

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 (CDCTC) 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%,¹ 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.

¹ This rate should drop to 5% for Tax Year 2020, slightly changing the value of the deduction.