



Child and Dependent Care Tax Credit – Historic Support to Help with the Cost of Child Care

Families are feeling the strain of the high costs of child care. The President has called on Congress to provide families breathing room by capping child care costs for young children at 7% of family income, helping 9 in 10 families with young children and saving most American families more than half of their child care spending. This remains a top priority of President Biden and Vice President Harris. In the meantime, it is important that every family take advantage of the potential benefits currently in the law due to the American Rescue Plan. For this year, the American Rescue Plan included **the largest ever increase in support for child care through the tax code** to help millions of working families afford needed care right now.

Thanks to the American Rescue Plan, families with incomes \$125,000 or below can get back **up to half of what they spent on child care in 2021** while working, looking for work, or studying full-time—**saving up to \$4,000 for one child and up to \$8,000 for two or more children** under age 13. Families making up to \$438,000 could still be eligible for a partial credit.

The American Rescue Plan:

- **Increased to the highest level ever both the amount and share of child care expenses that most families can claim –**
 - Families with one child under age 13 can receive up to 50% of \$8,000 in expenses (i.e. up to \$4,000)
 - Families with two or more children under age 13 can receive up to 50% of \$16,000 in expenses (i.e. up to \$8,000)
- For the first time ever, made the CDCTC fully refundable, **allowing low-income working families to receive up to the full value of the credit towards their eligible child care expenses** regardless of their federal tax liability.

The Treasury Department and the White House American Rescue Plan Implementation team are working to raise awareness of this enhanced CDCTC benefit to assist families with child care costs and your organization can help.

Treasury and WH ARP are adding new information about the CDCTC to childtaxcredit.gov, a plain language, bilingual, mobile-friendly one-stop for families to find out more information on important benefits like the Child Tax Credit, the Earned Income Tax Credit, and—now—the Child and Dependent Care Tax Credit. For families that have not received CDCTC in the past, learning about the information that the IRS will request on your child care arrangements can be a helpful step in preparing to claim the credit.

Some families may need help in claiming the benefit. childtaxcredit.gov has tools to help low- and moderate-income families find free assistance in filing for benefits like the CDCTC.

WE NEED YOUR HELP!

You can:

- **Help raise awareness** of the CDCTC benefit, especially among families that may not have qualified for assistance in prior years, among the families you reach and serve.
- **Help direct families** to more information on how to claim CDCTC and other tax credits and get free tax filing assistance at childtaxcredit.gov