



A New Vision for Child Care: High-Quality Child Care Tax Credit

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CAP's Child Care Proposal – Background

- Growing need for child care to support families
 - 64% of women with children under 6 are in labor force
- Educational necessity for young children
 - Brain research and long-term positive impacts
- Child care costs are out of reach
 - More than rent; 30% of median income
- Current policies falling short
 - CCDBG serves only 1 in 6 eligible children
 - Subsidy rates are too low to purchase high-quality



High-Quality Child Care Tax Credit

- Provides up to \$14,000 per child to low-income and middle-class families

TABLE 3
High-quality Child Care Tax Credit amounts at different family income levels for children younger than age 3

Income as a percentage of FPL	Upper bound income for family of four	High-quality Child Care Tax Credit*	Family payment as a percentage of income	Family contribution**
Up to 133 percent	\$32,253	\$13,340	2%	\$660
133–150 percent	\$36,375	\$11,840	6%	\$2,160
150–200 percent	\$48,500	\$10,080	8%	\$3,920
200–250 percent	\$60,625	\$7,900	10%	\$6,100
250–300 percent	\$72,750	\$5,240	12%	\$8,760
300–400 percent	\$97,000	\$2,360	12%	\$11,640

*Tax credit for family at the upper bound of each poverty level.

**Family contribution based on family of four at upper bound of each poverty level.

Source: Poverty levels based on Office of the Assistant Secretary for Planning and Evaluation, 2015 Poverty Guidelines (U.S. Department of Health and Human Services, 2015), available at <http://aspe.hhs.gov/poverty/15poverty.cfm>.



High-Quality Child Care Tax Credit

- Targeted to high-quality providers
- Supports increased workforce compensation
- Provides funds to build supply of high-quality programs
- Promotes parent choice

- Family savings range from \$2,000 to \$19,000 per year, dependent on income level and average cost of care.



Core Principles

1. Funding should incentivize quality
2. Funding should reflect the cost of quality
3. Quality and workforce compensation are inextricably linked
4. Need to invest in infrastructure
5. All families should be part of the same program



Challenges

- Federal landscape
- Lack of public support for increased spending
- Some still view infant and toddler care as 'babysitting'

Opportunities

- States can lead the charge – proof of concept
- Bipartisan issue
- Principles can be applied to smaller initiatives