



**NATIONAL
WOMEN'S
LAW CENTER**

Justice for Her. Justice for All.

SEPTEMBER 2024

One Pager: The Child Tax Credit Is Great – But It Won't Solve the Child Care Crisis

The Child Tax Credit (CTC) Helps Families Make Ends Meet

The Child Tax Credit (CTC) is worth up to \$2,000 per child. It is partially refundable, and the IRS sends any refunds to families after they file their taxes.

This refund can be used by families to cover essential needs—such as diapers, groceries, or gas—or to pay off debt or save for the future.

We Must Expand the Child Tax Credit. But It's Not a Child Care Solution.

Expanding the Child Tax Credit and making it fully refundable would reduce poverty, support families, and strengthen the economy. We saw how big an impact it had in 2021, when the expanded CTC significantly lowered child poverty rates and helped families pay the bills, reduce debt, put food on the table, and, for many, increase their work hours.

However, the CTC won't solve the child care crisis. Here's why:

Child Care Costs Far Exceed the CTC's Support

In many states, the cost of center-based infant care exceeds in-state college tuition. Even if lawmakers tripled the CTC and families allocated the full amount to child care, which in this hypothetical situation would be up to \$6,000 per child, families would still be thousands of dollars short of covering the full cost of care. The CTC Won't Fix the Child Care Industry's "Broken Market"

The CTC Won't Fix the Child Care Industry's "Broken Market"

While expanding the CTC (or even the Child and Dependent Care Tax Credit) can help families financially, tax credits can't fix the broken child care market, in which families pay unaffordable fees, early educators earn poverty wages, and the majority of families struggle to even find care that meets their needs. Direct investment in the child care sector—to build the supply of care and improve early educators' compensation—is needed to address these challenges.

The Bottom Line: Families Need Both the Expanded CTC and Child Care Investments

Congress must both expand the Child Tax Credit and guarantee access to affordable child care for all families. Each of these policies supports families in different but complementary ways. Together, they can help secure families' well-being and financial stability, benefiting communities and the economy as a whole.