US: Bipartisan childcare bill won't help families that need it most

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EXCERPTS

For months, the Trump administration has stressed the importance of helping low-income working families pay for good childcare, enabling parents to work while giving children access to high-quality care that helps them enter kindergarten ready to succeed. While assisting employed parents with the high costs of paid childcare didn't make it into the recently released Unified Tax Framework, that's the focus of the Promoting Affordable Childcare for Everyone (PACE) Act, a bipartisan proposal recently introduced in both the House and Senate, now gaining steam on the Hill.

According to its sponsors, the PACE Act aims to "promote expanded access to affordable child care for everyone," especially the low-income families who most need help. But while PACE may promote expanded access, the proposed legislation won't accomplish it. PACE would increase federal spending on childcare and give families who pay for childcare a bigger tax break. But it would no more help low-income families gain access to high-quality care than boosting the mortgage interest tax credit would help them buy a house.

Specifically, the PACE Act seeks to amend the existing Child and Dependent Care Tax Credit (CDCTC), which currently gives families an income tax credit for some portion of their "eligible childcare expenditures," defined as a maximum of $3,000 spent for one child and $6,000 spent for two or more.

Families earning $43,000 and over can claim a tax credit of 20 percent of "eligible expenditures": i.e. up to $600 for one child and up to $1,200 for two or more. That percentage rises - by one point for every $2,000 decline in income - to 35 percent of eligible expenditures for families earning $15,000 or less. Under the CDCTC, families can also set aside up to $5,000 pre-tax dollars annually in employer-provided Dependent Care Assistance Plan (DCAP) Flexible Spending Accounts (FSAs).

The PACE Act's crown-jewel amendment makes the CDCTC refundable, "to ensure that it's actually a valuable tool for those who really need it." That means the roughly 40 percent of lower-income families who earn too little to owe income taxes would be eligible for a refund of up to $3,000, depending on annual income, number of children in care, and how much they spent on childcare.

In addition, PACE's proposed amendments to the CDCTC would:

• Boost the total credit families can potentially receive, by increasing the portion of those "eligible expenditures" that can be claimed, to a new range of 35 to 50 percent;

• Increase from $5,000 to $7,500 the amount that families may put into DCAP FSAs; and

• Index both the credits and the FSAs to inflation.

PACE has been widely lauded as "life-changing" legislation that "targets the Americans most harmed by the high cost of child care" and would "measurably improve the lives of millions of American families." Along those lines, it's garnered an impressive roster of endorsements from national child advocacy groups like Council for a Strong America, Child Care Aware of America, the First Five Years Fund, the National Association for the Education of Young Children, and Save the Children Action Network, among others.

The problem that PACE aims to address is a serious one. As sponsor Kevin Yoder stresses, "every American family ... wants to be able to afford quality early childhood education to prepare their children for the future." But in Florida, PACE sponsors point out, the average annual cost for infant care is $8,600. In Kansas, the average annual cost for infant care is $11,201; care for an infant and a preschooler averages $19,152 annually. Costs are similar across the country. And for millions of Americans, that puts high-quality childcare as far out of reach as private school or college.

While PACE sponsors describe the problem correctly, the legislation they're proposing won't fix it. That's because what families lack isn't a refund for childcare expenditures. What they lack is enough money to afford decent childcare in the first place.

For instance, one widely cited example of PACE's "tangible improvements" portrays a family of four making less than $15,000 who would receive a refund of up to $3,000 "to help pay for childcare." But such a family earns under $1,250 per month. To get a refund of $3,000, they would have to spend $6,000: averaging $500 per month on childcare and leaving them just $750 per month to live on.

Poor families imagined in Washington may get $3,000 with that math. Most real-life ones, however, won't get a penny. And neither will get access to high-quality care, which costs up to three times the "eligible childcare expenditures" that PACE stipulates.

Another example describes a family of four earning $55,000 who would receive up to $900 more on childcare expenditures for two children. Yet bill sponsors say the cost of care for two young children in Kansas averages $19,000. So PACE would give $75 more per month to families spending $1,600 per month on childcare - hardly a gamechanger for middle-class families trying to keep their children in high-quality care.

Finally, PACE raises the cap on employer-provided FSAs. This is good news for parents whose employers provide DCAP FSAs and who have an extra $5,000 to contribute. But 84 percent of private industry workers in the lowest income quartile don't have access to FSAs at work. And "struggling families trying to make ends meet" don't have surplus income to save anyway.

The bottom line is that PACE won't come close to helping the very people cited by those promoting it. Legislating a refund for a tiny fraction of expenditures that families can't afford to make doesn't count.

If Congress wants to spend more money on childcare, it should do so by assisting the neediest Americans in a meaningful way, not by giving a small tax cut to wealthier ones who already have access to decent care for their children.

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