



# A New Vision for Child Care in the United States

A Proposed New Tax Credit to Expand High-Quality Child Care

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# Introduction and summary

More than 12 million children in the United States under age 5 attend child care each week.<sup>1</sup> Across the country, millions of working families struggle to find affordable, high-quality child care. For most of those families, child care is an economic necessity, as 65 percent of children under 6 years old have all of their available parents in the labor force.<sup>2</sup>

However, child care is quickly becoming unaffordable for the families who need it. The average annual price of a child care center exceeds \$10,000, and this price is growing.<sup>3</sup> Over a 12-year period from 2000 to 2012, child care costs for a typical middle-class family grew by \$2,300.<sup>4</sup> In 31 states and the District of Columbia, the cost of full-time, center-based child care trumps the average annual cost of tuition and fees for a public four-year university.<sup>5</sup> Existing programs designed to help families afford child care, including the Child Care and Development Block Grant and the Child and Dependent Care Tax Credit, reach only a small portion of families and do not reflect actual child care prices.

The United States has the third-highest child care costs for families, as measured by percentage of family income, compared with other Organisation for Economic Co-operation and Development, or OECD, countries.<sup>6</sup> At the same time, the United States spends comparatively less money than other countries when it comes to helping families afford child care.<sup>7</sup> Failing to invest in child care can have negative economic consequences, leading to lower earnings for families and less economic growth.

Now more than ever, the United States is in need of a child care system that supports working families and reflects the financial realities that they face. The Center for American Progress proposes a High-Quality Child Care Tax Credit available to help low-income and middle-class families afford child care. The tax credit would provide up to \$14,000 per child to reflect the cost of high-quality child care paid directly to providers on a monthly basis to help families afford child care.

Families would contribute up to 12 percent of their income toward child care fees on a sliding scale. The new tax credit would support access to child care rated as high quality, which would be selected by parents. This proposal would complement CAP's call for universal, voluntary preschool for all 3- and 4-year-olds, thus creating access to high-quality early learning programs from birth to kindergarten entry. In addition to improving access to high-quality programs for children, the proposal would save families thousands of dollars per year and facilitate child care arrangements that support financial security for working families. In supporting the current workforce and preparing tomorrow's workforce for success, the proposal would help secure America's economic future.

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The Center for American Progress is an independent, nonpartisan policy institute that is dedicated to improving the lives of all Americans, through bold, progressive ideas, as well as strong leadership and concerted action. Our aim is not just to change the conversation, but to change the country.

## Our Values

As progressives, we believe America should be a land of boundless opportunity, where people can climb the ladder of economic mobility. We believe we owe it to future generations to protect the planet and promote peace and shared global prosperity.

And we believe an effective government can earn the trust of the American people, champion the common good over narrow self-interest, and harness the strength of our diversity.

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We develop new policy ideas, challenge the media to cover the issues that truly matter, and shape the national debate. With policy teams in major issue areas, American Progress can think creatively at the cross-section of traditional boundaries to develop ideas for policymakers that lead to real change. By employing an extensive communications and outreach effort that we adapt to a rapidly changing media landscape, we move our ideas aggressively in the national policy debate.

