

December 2, 2024

Dear President-Elect Trump,

The undersigned organizations write to ask that your Administration work with Congress to support working families access to affordable child care by expanding the Child and Dependent Care Tax Credit (CDCTC). With the expiration of several provisions of the Tax Cuts and Jobs Act (TCJA) in 2025, Congress and your Administration have the opportunity to modernize the credit to better serve more families by increasing the value of the credit, indexing it to inflation, and making it refundable. Therefore, we encourage you to prioritize the needs of working families by including expansion of the CDCTC in the Administration's budget and making these improvements to the credit a top priority in any negotiated tax package that moves in the next Congress.

Access to quality, affordable child care is essential for families across the United States. Parents rely on child care to be able to go to work, and yet the high costs associated with quality child care are rapidly outpacing most other expenses, including the cost of housing and higher education.¹ As a result, many parents are forced to make difficult decisions when it comes to their work and caring for their children and new data from the Bureau of Labor Statistics (BLS) indicated that nearly 70,000 Americans missed work in August 2024 due to child care difficulties, matching a monthly all-time high.² A lack of access to quality, affordable child care has broad implications for the health of our economy, with some estimates showing that the U.S. loses \$122 billion in lost earnings, productivity, and revenue every year as a result.³

While it is clear that significant and sustained federal investments outside the tax code are needed to address the tremendous child care challenges facing families and educators across the country, updating the tax code presents a unique opportunity to help ease the financial burden of child care for working families today, as we continue to build a stronger child care system. Traditionally, the federal government has used the tax code to help address real-world challenges and support economic success for our country. In the same way that tax credits are used to make retirement and home buying more accessible, the tax code should reflect that child care expenses are typically linked to a parent's ability to work and account for one of the most significant expenses in a family's budget.

The CDCTC is the only tax credit that is specifically designed to offset the cost of child care. In practice, the average family who claims the CDCTC receives approximately \$600 per year, which does not even cover one month of child care costs for the majority of families. The credit has not been permanently updated since 2001, which means it has lost purchasing power over the last 23 years.⁴ Currently, this credit allows taxpayers to claim a percent of up to \$3,000 for one dependent (\$6,000 for two or more) in qualifying child care expenses. The most a parent with one child can receive is \$1,050—a small fraction of the total cost of child care. Additionally,

¹<https://www.childcareaware.org/thechildcarestandstill/#LandscapeAnalysis>

²<https://data.bls.gov/timeseries/LNU02096055>

³<https://www.strongnation.org/articles/2038-122-billion-the-growing-annual-cost-of-the-infant-toddler-child-care-crisis>

⁴<https://www.childcareaware.org/thechildcarestandstill/>

many lower-income taxpayers receive little or no credit because the current credit is nonrefundable. However, we have seen the impact of an expanded and refundable CDCTC temporarily during the pandemic when parents who claimed the credit received an average credit of \$2,100.⁵ There is also evidence that shows an increase in the amount of CDCTC funds parents receive is correlated with more mothers entering the workforce. A recent study by the University of Chicago found that on average a \$100 increase in CDCTC benefits was associated with a 1.5% increase in maternal labor force participation.⁶ A report by the National Academy of Sciences similarly found that a robust CDCTC can reduce child poverty and has a demonstrable positive effect on parental employment.⁷

While tax provisions like the Child Tax Credit (CTC) have proven to be a powerful support to families in managing all of the high costs of raising a child including child care, the bottom line is that parents also need dedicated support to offset the high cost of child care. BLS data showed that during the expansion of the CTC in 2021, only about 16% of parents used the funds to pay for child care, and a majority of parents used the additional dollars for food, utilities, housing costs, and other expenses.⁸ Families need the support of both credits to truly feel relief from the high cost of care. Therefore, in addition to expanding the CTC, we urge you to make expansion of the CDCTC a top priority.

Members on both sides of the aisle and voters across the political spectrum have made clear that without intervention, child care will continue to be unaffordable and inaccessible for working parents.⁹ Efforts to expand the CDCTC to offset the cost of child care have a long history of bipartisan support, and several bills have been introduced in the House and the Senate by Republicans and Democrats.¹⁰ We encourage your Administration to work with Congress to enhance the CDCTC as well as increase federal investments in child care to ensure that working families receive the support they need to make child care affordable. Thank you for your time and consideration. We look forward to working with you to strengthen America's child care system and better support children and parents.

Sincerely,

⁵<https://www.ffvf.org/wp-content/uploads/2024/07/2024-National-Fact-Sheet.pdf>

⁶Kwon, Sarah. "The effects of the Child and Dependent Care Tax Credit (CDCTC) on child-care use and maternal labor supply." *Social Service Review*, vol. 98, no. 2, 1 June 2024, pp. 293–328, <https://doi.org/10.1086/730124>. <https://www.journals.uchicago.edu/doi/abs/10.1086/730124>.

⁷<https://nap.nationalacademies.org/read/25246/chapter/8#174>

⁸<https://www.bloomberg.com/news/articles/2021-12-20/child-tax-credit-2021-joe-manchin-opposes-aid-parents-are-using-for-food-rent>

⁹<https://www.ffvf.org/2024/05/16/new-polling-on-child-care-and-the-2024-election/>

¹⁰<https://www.ffvf.org/resources/2024/09/side-by-side-comparing-tax-bills-2024/>

National Organizations

A Better Balance

Abriendo Puertas / Opening Doors

American Federation of Teachers

America Forward

Association of Maternal & Child Health Programs

Bobbie

BPC Action

Bright Horizons

Busy Bees North America

Care.com

Child Care Aware of America

Council for Professional Recognition

Division for Early Childhood of the Council for Exceptional Services
(DEC)

Early Care & Education Consortium

Early Learning Policy Group

Educare Learning Network

Executives Partnering to Invest in Children (EPIC)

First Five Years Fund

First Focus on Children

Florida Association for Child Care Management

Healthy Families America

IDEA Infant and Toddler Coordinators Association (ITCA)

Independent Restaurant Coalition

Jumpstart for Young Children

Kaplan Early Learning Company

Kiddie Academy

KinderCare Learning Companies

Learning Care Group

Lightbridge Academy

Moms First

National Association for Family Child Care

National Association for the Education of Young Children (NAEYC)

National Association of Counties (NACo)

National Association of Women Business Owners (NAWBO)

National Child Care Association
 National Council of Jewish Women
 New Horizon Academy
 Parents as Teachers National Center
 Prevent Child Abuse America
 Save the Children
 Start Early
 The Center for Science in the Public Interest (CSPI)
 The Gardner School
 The June Care Company
 The Sunshine House Inc.
 TOOTRiS
 YMCA of the USA
 ZERO TO THREE

State and Local Organizations

Arizona Early Childhood Education Association	Arizona
Arkansas Advocates for Children and Families	Arkansas
Boone Area Chamber of Commerce	North Carolina
California Child Care Resource & Referral Network	California
Child care association of Louisiana	Louisiana
Children First	Pennsylvania
Children's Institute	Oregon
Citizens' Committee for Children of New York, Inc	New York
Clayton Early Learning	Colorado
Common Good Iowa	Iowa
Connecticut Early Childhood Alliance	Connecticut
DC Association for the Education of Young Children	District of Columbia
Dirdura Wynn - Wynn's ChildCare	Texas
Early Childhood Alliance	Utah
First Five Nebraska	Nebraska
Florida's Children First	Florida
Georgia Association for the Education of Young Children (GAEYC)	Georgia
Georgia Child Care Association	Georgia
Gingerbread House Day Care Center	Texas
Gingerbread Kids Academy	Texas

GoAEYC- Golden corridor Association for the Education of Young Children	Illinois
Greater Shreveport Chamber	Louisiana
Greater Topeka Partnership	Kansas
Groundwork Ohio	Ohio
Hawaii Childcare Business Coalition	Hawaii
HAVEN	Rhode Island
Heartland Montessori	Texas
Illinois Action for Children	Illinois
Iowa Association for the Education of Young Children	Iowa
Kama'aina Kids	Hawaii
Kentucky Voices for Health	Kentucky
Kindred Learning Academy	Texas
Little Miracles Early Development Center	Ohio
Little Treeschool LLC	Montana
Little Tyke Creative Child Care	Texas
Louisiana Policy Institute for Children	Louisiana
Maine Association for the Education of Young Children	Maine
March and Ash	California
Maryland State Child Care Association	Maryland
Massachusetts Association for the Education of Young Children (MAAEYC)	Massachusetts
MES Enterprises DBA Kids World Learning Center	Texas
Michigan Association for the Education of Young Children	Michigan
Michigan's Children	Michigan
Minnesota Child Care Association	Minnesota
Miss Bloomingdale's Academy	Texas
Missouri Chamber of Commerce	Missouri
Nebraska Association for the Education of Young Children, Inc.	Nebraska
Nevada Association for the Education of Young Children (NevAEYC)	Nevada
New Jersey Association for the Education of Young Children	New Jersey
New Mexico Early Childhood Association	New Mexico
Ohio Association for the Education of Young Children	Ohio
Ohio Association of Childcare Providers	Ohio
Oklahoma Association for the Education of Young Children	Oklahoma
Oklahoma Child Care Association	Oklahoma
Oregon Association for the Education of Young Children (ORAEYC)	Oregon
Pennsylvania Association for the Education of Young Children	Pennsylvania

Prevent Child Abuse Illinois	Illinois
Providence Preparatory School	North Carolina
Puerto Rico Association for the Education of Young Children	Puerto Rico
Raising Illinois PN3 Coalition	Illinois
Rhode Island KIDS COUNT	Rhode Island
Rise Academy	Texas
Smart Sitting	New York
South Carolina Association for the Education of Young Children	South Carolina
Southwest Ohio Association for the Education of Young Children	Ohio
Steamboat Ski Resort	Colorado
Stonegate Angel Care	Texas
Texas Licensed Child Care Association (TLCCA)	Texas
The Children's Agenda	New York
The Children's Partnership	California
This Little Light Learning Center	Texas
Tomorrow's Promise Montessori School	Texas
Utah Private Child Care Association	Utah
Virginia Association for the Education of Young Children	Virginia
VOICES for Alabama's Children	Alabama
Voices for Utah Children	Utah
Voices for Vermont's Children	Vermont
Washington Association for the Education of Young Children	Washington
Zero to Five Montana	Montana

Cc: Senate Finance Committee
House Ways & Means Committees
House and Senate Leadership