

Congress of the United States
Washington, DC 20515

October 27, 2017

The Honorable Kevin Brady
Chairman, Committee on Ways and Means
1102 Longworth H.O.B.
Washington, D.C. 20515

The Honorable Richard Neal
Ranking Member, Committee on Ways and Means
1139E Longworth H.O.B.
Washington, D.C. 20515

Dear Chairman Brady and Ranking Member Neal:

We write today to bring a crucial issue to your attention as the Ways and Means Committee works on reforming our nation's tax system. The Child and Dependent Care Tax Credit (CDCTC) is a current tax provision aimed at helping families bear the burden of expensive childcare. As you endeavor to make the tax code work better for all Americans, we request that the final tax reform package include an expansion of the CDCTC. Please consider using our bipartisan bill, H.R. 3632 the PACE Act, as model legislation for potential improvements that could be made to the CDCTC through the tax reform process.

We introduced H.R. 3632, the Promoting Affordable Childcare for Everyone (PACE) Act, in an attempt to combat the exploding costs of childcare. Around the country, countless families are struggling to keep up with the cost of quality care for their children, which has risen by 168% over the last 25 years. Today, childcare for an infant is, on average, more expensive than in-state tuition at a public university. This burden acts as a barrier to employment for some parents. If we want to increase participation in the labor force and give more families the opportunity for economic mobility, then we must address the obstacle that expensive childcare is for working parents.

The tax code has two essential childcare-related provisions, the CDCTC and Dependent Care Assistance Programs (DCAPs), which allow families to utilize tax-free childcare Flexible Spending Accounts (FSAs). However, these benefits have not been updated in years and their effectiveness has been severely eroded. The PACE Act updates and reforms these two programs to restore their ability to help the American people afford quality childcare. Specifically, our bill would:

- Make the CDCTC fully refundable, benefiting more low-income working parents with zero or minimal tax liabilities who do not benefit from the current non-refundable credit;
- Increase the value of the credit for all families;
- Increase the amount of pre-tax dollars families can invest into DCAPs from \$5,000 to \$7,500;
- Index both the CDCTC and DCAPs to inflation for the first time, ensuring that these important benefits keep pace with the rising cost of child care.

The PACE Act has 37 cosponsors, including 23 Republicans and 14 Democrats. The bipartisan support behind this bill reflects the broad consensus that the benefits of tax reform need to be focused on working families. Additionally, the PACE Act delivers a high impact for a relatively low cost, at \$37 billion over ten years. We wholeheartedly believe that the principles in the PACE Act, if included in comprehensive tax reform, would help bring significant tax relief to families across America. As you craft legislation to overhaul our tax code, we ask that you take steps to help families afford childcare, and please preserve and expand the CDCTC and DCAPs.

Sincerely,



Kevin Yoder
Member of Congress



Stephanie Murphy
Member of Congress