

## MEMO: How Child Care Tax Credits Help Working Families

### Overview

For families across the country, money feels tight. Rising costs for housing, groceries, and child care have created real “affordability anxiety,” especially for parents of young children. The final 2025 tax reconciliation package (H.R.1), signed into law on **July 4, 2025**, [permanently updated three key tax provisions](#) to make **child care more affordable for working families**:

1. [Child and Dependent Care Tax Credit \(CDCTC\)](#) – helps parents offset child care expenses.
2. [Employer-Provided Child Care Credit \(45F\)](#) – supports businesses that locate or provide child care for employees.
3. [Dependent Care Assistance Plans \(DCAP\)](#) – allows parents to set aside pre-tax income for child care.

Together, these updates represent a **\$16 billion federal investment** in child care through the tax code, providing direct financial relief to working families while encouraging employer participation.

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### Ways to Highlight:

1. **Post about the benefits on social media. Here are some suggestions:**
  - Child care is one of the biggest expenses families face and parents need a little help. That’s why Congress permanently strengthened three tax credits to help parents afford care—strengthening families, boosting child development, and fueling our economy.
  - Affordable child care strengthens families and the economy. Thanks to Congress, three tax credits are now permanent—helping parents work and children flourish.
2. **Write about it in your next constituent newsletter:**
  - We know families are focused on one thing right now: affordability. Reliable child care makes it possible for parents to work and provide for their families, but rising costs have made that harder. That’s why Congress strengthened three key child care tax credits to put more money back in parents’ pockets. These updates reduce expenses, encourage employer participation, and help nearly four million families nationwide with the high cost of child care.
3. **Host an Event:**
  - Host an event at a local child care center or small business to highlight how the updated child care tax credits are lowering costs for families and supporting employers. Invite parents and local business leaders to share impact stories and emphasize the bipartisan affordability focus.

***FFYF is available to help connect you with state-specific data or local parents and providers.***

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### Polling Snapshot

- **Affordability is the dominant issue for voters:** In a [January 2026](#) poll, voters ranked affordability as a top concern, ahead of jobs and the economy. Lowering the cost of living was identified as the top way President Trump and Congress could help families, including 68% of Republicans, 80% of Independents, and 77% of Democrats.
  - **Federal child care funding seen as a solution:** 82% of voters say federal funding for child care programs will help lower costs for working families, including 69% of Republicans, 84% of Independents, and 94% of Democrats.
  - **Expanding the child care-related tax credits was very popular.** 86% of voters [supported increasing the CDCTC](#) — including 83% of Republicans, 83% of Independents, and 91% of Democrats. And 84% of voters [supported](#) the expansion of **45F and DCAP**, including 76% of Republicans, 82% of Independents, and 93% of Democrats.
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## Messages that Resonate

- **Families are focused on one thing right now: lowering everyday costs.** Affordability is the top concern across party lines. And for parents of young children, child care is one of the most significant and unavoidable expenses, and a major source of financial stress. With [average annual costs](#) exceeding \$13,000 per child, child care directly affects whether parents can work, pay their bills, and stay economically stable.
  - **Reliable child care is essential to family economic security.** Strengthening child care-related tax credits will help to lower out-of-pocket costs while encouraging employer participation, a balanced approach that supports both working families and job creators.
  - These policies have strong bipartisan support because they **address a real affordability challenge facing working families**, which strengthens families, boosts child development, and fuels our economy. Focusing on child care affordability shows voters that leaders understand the financial pressures families are under, and are taking action to ease them.
  - **Bottom Line:** Child care is essential for working families and the broader economy. The 2025 tax law updates provide tangible, commonsense relief that helps families keep more of what they earn, supports employers who provide child care, and strengthens the workforce. Highlighting these enhancements shows real-world impact on families' financial stability and reinforces public support for continued investment in child care affordability.
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## By the Numbers

**[Child and Dependent Care Tax Credit \(CDCTC\)](#):** Reduces the financial burden of child care, making it easier for parents to work and manage household expenses.

- An estimated **5.7 million families claim the CDCTC** to help offset costs. **Nearly 4 million families** are projected to see their credit increase next year.
- The total tax credit families could see ranges from **\$1,500-\$3,000** for lowest-income families or **\$600-\$1,200** for highest income families (with 1 or 2+ children).

**Dependent Care Assistance Plans (DCAP):** Allows families to save on taxes while covering more essential child care costs, freeing up more income for daily living expenses. Working parents can now set aside **\$7,500 pre-tax annually** (up from \$5,000) to pay for child care expenses.

**Employer-Provided Child Care Credit (45F):** Encourages employers to provide or subsidize child care, giving parents access to affordable, reliable care close to work. Larger businesses now receive **40% of child care expenses** (up from 25%) with a maximum credit of **\$500,000**. Small businesses receive **50% of expenses**, max **\$600,000**, and can pool resources to jointly contract with a provider.