Representative Danny K. Davis (D-IL), Representative Suzan K. DelBene (D-WA), & Representative Linda T. Sánchez

Child and Dependent Care Tax Credit Enhancement Act of 2025

The Child and Dependent Care Tax Credit (CDCTC) is the only tax credit that helps working parents offset the rising cost of child care. This bill permanently expands the temporary CDCTC enhancements from 2021 that raised the maximum credit from $1,050 to **$4,000** for 1 child and from $2,100 to **$8,000** for 2 or more children. Both the CDCTC and the Child Tax Credit are essential to support parents' ability to provide for their families. While 100% of the CDCTC reimburses parents for actual child care costs paid to work, parents mostly use the Child Tax Credit to defray other significant costs of caring for a child, such as food, rent, and clothing.

High-quality, affordable child care is essential to the economic well-being of families, businesses, and our country. Yet, child care places a major financial burden on American families. The price of child care can range from $5,357 to $17,171 per year depending on location and care type. Astoundingly, the cost of center-based care for two children is more than the average mortgage in 45 states and more than the average annual rent in all 50 states plus DC. Households under the poverty line spend nearly one third of their income on child care, and increases in median child care prices are connected to lower maternal employment rates. Further, the child care crisis hits families of color disproportionately hard. For a single parent who has never been married who is Black, Hawaiian/Pacific Islander, or American Indian/Alaska Native, child care can cost 36%, 41%, or 49% of the median income, respectively, compared to only 31% for single White parents. Further, Latino and American Indian and Alaska Native parents disproportionately live in child care deserts.

Unfortunately, the current CDCTC fails to meet the needs of working families, with its current rates last set in 2001. Very few families receive meaningful benefit from the credit due to the extremely low phase-out level of $15,000, the low expense limits, the non-refundable nature, and the loss of benefit due to inflation. For example, the Tax Policy Center estimates that only 13% of families with children claimed the CDCTC in 2022. Compared to 2019, low-income working parents quadrupled their credit received in 2021. The National Academy of Sciences found that a robust CDCTC has limited cost yet reduces child poverty and greatly increases parental employment and earnings—especially for African Americans, single parents, and mothers younger than 25. Indeed, economists calculate that making child care more affordable will increase parents' workforce participation and substantially boost our economy and tax revenue.

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The *Child Care and Dependent Credit Enhancement Act* will:

* ***Put more money into a family's pocket*** by more than tripling the maximum credit most families could receive from $1,050 to $4,000 per child (age 0-13) - up to $8,000 for two or more children - and making the credit refundable to ensure those with the greatest need benefit.
* ***Make the max credit available to most working families*** with incomes of up to $125,000 (depending on expenses), much higher than the current level of $15,000.
* ***Help working married couples who file separately due to high student loan debt*** by allowing them to access to the credit.
* ***Retain the credit's value over time*** by indexing the benefits to inflation. to ensure they keep up with ever-growing costs.

Child care is essential to prepare children for success and to support parents' employment. Working parents need more help providing their children with quality care so that they can work. Senators Tina Smith (D-MN), Ron Wyden (D-OR), and Patty Murray (D-WA) lead this critical bill in the Senate.

Organizations Supporting
Child and Dependent Care Tax Credit Enhancement Act of 2025

- **Center for Law and Social Policy**
- **Child Care Aware of America**
- **Early Care and Education Consortium**
- **First Five Years Fund**
- **First Focus Campaign for Children**
- **MomsRising**
- **National Association for the Education of Young Children**
- **National Women's Law Center Action Fund**
- **Save the Children**
- **Start Early**
- **Society for Human Resource Management (SHRM)**
- **ZERO TO THREE**

The CDCTC and the CTC

The Child & Dependent Care Tax Credit and the Child Tax Credit support families in very different ways. Families Need Both.

The Child and Dependent Care Tax Credit (CDCTC) specifically helps working parents keep more of what they earn to pay for child care.

Families Use For:

Child care expenses (100%)

The Child Tax Credit (CTC) can be used to defray any costs associated with raising a child.

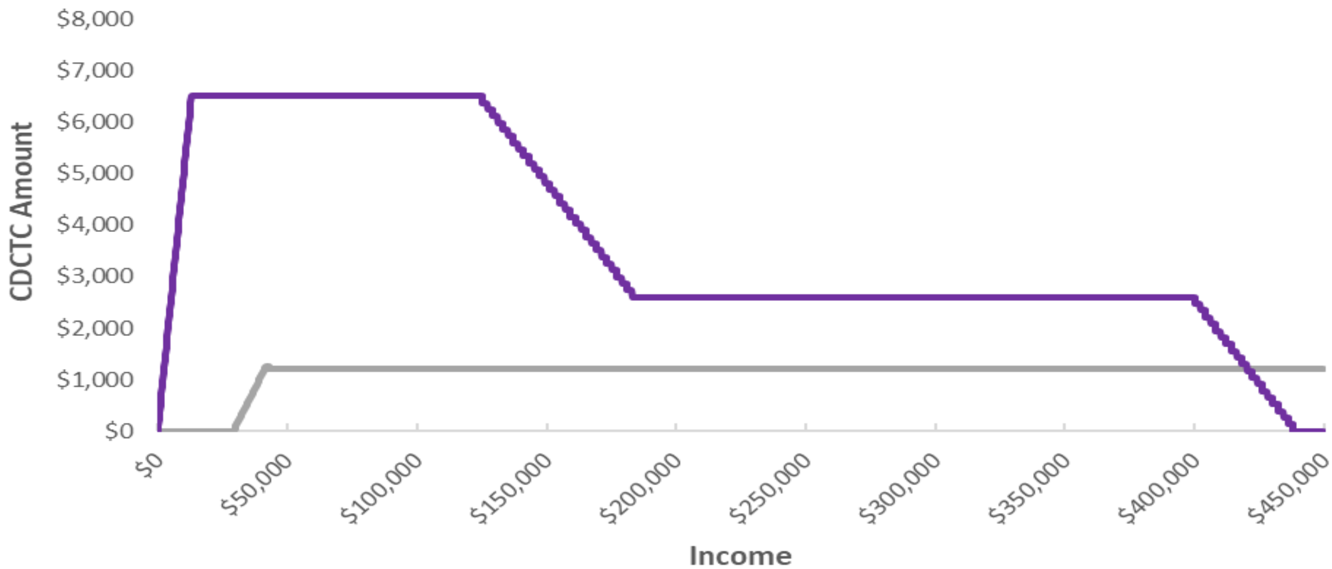
Families Use For

- Food (52%)
- Education (40%)
- Utilities (52%)
- Vehicle (19%)
- Housing (45%)
- Debts (19%)
- Clothes (44%)
- Child Care (16%)

Example Benefits under the Davis-DelBene-Sánchez Child and Dependent Care Tax Credit Enhancement Act vs. Current Law

CDCTC Amounts Under Current Law and Davis-Smith

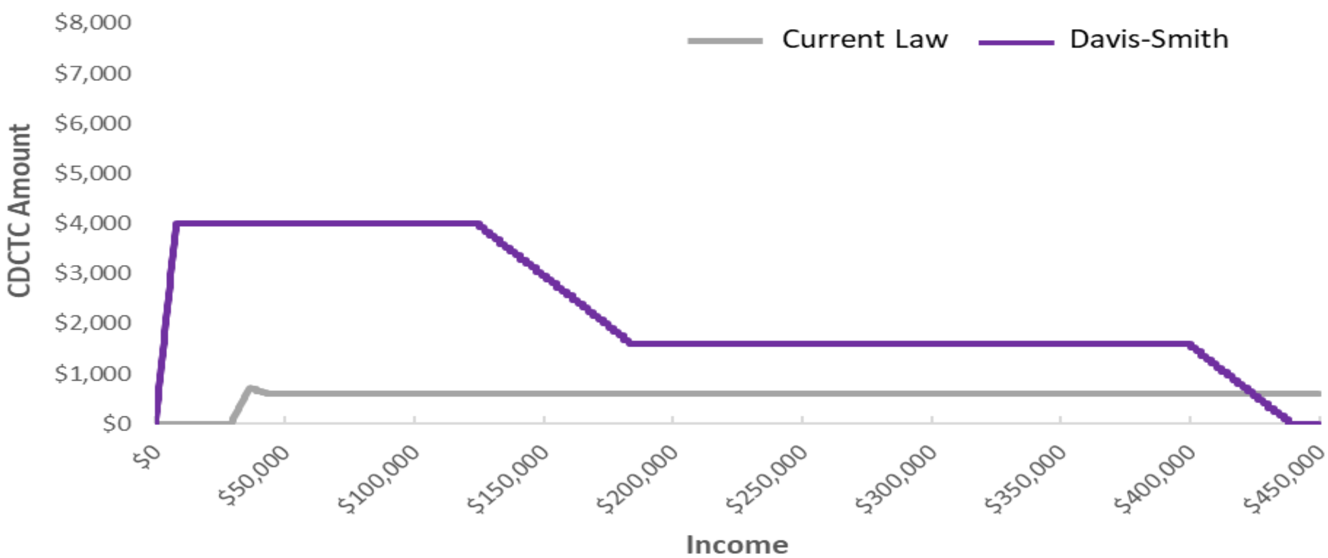
Married Couple with Two Children and $13,000 of Child Care Expenses



This is a stylized example of a taxpayer in 2024 (i.e., their income and expenses are reported on their 2024 income tax return). It assumes that the taxpayer claims the standard deduction and no other tax benefits. All income is assumed to be from earned income, and earned income is assumed to equal adjusted gross income (AGI). The parameters of the Davis-Smith bill are assumed to be in effect in 2024 and hence these graphs do not reflect any inflation adjustment of these parameters.

CDCTC Amounts Under Current Law and Davis-Smith

Married Couple with One Child and $9,000 of Child Care Expenses

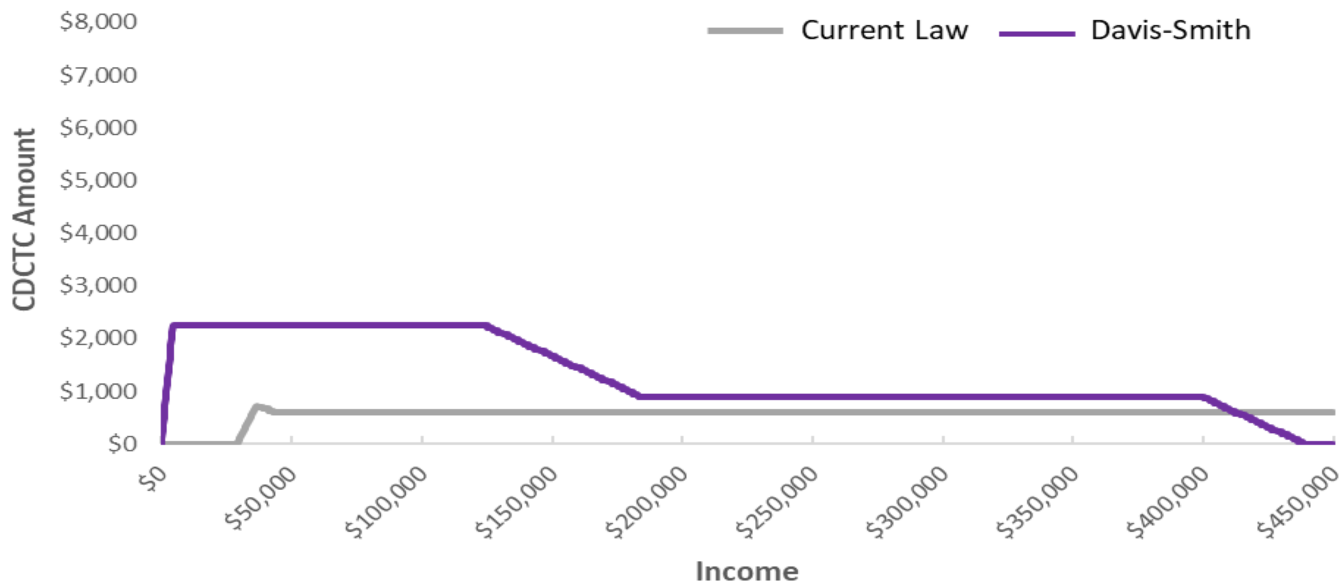


This is a stylized example of a taxpayer in 2024 (i.e., their income and expenses are reported on their 2024 income tax return). It assumes that the taxpayer claims the standard deduction and no other tax benefits. All income is assumed to be from earned income, and earned income is assumed to equal adjusted gross income (AGI). The parameters of the Davis-Smith bill are assumed to be in effect in 2024 and hence these graphs do not reflect any inflation adjustment of these parameters.

Example Benefits under the Davis-DelBene Child and Dependent Care Tax Credit Enhancement Act and Current Law

CDCTC Amounts Under Current Law and Davis-Smith

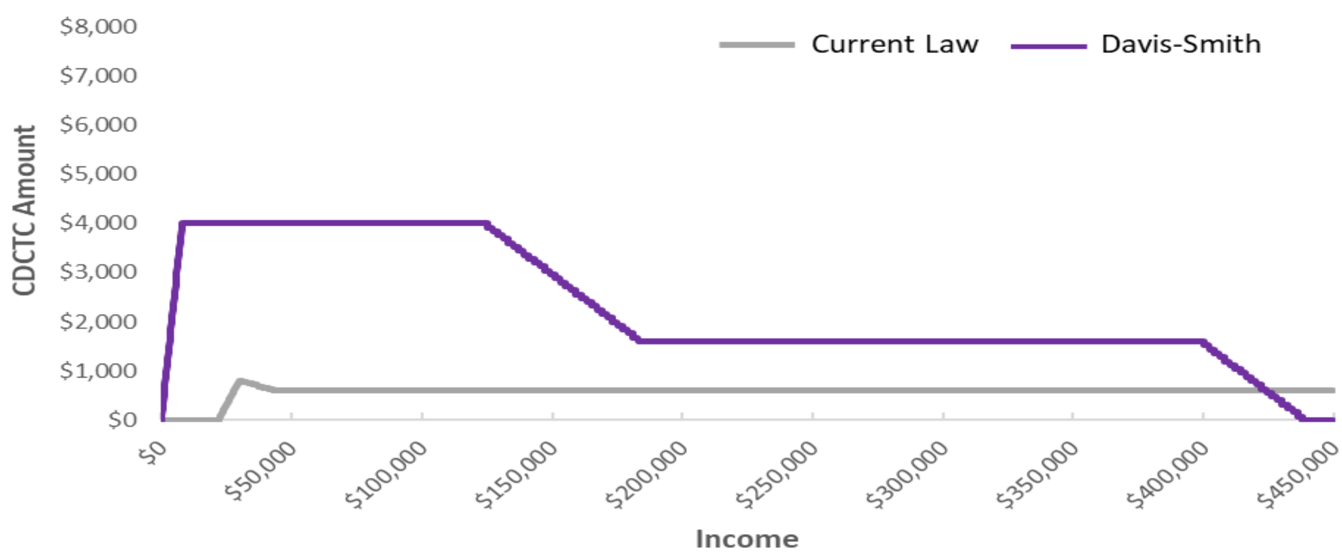
Married Couple with One Child and $4,500 of Child Care Expenses



This is a stylized example of a taxpayer in 2024 (i.e., their income and expenses are reported on their 2024 income tax return). It assumes that the taxpayer claims the standard deduction and no other tax benefits. All income is assumed to be from earned income, and earned income is assumed to equal adjusted gross income (AGI). The parameters of the Davis-Smith bill are assumed to be in effect in 2024 and hence these graphs do not reflect any inflation adjustment of these parameters.

CDCTC Amounts Under Current Law and Davis-Smith

Single Parent with One Child and $9,000 of Child Care Expenses



This is a stylized example of a taxpayer in 2024 (i.e., their income and expenses are reported on their 2024 income tax return). It assumes that the taxpayer claims the standard deduction and no other tax benefits. All income is assumed to be from earned income, and earned income is assumed to equal adjusted gross income (AGI). The parameters of the Davis-Smith bill are assumed to be in effect in 2024 and hence these graphs do not reflect any inflation adjustment of these parameters.