NATIONAL WOMEN'S LAW CENTER
REPORT

Making Care Less Taxing: State Child and Dependent Care Tax Provisions

DECEMBER 2018

ABOUT THE CENTER

The National Women's Law Center is a non-profit organization working to expand the possibilities for women and their families by removing barriers based on gender, opening opportunities, and helping women and their families lead economically secure, healthy, and fulfilled lives—with a special focus on the needs of low-income women and their families.

ACKNOWLEDGEMENTS

Authors: Sarah Hassmer
Amy Matsui

Design & Production: Beth Stover

The authors gratefully acknowledge the following current and former Center colleagues who provided research, editorial, and communications assistance: Diali Avila, Meika Berlan, Helen Blank, Anna Chu, Morgan Harwood, Candace Milner, Grace O'Meara, Kayla Patrick, Carolyn Rutsch, Karen Schulman, Jenalyn Sotto, Jasmine Tucker, and Tara Wilson. We are also extremely grateful to child care advocates across the country for their contributions to this report and their advocacy efforts.

This report would not have been possible without the generous support of the Annie E. Casey Foundation, Heising-Simons Foundation, and an anonymous funder.

DISCLAIMER

Text, citations, and data are current as of the date of publication. This report does not constitute legal or tax advice; individuals and organizations should consult with counsel related to specific tax matters.

Table of Contents

Introduction

Families need affordable high-quality, reliable child and dependent care so that the adults in the family can get and keep a job. But care is not cheap: In 2017, average annual child care costs ranged from nearly $3,000 to over $23,000 (depending on the care arrangement, the age of the child, and the state); and the median annual cost for full-day, adult dependent care services was $18,200. The high cost of care places a tremendous burden on working parents, and especially women. Women, who are on average paid less, are more likely to work part-time, and are more likely to be raising children on their own than men, may find it especially difficult to access high-quality, affordable child care.

Public investments can help families meet the high cost of the care they need to work, and their family members need to be safe, well-cared for, and thrive. One such investment is direct child care assistance to low- and moderate-income families through the federal Child Care and Development Block Grant (CCDBG). However, only a limited number of the families eligible to access direct child care assistance through CCDBG are able to do so, due to insufficient funding. Most states set more restrictive eligibility limits to qualify for assistance than the federal limit and many states place families on waiting lists for assistance even when they meet state eligibility criteria.

While direct child care assistance remains the most effective way to help families access child care, tax provisions for child and dependent care expenses can provide some help to families struggling to pay for the child care they need to support their children. These tax provisions can reduce the amount of tax owed by families and, in some instances, provide or increase tax refunds. The federal government and over half the states have some type of child and dependent care (CADC) tax provision.

This report provides background on state child and dependent care tax provisions for families, describing their structure, the help they provide to families, and how states can enact them to help alleviate the heavy burden of child care costs. It also provides summaries and analysis of each state CADC tax provision.

Background on State Child and Dependent Care Tax Provisions

What is a child and dependent care tax provision?

Child and dependent care tax provisions can reduce the amount of tax owed by families and, in some instances, provide or increase tax refunds. **Families who pay out-of-pocket, work-related expenses for child and dependent care can claim a portion of those expenses as a tax benefit when they file their tax returns the following year.** Let's break this down:

Families who pay out-of-pocket expenses: Families have to pay child and dependent care costs in order to use them to claim tax benefits. Most state child and dependent care tax provisions use the same definition of expenses as the federal Child and Dependent Care Tax Credit (CDCTC). For the purposes of that credit, the expenses can include not only costs for care, but also co-payments, deposits, transportation, and some other related expenses. If the family receives a scholarship or voucher, or uses a Dependent Care Assistance Plan, to pay for particular expenses, they generally can't claim those expenses for the tax credit.

Families can claim child care expenses for a child, stepchild, adopted child (or child lawfully placed with the family for legal adoption), foster child, sibling, half-sibling, step-sibling, or a descendant of any of these individuals (e.g., grandchild, niece).

For child and dependent care: Child care, for the purposes of the federal CDCTC and most state provisions, generally means care for children under age 13. This can include a variety of care arrangements, including care provided in the family's home or the home of a neighbor or relative, a child care center, family day care home, preschool, before- or after-school care, and even summer or school vacation day camps. Dependent care means care for a spouse, child age 13 or over, or other family member who lives in the same household, who is physically or mentally incapable of self-care. This likewise can include different kinds of care arrangements, but not residential living facilities or nursing homes.

Families have different preferences for their care arrangements, but presumably all would like the care to be of high quality. The federal CDCTC imposes some minimum quality standards by requiring that expenses paid to a dependent care center are covered only if the center meets applicable state and local laws. Four states designed their child and dependent care tax provisions to encourage higher-quality care: Arkansas, Louisiana, Maine, and Vermont.

Work-related expenses: For the federal CDCTC and state provisions, the child and dependent care must be necessary so that the adults in the family can work or look for work. The work has to be paid, and if the family is headed by a married couple, the amount of care expenses can't exceed what either spouse earns. In some cases, the credit can be claimed if one or both of the adults in the family are students.

Can claim a portion of those expenses: Families can generally claim eligible care expenses up to a certain dollar limit for child and dependent care tax benefits. The expense limit for the federal CDCTC (and thus in many states) is $3,000 for one child or dependent, and $6,000 for two or more children and/or dependents. A percentage of those expenses, generally based on income, is applied to the amount of eligible expenses to calculate the amount of the tax benefit. States that base their credits on the federal CDCTC generally take a percentage of the tax filer's federal credit.

Example: **Christine and Taylor had $6,000 in child care expenses for their two children. Based on their $80,000 income, they received a federal CDCTC worth $1,200. They live in Arkansas, which has a nonrefundable child care tax credit worth 20% of the federal CDCTC received. They could receive a state tax credit worth $240, depending on their Arkansas state tax liability.**

As a tax benefit: Child and dependent care tax provisions can either take the form of a tax deduction or a tax credit.

- A **tax deduction** reduces a family's taxable income, which lowers the family's tax liability. The family deducts the eligible amount of child and dependent care expenses, which may or may not be limited to families who itemize their deductions. The value of the tax deduction depends on the family's tax rate, so tax deductions are worth less for families with lower income (especially if they lack tax liability altogether) and worth more for families with higher income (and therefore higher tax rates).

Refundable credits lower the amount of taxes a family owes by a set amount and provide a payment (refund) if the credit amount exceeds the family's tax liability. Refundable tax credits provide the most benefit to low-income families.

Non-refundable credits lower a family's tax liability by a set amount but do not provide a refund. The amount of the credit the family receives cannot exceed the family's tax liability.

- A **tax credit** lowers the amount of taxes a family owes by a set amount. That amount is generally calculated by applying a percentage, which is set by law and is often tied to the family's income, to the family's care expenses (up to the limit). The value of the credit depends on the percentage, the amount of the care expenses, and whether the credit is refundable or nonrefundable.

When they file their taxes the following year: For the most part, families file their taxes in the following year (for example, tax returns for 2018 are filed in 2019). So families claiming child and dependent care tax provisions in April 2019 base their claim on expenses that they already paid in 2018.

Illustration

A family is in a 12% tax bracket and has $100 in tax liability.

- **A $200 refundable tax credit would eliminate their $100 in tax liability and provide a $100 refund.**
- **A $200 nonrefundable tax credit would eliminate their $100 tax liability. They would not receive a refund.**
- **A $200 tax deduction would reduce their tax liability by $24 ($200 x .012), down to $76. So the value of their tax deduction would be $24.**

How much can child and dependent care tax provisions help families?

While child and dependent care tax provisions generally do not cover all of families' care expenses, they can provide a significant boost to families.

Example: **Carla is raising an infant on her own and has income of $30,000. In 2018, she pays $5,364 in child care expenses for care for her baby in a family child care home so she can go to work. She claims the federal CDCTC when she files her taxes in 2019. She can claim $3,000 in expenses, and, based on her level of income, would be eligible for a maximum credit of $810. She lives in California, which offers a nonrefundable child care tax credit worth 50 percent of her federal CDCTC (regardless of federal tax liability). Carla would be eligible for a California Child and Dependent Care Expenses Credit worth up to $405. Because the California credit is not refundable, the value of her state credit depends on her California tax liability.**

Why should states enact child and dependent care tax provisions?

States can enact child and dependent care tax provisions to help families meet their child and dependent care costs, along with other policies, to help improve child and dependent care affordability, quality, and availability. This may be a particularly attractive strategy for states facing political or budgetary constraints that make direct investments more difficult.

State child and dependent care tax provisions can be designed to provide the most help to lower-income families, who struggle the most to pay for care, while still benefiting middle- and higher-income families. And states can base their state tax provisions on the federal CDCTC, which — with some important exceptions — can make claiming the provision very simple for many families. What's more, if Congress makes improvements to the federal credit, such as making the credit refundable, state provisions tied to the federal credit would automatically improve as well.

Some complications arise when a state credit is based on the nonrefundable federal CDCTC. Because low- and moderate-income families have lower tax liability, they may not receive the full value of their federal credit (or any credit at all). This is even more likely after the 2017 federal tax law changes. If the state bases its credit on the federal CDCTC after it has been reduced by federal tax liability, the value of the state credit may be limited for low- and moderate-income families. One way to prevent this from happening is to specify that the state credit will be calculated on the federal CDCTC, regardless of the tax filer's federal tax liability.

In addition, some states have designed tax strategies to help encourage the use of quality child care services, as well as to support child care providers and the child care workforce.

More broadly, child and dependent care tax provisions lower tax burdens on working families. These tax provisions recognize that workers with child and dependent care expenses face costs that other workers do not. And because women often bear the brunt of caregiving, these tax provisions can help lower barriers that otherwise might keep mothers out of the workforce.

What is the “gold standard” for state child and dependent care tax provisions?

Best practices for child and dependent care tax provisions include making these provisions:

- **Refundable:** Many low- and moderate-income families will not be able to fully benefit from a child and dependent care tax provision if it is not in the form of a refundable credit. Moreover, because the federal CDCTC is not refundable, state lawmakers must draft legislation carefully to ensure that lower-income families are not inadvertently left out of the state credit, if the state credit is based on the federal credit.

- **Generous expense limits:** In 2017, the national average for annual child care costs ranged between $9,000 and $9,600 per child (but may cost significantly more depending on the age of the child, the type of care, and where the family lives); dependent care can also be very expensive for families. Families should at least be able to claim $3,000 in expenses for one child or dependent and $6,000 for two or more, as under the federal CDCTC, for state provisions — but states can also increase the expense limits to be more consistent with the current costs of care.

- **More generous for lower-income families:** In addition to making state child and dependent care tax provisions refundable tax credits, states can make their credits more valuable for lower-income families. One way to do this is by using a sliding scale, where the percentages used to calculate the credit are higher for lower-income families.

- **Indexing credit amounts and parameters for inflation.** If the expense limits and income thresholds are indexed for inflation, the value of the credit will not erode over time.

If you are interested in enacting or improving a child and dependent care tax provision in your state, NWLC is here to help — including by making policy recommendations, drafting or reviewing legislative language, or conducting a conference call or webinar for advocates in your state. Please contact Amy Matsui at amatsui@nwlc.org for more information.

Summary of Current State Child and Dependent Care Tax Provisions

State	CADC provision?	Credit/ Deduction Name*	Refundable Credit?	Max. Value: 1 Child/ Dependent	Max. Value: 2+ Children/ Dependents
Alabama	✗	N/A	N/A	N/A	N/A
Alaska**	✗ (not available)	N/A	N/A	N/A	N/A
Arizona	✗	N/A	N/A	N/A	N/A
Arkansas	✓	Child Care Credit	✗	$210	$420
Arkansas	✓	Early Childhood Program Credit	✓	$210	$420
California	✓	Child and Dependent Care Expenses Credit	✗	$525	$1,050
Colorado	✓	Child Care Expense Tax Credit	✓	$525	$1,050
Colorado	✓	Low-Income Child Care Expenses Credit	✓	$500	$1,000
Connecticut	✗	N/A	N/A	N/A	N/A
Delaware	✓	Child Care Credit	✗	$525	$1,050
District of Columbia	✓	Credit for Child and Dependent Care Expenses	✗	$336	$672
Florida	✗	N/A	N/A	N/A	N/A
Georgia	✓	Child and Dependent Care Expense Credit	✗	$315	$630
Hawaii	✓	Credit for Child and Dependent Care Expenses	✓	$600	$1,200

State	CADC provision?	Credit/ Deduction Name*	Refundable Credit?	Max. Value: 1 Child/ Dependent	Max. Value: 2+ Children/ Dependents
Idaho	✓	Tax Subtraction for Child and Dependent Care Expenses	✗	$222	$444
Illinois	✗	N/A	N/A	N/A	N/A
Indiana	✗	N/A	N/A	N/A	N/A
Iowa	✓	Child and Dependent Care Credit	✓	$788	$1,575
Kansas	✓	Credit for Child and Dependent Care	✗	$131	$263
Kentucky	✓	Child and Dependent Care Credit	✗	$210	$420
Louisiana	✓	Child Care Credit	✓	$525	1,050
Louisiana	✓	Child Care Expense Credit	✓	$1,050	$2,100
Louisiana	✓	Household Expense for Physically and Mentally Incapable Persons Credit	✗	$1,050	$2,100
Maine	✓	Child Care Credit	✓	$525	$1,050
Maine	✓	Adult Dependent Care Credit	✓	$263	$525
Maryland	✓	Credit for Child and Dependent Care Expenses	✗	$341	$683
Maryland	✓	Child and Dependent Care Expenses Subtraction	✗	$173	$345
Massachusetts	✓	Tax Deduction for Child and Dependent Care Expenses	✗	$281	$562
Michigan	✗	N/A	N/A	N/A	N/A
Minnesota	✓	Child and Dependent Care Credit	✓	$720	$1,440
Mississippi	✗	N/A	N/A	N/A	N/A

State	CADC provision?	Credit/ Deduction Name*	Refundable Credit?	Max. Value: 1 Child/ Dependent	Max. Value: 2+ Children/ Dependents
Missouri	✗	N/A	N/A	N/A	N/A
Montana	✓	Child and Dependent Care Expense Deduction	✗	$120	$180 if 2, $192 if 3+
Nebraska	✓	Credit for Child and Dependent Care Expenses	✓	$1,050	$2,100
Nevada**	✗	N/A	N/A	N/A	N/A
New Hampshire**	✗	N/A	N/A	N/A	N/A
New Jersey	✓	Child and Dependent Care Credit	✗	$500	$1,000
New Mexico	✓	Child Day Care Credit	✓	$480	$960 if 2, $1,200 if 3+
New York	✓	Child and Dependent Care Credit	✓	$1,155	$2,310
North Carolina	✗	N/A	N/A	N/A	N/A
North Dakota	✗	N/A	N/A	N/A	N/A
Ohio	✓	Child Care and Dependent Care Credit	✗	$1,050	$2,100
Oklahoma	✓	Child Care Tax Credit	✗	$210	$420
Oregon	✓	Working Family Household and Dependent Care Credit	✓	$9,000	$18,000
Pennsylvania	✗	N/A	N/A	N/A	N/A
Rhode Island	✓	Credit for Child and Dependent Care Expenses	✗	$263	$525
South Carolina	✓	Credit for Child and Dependent Care	✗	$210	$420
South Dakota**	✗	N/A	N/A	N/A	N/A
Tennessee**	✗	N/A	N/A	N/A	N/A
Texas**	✗	N/A	N/A	N/A	N/A
Utah	✗	N/A	N/A	N/A	N/A
Vermont	✓	Credit for Child and Dependent Care Expenses	✗	$252	$504

State	CADC provision?	Credit/ Deduction Name*	Refundable Credit?	Max. Value: 1 Child/ Dependent	Max. Value: 2+ Children/ Dependents
Vermont	✓	Low-Income Child and Dependent Care Credit	✓	$525	$1,050
Virginia	✓	Deduction of Child and Dependent Care Expenses	✗	$173	$345
Washington**	✗	N/A	N/A	N/A	N/A
West Virginia	✗	N/A	N/A	N/A	N/A
Wisconsin	✗	N/A	N/A	N/A	N/A
Wyoming**	✗	N/A	N/A	N/A	N/A

* Credit/deduction names are based on the names on state tax forms, not statutory provisions.

**These states do not have a state individual income tax.

State-by-State Child and Dependent Care Tax Provision Analysis

The next section of the report provides summaries of each state CADC tax provision (refundable credit, nonrefundable credit, or deduction), illustrations of the maximum tax credit or deduction two sample families would receive, and ways each CADC tax provision could be improved. The information for each CADC tax provision is for Tax Year (TY) 2018 (for taxes filed in 2019), unless otherwise indicated. An appendix with statutory citations can be found at the end of the report.

FAMILY ILLUSTRATION METHODOLOGY:

- **Family 1:** A woman has an income of $30,000,[1] is raising an infant on her own, and pays the state average annual cost for Family Child Care (FCC).[2]

- **Family 2:** A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) has an income of $47,840,[3] has an infant and a four-year-old, and pays the state average annual cost for FCC.

NOTE: These are only two examples of families and are not representative of what the average family in each state pays in child or dependent care expenses or would receive from a CADC tax credit/deduction. Some of these families may receive direct child care assistance that lowers their child care costs. However, it should be noted that in many states, these families would be ineligible to receive direct child care assistance, even at this very modest level of income, or may be on a waiting list to receive direct assistance. And nationwide, only one in six eligible children receives assistance through CCDBG and related federal programs.[4]

1 The national median income for an unmarried parent with children under 13. Nat'l Women's Law Ctr. calculations based on U.S. Census Bureau, 2016 Current Population Survey (CPS), Annual Social and Economic Supplement, using Sarah Flood, Miriam King, Steven Ruggles, and J. Robert Warren, Integrated Public Use Microdata Series (IPUMS), Current Population Survey: Version 5.0 [dataset]. Minneapolis: University of Minnesota, 2016, *available at* https://usa.ipums.org/usa/ [hereinafter CPS 2016 IPUMS]. The definition of income, for the purposes of CPS 2016 IPUMS, is different from the definition income used for either the federal child and dependent care tax credit (federal Adjusted Gross Income (AGI)) and from many of the state child and dependent care tax provisions. Specifically, some states use state AGI for the purposes of their state credits, and the relevant income measure for calculating the value of state deductions is state taxable income, which determines the state tax rate that is applied. For the purposes of family illustrations used throughout the report, the generic term "income" is used.

2 These programs include legally-operated licensed programs and FCC homes that are legally exempt from licensing but does not include child care provided by a relative, nanny, neighbor, or friend. Child Care Aware, Parents and the High Cost of Child Care 60 (2018), *available at* https://cdn2.hubspot.net/hubfs/3957809/costofcare2018.pdf. Most of the state average annual costs for FCC used in this report are from Child Care Aware, Parents and the High Cost of Child Care: 2018 Appendices 4-5 (2018), *available at* http://usa.childcareaware.org/wp-content/uploads/2018/10/appendices18.pdf. Kentucky and Montana did not report data on the 2018 survey, so those average annual costs for FCC in the report are from Child Care Aware, Parents and the High Cost of Child Care: 2017 Appendices 5 (2017), *available at* http://usa.childcareaware.org/wp-content/uploads/2018/01/2017_CCA_High_Cost_Appendices_FINAL_180112_small.pdf.

3 NWLC calculations of gross income based on two people working 40 hours per week, 52 weeks per year at $11.50 per hour.

4 Calculation includes children receiving child care assistance through CCDBG, Temporary Assistance for Needy Families (TANF) transfers to CCDBG, direct use of TANF for child care, and Social Services Block Grant funding used for child care. U.S. Dep't of Health & Human Servs., Office of the Assis. Sec'y for Planning & Evaluation, Estimates of Child Care Eligibility & Receipt for Fiscal Year 2013 (Nov. 2017), *available at* https://aspe.hhs.gov/system/files/pdf/258491/ChildCareSubsidyEligibility.pdf.

Arkansas

Credit Name: Child Care Credit

Type of Provision: Nonrefundable Tax Credit

Calculation: 20 percent of the federal Child and Dependent Care Tax Credit (CDCTC) received[1]

Maximum Value:

- One Child/Dependent: $210
- Two or More Children/Dependents: $420

Income Cutoff: none

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $5,364 in child care expenses could receive a maximum credit of $162, depending on her tax liability.[2]

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $10,308 in child care expenses, could receive a maximum credit of $240, depending on their tax liability.

*Access the methodology for these calculations here.

While there are numerous options to improve this provision, impactful changes would include:

- Making the credit refundable so that low-income families with little or no state income tax liability can take full advantage of the credit.
- Allowing families to claim the state credit regardless of whether the family had enough federal tax liability to receive the full amount of the federal credit (or to receive the credit at all). This will give more low-income families access to this tax credit, and potentially increase the credit amount.
- Increasing the percentage of the federal credit used to calculate the state credit to increase the maximum value of the credit and provide more help to families.

1 This means that the state credit is based on the nonrefundable federal credit after it has been reduced by federal tax liability. Because low- and moderate-income families have lower tax liability, they may not receive the full value of their federal credit (or any credit at all). As a result, the value of their state credit may be limited.

2 Because this credit is based on the nonrefundable federal credit received, the family's federal tax liability impacts the amount of the federal credit the family is eligible to receive, as described above. In addition, because this state credit is nonrefundable, the state credit amount cannot exceed the family's state tax liability. For example, if the mother in the first illustration had sufficient federal tax liability to be eligible for the full federal credit but has a state tax liability of $50, then she could only receive a state credit of $50.

Arkansas (Continued)

Credit Name: Early Childhood Program Tax Credit

Type of Provision: Refundable Tax Credit

Calculation: 20 percent of the federal CDCTC received[3] for care for a child under age six in an "approved child care facility"[4]

Maximum Value:

- One Child/Dependent: $210
- Two or More Children/Dependents: $420

Income Cutoff: none

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $5,364 in child care expenses could receive a maximum credit of $162.

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $10,308 in child care expenses, could receive a maximum credit of $240.

While there are numerous options to improve this provision, impactful changes would include:

- Allowing families to claim the state credit regardless of whether the family had enough federal tax liability to receive the full amount of the federal credit (or to receive the credit at all). This will give more low-income families access to this tax credit, and potentially increase the credit amount.
- Increasing the percentage of the federal credit used to calculate the state credit, to provide more help to families.

Note: Families cannot claim both the Child Care Credit and the Early Childhood Program Tax Credit.

3 This means that the state credit is based on the nonrefundable federal credit after it has been reduced by federal tax liability. Because low- and moderate-income families have lower tax liability, they may not receive the full value of their federal credit (or any credit at all). As a result, the value of their state credit may be limited.

4 An "approved child care facility" is defined as one that provides an "appropriate early childhood program," which is itself defined as a "developmentally appropriate program for young children…approved by the Department of Education as complying with the regulatory guidelines" of the Department of Human Services and the Department of Education. Ark. Code Ann. § 26-51-502(c)(1)(C); Ark. Code Ann. § 6-45-103(1).

California

Credit Name: Child and Dependent Care Expenses Credit

Type of Provision: Nonrefundable Tax Credit

Calculation: A percentage, based on federal Adjusted Gross Income (AGI), of the allowable federal Child and Dependent Care Tax Credit, regardless of whether the family had federal tax liability, but only for care provided in California

Household Federal AGI[1]	Percentage of Federal Credit	Maximum Value: 1 Child/Dependent	Maximum Value: 2+ Children/Dependents
$40,000 or less	50%	$525	$1,050
$40,001 - $70,000	43%	$284	$568
$70,001 - $100,000	34%	$204	$408
Over $100,000	0%	$0	$0

Maximum Value:
- One Child/Dependent: $525
- Two or More Children/Dependents: $1,050

Income Cutoff: over $100,000

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $10,609 in child care expenses could receive a maximum credit of $405, depending on her tax liability.[2]

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $20,593 in child care expenses, could receive a maximum credit of $516, depending on their tax liability.

*Access the methodology for these calculations here.

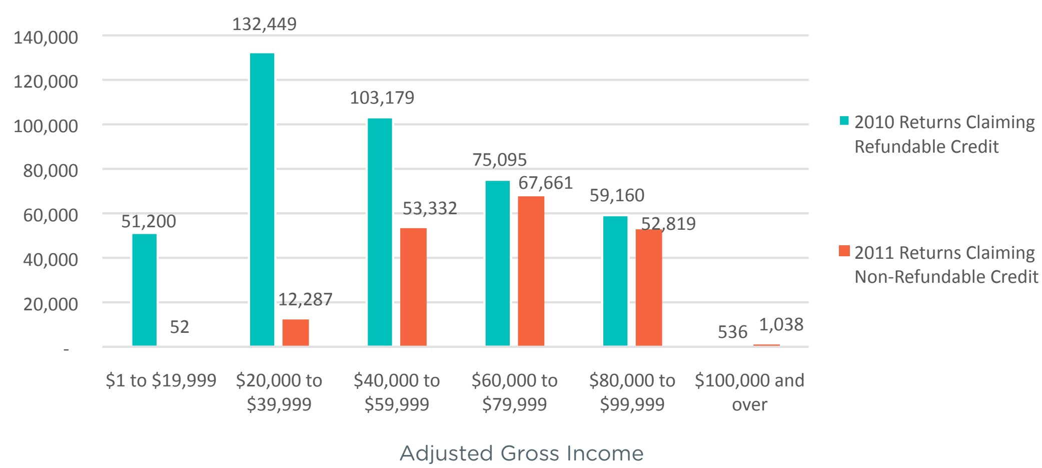
1 "Household AGI" refers to the AGI of the tax filing unit, regardless of whether the unit is a married couple or a single tax filer.

2 Because the credit is nonrefundable, the credit amount cannot exceed the family's state tax liability. For example, if the mother in the first illustration has a tax liability of $50, then she could only receive a credit of $50.

While there are numerous options to improve this provision, impactful changes would include:

- Restoring the credit's refundability that was eliminated after Tax Year 2010 so that low-income families with little or no state income tax liability can take full advantage of the credit.
- Increasing the percentage of the federal credit used to calculate the state credit, to provide more help to families.

Number of Returns Claiming the California Child and Dependent Care Expenses Credit



Source: NWLC Calculations based on State of California Franchise Tax Board Open Data Portal

Colorado

Credit Name: Child Care Expense Tax Credit

Type of Provision: Refundable Tax Credit[1]

Calculation: A percentage, based on federal Adjusted Gross Income (AGI),[2] of the federal Child and Dependent Care Tax Credit (CDCTC) received[3] for child care expenses

Household Federal AGI[4]	Percentage of Federal Credit	Maximum Value: 1 Child/Dependent	Maximum Value: 2+ Children/Dependents
$25,000 or less	50%	$525	$1,050
$25,001 - $35,000	30%	$261	$522
$35,001 - $60,000	10%	$72	$144
Over $60,000	0%	$0	$0

Maximum Value:

- One Child/Dependent: $525
- Two or More Children/Dependents: $1,050

Income Cutoff: $60,001

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $10,522 in child care expenses could receive a maximum credit of $243.

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $20,475 in child care expenses, could receive a maximum credit of $120.

*Access the methodology for these calculations here.

1 Nonresidents cannot claim this credit.
2 For Tax Year 2019 (taxes filed in 2020) and beyond, the calculation will be 50 percent for families with federal AGI of $60,000 or less.
3 This means that the state credit is based on the nonrefundable federal credit after it has been reduced by federal tax liability. Because low- and moderate-income families have lower tax liability, they may not receive the full value of their federal credit (or any credit at all). As a result, the value of their state credit may be limited.
4 "Household AGI" refers to the AGI of the tax filing unit, regardless of whether the unit is a married couple or a single tax filer.

While there are numerous options to improve this provision, impactful changes would include:

- Allowing families to claim the state credit regardless of whether the family had enough federal tax liability to receive the full amount of the federal credit. This will give more low-income families access to this tax credit, and potentially increase the credit amount.
- Increasing the percentage of the federal credit used to calculate the credit to increase the maximum value of the credit and provide more help to families.
- Expanding the credit to include dependent care expenses.
- Lifting or increasing the income cap to give more middle-class families access to this tax credit.

Colorado (Continued)

Credit Name: Low-Income Child Care Expenses Credit

Type of Provision: Refundable Tax Credit[1]

Calculation: Families who did not have sufficient tax liability to claim the federal CDCTC can receive a credit worth 25 percent of the child care expenses that the family incurred during the taxable year, up to a specified maximum credit value. The child care expenses cannot exceed a single taxpayer's earned income for the year (or, for joint filers, the earned income of the lower earner).

Maximum Value:
- One Child/Dependent: $500
- Two or More Children/Dependents: $1,000

Income Cutoff: $25,001

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $10,522 in child care expenses would not be eligible for this credit.

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $20,475 in child care expenses would not be eligible for this credit.

While there are numerous options to improve this provision, impactful changes would include:

- Allowing families to claim this credit if they received some, but not all, of the federal credit for which they were eligible.
- Increasing the value of the credit by increasing the percentage of expenses used to calculate the credit and/or increasing the maximum value of the credit to provide more help to families.
- Extending the credit past Tax Year 2020 so low-income families can receive this credit in future tax years.
- Expanding the credit to include dependent care expenses.

1 Nonresidents cannot claim this credit.

Delaware

Credit Name: Child Care Credit

Type of Provision: Nonrefundable Tax Credit[1]

Calculation: 50 percent of the federal Child and Dependent Care Tax Credit received[2]

Maximum Value:

- One Child/Dependent: $525
- Two or More Children/Dependents: $1050

Income Cutoff: none

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $7,716 in child care expenses could receive a maximum credit of $405, depending on her tax liability.[3]

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $14,596 in child care expenses, could receive a maximum credit of $600, depending on their tax liability.

*Access the methodology for these calculations here.

While there are numerous options to improve this provision, impactful changes would include:

- Making the credit refundable so that low-income families with little or no state income tax liability can take full advantage of the credit.
- Allowing families to claim the state credit regardless of whether the family had enough federal tax liability to receive the full amount of the federal credit (or to receive the credit at all). This will give more low-income families access to this tax credit, and potentially increase the credit amount.
- Increasing the percentage of the federal credit used to calculate the state credit to increase the maximum value of the credit and provide more help to families.

1 Nonresidents cannot claim this credit.
2 This means that the state credit is based on the nonrefundable federal credit after it has been reduced by federal tax liability. Because low- and moderate-income families have lower tax liability, they may not receive the full value of their federal credit (or any credit at all). As a result, the value of their state credit may be limited.
3 Because this credit is based on the nonrefundable federal credit received, the family's federal tax liability impacts the amount of the federal credit the family is eligible to receive, as described above. In addition, because this state credit is nonrefundable, the state credit amount cannot exceed the family's state tax liability. For example, if the mother in the first illustration had sufficient federal tax liability to be eligible for the full federal credit but has a state tax liability of $50, then she could only receive a state credit of $50.

District of Columbia

Credit Name: Credit for Child and Dependent Care Expenses

Type of Provision: Nonrefundable Tax Credit[1]

Calculation: 32 percent of the allowable federal Child and Dependent Care Tax Credit, regardless of whether the family had federal tax liability

Maximum Value:
- One Child/Dependent: $336
- Two or More Children/Dependents: $672

Income Cutoff: none

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $16,737 in child care expenses could receive a maximum credit of $259, depending on her tax liability.[2]

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $31,030 in child care expenses, could receive a maximum credit of $384, depending on their tax liability.

*Access the methodology for these calculations here.

While there are numerous options to improve this provision, impactful changes would include:

- Making the credit refundable so that low-income families with little or no state income tax liability can take full advantage of the credit.
- Increasing the percentage of the federal credit used to calculate the state credit to increase the maximum value of the credit and provide more help to families.

1 Nonresidents cannot claim this credit.
2 Because the credit is nonrefundable, the credit amount cannot exceed the family's state tax liability. For example, if the mother in the first illustration has a tax liability of $50, then she could only receive a credit of $50.

Georgia

Credit Name: Child and Dependent Care Expense Credit

Type of Provision: Nonrefundable Tax Credit

Calculation: 30 percent of the federal Child and Dependent Care Tax Credit received[1]

Maximum Value:

- One Child/Dependent: $315
- Two or More Children/Dependents: $630

Income Cutoff: none

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $6,454 in child care expenses could receive a maximum credit of $243, depending on her tax liability.[2]

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $12,302 in child care expenses, could receive a maximum credit of $360, depending on their tax liability.

*Access the methodology for these calculations here.

While there are numerous options to improve this provision, impactful changes would include:

- Making the credit refundable so that low-income families with little or no state income tax liability can take full advantage of the credit.
- Allowing families to claim the state credit regardless of whether the family had enough federal tax liability to receive the full amount of the federal credit (or to receive the credit at all). This will give more low-income families access to this tax credit, and potentially increase the credit amount.
- Increasing the percentage of the federal credit used to calculate the state credit to increase the maximum value of the credit and provide more help to families.

1 This means that the state credit is based on the nonrefundable federal credit after it has been reduced by federal tax liability. Because low- and moderate-income families have lower tax liability, they may not receive the full value of their federal credit (or any credit at all). As a result, the value of their state credit may be limited.

2 Because this credit is based on the nonrefundable federal credit received, the family's federal tax liability impacts the amount of the federal credit the family is eligible to receive, as described above. In addition, because this state credit is nonrefundable, the state credit amount cannot exceed the family's state tax liability. For example, if the mother in the first illustration had sufficient federal tax liability to be eligible for the full federal credit but has a state tax liability of $50, then she could only receive a state credit of $50.

Hawaii

Credit Name: Credit for Child and Dependent Care Expenses

Type of Provision: Refundable Tax Credit[1]

Calculation: A percentage, based on federal Adjusted Gross Income (AGI), of child or dependent care expenses that are eligible for the federal Child and Dependent Care Tax Credit (CDCTC) (limited to $2,400 for one child or dependent and $4,800 for two or more children or dependents)

Household Federal AGI[2]	Percentage of Expenses	Maximum Value: 1 Child/Dependent	Maximum Value: 2+ Children/Dependents
$25,000 or less	25%	$600	$1,200
$25,001 - $30,000	24%	$576	$1,152
$30,001 - $35,000	23%	$552	$1,104
$35,001 - $40,000	22%	$528	$1,056
$40,001 - $45,000	21%	$504	$1,008
$45,001 - $50,000	20%	$480	$960
Over $50,000	15%	$360	$720

Maximum Value:
- One Child/Dependent: $600
- Two or More Children/Dependents: $1,200

Income Cutoff: none

1 Nonresidents cannot claim this credit.
2 "Household AGI" refers to the AGI of the tax filing unit, regardless of whether the unit is a married couple or a single tax filer.

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $8,436 in child care expenses could receive a maximum credit of $576.

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $16,572 in child care expenses, could receive a maximum credit of $960.

*Access the methodology for these calculations here.

While there are numerous options to improve this provision, impactful changes would include:

- Increasing the expense limits to at least match the federal CDCTC expense limits of $3,000 for one child or dependent and $6,000 for two or more children or dependents.
- Increasing the percentage of expenses used to calculate the credit in order to increase the maximum value of the credit and provide more help to families.

Idaho

Deduction Name: Tax Subtraction for Child and Dependent Care Expenses

Type of Provision: Subtraction (similar to a deduction)

Calculation: The amount of expenses claimed under the federal Child and Dependent Care Tax Credit is subtracted from income, before deductions are taken. The amount of tax savings is worth the amount of expenses multiplied by the taxpayer's Idaho income tax rate. The top Idaho income tax rate is 7.4%.

Maximum Value of Tax Savings:
- One Child/Dependent: $222
- Two or More Children/Dependents: $444

Income Cutoff: none

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $6,264 in child care expenses could receive a maximum of $222 in tax savings.

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $11,940 in child care expenses, could receive a maximum of $444 in tax savings.

*Access the methodology for these calculations here.

While there are numerous options to improve this provision, impactful changes would include:

Turning the subtraction into a refundable tax credit that families can claim regardless of whether they had federal tax liability and received the federal credit so that low-income families with little or no federal or state income tax liability can receive tax assistance with their child and dependent care expenses.

Iowa

Credit Name: Child and Dependent Care Credit

Type of Provision: Refundable Tax Credit

Calculation: A percentage, based on Iowa Net Income, of the allowable federal Child and Dependent Care Tax Credit, regardless of whether the family had federal tax liability[1]

Iowa Net Household Income[2]	Percentage of Federal Credit	Maximum Value*: 1 Child/Dependent	Maximum Value*: 2+ Children/Dependents
Less than $10,000	75%	$788	$1,575
$10,000 - $19,999	65%	$683	$1,365
$20,000 - $24,999	55%	$528	$1,056
$25,000 - $34,999	50%	$450	$900
$35,000 - $39,999	40%	$300	$600
$40,000 - $44,999	30%	$198	$396
$45,000 and over	0%	$0	$0

*These calculations assumed that Iowa Net Income is the same as federal Adjusted Gross Income (AGI). This will not always be the case because of differences between the federal tax code and Iowa tax code.

Maximum Value:

- One Child/Dependent: $788
- Two or More Children/Dependents: $1,575

1 Families with a net income of less than $45,000 may claim either this credit or Iowa's refundable Early Childhood Development Credit. The Early Childhood Development Credit equals 25 percent of the first $1,000 of early childhood development expenses, such as preschool services, books, instructional materials, lesson plans, and child development activities, for children ages three through five. Unlike CADC credits, the Early Childhood Development Credit can be claimed without regard to whether the expenses are employment-related.

2 "Household AGI" refers to the AGI of the tax filing unit, regardless of whether the unit is a married couple or a single tax filer.

Income Cutoff: $45,000

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $7,070 in child care expenses could receive a maximum credit of $405.

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $14,870 in child care expenses, would not be eligible for this credit.

*Access the methodology for these calculations here.

While there are numerous options to improve this provision, impactful changes would include:

- Increasing the percentage of the federal credit used to calculate the state credit to increase the maximum value of the credit and provide more help to families.
- Lifting the income cap to give more middle-class families access to this tax credit.

Kansas

Credit Name: Credit for Child and Dependent Care

Type of Provision: Nonrefundable Tax Credit[1]

Calculation: 12.5 percent of the federal Child and Dependent Care Tax Credit received[2] (for Tax Year 2018[3])

Maximum Value:

- One Child/Dependent: $131
- Two or More Children/Dependents: $263

Income Cutoff: none

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $6,749 in child care expenses could receive a maximum credit of $101, depending on her tax liability.[4]

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $12,903 in child care expenses, could receive a maximum credit of $150, depending on their tax liability.

*Access the methodology for these calculations here.

While there are numerous options to improve this provision, impactful changes would include:

- Making the credit refundable so that low-income families with little or no state income tax liability can take full advantage of the credit.
- Allowing families to claim the state credit regardless of whether the family had enough federal tax liability to receive the full amount of the federal credit (or to receive the credit at all). This will give more low-income families access to this tax credit, and potentially increase the credit amount.
- Increasing the percentage of the federal credit used to calculate the state credit to increase the maximum value of the credit and provide more help to families.

1 Nonresidents cannot claim this credit.
2 This means that the state credit is based on the nonrefundable federal credit after it has been reduced by federal tax liability. Because low- and moderate-income families have lower tax liability, they may not receive the full value of their federal credit (or any credit at all). As a result, the value of their state credit may be limited.
3 The percentage increases to 18.75 percent for Tax Year 2019 and 25 percent for Tax Year 2020 and beyond.
4 Because this credit is based on the nonrefundable federal credit received, the family's federal tax liability impacts the amount of the federal credit the family is eligible to receive, as described above. In addition, because this state credit is nonrefundable, the state credit amount cannot exceed the family's state tax liability. For example, if the mother in the first illustration had sufficient federal tax liability to be eligible for the full federal credit but has a state tax liability of $50, then she could only receive a state credit of $50.

Kentucky

Credit Name: Child and Dependent Care Credit

Type of Provision: Nonrefundable Tax Credit[1]

Calculation: 20 percent of the amount of the federal Child and Dependent Care Tax Credit (CDCTC), before the federal CDCTC is reduced based on the family's federal tax liability[2]

Maximum Value:
- One Child/Dependent: $210
- Two or More Children/Dependents: $420

Income Cutoff: none

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $6,624 in child care expenses could receive a maximum credit of $162, depending on her tax liability.[3]

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $12,453 in child care expenses, could receive a maximum credit of $240, depending on their tax liability.

*Access the methodology for these calculations here.

While there are numerous options to improve this provision, impactful changes would include:

- Making the credit refundable so that low-income families with little or no state income tax liability can take full advantage of the credit.
- Increasing the percentage of the federal credit used to calculate the state credit to increase the maximum value of the credit and provide more help to families.

1 Nonresidents cannot claim this credit.
2 Families who did not have enough income to be required to file a federal income tax return may still claim Kentucky's Child and Dependent Care Credit if they would have been entitled to the federal CDCTC.
3 Because the credit is nonrefundable, the credit amount cannot exceed the family's state tax liability. For example, if the mother in the first illustration has a tax liability of $50, then she could only receive a credit of $50.

Louisiana

Credit Name: Child Care Credit

Type of Provision: Refundable credit, if federal Adjusted Gross Income (AGI) is $25,000 or less[1]

Calculation: A percentage, based on federal AGI, of the federal Child and Dependent Care Tax Credit (CDCTC) received;[2] if the family's federal AGI is less than $25,000, then the credit is calculated without regard to whether the family received the federal credit

Household Federal AGI[3]	Percentage of Federal Credit	Maximum Value: 1 Child/Dependent	Maximum Value: 2+ Children/Dependents
$25,000 or less	50%	$525*	$1,050*
$25,001 - $35,000	30%	$261	$522
$35,001 - $60,000	10%	$72	$144
Over $60,000	10% (if less than $25)	$25	$25

*refundable

Maximum Value:
- One Child/Dependent: $525
- Two or More Children/Dependents: $1,050

Income Cutoff: none

1 Nonresidents cannot claim this credit.
2 This means that the state credit is based on the nonrefundable federal credit after it has been reduced by federal tax liability. Because low- and moderate-income families have lower tax liability, they may not receive the full value of their federal credit (or any credit at all). As a result, the value of their state credit may be limited.
3 "Household AGI" refers to the AGI of the tax filing unit, regardless of whether the unit is a married couple or a single tax filer.

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $6,500 in child care expenses could receive a maximum credit of $243, depending on her tax liability.[4]

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $12,350 in child care expenses, could receive a maximum credit of $120, depending on their tax liability.

*Access the methodology for these calculations here.

While there are numerous options to improve this provision, impactful changes would include:

- Allowing families with incomes above $25,000 to claim the state credit regardless of whether the family had enough federal tax liability to receive the full amount of the federal credit (or to receive the credit at all). This will give more low-income families access to this tax credit, and potentially increase the credit amount.
- Making the credit refundable for all families, regardless of income, so more families with little or no state income tax liability can take full advantage of the credit.
- Increasing the percentage of the federal credit used to calculate the state credit to increase the maximum value of the credit and provide more help to families.
- Eliminate the $25 limit for families with incomes about $60,000.

4 Because at this income level, this credit is based on the nonrefundable federal credit received, the family's federal tax liability impacts the amount of the federal credit the family is eligible to receive, as described above. In addition, because this state credit is nonrefundable at this income level, the state credit amount cannot exceed the family's state tax liability. For example, if the mother in the first illustration had sufficient federal tax liability to be eligible for the full federal credit but has a state tax liability of $50, then she could only receive a state credit of $50.

Louisiana (Continued)

Credit Name: Child Care Expense Credit (part of the School Readiness Tax Credits)

Type of Provision: Refundable Tax Credit, if federal AGI is $25,000 or less

Calculation: A percentage, based on the rating of the child care facility, of the Louisiana Child Care Credit received for care for a child under age six at a child care facility rated two stars or higher by the state quality rating system

Household Federal AGI[1]	Maximum Credit Per Child for a 5-star facility (200% of state Child Care Credit)	Maximum Credit for a 4-star facility (150%)	Maximum Credit for a 3-star facility (100%)	Maximum Credit for a 2-star facility (50%)
$25,000 or less	$1,050*	$788*	$525*	$263*
$25,001 - $35,000	$540	$405	$270	$135
$35,001 - $60,000	$144	$108	$72	$36
Over $60,000	$50	$38	$25	$13

*refundable

Maximum Value: $1,050 per child

Income Cutoff: none

1 "Household AGI" refers to the AGI of the tax filing unit, regardless of whether the unit is a married couple or a single tax filer.

Family Illustrations:[2]

A woman who has an income of $30,000, is raising an infant on her own, and pays $7,540 in child care expenses to a two-star center-based child care facility could receive a maximum credit of $122, depending on her tax liability.[3]

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $14,282 in child care expenses, could receive a maximum credit of $60, depending on their tax liability.

Note that improvements to the Child Care Credit, like those described earlier, would improve the Child Care Expenses Credit.

2 FCC does not fall under Louisiana's quality rating system. These illustrations instead use the average annual cost of full-time center-based child care in Louisiana. Child Care Aware, Parents and the High Cost of Child Care: 2018 Appendices 2 (2018), *available at* http://usa.childcareaware.org/wp-content/uploads/2018/10/appendices18.pdf.

3 Because this credit is partially based on the nonrefundable federal credit received at this income level, the family's federal tax liability impacts the amount of the federal credit the family is eligible to receive. In addition, because this state credit is nonrefundable at this income level, the state credit amount cannot exceed the family's state tax liability. For example, if the mother in the first illustration had sufficient federal tax liability to be eligible for the full federal credit but has a state tax liability of $50, then she could only receive a state credit of $50.

Louisiana (Continued)

Credit Name: Household Expense for Physically and Mentally Incapable Persons Credit[1]

Type of Provision: Nonrefundable Tax Credit

Calculation: 100 percent of the federal CDCTC received[2] for employment-related expenses related to care of any dependent who is "physically or mentally incapable of caring for themselves"

Maximum Value:

- One Child/Dependent: $1,050
- Two or More Children/Dependents: $2,100

Income Cutoff: none

Family Illustrations:[3]

A woman who has an income of $30,000, has a dependent in full-day, adult dependent care, and pays $16,380 in adult day care expenses[4] could receive a maximum credit of $810, depending on her tax liability.[5]

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour), an income of $47,840, one dependent in full-day, adult dependent care, and $16,380 in adult care expenses could receive a maximum credit of $600, depending on their tax liability.

1 This credit is scheduled to expire after tax year 2019.
2 This means that the state credit is based on the nonrefundable federal credit after it has been reduced by federal tax liability. Because low- and moderate-income families have lower tax liability, they may not receive the full value of their federal credit (or any credit at all). As a result, the value of their state credit may be limited.
3 The family illustrations for dependent care differ slightly from the illustrations for child care. A married couple with a federal AGI of $47,840 would be unlikely to afford the median cost of full-day, adult dependent care for two dependents in many states. The median cost of care for two dependents in adult day health care exceeds $47,840 in 9 states. Genworth, Cost of Care Survey 2018: Median Cost Data Tables 2-3 (Oct. 9, 2018), *available at* https://pro.genworth.com/riiproweb/productinfo/pdf/282102.pdf. Therefore, the dependent care illustrations only include one dependent for both family illustrations.
4 This is the median cost of adult day health care in Louisiana. *Id*. at 2.
5 Because this credit is based on the nonrefundable federal credit received, the family's federal tax liability impacts the amount of the federal credit the family is eligible to receive. In addition, because this state credit is nonrefundable, the state credit amount cannot exceed the family's state tax liability. For example, if the mother in the first illustration had sufficient federal tax liability to be eligible for the full federal credit but has a state tax liability of $50, then she could only receive a state credit of $50.

While there are numerous options to improve this provision, impactful changes would include:

- Making the credit refundable so that low-income families with little or no state income tax liability can take full advantage of the credit.
- Eliminate the credit's termination date of January 1, 2020 so families can continue receiving this credit.
- Allowing families to claim the state credit regardless of whether the family had enough federal tax liability to receive the full amount of the federal credit (or to receive the credit at all). This will give more low-income families access to this tax credit, and potentially increase the credit amount.

Maine

Credit Name: Child Care Credit

Type of Provision: Refundable Tax Credit (except for nonresidents)

Calculation: 25 percent of the federal Child and Dependent Care Tax Credit (CDCTC) received[1] for child care expenses; the credit doubles if the child care expenses were for quality child care services

Maximum Value:

- One Child/Dependent: $525 (up to $500 refundable)
- Two or More Children/Dependents: $1,050 (up to $500 refundable)

Income Cutoff: none

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $9,224 in child care expenses for a Family Child Care (FCC) home that has a quality certificate could receive a maximum credit of $405.

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $17,319 in child care expenses for a FCC home that has a quality certificate could receive a maximum credit of $600, depending on their tax liability.

*Access the methodology for these calculations here.

While there are numerous options to improve this provision, impactful changes would include:

- Allowing families to claim the state credit regardless of whether the family had enough federal tax liability to receive the full amount of the federal credit (or to receive the credit at all). This will give more low-income families access to this tax credit, and potentially increase the credit amount.
- Increasing the percentage of the federal credit used to calculate the state credit to increase the maximum value of the credit and provide more help to families.

1 This means that the state credit is based on the nonrefundable federal credit after it has been reduced by federal tax liability. Because low- and moderate-income families have lower tax liability, they may not receive the full value of their federal credit (or any credit at all). As a result, the value of their state credit may be limited.

Maine (Continued)

Credit Name: Adult Dependent Care Credit

Type of Provision: Refundable Tax Credit

Calculation: A percentage, based on federal AGI, of dependent care expenses not claimed for the federal CDCTC, up to $3,000 for one dependent and $6,000 for two or more dependents

Sample Household Federal AGI[1] Ranges*	Percentage of Expenses	Maximum Value: 1 Dependent	Maximum Value: 2+ Dependents
$15,000 or less	8.75%	$263	$525**
$19,001 - $21,000	8.00%	$240	$480
$25,001 - $27,000	7.25%	$218	$435
$29,001 - $31,000	6.75%	$203	$405
$35,001 - $37,000	6.00%	$180	$360
$39,001 - $41,000	5.50%	$165	$330
Over $43,000	5.00%	$150	$300

* See https://www.maine.gov/revenue/forms/credits/2017/17_adult%20dep%20care%20credit%20wksht.pdf for the full ranges.

**The maximum refundable credit is $500, so out of the maximum $525 credit, $500 would be refundable and $25 would be nonrefundable.

Maximum Value:

- One Child/Dependent: $263
- Two or More Children/Dependents: $525 (up to $500 refundable)

Income Cutoff: none

1 "Household AGI" refers to the AGI of the tax filing unit, regardless of whether the unit is a married couple or a single tax filer.

Family Illustration:[2]

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour), an income of $47,840, a dependent in full-day, adult dependent care, and $28,095 in adult day care expenses[3] could receive a maximum credit of $150.

While there are numerous options to improve this provision, impactful changes would include:

Increasing the percentage of expenses used to calculate the credit in order to increase the maximum value of the credit and provide more help to families.

2 The family illustrations for dependent care differ slightly from the illustrations for child care. A married couple with a federal AGI of $47,840 would be unlikely to afford the median cost of full-day, adult dependent care for two dependents in many states. The median cost of care for two dependents in adult day health care exceeds $47,840 in 9 states. Genworth, Cost of Care Survey 2018: Median Cost Data Tables 2-3 (Oct. 9, 2018), *available at* https://pro.genworth.com/riiproweb/productinfo/pdf/282102.pdf. Therefore, the dependent care illustrations only include one dependent for the married couple illustration. In addition, the median cost of adult day health care in Maine for one adult dependent is $28,095, which is too close to the $30,000 gross income in the woman raising an adult dependent on her own illustration to realistically be able to afford. Consequently, there is only an illustration for a married couple for this credit.

3 This is the median cost of adult day health care in Maine. *Id*. at 2.

Maryland

Credit Name: Tax Credit for Child and Dependent Care Expenses

Type of Provision: Nonrefundable Tax Credit

Calculation: A percentage, based on federal Adjusted Gross Income (AGI), of the federal Child and Dependent Care Tax Credit (CDCTC) received[1]

Household Federal AGI*	Percentage of Federal Credit	Maximum Value: 1 Child/Dependent	Maximum Value: 2+ Children/Dependents
$0 - $41,000	32.50%	$341	$683
$41,001 - $42,000	29.25%	$184	$369
$42,001 - $43,000	26%	$164	$328
$43,001 - $44,000	22.75%	$137	$273
$44,001 - $45,000	19.50%	$117	$234
$45,001 - $46,000	16.25%	$98	$195
$46,001 - $47,000	13%	$78	$156
$47,001 - $48,000	9.75%	$59	$117
$48,001 - $49,000	6.50%	$39	$78
$49,001 - $50,000	3.25%	$20	$39
Over $50,000	0%	$0	$0

*Household income levels apply to married filing jointly, head of household, or single tax filers. The income levels are reduced by 50 percent for a married individual filing separately.

Maximum Value:

- One Child/Dependent: $341
- Two or More Children/Dependents: $683

Income Cutoff: over $50,000

1 This means that the state credit is based on the nonrefundable federal credit after it has been reduced by federal tax liability. Because low- and moderate-income families have lower tax liability, they may not receive the full value of their federal credit (or any credit at all). As a result, the value of their state credit may be limited.

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $10,009 in child care expenses could receive a maximum credit of $263, depending on her tax liability.[2]

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $18,152 in child care expenses, could receive a maximum credit of $117, depending on their tax liability.

*Access the methodology for these calculations here.

While there are numerous options to improve this provision, impactful changes would include:

- Making the credit refundable so that low-income families with little or no state income tax liability can take full advantage of the credit.
- Allowing families to claim the state credit regardless of whether the family had enough federal tax liability to receive the full amount of the federal credit (or to receive the credit at all). This will give more low-income families access to this tax credit, and potentially increase the credit amount.
- Increasing the percentage of the federal credit used to calculate the state credit to increase the maximum value of the credit and provide more help to families.
- Lifting the income cap to give more middle-class families access to this tax credit.

2 Because this credit is based on the nonrefundable federal credit received, the family's federal tax liability impacts the amount of the federal credit the family is eligible to receive, as described above. In addition, because this state credit is nonrefundable, the state credit amount cannot exceed the family's state tax liability. For example, if the mother in the first illustration had sufficient federal tax liability to be eligible for the full federal credit but has a state tax liability of $50, then she could only receive a state credit of $50.

Maryland (Continued)

Deduction Name: Subtraction for Child and Dependent Care Expenses

Type of Provision: Subtraction (similar to a deduction)

Calculation: The amount of expenses claimed under the federal CDCTC is subtracted from income, before deductions are taken. The amount of tax savings is worth the amount of expenses multiplied by the taxpayer's Maryland income tax rate. The top Maryland income tax rate is 5.75%.

Maximum Value of Tax Savings:
- One Child/Dependent: $173
- Two or More Children/Dependents: $345

Income Cutoff: none

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $10,009 in child care expenses could receive a maximum of $143 in tax savings.

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $18,152 in child care expenses, could receive a maximum of $285 in tax savings.

While there are numerous options to improve this provision, impactful changes would include:

- Turning the subtraction into a refundable tax credit that families can claim regardless of whether they had federal tax liability and received the federal credit so that low-income families with little or no federal or state income tax liability can receive tax assistance with their child and dependent care expenses.
- If maintaining as a subtraction, allowing families to claim child and dependent care expenses, up to the federal CDCTC's maximum of $3,000 for one child or dependent or $6,000 for two or more children or dependents, for the state subtraction regardless of whether the family had federal tax liability and received the federal CDCTC. This will give more low-income families access to this tax benefit.

Note: Families can claim both the credit and the subtraction.

Massachusetts

Deduction Name: Tax Deduction for Child and Dependent Care Expenses

Type of Provision: Deduction

Calculation: Families who claim the federal Child and Dependent Care Tax Credit may subtract up to $4,800 (for one child or dependent) or up to $9,600 (for two or more children or dependents) in expenses from Massachusetts income. The amount of tax savings is worth the amount of expenses multiplied by the taxpayer's Massachusetts income tax rate. The Massachusetts income tax rate for all income levels is 5.05%, but families may elect to pay an optional, voluntary tax rate of 5.85%.

Maximum Value

- One Child/Dependent: $242 (at standard tax rate)
- Two or More Children/Dependents: $485 (at standard tax rate)

Income Cutoff: none

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $12,750 in child care expenses could receive a maximum of $242 in tax savings, assuming she chose the standard tax rate.

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $24,816 in child care expenses, could receive a maximum of $485 in tax savings, assuming they chose the standard tax rate.

*Access the methodology for these calculations here.

While there are numerous options to improve this provision, impactful changes would include:

Turning the deduction into a refundable tax credit that families can claim regardless of whether they had federal tax liability and received the federal credit so that low-income families with little or no federal or state income tax liability can receive tax assistance with their child and dependent care expenses.

Minnesota

Credit Name: Child and Dependent Care Tax Credit

Type of Provision: Refundable Tax Credit

Calculation: A percentage, based on federal Adjusted Gross Income (AGI), of the allowable federal Child and Dependent Care Tax Credit (CDCTC), regardless of whether the family had federal tax liability

Sample Household Federal AGI[1]	Percentage of Federal Credit	Maximum Value: 1 Child/Dependent	Maximum Value: 2+ Children/Dependents
$50,000 or less	100%	$1,050	$2,100
$55,000	100%	$350*	$950*
$60,000	100%	$100*	$700*
$62,000	100%	$0*	$600*
$74,000 and over	0%	$0*	$0*

*Families with federal AGI over $50,000 receive a credit that is the lesser of (a) 100 percent of the federal CDCTC received or (b) $600 minus five percent of federal AGI in excess of $50,000 for taxpayers with one qualifying children or dependents, or $1,200 minus five percent of federal AGI in excess of $50,000 for taxpayers with two or more qualified children or dependents.

1 "Household AGI" refers to the AGI of the tax filing unit, regardless of whether the unit is a married couple or a single tax filer.

Eligible Expenses:

- Maximum of $3,000 for one child/dependent or $6,000 for two or more children/dependents (same as federal CDCTC)
- "Deemed" expenses
  - Licensed family child care home operators may claim the Minnesota credit for their own children, under age six and cared for in their family child care home, even if they have not incurred actual employment-related expenses for that care.
    - If the child is 16 months of age or younger, then the amount of expenses deemed to have been paid is $3,000.
    - If the child is older than 16 months but under age six, then the amount of expenses deemed to have been paid is the amount the licensee would charge for the care of a child of the same age for the same number of hours.
  - Married couples may claim the Minnesota credit based on deemed expenses of the lesser of $3,000 or the couple's combined earned income for a child under age one at the end of the tax year, even if the couple has not incurred actual employment-related expenses for that child.

Maximum Value

- One Child/Dependent: $1,050
- Two or More Children/Dependents: $2,100

Income Cutoff: $74,000

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $8,424 in child care expenses could receive a maximum credit of $810.

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $16,068 in child care expenses, could receive a maximum credit of $1,200.

*Access the methodology for these calculations here.

Because the Minnesota legislature recently changed this credit, it is premature to make further recommendations for improvements.

Montana

Deduction Name: Child and Dependent Care Expense Tax Deduction

Type of Provision: Deduction

Calculation: For families who are itemizing deductions, child and dependent care expenses are deducted from Montana Adjusted Gross Income (AGI). Expenses must be for the care of a child under age 15, or dependents or a spouse who are physically or mentally incapable or caring for themselves. The amount of expenses that can be claimed is limited to $2,400 for one child or dependent, $3,600 for two children or dependents, or $4,800 for three or more children or dependents. For families with AGI exceeding $18,000, the amount of eligible expenses is reduced by one-half the amount of income over $18,000. The amount of tax savings from the deduction is worth the amount of expenses multiplied by the taxpayer's Montana income tax rate. The top Montana income tax rate is 6.9%.

Maximum Value:
- One Child/Dependent: $120
- Two Children/Dependents: $180
- Three or More Children/Dependents: $192

Income Cutoff: none

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $7,440 in child care expenses could receive a maximum of $99.36 in tax savings.

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $14,328 in child care expenses would not be able to receive a deduction.

*Access the methodology for these calculations here.

While there are numerous options to improve this provision, impactful changes would include:

Turning the deduction into a refundable tax credit that families can claim regardless of whether they had federal tax liability and received the federal credit, so that low-income families with little or no federal or state income tax liability can receive tax assistance with their child and dependent care expenses.

Nebraska

Credit Name: Credit for Child and Dependent Care Expenses

Type of Provision: Refundable Tax Credit, if federal Adjusted Gross Income (AGI) is $29,000 or less[1]

Calculation: A percentage, based on federal AGI, of the allowable federal Child and Dependent Care Tax Credit, regardless of whether the family had federal tax liability

Household Federal AGI[2]	Percentage of Federal Credit	Maximum Value: 1 Child/Dependent	Maximum Value: 2+ Children/Dependents
$22,000 or less	100%	$1,050	$2,100
$22,001 - $23,000	90%	$837	$1,674
$23,001 - $24,000	80%	$720	$1,440
$24,001 - $25,000	70%	$630	$1,260
$25,001 - $26,000	60%	$522	$1,044
$26,001 - $27,000	50%	$435	$870
$27,001 - $28,000	40%	$336	$672
$28,001 - $29,000	30%	$252	$504
Over $29,000	25%	$203*	$405*

*Nonrefundable

Maximum Value
- One Child/Dependent: $1,050
- Two or More Children/Dependents: $2,100

Income Cutoff: none

1 Nonresidents cannot claim this credit.
2 "Household AGI" refers to the AGI of the tax filing unit, regardless of whether the unit is a married couple or a single tax filer.

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $12,480 in child care expenses could receive a maximum credit of $203, depending on her tax liability.[3]

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $24,960 in child care expenses, could receive a maximum credit of $300, depending on their tax liability.

*Access the methodology for these calculations here.

While there are numerous options to improve this provision, impactful changes would include:

- For families with incomes over $22,000, increasing the percentage of the federal credit used to calculate the state credit to increase the maximum value of the credit and provide more help to families.
- For families with incomes over $29,000, making the credit refundable to provide more help.

3 Because the credit is nonrefundable at this income level, the credit amount cannot exceed the family's state tax liability. For example, if the mother in the first illustration has a tax liability of $50, then she could only receive a credit of $50.

New Jersey

Credit Name: Child and Dependent Care Credit

Type of Provision: Nonrefundable credit[1]

Calculation: A percentage, based on federal AGI, of the federal Child and Dependent Care Tax Credit (CDCTC) received,[2] up to $500 for one child or dependent and $1,000 for two or more children or dependents

Household Federal AGI[3]	Percentage of Federal Credit	Maximum Value: 1 Child/Dependent	Maximum Value: 2+ Children/Dependents
$20,000 or less	50%*	$500	$1,000
$20,001 - $30,000	40%	$384	$768
$30,001 - $40,000	30%	$243	$486
$40,001 - $50,000	20%	$132	$264
$50,001 - $60,000	10%	$60	$120
Over $60,000	0%	$0	$0

*Fifty percent of the federal CDCTC might exceed the maximum state credit for some families.

Maximum Value:
- One Child/Dependent: $500
- Two or More Children/Dependents: $1,000

Income Cutoff: over $60,000

1 Nonresidents cannot claim this credit.
2 This means that the state credit is based on the nonrefundable federal credit after it has been reduced by federal tax liability. Because low- and moderate-income families have lower tax liability, they may not receive the full value of their federal credit (or any credit at all). As a result, the value of their state credit may be limited.
3 "Household AGI" refers to the AGI of the tax filing unit, regardless of whether the unit is a married couple or a single tax filer.

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $9,544 in child care expenses could receive a maximum credit of $480, depending on her tax liability.[4]

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $18,233 in child care expenses, could receive a maximum credit of $300, depending on their tax liability.

*Access the methodology for these calculations here.

While there are numerous options to improve this provision, impactful changes would include:

- Making the credit refundable so that low-income families with little or no state income tax liability can take full advantage of the credit.
- Allowing families to claim the state credit regardless of whether the family had enough federal tax liability to receive the full amount of the federal credit (or to receive the credit at all). This will give more low-income families access to this tax credit, and potentially increase the credit amount.
- Eliminating the $500 and $1,000 maximum values and increase the percentage of the federal credit used to calculate the state credit to increase the maximum value of the credit and provide more help to families.

4 Because this credit is based on the nonrefundable federal credit received, the family's federal tax liability impacts the amount of the federal credit the family is eligible to receive, as described above. In addition, because this state credit is nonrefundable, the state credit amount cannot exceed the family's state tax liability. For example, if the mother in the first illustration had sufficient federal tax liability to be eligible for the full federal credit but has a state tax liability of $50, then she could only receive a state credit of $50.

New Mexico

Credit Name: Child Day Care Credit

Type of Provision: Refundable Tax Credit[1]

Calculation: 40 percent of compensation[2] the family paid to a caregiver for a qualifying dependent under age 15, up to a maximum credit of $480 for each qualifying dependent or a total of $1,200 for all qualifying dependents[3]

Maximum Value:

- One Child/Dependent: $480
- Two Children/Dependents: $960
- Three or More Children/Dependents: $1,200

Income Cutoff: none

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $6,684 in child care expenses could receive a maximum credit of $480.

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $13,032 in child care expenses, could receive a maximum credit of $960.

*Access the methodology for these calculations here.

While there are numerous options to improve this provision, impactful changes would include:

- Increasing the percentage of expenses used to calculate the credit in order to increase the maximum value of the credit and provide more help to families.
- Eliminating the restrictions on expenses and credit amounts.

1 Nonresidents cannot claim this credit.
2 Compensation is limited to $8 per day, per child.
3 The credit amount is reduced, for tax filers with federal tax liability, by the amount of the tax filer's federal Child and Dependent Care Tax Credit (CDCTC) used to offset federal tax liability.

New York

Credit Name: Child and Dependent Care Tax Credit

Type of Provision: Refundable credit (except for nonresidents)

Calculation (for Tax Year 2017): A percentage, based on New York Adjusted Gross Income (AGI),[1] of the allowable federal Child and Dependent Care Tax Credit, regardless of whether the family had federal tax liability

Sample Household New York AGI[2] Ranges*	Percentage of Federal Credit**	Maximum Value: 1 Child/Dependent**	Maximum Value: 2+ Children/Dependents**
$25,000 or less	110%	$1,155	$2,310
$29,801 - $30,000	106.7%	$864	$1,729
$35,001 - $35,200	103.3%	$744	$1,488
$40,001 - $50,000	100%	$660	$1,320
$55,001 - $55,200	72.8%	$437	$874
$60,001 - $60,200	46.1%	$277	$553
Over $65,000	20%	$120	$240

* See https://www.tax.ny.gov/pdf/current_forms/it/it216i.pdf for the full ranges.
** Calculations assume that the New York AGI is the same as the federal AGI. This will not always be the case because of differences between the federal tax code and New York tax code.

Maximum Value

- One Child/Dependent: $1,155
- Two or More Children/Dependents: $2,310

Income Cutoff: none

1 New York increased the value of its credit for middle-class families by adding a special calculation for incomes between $50,000 and $150,000 that increases the credit's value for these families compared to previous tax years. This special calculation will be effective for tax years after 2017. The table illustrating sample maximum values will be updated as soon as possible to reflect the Tax Year 2018 calculation.
2 "Household AGI" refers to the AGI of the tax filing unit, regardless of whether the unit is a married couple or a single tax filer.

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $10,972 in child care expenses could receive a maximum credit of $864.

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $21,112 in child care expenses, could receive a maximum credit of $1,200.

*Access the methodology for these calculations here.

Because the New York legislature recently changed this credit, it is premature to make further recommendations for improvements.

Ohio

Credit Name: Child Care and Dependent Care Credit

Type of Provision: Nonrefundable Tax Credit

Calculation: A percentage, based on Ohio Adjusted Gross Income (AGI), of the federal Child and Dependent Care Tax Credit received;[1] if the family's federal AGI is less than $20,000, then the credit is calculated without regard to whether the family received the federal credit

Household Ohio AGI[2]	Percentage of Federal Credit	Maximum Value: 1 Child/Dependent*	Maximum Value: 2+ Children/Dependents*
Less than $20,000	100%	$1,050	$2,100
$20,000 - $39,999	25%	$240	$480
$40,000 and over	0%	$0	$0

* Calculations assume that the Ohio AGI is the same as the federal AGI.

Maximum Value:

- One Child/Dependent: $1,050
- Two or More Children/Dependents: $2,100

Income Limit: $40,000

1 This means that the state credit is based on the nonrefundable federal credit after it has been reduced by federal tax liability. Because low- and moderate-income families have lower tax liability, they may not receive the full value of their federal credit (or any credit at all). As a result, the value of their state credit may be limited.
2 "Household AGI" refers to the AGI of the tax filing unit, regardless of whether the unit is a married couple or a single tax filer.

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $7,467 in child care expenses could receive a maximum credit of $203, depending on her tax liability.[3]

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $13,810 in child care expenses, would not be eligible for this credit.

*Access the methodology for these calculations here.

While there are numerous options to improve this provision, impactful changes would include:

- Making the credit refundable so that low-income families with little or no state income tax liability can take full advantage of the credit.
- Allowing families with incomes above $20,000 to claim the state credit regardless of whether the family had enough federal tax liability to receive the full amount of the federal credit (or to receive the credit at all). This will give more low-income families access to this tax credit, and potentially increase the credit amount.
- For families with incomes of $20,000 or over, increasing the percentage of the federal credit used to calculate the state credit to increase the maximum value of the credit and provide more help to families.
- Lifting the income cap to give more middle-class families access to this tax credit.

3 Because this credit is based on the nonrefundable federal credit received at this income level, the family's federal tax liability impacts the amount of the federal credit the family is eligible to receive, as described above. In addition, because this state credit is nonrefundable, the state credit amount cannot exceed the family's state tax liability. For example, if the mother in the first illustration had sufficient federal tax liability to be eligible for the full federal credit but has a state tax liability of $50, then she could only receive a state credit of $50.

Oklahoma

Credit Name: Child Care Tax Credit

Type of Provision: Nonrefundable Tax Credit[1]

Calculation: 20 percent of the federal Child and Dependent Care Tax Credit received[2]

Maximum Value:
- One Child/Dependent: $210
- Two or More Children/Dependents: $420

Income Cutoff: over $100,000 in federal Adjusted Gross Income (AGI)

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $6,916 in child care expenses could receive a maximum credit of $162, depending on her tax liability.[3]

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $13,000 in child care expenses, could receive a maximum credit of $240, depending on their tax liability.

*Access the methodology for these calculations here.

1 Eligible families may claim the greater of this credit or the Oklahoma Child Tax Credit, which is five percent of the family's federal Child Tax Credit. Nonresidents, except for nonresident members of the Armed Forces, cannot claim this credit.

2 This means that the state credit is based on the nonrefundable federal credit after it has been reduced by federal tax liability. Because low- and moderate-income families have lower tax liability, they may not receive the full value of their federal credit (or any credit at all). As a result, the value of their state credit may be limited.

3 Because this credit is based on the nonrefundable federal credit received, the family's federal tax liability impacts the amount of the federal credit the family is eligible to receive, as described above. In addition, because this state credit is nonrefundable, the state credit amount cannot exceed the family's state tax liability. For example, if the mother in the first illustration had sufficient federal tax liability to be eligible for the full federal credit but has a state tax liability of $50, then she could only receive a state credit of $50.

While there are numerous options to improve this provision, impactful changes would include:

- Making the credit refundable so that low-income families with little or no state income tax liability can take full advantage of the credit.
- Allowing families to claim the state credit regardless of whether the family had enough federal tax liability to receive the full amount of the federal credit (or to receive the credit at all). This will give more low-income families access to this tax credit, and potentially increase the credit amount.
- Increasing the percentage of the federal credit used to calculate the state credit to increase the maximum value of the credit and provide more help to families.

Oregon

Credit Name: Working Family Household and Dependent Care (WFHDC) Credit

Type of Provision: Refundable Tax Credit

Calculation: A percentage, based on federal Adjusted Gross Income (AGI), household size, and age of children, of eligible child or dependent care expenses (limited to $12,000 for one child or dependent and $24,000 for two or more children or dependents)

Sample Federal AGI	Household Size: 2 (1 Child/Dependent)		Household Size: 4 (2 Children/Dependents)	
	Percentage of Expenses	Maximum Value	Percentage of Expenses	Maximum Value
$2,000	20%	$2,400	10%	$2,400
$10,000	60%	$7,200	50%	$12,000
$15,000	75%	$9,000	60%	$14,400
$20,000	66%	$7,920	70%	$16,800
$25,000	50%	$6,000	75%	$18,000
$30,000	47%	$5,640	66%	$15,840
$40,000	20%	$2,400	47%	$11,280
$50,000	0%	$0	45%	$10,800
$60,000	0%	$0	20%	$4,800

NWLC calculations for Tax Year 2017 using Oregon Revenue Online WFHDC Calculator, https://revenueonline.dor.oregon.gov/tap/_/ (follow "WFHDC Calculator" hyperlink) (last visited June 18, 2018). The youngest child for each family example is an infant born on December 31, 2016.

Maximum Value

- One Child/Dependent: $9,000
- Two or More Children/Dependents: $18,000

Income Cutoff: over 300 percent of the Federal Poverty Level

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $8,990 in child care expenses could receive a maximum credit of $4,945.

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $17,218 in child care expenses, could receive a maximum credit of $8,092.

*Access the methodology for these calculations here.

While there are numerous options to improve this provision, impactful changes would include:

Lift or increase the income cap to give more middle-class families access to this tax credit.

Rhode Island

Credit Name: Credit for Child and Dependent Care Expenses

Type of Provision: Nonrefundable Tax Credit

Calculation: 25 percent of the federal Child and Dependent Care Tax Credit received[1]

Maximum Value

- One Child/Dependent: $263
- Two or More Children/Dependents: $525

Income Cutoff: none

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $10,433 in child care expenses could receive a maximum credit of $203, depending on her tax liability.[2]

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $20,042 in child care expenses, could receive a maximum credit of $300, depending on their tax liability.

*Access the methodology for these calculations here.

While there are numerous options to improve this provision, impactful changes would include:

- Making the credit refundable so that low-income families with little or no state income tax liability can take full advantage of the credit.
- Allowing families to claim the state credit regardless of whether the family had enough federal tax liability to receive the full amount of the federal credit (or to receive the credit at all). This will give more low-income families access to this tax credit, and potentially increase the credit amount.
- Increasing the percentage of the federal credit used to calculate the state credit to increase the maximum value of the credit and provide more help to families.

1 This means that the state credit is based on the nonrefundable federal credit after it has been reduced by federal tax liability. Because low- and moderate-income families have lower tax liability, they may not receive the full value of their federal credit (or any credit at all). As a result, the value of their state credit may be limited.

2 Because this credit is based on the nonrefundable federal credit received, the family's federal tax liability impacts the amount of the federal credit the family is eligible to receive, as described above. In addition, because this state credit is nonrefundable, the state credit amount cannot exceed the family's state tax liability. For example, if the mother in the first illustration had sufficient federal tax liability to be eligible for the full federal credit but has a state tax liability of $50, then she could only receive a state credit of $50.

South Carolina

Credit Name: Credit for Child and Dependent Care

Type of Provision: Nonrefundable Tax Credit[1]

Calculation: 7 percent of the expenses claimed for the federal Child and Dependent Care Tax Credit, except that only expenses that are "directly attributable to items of South Carolina gross income" qualify

Maximum Value:

- One Child/Dependent: $210
- Two or More Children/Dependents: $420

Income Cutoff: none

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $4,797 in child care expenses could receive a maximum credit of $57, depending on her tax liability.[2]

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $9,328 in child care expenses, could receive a maximum credit of $84, depending on their tax liability.

*Access the methodology for these calculations here.

While there are numerous options to improve this provision, impactful changes would include:

- Making the credit refundable so that low-income families with little or no state income tax liability can take full advantage of the credit.
- Increasing the percentage of expenses used to calculate the state credit to increase the maximum value of the credit and provide more help to families.

1 Married filing separately tax filers cannot claim this credit, but married filing jointly, head of household, or single tax filers can.

2 Because the credit is nonrefundable, the credit amount cannot exceed the family's state tax liability. For example, if the mother in the first illustration has a tax liability of $50, then she could only receive a credit of $50.

Vermont

Credit Name: Credit for Child and Dependent Care Expenses

Type of Provision: Nonrefundable Tax Credit

Calculation: 24 percent of the federal Child and Dependent Care Tax Credit (CDCTC) received[1]

Maximum Value

- One Child/Dependent: $252
- Two or More Children/Dependents: $504

Income Cutoff: none

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $8,694 in child care expenses could receive a maximum credit of $194, depending on her tax liability.[2]

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $16,958 in child care expenses, could receive a maximum credit of $288, depending on their tax liability.

*Access the methodology for these calculations here.

While there are numerous options to improve this provision, impactful changes would include:

- Making the credit refundable so that low-income families with little or no state income tax liability can take full advantage of the credit.
- Allowing families to claim the state credit regardless of whether the family had enough federal tax liability to receive the full amount of the federal credit (or to receive the credit at all). This will give more low-income families access to this tax credit, and potentially increase the credit amount.
- Increasing the percentage of the federal credit used to calculate the state credit to increase the maximum value of the credit and provide more help to families.

1 This means that the state credit is based on the nonrefundable federal credit after it has been reduced by federal tax liability. Because low- and moderate-income families have lower tax liability, they may not receive the full value of their federal credit (or any credit at all). As a result, the value of their state credit may be limited.

2 Because this credit is based on the nonrefundable federal credit received, the family's federal tax liability impacts the amount of the federal credit the family is eligible to receive, as described above. In addition, because this state credit is nonrefundable, the state credit amount cannot exceed the family's state tax liability. For example, if the mother in the first illustration had sufficient federal tax liability to be eligible for the full federal credit but has a state tax liability of $50, then she could only receive a state credit of $50.

Vermont (Continued)

Credit Name: Low Income Child and Dependent Care Credit

Type of Provision: Refundable Tax Credit[1]

Calculation: 50 percent of the federal CDCTC received,[2] if care was provided by a regulated child care provider who has national accreditation or a 3, 4, or 5 STAR quality designation in the state's quality recognition and improvement system, known as STARS (STep Ahead Recognition System)

Maximum Value

- One Child/Dependent: $525
- Two or More Children/Dependents: $1,050

Income Cutoff: $40,000 for married taxpayers, less than $30,000 for all other filers

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $8,694 in child care expenses would not be eligible for this credit.

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $16,958 in child care expenses, would not be eligible for this credit.

While there are numerous options to improve this provision, impactful changes would include:

- Allowing families to claim the state credit regardless of whether the family had enough federal tax liability to receive the full amount of the federal credit (or to receive the credit at all). This will give more low-income families access to this tax credit, and potentially increase the credit amount.
- Increasing the percentage of the federal credit used to calculate the state credit to increase the maximum value of the credit and provide more help to families.

Note: Families cannot claim both the Credit for Child and Dependent Care Expenses and the Low-Income Child and Dependent Care Credit.

1 Nonresidents cannot claim this credit.
2 This means that the state credit is based on the nonrefundable federal credit after it has been reduced by federal tax liability. Because low- and moderate-income families have lower tax liability, they may not receive the full value of their federal credit (or any credit at all). As a result, the value of their state credit may be limited.

Virginia

Deduction Name: Deduction for Child and Dependent Care Expenses

Type of Provision: Deduction

Calculation: For families who are itemizing their deductions, the amount of expenses on which the family's federal Child and Dependent Care Tax Credit is based is deducted from Virginia Adjusted Gross Income. The amount of tax savings is worth the amount of expenses multiplied by the taxpayer's Virginia income tax rate. The top Virginia income tax rate is 5.75%.

Maximum Value of Tax Savings:

- One Child/Dependent: $173
- Two or More Children/Dependents: $345

Income Cutoff: none

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $10,140 in child care expenses could receive a maximum deduction of $173.

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $18,824 in child care expenses could receive a maximum deduction of $345.

*Access the methodology for these calculations here.

While there are numerous options to improve this provision, impactful changes would include:

Turning the deduction into a refundable tax credit that families can claim regardless of whether they had federal tax liability and received the federal credit so that low-income families with little or no federal or state income tax liability can receive tax assistance with their child and dependent care expenses.

Appendix

STATE CHILD AND DEPENDENT CARE TAX PROVISIONS

State	Credit/ Deduction Name	Citation
Alaska		Alaska Stat. § 43.20.013(b) (credit not available)
Arkansas	Child Care Tax Credit	Ark. Code Ann. § 26-51-502(b)
Arkansas	Early Childhood Program Tax Credit	Ark. Code Ann. § 26-51-502(c)
California	Child and Dependent Care Expense Credit	Cal. Ann. Rev. & Tax Code § 17052.6
Colorado	Child Care Expense Tax Credit	Colo. Rev. Stat. § 39-22-119(1)
Colorado	Low-Income Child Care Expenses Credit	Colo. Rev. Stat. § 39-22-119.5
Delaware	Child Care Credit	Del. Code Ann. title 30, § 1114
District of Columbia (D.C.)	Credit for Child and Dependent Care Expenses	D.C. Code § 47-1806.04(c)
Georgia	Child and Dependent Care Expense Credit	Ga. Code Ann. § 48-7-29.10
Hawaii	Credit for Child and Dependent Care Expenses	Haw. Rev. Stat. Ann. § 235-55.6
Idaho	Tax Deduction for Child and Dependent Care Expenses	Idaho Code Ann. § 63-3022D
Iowa	Child and Dependent Care Credit	Iowa Code Ann. § 422.12C
Kansas	Credit for Child and Dependent Care	Kan. Stat. Ann. § 79-32,111c
Kentucky	Child and Dependent Care Credit	Ky. Rev. Stat. Ann. § 141.067
Louisiana	Child Care Credit	La. Rev. Stat. Ann. § 47:297.4
Louisiana	Child Care Expense Credit (part of the School Readiness Tax Credits)	La. Rev. Stat. Ann. § § 47:6104, 6108

Louisiana	Household Expense for Physically and Mentally Incapable Persons Credit	La. Rev. Stat. Ann. § 47:297.2
Maine	Child Care Credit	Me. Rev. Stat. Ann. tit. 36, § 5218
Maine	Adult Dependent Care Credit	Me. Rev. Stat. Ann. tit. 36, § 5218-A
Maryland	Tax Credit for Child and Dependent Care Expenses	Md. Code Ann., Tax-Gen. § 10-716
Maryland	Child and Dependent Care Expense Deduction	Md. Code Ann., Tax-Gen. § 10-208(e)
Massachusetts	Tax Deduction for Child and Dependent Care Expenses	Mass. Gen. Laws Ann. ch. 62, § 3(B)(a)(7)
Minnesota	Child and Dependent Care Credit	Minn. Stat. Ann. § 290.067
Montana	Child and Dependent Care Expense Deduction	Mont. Code Ann. § 15-30-2131(1)(c)
Nebraska	Credit for Child and Dependent Care Expenses	Neb. Rev. Stat. Ann. § 77-2715.07(2)(a)-(b)
New Jersey	Child and Dependent Care Credit	N.J. Stat. Ann. § 54A:4-17
New Mexico	Child Day Care Credit	N.M. Stat. Ann. § 7-2-18.1
New York	Child and Dependent Care Credit	N.Y. Tax Law § 606(c)
Ohio	Child and Dependent Care Credit	Ohio Rev. Code Ann. § 5747.054
Oklahoma	Child Care Tax Credit	Okla. Stat. Ann. tit. 68, § 2357(B)(2)
Oregon	Working Family Household and Dependent Care Credit	Or. Rev. Stat. Ann. § 315.264
Rhode Island	Credit for Child and Dependent Care Expenses	R.I. Gen. Laws § 44-30-2.6(c)(3)(F)(I)(g)
South Carolina	Credit for Child and Dependent Care	S.C. Code Ann. § 12-6-3380
Vermont	Credit for Child and Dependent Care Expenses	Vt. Stat. Ann. tit. 32, § 5822(d)(1)
Vermont	Low-Income Child and Dependent Care Credit	Vt. Stat. Ann. tit. 32, § 5828c
Virginia	Deduction of Child and Dependent Care Expenses	Va. Code Ann. § 58.1-322.03(3)

NATIONAL WOMEN'S LAW CENTER
EXPANDING THE POSSIBILITIES

11 DUPONT CIRCLE, NW, #800
WASHINGTON, DC 20036
P: (202) 588 5180
WWW.NWLC.ORG