



## Child Care Tax Credit

### The Challenge

Access to affordable, high-quality child care is critical to keep families working and to help children learn and develop. When child care is unavailable, families make arrangements that are often unreliable, causing them to be late for or miss work. Quality child care ensures that children are safe and supervised, all the while building a strong foundation for learning and achievement in school.

The high cost of child care in New York City hurts many families. Child care tax credits are one way to make child care more affordable. The federal Child and Dependent Care Credit (CDCC) helps offset costs for child care through a personal income tax deduction. The federal CDCC provides a non-refundable credit to 218,000 New York City families.<sup>1</sup> New York State has a fully refundable Child and Dependent Care Credit — the most generous state CDCC in the nation — providing tax refunds to 266,000 New York City families.

**While these credits help, it isn't enough to make child care affordable.**

### The Solution

**Create a refundable New York City Child Care Tax Credit.** Eligibility for the child care tax refund would be based on family income. Filers would claim the credit and get an income tax refund. The credit would be set at a percentage of the state credit for low-wage earning families with young children. The credit would decline and then phase-out as income increases. Child care tax credit proposals have been advanced by the Mayor and the City Council. State legislation is needed to enact the proposal.

**Make the federal Child and Dependent Care Credit refundable.** This change would provide a cash-back tax refund to 48,000 New York City families and 1.8 million families nationwide.

Access to affordable, high-quality child care is critical to keep families working and to help children learn and develop. A New York City Child Care Tax Credit would provide a tax refund to thousands of families with young children.

## The Cost & Benefits

A New York City Child Care Tax Credit would target low-wage earning families with young children up to three years old. By investing approximately \$42 million in a child care tax credit, New York City could provide thousands of families with a refund totaling as much as \$1,000 per child, depending on earnings and child care expenses. Making the federal Child and Dependent Care Credit (CDCC) refundable would require the federal government to invest an additional \$1.6 billion.

To illustrate the benefits of enacting a New York City Child Care Tax Credit and making the federal CDCC refundable, a family with two children earning \$20,000 and paying \$6,000 for child care could receive the following tax refunds:

\$1,900 from the federal CDCC  
\$2,000 from New York State  
\$1,500 from a New York City Child Care Tax Credit  
**\$5,400 in total**

\*The federal credit does not provide cash back in the form of a tax refund. Rather, it allows families to claim a portion of their child care expenditures on their federal tax return thereby lowering their tax liability. Parents with two or more children earning below \$23,700 and all families with incomes below \$10,000 do not benefit from the federal CDCC because their low earnings do not qualify them for a refund.

Citizens' Committee for Children of New York, Inc.  
105 East 22nd Street  
New York, NY 10010  
T: 212-673-1800 F: 212-979-5063  
[www.cccnewyork.org](http://www.cccnewyork.org)

