Child Care for Economic Recovery Act
Supporting Workers and the Economy through Improved Access to Quality Child Care During the COVID-19 Crisis

The COVID-19 crisis has exacerbated the shortage of quality, affordable child care for workers. The Child Care for Economic Recovery Act would provide ongoing federal investments and tax subsidies for working families, helping to bring quality child care within their reach to support ongoing employment. It also provides tax credits to support child care providers affected by COVID-19 shutdowns.

Improved and Fairer Tax Benefits for Families and Working Caregivers

Enhances the child and dependent care tax credit (CDCTC)
This proposal makes the CDCTC refundable, allowing many low- and middle-income families to claim the credit for the first time. The enhanced credit covers up to half of a taxpayer’s childcare expenses. Under the proposal:

- Families with one child would be eligible for a credit of up to $3,000;
- Families with more than one child would be eligible for a credit of up to $6,000; and
- The credit value phases down for families who earn in excess of $120,000.

Expands the dependent care flexible spending accounts (FSA)
This provision would roughly double the amount that can be contributed to a dependent care FSA and provide flexibility for families who have unforeseen changes in dependent care needs as a result of COVID-19. It permits employers to allow employees with dependent care flexible spending arrangements to carry over unused benefits or contributions from 2020 to 2021, and allows a grace period for expenses incurred up to 12 months after the end of the plan year.

Creates a new tax credit to help employees access quality, affordable child care
To incentivize employers to do right by their employees, this measure provides a new 30 percent refundable payroll tax credit for eligible employee dependent care benefits paid by employers.

Support for Struggling Child Care Providers

Provides a new refundable payroll tax credit for child care providers
In an effort to help keep child care providers afloat, the legislation creates a 50 percent refundable payroll tax credit for mortgage obligations, rent obligations, and utility payments incurred by child care facilities that have suffered a reduction in revenue or are subject to a COVID-19 related closure.
Incentivizes employers to keep child care workers on payroll

The bill expands the employee retention tax credit (ERTC) to incentivize employers of household domestic workers to continue to pay those employees. Employers can receive the credit on wages they pay domestic workers who cannot work due to a governmental order.

Greater Federal Investments in Child Care

Increases funds for the Child Care Entitlement to States program

This proposal increases guaranteed federal funding for the Child Care Entitlement to States (CCES) up to $10 billion per year for FY2020 – FY2024, and waives state match requirements for the additional funds for FY2020 and FY2021, in order to provide sustained and predictable support. The federal government administers CCES jointly with the annually-appropriated Child Care and Development Block Grant (CCDBG) to form one cohesive federal child care program, called the Child Care and Development Fund (CCDF).

The CCES has been frozen at $2.9 billion since 2006. Even combined with significant increases in CCDBG appropriations over the past two years, total CCDF spending on child care is at about the same level as it was in 2006, in inflation-adjusted terms. Approximately 450,000 fewer children received federal child care assistance in 2017 than in 2006 – about one in six eligible children.

This inadequate federal investment in child care has put quality child care out of reach for many working families, forcing them to choose between not working or using unsafe/unreliable care.

In conjunction with the CDCTC, parlays federal investments into better child care options for working families

Investing in the CCDF raises the quality and accessibility of child care for all families, including those receiving the CDCTC, in two ways.

More than two-thirds of states rely almost entirely on the CCDF to pay for child care resource and referral systems, health and safety standards training, child care facility licensing and monitoring, and child care workforce professional development.

Facilities that accept CCDF vouchers are required to meet a higher standard of safety and quality, which applies to all children in those facilities’ care, not just those paying with vouchers.

Under this legislation, more families would be able to use the CDCTC to cover the cost of co-payments which would otherwise make child care unaffordable, even with the CCDF-funded subsidy. In 29 states, the copayment for a family of three living at 150 percent of the poverty level exceeds 7.2 percent of income ($184 per month), which is the average percentage spent on child care nationally among families who pay for child care.
Supports family care for essential workers during the COVID-19 crisis

The legislation provides $850 million to states, the District of Columbia, and all U.S. territories to fill in gaps in dependent care for essential workers during the COVID-19 pandemic. In part because of the long or irregular hours they are working, many health care and other essential workers have struggled to find safe care for their children and aging parents or have struggled to pay their current care providers. This fast funding would allow states to fill those gaps on an emergency basis while they work to make child care broadly available to all workers.

Invests in infrastructure to improve child care safety

The bill includes a $10 billion investment over the 2020-2024 period to improve child care facilities and infrastructure, both to address longstanding inadequacies of child care facilities and also to respond to the immediate infrastructure needs that the COVID-19 pandemic has caused, including structural changes to facilitate social distancing and improve sanitation.

These new investments would support improvements in public and private child care facilities of all sizes to improve conditions for children in rural, urban, and suburban communities across the country, and also in tribal communities and U.S. territories. The proposal would also leverage private resources and financing, to generate more bang for the buck, and require HHS to conduct a first-ever comprehensive inventory of the structural challenges facing child care in the United States and its territories.