

February 23, 2021

The Honorable Nancy Pelosi
U.S. House of Representatives
Washington, DC 20515

The Honorable Chuck Schumer
U.S. Senate
Washington, DC 20510

The Honorable Kevin McCarthy
U.S. House of Representatives
Washington, DC 20515

The Honorable Mitch McConnell
U.S. Senate
Washington, DC 20510

Dear Speaker Pelosi, Minority Leader McCarthy, Majority Leader Schumer, and Minority Leader McConnell:

We are writing to you today to express our strong support for the Child and Dependent Care Tax Credit (CDCTC), and thank you for prioritizing this important credit that will help working class families afford the cost of child care in the COVID-19 budget reconciliation bill. We urge you to include the measure's expansion in the final budget reconciliation bill, alongside other critical child care investments proposed to revive the industry and support working families.

Currently, 73% of employed parents with a child under age 14 work full time and year round. Yet, little support exists to help cover child care expenses for these families. Working families across the country were facing a child care crisis long before the COVID-19 pandemic, and it has only been exacerbated over the past 11 months. A 2019 ReadyNation report highlighted that the infant-and-toddler child care crisis costs the U.S. economy \$57 billion every year in lost productivity, revenue, and earnings. It also showed that 86% of caregivers reported child care issues causing a detriment to their work performance. Without access to affordable, high-quality child care, parents are unable to work or experience declines in productivity. Even worse, research shows many are forced to place children in low-quality child care settings.^{1 2} This is especially true for lower-income families. Expanding and making refundable the CDCTC will go a long way towards addressing this by subsidizing the cost of care for lower- and middle-income working families who are forced to make the difficult decision between participating in the workforce and high-quality care for their children.

Enhancements to the CDCTC have continued to garner bipartisan support, since long before the pandemic. Though the Child Tax Credit provides a significant benefit to families, the CDCTC is the only child care tax credit targeted towards *working* families. It is designed to help working families with the cost of work-related child care expenses. It facilitates both parental employment and contributes to healthy child development. According to the National Academies of Sciences, the Ways and Means Committee's expansion of the CDCTC would generate \$9.3 billion more in annual earnings than cost to the budget (\$5.1 billion).

¹ <https://www.cbpp.org/research/housing/child-care-and-housing-big-expenses-with-too-little-help-available>

² <https://www.childtrends.org/publications/child-care-affordability-out-of-reach-for-many-low-income-hispanic-households>

President Biden's American Rescue Plan (ARP) and the Ways and Means Committee's portion of the reconciliation bill include a temporary expansion of the CDCTC to help parents cover up to 50% of qualifying child care expenses. This would make families earning less than \$125,000 per year eligible for a reimbursement worth up to \$4,000 for one child or \$8,000 for two children. Families making between \$125,000 and \$400,000 would also continue to receive a partial credit. Additionally, the ARP proposes making the credit refundable, which would make it available to low- and middle-class tax-paying families with low or no tax liability.

The CDCTC has not been adjusted in 20 years despite the rising costs of child care over the past two decades. Also, the current credit is not refundable, making it unavailable to most low- and many middle-income families. It currently provides a maximum credit of \$2,100 for working parents with two or more children—only about 10% of the average annual cost of care for two children in the U.S.

In this time of uncertainty, we need to focus relief efforts on allowing parents to get back to work, and children to get back to school and child care. A recent study conducted by the U.S. Chamber of Commerce Foundation found that 50% of the parents who have not yet returned to work cite child care as the reason for not returning. Further, 75% of working parents currently have children staying at home with a parent during working hours. The impact has been even more acute for women, both because of their role in caregiving, and their representation in industries, such as the service and care industries, that have been hit the hardest. Overall, women have lost a net of 5.4 million jobs during the pandemic recession, nearly one million more job losses than men. In December, Black, Hispanic, and Asian women accounted for all of women's job losses that month, and 154,000 Black women dropped out of the labor force entirely.

Unless the federal government helps to make child care more affordable for working families, this trend of parents leaving and staying out of the workforce will continue, further hindering our nation's ability to recover from the COVID-19 pandemic and associated economic downturn.

Thank you for your time and consideration. We look forward to working with you to strengthen our nation's child care system and economy as a whole.

Sincerely,

Bipartisan Policy Center
Catholic Charities USA
Child Care Aware® of America
Council for a Strong America
Early Care and Education Consortium
Educare Learning Network
First Five Years Fund
Jumpstart
National Association for Family Child Care
NETWORK Lobby for Catholic Social Justice
Save the Children Action Network
Start Early