. 8540</u>	Rep. David Kustoff (R-TN) Rep. Brad Schneider (D-IL)		✓	

Child Care Tax Credits: Legislation Details In The Senate

Child Care Availability and Affordability Act - [S. 4874](#)

Introduced by Sen. Katie Britt (R-AL), Sen. Tim Kaine (D-VA)

CDCTC

- Makes the credit refundable
- Increases benefit to up to \$2,500 for one child and up to \$4,000 for two or more, by a) increasing the maximum child care expense a family can claim to \$5,000 for one child (and \$8,000 for two or more) and b) increasing the maximum credit rate from 35% to 50%

45F

- Increases the maximum credit amount from \$150,000 to \$500,000
- Increases the credit rate for qualified child care expenses from 25% to 50%

DCAP

- Increases the pretax income that can be set aside from \$5,000 to \$7,500 annually

Child and Dependent Care Tax Credit Enhancement Act - [S.3657](#)

Introduced by Sen. Robert Casey (D-PA), Sen. Ron Wyden (D-OR), Sen. Patty Murray (D-WA)

CDCTC

- Makes the credit refundable
- Indexes the expense amounts for inflation
- Increases benefit to up to \$4,000 for one child and up to \$8,000 for two or more, by a) increasing the maximum child care expense a family can claim to \$8,000 for one child (and \$16,000 for two or more) and b) increasing the maximum credit rate from 35% to 50%
- Adds a phaseout of 0-20% for taxpayers with adjusted gross income (AGI) above \$400,000

Child Care for American Families Act - [S. 5254](#)

Introduced by Sen. Michael Bennet (D-CO), Sen. Marsha Blackburn (R-TN)

45F

- Increases the credit rate to 40% of the first \$2 million spent on qualified child care expenses, for a maximum credit of \$800,000
- Gives small businesses a larger credit of a 50% rate and maximum credit amount of \$1 million
- Gives rural businesses a larger credit of a 60% rate and maximum credit amount of \$1.2 million

Right Start Child Care and Education Act of 2024 – [S. 3787](#)

Introduced by Sen. Jeanne Shaheen (D-NH), Sen. Angus King (I-ME)

45F

- Increases the maximum credit amount from \$150,000 to \$500,000
- Increases the credit rate for qualified child care expenses from 25% to 50%, and for qualified resource and referral expenditures from 10% to 20%
- Allows businesses to jointly own and operate a child care facility
- Gives small businesses a larger credit of a 60% rate and maximum credit amount of \$600,000

DCAP

- Doubles the amount of pretax income that can be set aside from \$5,000 up to \$10,000 annually

Child Care Tax Credits: Legislation Details In The House

Child and Dependent Care Tax Credit Enhancement Act - [H.R. 7252](#)

Introduced by Rep. Danny Davis (D-IL)

CDCTC

- Makes the credit refundable
- Indexes the expense amounts for inflation
- Increases benefit to up to \$4,000 for one child and up to \$8,000 for two or more, by a) increasing the maximum child care expense a family can claim to \$8,000 for one child (and \$16,000 for two or more) and b) increasing the maximum credit rate from 35% to 50%
- Adds a phaseout of 0-20% for taxpayers with adjusted gross income (AGI) above \$400,000

Child Care Investment Act of 2023 - [H.R. 4571](#)

Introduced by Rep. Salud Carbajal (D-CA), Rep. Lori Chavez De-Remer (R-OR)

CDCTC

- Makes the credit refundable
- Indexes the credit to inflation
- Increases benefit to up to \$1,500 for one child and up to \$3,000 for two or more, by increasing the maximum credit rate from 35% to 50%

45F

- Increases the maximum credit amount from \$150,000 to \$500,000
- Increases the credit rate for qualified child care expenses from 25% to 50%
- Allows businesses to jointly own and operate a child care facility
- Makes accredited in-home child care service expenses eligible
- Gives small businesses a larger credit of a 60% rate and maximum credit amount of \$600,000

DCAP

- Doubles the maximum amount of pretax income that can be set aside from \$5,000 up to \$10,000 annually

Promoting Affordable Child Care for Everyone (PACE) Act – [H.R. 7360](#)

Introduced by Rep. Claudia Tenney (R-NY), Rep. Brad Schneider (D-IL)

CDCTC

- Makes the credit refundable
- Indexes the credit to inflation
- Increases benefit to up to \$1,500 for one child and up to \$3,000 for two or more, by increasing the maximum credit rate from 35% to 50%

DCAP

- Increases the maximum amount of pretax income that can be set aside from \$5,000 to \$7,500 annually
- Requires annual inflation adjustments

The Affordable Childcare Act - [H.R. 8635](#)

Introduced by Rep. Marc Molinaro (R-NY), Rep. Sharice Davids (D-KS)

CDCTC

- Increases benefit to up to \$2,100 for one child and up to \$4,200 for two or more by increasing the maximum child care expense a family can claim to \$6,000 for one child (and \$12,000 for two or more)

DCAP

- Increases the maximum amount of pretax income that can be set aside from \$5,000 to \$10,000 annually

45F

- Increases the maximum credit amount from \$150,000 to \$300,000

The Child Care for American Families Act - [H.R. 8540](#)

Introduced by Rep. David Kustoff (R-TN), Rep. Brad Schneider (D-IL)

45F

- Increases the credit rate to 40% of the first \$2 million spent on qualified child care expenses, for a maximum credit of \$800,000
- Gives small businesses a larger credit of a 50% rate and maximum credit amount of \$1 million
- Gives rural businesses a larger credit of a 60% rate and maximum credit amount of \$1.2 million