

The Tax Code Caregivers Need — And Deserve

by Amy K. Matsui and Amy Royce

Reprinted from *Tax Notes Federal*, March 24, 2025, p. 2159

The Tax Code Caregivers Need – And Deserve

by Amy K. Matsui and Amy Royce

Amy K. Matsui is senior director of income security and Amy Royce is senior counsel at the National Women’s Law Center. A version of this report was presented at the American Tax Policy Institute symposium on gender and tax in October 2024. The authors thank Shengwei Sun and Sarah Prazeau for their research assistance, and Melissa Boteach, Julie Kashen, Emily Martin, Kat Menefee, and Elizabeth Pancotti for their thoughtful feedback on earlier drafts. Their review does not constitute their endorsement or support of the positions and arguments within.

In this report, Matsui and Royce argue that lawmakers should sunset the provisions of the Tax Cuts and Jobs Act that benefit the wealthiest taxpayers and corporations and revamp the tax code to support caregivers and families with low and moderate incomes.

This report reflects the authors’ views in their individual capacities and does not represent the positions of the National Women’s Law Center.

Copyright 2025 Amy K. Matsui and
Amy Royce.
All rights reserved.

Table of Contents

I. Introduction	2159
II. The United States Has Underinvested In Care	2161
III. Public Investments in Care	2163
IV. Decades of Tax Cuts Have Undermined Investments in Care	2163
V. Tax Breaks at the Top Exacerbate Inequality	2165
VI. Tax Code Provisions That Address Caregiving Are Insufficient.	2167
A. Care-Related Tax Benefits for Taxpayers	2167

B. Care-Related Tax Benefits for Employers	2170
VII. Republicans’ Tax Policy Priorities Threaten a Comprehensive Solution To the Care Crisis.	2171
VIII. Conclusion	2173

I. Introduction

At some point in our lives, we will all need to care for ourselves or a loved one. People need care supports — child care, paid family and medical leave, aging and disability care, for example — to be able to participate in the workforce and for their own well-being as well as that of their families. Unfortunately, policymakers in the United States have not made the policy changes and systemic investments that help people balance caring for themselves and their families and working for pay.

Our tax code is no exception. One purpose of our tax system is to collect revenue and invest in our shared priorities, like care. Today’s federal tax code, however, fails to collect sufficient revenue for these priorities, largely because of decades of tax cuts for the wealthiest individuals and big corporations. This has enabled some policymakers to argue that, as a nation, “we can’t afford” public investments, including in care. In the current Congress, lawmakers are advancing legislation that would explicitly take away supports for struggling families to pay for tax cuts that would primarily benefit the wealthy. The tax code also fails to meaningfully support care with its existing provisions related to child care, paid family and medical leave, and aging and disability care. The failure of the tax code to support caregivers and families that need care entrenches the flawed assumption that care is only an individual’s family responsibility rather than the backbone of our communities and broader economy.

Those shortcomings of the tax code exacerbate gender and racial inequity. The modern tax code was mostly written by wealthy, white men. Thus, tax laws largely embody their experiences and values and do not reflect the realities of the lives of women and people of color (as well as other historically marginalized communities).¹ This has profound impacts both within the tax code and more broadly. For example, women supporting families on their own and households of color are underrepresented at higher income levels and overrepresented at lower ones, meaning that they are largely locked out of the tax benefits that accrue to the wealthiest.

Exclusion from valuable tax benefits and subsidies exacerbates and compounds disparities across employment, education, health, and the economy overall, and it helps widen income and wealth gaps. To the extent that tax cuts for the wealthiest and big corporations erode revenue and constrain public investments that would help caregivers and families succeed and thrive, tax policies further reinforce existing gender and racial inequities — even more so when lawmakers seek to offset the cost of tax cuts for those at the top by cutting federal supports and services upon which families rely.

Lawmakers have the power to make different tax policy choices that would support caregivers, families that need care, and all of us. Revenue raised by increasing taxes on the wealthiest individuals² and corporations could support public investments in care supports, which promise significant and long-term returns in the form of improved economic security, health and well-being for families, economic growth, and a stronger and more equitable economy overall. Indeed, care represents the kind of public good — like roads and bridges, education, and healthcare — that the revenue collected by the tax system is intended to fund. And, as we have argued in previous work, expanding refundable tax benefits would complement systemic investments in care and advance economic security for women and

families.³ A more equitable tax code and economy benefits all of us.⁴

As lawmakers debate tax policy in 2025, Republican leaders in Congress have indicated that they intend to pursue even more regressive and harmful tax cuts for the wealthiest individuals and big corporations rather than address persistent revenue shortfalls by making the wealthy and big corporations pay their fair share. What is more, to offset the cost of these massive tax cuts, some have proposed deep cuts to federal programs, including Medicaid, Temporary Assistance for Needy Families (TANF), and the Social Services Block Grant (SSBG), as well as to existing tax benefits related to care.⁵ These programs provide crucial support to caregivers and families that need care. For example, Medicaid is the primary federal program that provides aging and disability care in the United States. TANF and SSBG funds support child care assistance, cash benefits that families can use for basic necessities, and other essential services. If lawmakers enact more tax cuts for the wealthiest individuals and corporations, paid for with cuts to the programs everyday families rely on, they will raise costs for families and undermine their short- and long-term economic security with the 2025 tax legislation.

In this report, we argue that the 2025 tax law changes can either mitigate or exacerbate the care crisis faced by millions of families across the country. Lawmakers have a clear choice before them: Prioritize more tax breaks for billionaires and corporations at the expense of families, or change our tax policies so the tax system supports everyday families, including with care investments. To meaningfully support caregivers and families, it is imperative that the tax code

³ Melissa Boteach et al., “A Tax Code for the Rest of Us: A Framework & Recommendations for Advancing Gender and Racial Equity Through Tax Credits,” National Women’s Law Center (Nov. 13, 2019).

⁴ See, e.g., Kendra Bozarth, Grace Western, and Janelle Jones, “Black Women Best: The Framework We Need for an Equitable Economy,” Roosevelt Institute Issue Brief (Sept. 15, 2020) (arguing that economies stratified across race and gender lines will never reach full potential because discrimination undermines stability); Julie Kashen and Rakeen Mabud, “Nevertheless, It Persists: Disrupting the Vicious Cycle of Institutionalized Sexism,” Time’s Up Foundation (July 2020) (explaining how the power imbalance wrought by gender discrimination, particularly in the child care sector, curtails the entire economy’s ability to thrive).

⁵ Tobias Burns, “House Budget Republicans Eye More Than 200 Spending Cuts, Tax Changes for Major Bill,” *The Hill*, Jan. 17, 2025.

¹ Ariel Jurow Kleiman, Amy K. Matsui, and Estelle Mitchell, “The Faulty Foundations of the Tax Code: Gender and Racial Bias in Our Tax Laws,” National Women’s Law Center (Nov. 13, 2019).

² Matsui, Kathryn Menefee, and Amy Royce, “Advancing Gender and Racial Equity by Taxing Wealth,” National Women’s Law Center (Apr. 12, 2022).

raise sufficient revenue to support public investments in care *and* expand certain tax benefits for low- and moderate-income families.

II. The United States Has Underinvested in Care

The United States remains one of only a handful of countries with no national paid family or medical leave policy. Compared with most OECD nations, the United States makes minimal investments in early childhood care,⁶ leaving families struggling to find and afford care that works for them. Millions of people with disabilities and older people lack access to the caregivers they need to assist them in their daily lives.⁷ The lack of public care investments, in addition, means that the economy relies on individuals — overwhelmingly women, and disproportionately women of color — to provide care, and those individuals bear the cost of the lack of pay or low pay for that essential care work.⁸

This is in large part a result of how caregiving is perceived in the United States. Caregiving has long been seen as a private family matter rather than as a public good that benefits society and the economy.⁹ What is more, caregiving — whether inside or outside the family — has been defined as the work of women, and especially women of color.¹⁰ As Jessica Calarco argues, the “engineers of our DIY society” have intentionally perpetuated cultural, economic, and political narratives to keep it this way.¹¹ To this day, women bear a disproportionate share of unpaid and

underpaid caregiving work.¹² Women, and disproportionately women of color and immigrant women, are overrepresented in the care workforce.¹³ For example, women make up 94 percent of child care workers, with Black women, Latinas, and Asian American, Native Hawaiian, and Pacific Islander women making up 12 percent, 21 percent, and 4 percent of child care workers, respectively.¹⁴ Eighty-five percent of home health workers are women, and nearly 60 percent of the direct care workforce are people of color.¹⁵ Consistent with that occupational gender and racial segregation, caregiving work has been viewed as unskilled and compensated accordingly.¹⁶ Moreover, inadequate pay and benefits often result in skilled and dedicated care workers leaving their jobs for better-paid positions — for example, in retail — exacerbating labor shortages in the care sector.¹⁷

The effect of caregiving — and our nation’s undervaluing of it — on women’s labor force participation and economic security is significant. Women are more likely than men to cut back their

⁶ Conference Board Committee for Economic Development, “CED Policy Brief: Public Investment in Childcare and Early Education Policies: Europe vs. United States” (Nov. 11, 2020).

⁷ Jessica Forden and Teresa Ghilarducci, “U.S. Caregiving System Leaves Significant Unmet Needs Among Aging Adults,” Schwartz Center for Economic Policy Analysis (Dec. 5, 2023).

⁸ Elise Gould, Marokey Sawo, and Asha Banerjee, “Care Workers Are Deeply Undervalued and Underpaid,” Economic Policy Institute (July 16, 2021); Julie Vogtman, “Undervalued: A Brief History of Women’s Care Work and Child Care Policy in the United States,” National Women’s Law Center (Dec. 14, 2017).

⁹ AARP and National Alliance for Caregiving, “Caregiving in the U.S. 2020,” at 8 (May 2020).

¹⁰ Vogtman, *supra* note 8; Karla Coleman-Castillo et al., “Re-envisioning CCDF: Toward an Anti-Racist Child Care System That Serves Families & Educators,” National Women’s Law Center (Apr. 3, 2024); Fatima Goss Graves, “The Roots of Our Child Care Crisis Are in the Legacy of Slavery,” *The Hill*, June 21, 2021.

¹¹ Calarco, *Holding It Together: How Women Became America’s Safety Net* (2024).

¹² Katherine Gallagher Robbins and Jessica Mason, “Americans’ Unpaid Caregiving Is Worth More Than \$1 Trillion Annually — And Women Are Doing Two-Thirds of the Work,” National Partnership for Women & Families (June 27, 2024); Brooke LePage, “The Child Care and Early Learning Workforce Is Underpaid and Women Are Paying the Price,” National Women’s Law Center (May 2023); Forden et al., “Reducing the Unequal Burden of Unpaid ElderCare Work,” Schwartz Center for Economic Policy Analysis (May 3, 2023).

¹³ LePage, *supra* note 12, at 1; PHI, “Direct Care Workers in the United States: Key Facts 2022” (Sept. 6, 2022).

¹⁴ LePage, *supra* note 12, at 2; *see also id.* at 1 (“More than two in 10 child care workers (22 percent) . . . are women born outside of the U.S., while 8 percent of people working in all sectors are women born outside of the U.S.”).

¹⁵ PHI, *supra* note 13 (Black people make up 33 percent of the workforce, and Hispanic/Latino people make up 18 percent); U.S. Bureau of Labor Statistics, “Labor Force Statistics From the Current Population Survey” (Jan. 26, 2024) (showing that even though people of color make up 38.5 percent of the total U.S. labor force, they constitute 54 percent of home healthcare workers).

¹⁶ Gould, Sawo, and Banerjee, *supra* note 8 (“Working conditions and pay for such work reflect the societal views of care jobs and workers, including the extent of scrutiny on whether they are ‘skilled’ jobs.”).

¹⁷ National Women’s Law Center, “Early Educators’ Wage Growth Lagged Behind Other Low-Paid Occupations, Jeopardizing the Supply of Child Care as Relief Dollars Expire” (July 14, 2023); Grace Dean, “Childcare Centers Say Staff Are Leaving Them in Droves for Better Wages, Including for \$15-an-Hour Roles at Walmart,” *Business Insider*, Sept. 20, 2021.

work hours or leave the workforce altogether — at least periodically — to care for family members.¹⁸ Women are overrepresented among poorly paid workers, including retail, restaurant, and child care or home care workers,¹⁹ and these jobs are the least likely to offer benefits like paid leave or provide sufficient income for these workers to be able to afford quality care that meets their and their families' needs. This has clearly affected women's ability to participate in the paid labor force, maintain the work hours they prefer, or get ahead in their careers. During the pandemic, for example, when the fragile child care sector teetered on the brink of collapse, women's labor force participation dropped to historic lows.²⁰ And in the wake of the pandemic, child care availability has continued to wane and the cost of care has continued to rise, creating barriers for women to return to the workforce, maintain preferred work hours, or advance in their careers.²¹

When women are unable to engage in paid work because of caregiving, they do not earn wages. But even when they are working, caregiving affects their incomes and compounds over a lifetime to affect their financial security and wealth. Caregiving is one of the reasons for the gender wage gap: Overall, women working full time, year-round are paid on average just 83 cents for every dollar paid to their male counterparts — and women of color face even larger wage gaps.²² Becoming a parent deepens the gender wage gap: Women who have children experience a

“motherhood penalty” while, conversely, men who have children experience a “fatherhood premium.” Thus, mothers are paid on average about 75 cents on the dollar compared with fathers.²³ And for women who are primary breadwinners or single parents, the effect of those lost earnings on their families' financial well-being is especially detrimental.

Over the course of their careers, women lose an average of \$237,000 in earnings as a result of caregiving.²⁴ And as noted, wages and benefits for paid care workers are far from adequate, often leaving those workers unable to support themselves and their families.²⁵ Care workers are more likely to rely on federal supports such as Medicaid and SNAP than workers in other sectors, meaning they would be especially harmed by cuts to these programs currently being debated in Congress. Many care workers have informal work arrangements or are misclassified as independent contractors rather than salaried workers.²⁶ More generally, care workers are especially unlikely to have access to healthcare, retirement benefits, paid sick leave or family and medical leave, or to be able to afford care for themselves or their own families. Caregiving not only undermines women's economic security throughout their lives but also harms their eventual retirement.²⁷

When women bear the cost of the fragmented and inequitable care system, our economy is less equitable and more extractive of the labor of women, primarily women of color. There are significant costs to gross, systemic economic inequality. As the pandemic made painfully clear, without child care, paid family and medical leave, or aging and disability care, the health and well-being of millions of people decline dramatically,

¹⁸ Washington Center for Equitable Growth, “Factsheet: What Does the Research Say About the Economics of Paid Leave?” (Apr. 22, 2021); David H. Montgomery, “Who's Not Working? Behind the Full-Time Caregivers Leaving the Workforce,” Federal Reserve Bank of Minneapolis (July 5, 2023).

¹⁹ Jasmine Tucker and Vogtman, “When Hard Work Is Not Enough: Women in Low-Paid Jobs,” National Women's Law Center (July 20, 2023).

²⁰ Kartik B. Athreya and Sierra Stoney, “The Pandemic, Child Care and Women's Labor Force Participation,” Federal Reserve Bank of Richmond (May 2022); National Women's Law Center, “NWLC Jobs Day Reports” (June 2, 2023).

²¹ Lydia DePillis, Jeanna Smialek, and Ben Casselman, “Jobs Aplenty, but a Shortage of Care Keeps Many Women From Benefiting,” *The New York Times*, June 22, 2023; Laura Valle Gutierrez, “Supporting Mothers Requires a Child Care Guarantee,” The Century Foundation (Aug. 1, 2024).

²² Ashir Coillberg, “A Window Into the Wage Gap: What's Behind It and How to Close It,” National Women's Law Center (Feb. 2025); National Women's Law Center, “2023 Census Data Shows Child Poverty Increased and Gender Wage Gap Widened” (Sept. 10, 2024).

²³ YoonKyung Chung et al., “The Parental Gender Earnings Gap in the United States,” U.S. Census Bureau (Nov. 2017).

²⁴ Richard W. Johnson, Karen E. Smith, and Barbara Butrica, “Lifetime Employment-Related Costs to Women of Providing Family Care,” Urban Institute (Feb. 2023).

²⁵ Caitlin McLean et al., “Early Childhood Workforce Index 2020,” Center for the Study of Child Care Employment 56 (2021).

²⁶ Caroline Bruckner and Jonathan B. Forman, “Women, Retirement and the Growing Gig Economy Workforce,” *38 Ga. St. U. L. Rev.* 259 (2022).

²⁷ Robert Paul Hartley et al., “A Lifetime's Worth of Benefits: The Effects of Affordable, High-Quality Child Care on Family Income, the Gender Earnings Gap, and Women's Retirement Security,” National Women's Law Center and Center on Law and Social Policy (March 2021).

people (most often women) cannot participate in the paid workforce, and our economy grinds to a halt. An inequitable economy is more fragile and sacrifices potential growth. For example, recent analysis indicates that the lack of caregiving investments has cost the United States nearly \$7 trillion in GDP over a decade.²⁸

III. Public Investments in Care

The solution is straightforward: making significant public investments in a child care and early education guarantee,²⁹ aging and disability care,³⁰ and a comprehensive national paid family and medical leave policy.³¹ These investments would benefit everyone but would be especially beneficial for caregivers and families with children and older or disabled members who have low or moderate incomes because they struggle the most in finding affordable and adequate care. Women and people of color are overrepresented in both of those groups. Investing public dollars in care supports would boost labor force participation of women. Indeed, in OECD countries that make greater care investments than the United States does, women's labor force participation is higher, which is one of the reasons that researchers have estimated that if the United States made care investments on a similar scale to Germany and Canada, over \$775 billion *annually* in economic growth would ensue.³² Women's incomes, wealth, well-being, and economic security would be expected to increase, as well.³³

Public investments in care would not only support caregivers and families but also make the economy as a whole more equitable, stronger, and

more resilient.³⁴ Comprehensive care policies would help provide a more stable workforce for employers, create millions of new jobs, and spur economic growth.³⁵ It is well established that care investments produce outsized and wide-ranging returns that far exceed the scope of initial costs.³⁶

Given the universal need for care and the broad and positive effects that care investments would have on our economy and society writ large, care policies are an especially appropriate use for public dollars. Moreover, as former Secretary of the Treasury Janet Yellen put it (referencing child care), care is “a textbook example of a broken market,” in which families cannot access or afford care, providers can barely make ends meet, and workers are not paid enough to support themselves and their families. Care should be considered a public good and funded as such, especially since leaving care to the private market created the care crisis — and continues exacerbating it. Not every dollar of investment in care systems need be offset, but to the extent that it is unlikely that investments at the scale needed will be undertaken without raising additional revenue, we need to reform the tax code to do so.

IV. Decades of Tax Cuts Have Undermined Investments in Care

Over the past four decades, lawmakers have enacted trillions of dollars in tax cuts for the wealthiest households and corporations.³⁷ Contrary to their proponents' claims, these tax cuts have not “trickled down” to benefit all of us.³⁸

²⁸Jocelyn Frye, Areeba Haider, and Gallagher Robbins, “Unfinished Policy Agenda for Women in the Economy Cost the U.S. \$6.7 Trillion in GDP Gains Over a Decade,” National Partnership for Women & Families (Sept. 2024).

²⁹Child Care for Every Community Act, S. 388, 118th Cong. (2023); Child Care for Working Families Act, S. 1354, 118th Cong. (2023).

³⁰Veronica Faison, “Supporting Home- and Community-Based Care Advances Gender Justice,” National Women's Law Center (Nov. 2024).

³¹National Women's Law Center, “Time to Care: Paid Family and Medical Leave and the Family Act” (May 17, 2023).

³²Sarah Jane Glynn, “The Cost of Doing Nothing, 2023 Update: The Price We Still Pay Without Policies to Support Working Families,” Women's Bureau, U.S. Department of Labor (Nov. 2023).

³³Julia Hakspiel and Silja Baller, “Building a Care Economy: 4 Leaders on Why Investing Today Will Create a Virtuous Cycle of Prosperity,” World Economic Forum (Sept. 10, 2024).

³⁴Joint Economic Committee, “The Many Economic Benefits of Investing in Early Childhood Education” (Apr. 8, 2024).

³⁵See, e.g., Lenore M. Palladino and Mabud, “It's Time to Care: The Economic Case for Investing in a Care Infrastructure,” Time's Up Foundation (Feb. 2021); Center for American Progress, “President Biden's Home Care Proposal Would Create Massive Job Growth in Every State” (Aug. 17, 2021) (asserting that President Biden's proposed \$400 billion investment in care services for older and disabled people would create more than 777,000 direct jobs and more than 60,000 indirect jobs connected to the home care industry).

³⁶See Frye, Haider, and Gallagher Robbins, *supra* note 28.

³⁷David Hope, “Tax Cuts for the Wealthy Only Benefit the Rich: Debunking Trickle-Down Economics,” London School of Economics and Political Science (Jan. 24, 2023); testimony of Urban-Brookings Tax Policy Center Co-Director William Gale submitted for a hearing of the House Select Committee on Economic Disparity and Fairness in Growth, “Tackling the Tax Code: Evaluating Fairness, Efficiency, and Potential to Spur Inclusive Economic Growth” (June 22, 2022).

³⁸Hope, *supra* note 37.

Rather, inequality has soared while federal revenue has declined as a share of GDP, depriving the public of the dollars we otherwise would have benefited from.³⁹

The 2017 Tax Cuts and Jobs Act, drafted and passed by a Republican-controlled Congress, continued the tax-cutting trend primarily benefiting those at the top,⁴⁰ with promises that the gains would be broadly shared. The evidence demonstrates that these predictions have not come to pass.⁴¹ For example, tax savings from the TCJA's corporate rate cut from 35 percent to 21 percent went entirely to owners, executives, and top managers, with the remaining 90 percent of workers seeing no benefit.⁴² The new deduction for passthrough income created in 2017 similarly heaped most of its benefits on very wealthy business owners, without spurring broad-based economic gains.⁴³ Changes to the estate tax were similarly structured to benefit wealthy families only, by increasing the exemption amount for the tax to such a high level that only about 4,000 out of 2.8 million estates per year, or 0.14 percent of all decedents, owe any estate tax.⁴⁴

The successive waves of tax cuts benefiting the wealthiest have resulted in the share of taxes paid by the top income earners (and corporations) declining to record lows.⁴⁵ By prioritizing tax cuts at the top in recent decades, moreover, policymakers have hollowed out the federal revenue base, working directly against the goal of raising the revenue necessary to make public investments in care. These tax cuts did not come cheaply. For example, the overall cost of the TCJA

changes over 10 years is estimated at \$1.9 trillion.⁴⁶ The cost of extending its temporary provisions for an additional 10 years after 2025 is even higher: \$4.6 trillion.⁴⁷ And additional tax cut proposals made during the 2024 presidential campaign could raise the overall price tag of forthcoming tax legislation to \$8 trillion or more.⁴⁸ This is the wrong direction for tax policy. It is conclusively acknowledged that the TCJA tax breaks did not "pay for themselves" by generating economic growth, acting instead primarily to widen inequality.⁴⁹ This stands in stark contrast to the well-established benefits of investing in care to the broader economy.

The effects of further tax cuts on care priorities are predictable. As additional tax cuts are projected to shrink federal revenue, opponents of care investments argue that growing deficits make investments in care impossible⁵⁰ and necessitate spending cuts. But that argument conveniently ignores the fact that tax cuts at the top — not spending on domestic programs — have been the key driver of increasing deficits. Analysis of the Economic Growth and Tax Relief Reconciliation Act of 2001 (commonly known as the Bush tax cuts, which were extended in 2013) and the TCJA shows that they cost \$10 trillion in federal revenue and account for 57 percent of the increase in the debt-to-GDP ratio since their enactment.⁵¹ Absent these tax cuts, the federal debt-to-GDP ratio would be declining, but since revenue was cut so significantly, this ratio has grown.⁵² Yet proponents of tax cuts at the top resist the most obvious solution to reducing the deficit and supporting federal programs and services: sacrificing additional tax cuts for the

³⁹ Elizabeth Pancotti, "To Put Trickle-Down Economics to Rest, We Need a New Tax Code," Roosevelt Institute (Apr. 2024).

⁴⁰ Greg Leiserson, "A Regressive, Deficit-Financed Tax Cut Is Not What the United States Needed," American Enterprise Institute (Oct. 9, 2019).

⁴¹ Hope, *supra* note 37.

⁴² David S. Mitchell, "Six Years Later, More Evidence Shows the Tax Cuts and Jobs Act Benefits U.S. Business Owners and Executives, Not Average Workers," Washington Center for Equitable Growth (Dec. 20, 2023).

⁴³ Chuck Marr, Samantha Jacoby, and George Fenton, "The Pass-Through Deduction Is Skewed to the Rich, Costly, and Failed to Deliver on Its Promises," Center on Budget and Policy Priorities (June 6, 2024).

⁴⁴ Aravind Boddupalli et al., "Briefing Book: How Many People Pay the Estate Tax?" Urban-Brookings Tax Policy Center (updated Jan. 2024).

⁴⁵ Brian Wakamo, Sarah Anderson, and Justin Campos, "11 Charts on Taxing the Wealthy and Corporations," Institute for Policy Studies (July 12, 2021); Joel Friedman, "The Decline of Corporate Income Tax Revenues," CBPP (Oct. 24, 2003).

⁴⁶ Congressional Budget Office, "The Effects of the 2017 Tax Act on CBO's Economic and Budget Projections," at 105, 106 (Apr. 2018).

⁴⁷ Dan Ready and Molly Saunders-Scott, "Budgetary Outcomes Under Alternative Assumptions About Spending and Revenues," CBO (May 2024).

⁴⁸ Committee for a Responsible Federal Budget, "The Fiscal Impact of the Harris and Trump Campaign Plans" (Oct. 28, 2024).

⁴⁹ Pancotti, *supra* note 39.

⁵⁰ Rob Mentzer, "US Sen. Ron Johnson Defends Saying Taking Care of Children Isn't 'Society's Responsibility,'" Wisconsin Public Radio (Jan. 27, 2022).

⁵¹ Bobby Kogan, "Tax Cuts Are Primarily Responsible for the Increasing Debt Ratio," Center for American Progress (Mar. 27, 2023).

⁵² *Id.* ("A series of massive, permanent tax cuts have created large federal budget primary shortfalls and continue to exert upward pressure on the debt ratio.")

wealthiest and big corporations and instead increasing their taxes.

Rather than redirecting our failed tax policies to increase revenue as we approach the 2025 tax debates, however, Republicans have doubled down and proposed cutting funding for healthcare, aging and disability care, child care, and other basic supports for families to pay for even more tax cuts at the top. Specifically, as congressional Republicans were drafting their budget reconciliation instructions in January, it was publicly reported that Republican leaders proposed cutting programs such as the Supplemental Nutrition Assistance Program (SNAP), Medicaid, TANF, and the SSBG, along with tax benefits for families like the child and dependent care tax credit (CDCTC),⁵³ to offset revenue that would be lost by even more tax cuts for the wealthy and big corporations. This approach would take food and healthcare away from millions of families struggling to make ends meet,⁵⁴ and it would especially harm women, caregivers, and families who need care. Women especially rely on the programs that would bear the brunt of these cuts, making up the majority of Medicaid and SNAP recipients and more than 80 percent of adult TANF recipients.⁵⁵

Moreover, Medicaid is the primary federal program that funds care for aging and disabled people, but it does not serve all eligible people in need of care. Even if they are eligible for home- and community-based care services under Medicaid, people must navigate complex administrative requirements and often languish on years-long waiting lists.⁵⁶ States can and do allocate TANF and SSBG funds for child care, meaning that cuts to these programs could result in reduced child care assistance, as well. As discussed more below, the CDCTC provides tax benefits to families with out-of-pocket care

expenses. The deep proposed cuts to Medicaid, TANF, and SSBG and elimination of the CDCTC thus would take caregiving supports away from families, increasing the costs they must shoulder on their own.

Paying for tax cuts for the wealthiest with spending cuts for families undermines federal support for caregiving, both through cuts to existing programs and limiting the fiscal space for new investments. Similar to the underlying assumption that care is a concern for families to work out themselves, austerity measures are premised on the belief — one that is rooted in deep racial and gender stereotypes — that poverty is an individual moral failing.⁵⁷ Enacting tax cuts for wealthy individuals and profitable corporations at the expense of women and families is thus another way tax policy can undermine care investments.

V. Tax Breaks at the Top Exacerbate Inequality

In addition to depriving the public of needed revenue, tax cuts at the top income levels drive racial and gender inequality because they advantage taxpayers who already have wealth. Historical and ongoing discrimination means women of color, and women overall, are underrepresented at the top income and wealth levels and overrepresented at the bottom.⁵⁸ Women are underrepresented among top earners,⁵⁹ they make up nearly two-thirds of the

⁵⁷ Menefee and Matsui, "'Welfare' the Child Tax Credit: How Racial and Gender Stereotypes Have Blocked Expansions to the CTC and Undermined Its Ability to Reduce Poverty," 22 *Pitt. Tax Rev.* 1 (2024). Haider et al., "Re-Envisioning TANF: Toward an Anti-Racist Program That Meaningfully Serves Families," Georgetown Law Center on Poverty and Inequality (Oct. 2022).

⁵⁸ In 2022 23.6 percent of Black households and 17.9 percent of Hispanic households had annual incomes under \$25,000, compared with just 13.9 percent of white households. Nearly half (46.5 percent) of Black households and 39.5 percent of Hispanic households had annual incomes under \$50,000, compared with 30.9 percent of white households. National Women's Law Center calculations based on Census Bureau, "Table H-17. Households by Total Money Income, Race, and Hispanic Origin of Householder." Elizabeth Wildsmith and Marta Alvira-Hammond, "Data on Families With Low Incomes Across America Can Inform Two-Generation Approaches," Child Trends and Ascend at the Aspen Institute 6 (2023) (in 2021 54.8 percent of families headed by single mothers had household incomes below 200 percent of the official poverty threshold, compared with 28.6 percent of all families).

⁵⁹ Roman Bobilev, Anne Boschini, and Jesper Roine, "Women in the Top of the Income Distribution: What Can We Learn From LIS-Data?" 6 *Italian Econ. J.* 63, 77 (Sept. 17, 2019) (demonstrating how women represented less than 30 percent of the top 10 percent of the labor income distribution in 2010).

⁵³ Benjamin Guggenheim, "GOP Budget Menu Outlines Sweeping Spending Cuts," *Politico*, Jan. 17, 2025.

⁵⁴ Sharon Parrott, "Federal Policy Debates in 2025 Carry High Stakes," CBPP (Jan. 14, 2025).

⁵⁵ Courtney Anderson et al., "By the Numbers: Data on Key Programs for the Well-Being of Women, LGBTQIA+ People, and Their Families," National Women's Law Center (Apr. 2024); Ivette Gomez et al., "Medicaid Coverage for Women," Kaiser Family Foundation (Feb. 17, 2022).

⁵⁶ Robin Rudowitz et al., "Medicaid 101," Kaiser Family Foundation (May 28, 2024).

workforce in the 40 lowest-paid jobs, and these workers are disproportionately women of color.⁶⁰ Care workers are among the lowest paid in the workforce. Women supporting families on their own have the lowest median income among family households.⁶¹

One measure of the cumulative effects of generations of barriers to growing wealth can be found in the gender and racial wealth gaps.⁶² Women have always owned less wealth than men, and white households more wealth than households of color. The wealth gap far outpaces the pay gap, and the gaps are large. Looking at never-married single adults, for every \$1 of wealth owned by single white men, single Black women own 8 cents, and single Latinas own 14 cents.⁶³ Gender and racial wealth gaps mean that women — especially women of color — are less able to weather emergencies, pursue their ambitions, or access wealth-building mechanisms such as buying a home or investing, and act as a drag on the economy overall, as economic potential is left on the table.⁶⁴

Tax breaks for top earners deepen these gaps, as continuing disparities mean these tax breaks will advantage historically advantaged groups, and women and households of color will be left out. Caregivers in low- and moderate-income households, as well as the low-paid care workforce, are similarly unlikely to benefit from these tax breaks.

The TCJA's cuts were skewed to the top of the income and wealth spectrum, in both percentage and absolute terms, exacerbating these gender and racial inequities. The lowest-income quintile received an average tax cut of only 0.4 percent of

their income, while the top 1 percent saw an average tax cut of 2.9 percent — more than seven times as large.⁶⁵ Extending the 2017 tax cuts that expire in 2025 would see similarly disproportionate benefits at the top, with an extension of all the tax cuts expected to result in an average tax cut of \$175,000 in the first year for the top 0.1 percent, while households making \$75,000 or less per year would see an average tax cut of just \$330 in that year.⁶⁶

These disparities are driven by the law's design, which favored higher-income taxpayers and taxpayers with investment and business income, among whom women and households of color are underrepresented.⁶⁷ For example, as mentioned above, the TCJA created a new deduction for passthrough income. The deduction, championed as a boon to small businesses, primarily benefited wealthy business owners, with more than half the benefit going to those in the top 1 percent by income.⁶⁸ It increased tax avoidance as passthrough business owners gamed the system, artificially adjusting the amount of labor income they declared to inflate their benefit from the passthrough deduction.⁶⁹

Further, research shows that women entrepreneurs are less likely to have income that qualifies for this deduction because of the size of the businesses they run.⁷⁰ Analysis by race shows that only 2 percent of passthrough tax preferences benefit Black taxpayers, and only 5 percent reach Hispanic taxpayers.⁷¹ The TCJA also failed to address long-standing inequities in the tax code

⁶⁵ Tax Policy Center, "T17-0314 — Conference Agreement: The Tax Cuts and Jobs Act" (Dec. 18, 2017).

⁶⁶ Americans for Tax Fairness, "Renewing the Trump Tax Cuts Benefits the Rich & Threatens Social Security, Medicare, Medicaid & More" (Mar. 3, 2023).

⁶⁷ Joe Hughes and Emma Sifre, "Investment Income and Racial Inequality," Institute on Taxation and Economic Policy (Oct. 14, 2021); Da Ke, "Cross-Country Differences in Household Stock Market Participation: The Role of Gender Norms," 108 *AEA Papers & Proc.* 159, 160 (May 2018).

⁶⁸ David S. Mitchell, "2017 Tax Cut for Pass-Through Business Owners Exacerbated Inequality and Failed to Deliver Economic Benefits," Washington Center for Equitable Growth (May 1, 2024).

⁶⁹ *Id.*

⁷⁰ Testimony of Caroline Bruckner, managing director of the Kogod Tax Policy Center at American University, "Expanding Opportunities for Small Businesses Through the Tax Code," hearing before the Senate Committee on Small Business and Entrepreneurship, 115th Cong. (2018).

⁷¹ Beverly Moran, "When Tax Policy Discriminates: The TCJA's Impact on Black Taxpayers," Roosevelt Institute 25 (June 2024).

⁶⁰ Tucker and Vogtman, *supra* note 19 (discussing how Latinas, Native American women, and Black women are overrepresented in low-paying jobs in the United States).

⁶¹ Vogtman, *supra* note 8, at 6 ("The median wage for women child care workers with a bachelor's degree or higher is \$12.02 per hour — less than half the median wage for similarly educated women in the workforce."); Gloria Guzman and Melissa Kollar, "Income in the United States: 2022," U.S. Census Bureau 10 (Sept. 2023) (noting how the 2022 female-to-male ratio of median earnings was 84 percent).

⁶² National Women's Law Center, "Gender and Racial Wealth Gaps and Why They Matter" (June 10, 2022).

⁶³ Ana Hernandez Kent, "The Gender Wealth Gap for Never-Married Adults Shrank in 2022," Federal Reserve Bank of St. Louis (Mar. 26, 2024).

⁶⁴ Nick Noel et al., "The Economic Impact of Closing the Racial Wealth Gap," McKinsey Institute for Black Economic Mobility 5 (Aug. 13, 2019); Matsui, Menefee, and Royce, *supra* note 2.

that worsen racial and gender economic inequality, such as well-known tax avoidance strategies used by the wealthiest households.⁷²

Tax cuts that are skewed to the wealthiest only compound the effect of the lack of caregiving supports on women, caregivers, and low- and moderate-income households, as described above. In this way, the tax code exacerbates racial and gender gaps both “at the top” by taxing those who have the most wealth in favorable ways, allowing them to grow their wealth even more, and “at the bottom” by failing to raise the revenue that is needed to make public investments or make the tax code work better for families with low and moderate incomes, which prevents these families from growing *their* income and wealth. Thus, the tax breaks for the wealthiest worsen gender and racial inequities in the tax code and in economic outcomes more generally.

VI. Tax Code Provisions That Address Caregiving Are Insufficient

The tax code recognizes the cost of child and dependent care and seeks to help taxpayers partially offset those costs. Moreover, the code recognizes the importance of the availability of child care and paid family and medical leave to employers, communities, and the economy and seeks to (again, partially) offer incentives to help employers provide child care and paid leave for their workers.

Unfortunately, as currently structured, care-related tax benefits provide inadequate support to taxpayers incurring care expenses, and the incentives are ineffective at encouraging employers to provide care as a benefit to their employees. More importantly, tax benefits like these are, at best, an incomplete response to the care crisis. If families lack care options, tax credits that seek to alleviate families’ care costs are ineffectual. Also, tax credits that address families’ costs do nothing to increase wages or benefits for the care workforce. And tax credits for employers do little to remediate broken care markets overall. That is why tax policies related to care can complement direct care investments but are

⁷²Matsui, Menefee, and Royce, *supra* note 2, at 9; Marr, Jacoby, and Kathleen Bryant, “Substantial Income of Wealthy Households Escapes Annual Taxation or Enjoys Special Tax Breaks,” CBPP (Nov. 13, 2019).

insufficient on their own to address the care crisis in meaningful ways.

A. Care-Related Tax Benefits for Taxpayers

The tax code provides limited support to working caregivers who pay out of pocket for child and dependent care to work or look for work (or in some cases go to school) through the CDCTC and the Dependent Care Assistance Program (DCAP).⁷³ The CDCTC offers tax assistance worth a fraction of a return filer’s out-of-pocket child and dependent care expenses: The value of the credit is calculated as a percentage of expenses. Eligible expenses are capped at \$3,000 for one child or dependent and \$6,000 for two or more (in contrast, in 2023 the average annual cost of child care for one child was almost \$12,000, or \$23,000 for two children).⁷⁴ The credit can offset between 20 and 35 percent of these expenses, phasing down as filers’ income increases. The credit is theoretically worth up to \$1,050 for one child or dependent (\$2,100 for two or more children or dependents), but the actual credit amounts received by filers with low or moderate income are limited because the credit is nonrefundable.

In 2020 the Urban-Brookings Tax Policy Center estimated that the average value of the CDCTC for families in the bottom fifth of the income distribution (who are not likely to have much, if any, tax liability) was \$0.⁷⁵ In 2022 the average credit amount received by filers with incomes \$30,000 and below was just over \$400.⁷⁶ Indeed, in 2022 about 5 percent of the total benefit amount from the CDCTC went to families with incomes of \$30,000 or less.⁷⁷ In comparison,

⁷³Margot L. Crandall-Hollick and Conor F. Boyle, “Child and Dependent Care Tax Benefits: How They Work and Who Receives Them,” Congressional Research Service R44993, at 10 (2021).

⁷⁴Child Care Aware of America, “Child Care at a Standstill: Price and Landscape Analysis” (2023).

⁷⁵Compare Tax Policy Center, “How Does the Tax System Subsidize Child Care Expenses?” (Aug. 2024) (explaining that families with incomes below \$15,000 qualify for the full 35 percent credit), *with* Tax Policy Center, “T23-0051 – Income Breaks for the 2023 Tax Model (0323-1 Series), 2011-2033” (Apr. 12, 2023) (showing that the lowest-income quintile in 2020 had \$18,700 in expanded cash income, which is \$3,000 above the income level at which the percentage applied to care expenses is highest for purposes of the CDCTC).

⁷⁶National Women’s Law Center calculations based on IRS, “SOI Tax Stats: Mid-November Filing Season Statistics by AGI, Tax Year 2022.”

⁷⁷*Id.*

families with children with less than \$30,000 in annual income represented roughly 11.5 percent of all families with children in 2022.⁷⁸ Also, the CDCTC is only available to families that have incurred child and dependent care expenses, meaning families that are unable to find or afford care are not helped by the credit. Finally, taxpayers claim the CDCTC when they file their federal tax returns, meaning that any tax benefits are received long after the expenses are incurred. Overall, only about 12 percent of taxpayers with children claim the CDCTC.⁷⁹

Employers that offer a DCAP provide for workers to set aside a maximum of \$5,000 in pretax earnings for child and dependent care expenses, worth a maximum of \$1,900 in tax savings.⁸⁰ It is optional for employers to offer DCAPs, and in 2017 about 1.5 million taxpayers received these benefits.⁸¹ White-collar workers are significantly more likely to have access to DCAPs: While 46 percent of workers had access overall in 2024, only 23 percent of service industry workers had it, compared with 62 percent of workers in management and other professional occupations.⁸² More problematic is the fact that the DCAP is ill suited to help low- and moderate-income workers: The tax savings are smaller for workers with low and moderate incomes compared with those with higher incomes (since they pay lower tax rates and may have less income tax liability to reduce), and many workers with low incomes cannot afford to put money aside from their paychecks (especially since they risk losing the funds if they do not spend them during the tax year).⁸³

While these provisions acknowledge the costs of work-enabling care borne by workers with children or dependents, they do little to mitigate

them. Indeed, in their current form, these tax benefits are largely unavailable to families with low or moderate incomes,⁸⁴ among which women supporting families on their own and households of color are overrepresented.⁸⁵ Even if a taxpayer with two children could access both benefits, the maximum value for a family with AGI of \$43,000 is \$800 (\$200 in reduced tax liability from the CDCTC and \$600 in tax savings from the DCAP),⁸⁶ which represents less than meaningful assistance with persistently high child care costs, as in many states those costs exceed the cost of in-state college tuition.⁸⁷ As noted, these provisions do not address child care supply or wages and benefits for the chronically underpaid child care workforce.

The tax code also allows taxpayers to deduct some care expenses as medical expenses.⁸⁸ Long-term care costs, premiums for long-term care insurance, and costs of nursing home care, for example, can count as qualified medical expenses for the purposes of the medical expense deduction.⁸⁹ However, this deduction likewise has limited utility for taxpayers with low and moderate incomes. To claim this deduction, a filer must itemize rather than claim the standard deduction. For tax year 2020, only 10 percent of filers itemized their deductions.⁹⁰

Also, lower-income filers are much less likely to itemize compared with high-income filers: In 2020 only 4 percent of filers with incomes between \$30,000 and \$50,000 itemized, and only 11 percent

⁸⁴ *Id.* at 18.

⁸⁵ See National Women's Law Center, *supra* note 58; and Wildsmith and Alvira-Hammond, *supra* note 58, at 6.

⁸⁶ National Women's Law Center calculations. This assumes the taxpayer incurred \$6,000 of eligible care expenses, contributed the maximum \$5,000 to a DCAP (tax savings calculated using 12 percent marginal tax rate), and claimed the remaining \$1,000 in expenses for the CDCTC (tax credit calculated using the 20 percent rate associated with this income level).

⁸⁷ Child Care Aware of America, "Child-Care Costs Are Outpacing Inflation — The Average Cost of Daycare for Infants Now Exceeds In-State College Tuition Fees" (Feb. 14, 2022).

⁸⁸ IRS, "Publication 502: Medical and Dental Expenses" (Dec. 21, 2023). Importantly, eligible expenses can be deducted as medical expenses or claimed under the CDCTC or DCAP as dependent care expenses, but not both. *Id.* These expenses can also be claimed through employer-sponsored medical flexible spending accounts and healthcare savings plans. IRS, "Publication 969: Health Savings Accounts and Other Tax-Favored Health Plans" (2023).

⁸⁹ IRS Publication 502.

⁹⁰ Tax Policy Center, "What Are Itemized Deductions and Who Claims Them?" Tax Policy Briefing Book (Jan. 2024).

⁷⁸ In 2022 households with children under 18 and with less than \$30,000 in annual income represented 11.5 percent of all households with children under 18 in the home. National Women's Law Center calculations based on Census Bureau, "HINC-04. Presence of Children Under 18 Years Old — Households, by Total Money Income, Type of Household, Race and Hispanic Origin of Householder" (2022).

⁷⁹ Crandall-Hollick and Boyle, *supra* note 73, at 1.

⁸⁰ National Women's Law Center calculation using the top tax rate of 37 percent multiplied by \$5,000.

⁸¹ Crandall-Hollick and Boyle, *supra* note 73, at 17.

⁸² U.S. Bureau of Labor Statistics, "Flexible Benefits in the Workplace" (Sept. 19, 2024).

⁸³ Kleiman, Matsui, and Mitchell, *supra* note 1, at 17.

of filers with incomes between \$50,000 and \$100,000 did so.⁹¹ Filers may claim the deduction, moreover, only if their qualified medical expenses exceed 7.5 percent of their adjusted gross income. Finally, the medical expense deduction provides a benefit in the form of tax savings (in the amount of the filer's tax rate applied to the amount of expenses deducted or reimbursed), which has less value for filers with lower incomes compared with those with higher incomes for the reasons described above.⁹²

Thus, the care-related tax provisions fail to meaningfully support taxpayers with care expenses — especially taxpayers with low and moderate incomes, among whom women supporting families on their own and households of color are overrepresented. But the experience of the American Rescue Plan Act indicates that improving the CDCTC would benefit families with low or moderate incomes. The CDCTC was expanded for tax year 2021 under ARPA by making it refundable, increasing the percentage of expenses used to calculate the value of the credit, and increasing the amount of expenses that filers could claim. With the ARPA expansions, filers with incomes under \$30,000 received an average of more than \$2,000.⁹³ Once the expansions expired in 2022, 777,000 fewer families with incomes of \$30,000 or less received the CDCTC than in 2021, and families with \$30,000 or less in income received \$2.4 billion less in benefits than they had the year before.⁹⁴ Research suggests that increasing the CDCTC is also associated with an increase in the use of child care and an increase in mothers participating in the paid workforce.⁹⁵ However, it seems highly unlikely that the 2025 tax bill will present a real opportunity to expand the CDCTC, given that the leaked memo from the House Budget Committee proposed eliminating the CDCTC altogether as a potential offset for the

costs of additional tax cuts.⁹⁶ In any event, even the expanded CDCTC would provide less than adequate help with the high cost of child care. And an expanded CDCTC would not help families that cannot find or afford care upfront, increase child care supply, or support the care workforce.

Also, while the child tax credit (CTC) is not tied to care, there is evidence that in 2021, when it was expanded and made partially available as advance monthly payments under ARPA, some families used a portion of their CTC to pay for child care, along with other household expenses and bills.⁹⁷ While expansions to the CTC that align with the now-expired ARPA improvements would likely benefit many families with low and moderate incomes, given Republicans' fierce opposition to extending the 2021 expansions, or even making more modest temporary improvements to the CTC,⁹⁸ it seems unlikely that those expansions would be part of the 2025 tax bill. Even the most generous CTC would not fully meet families' care costs, and merely extending the 2017 changes to the CTC that primarily benefited higher-income families, or enacting CTC proposals that would take other needed tax benefits away from families,⁹⁹ would help even less. Moreover, as with the CDCTC, an expanded CTC would not help increase the child care supply (although it might provide a small income boost for care workers with eligible children).

Even though the CTC is not a solution to the child care crisis, the ARPA-expanded CTC meaningfully benefited families with low and moderate incomes by providing unrestricted income to cover their basic needs. Evidence showed that families used their 2021 CTC payments to meet a wide variety of household bills and expenses, along with unexpected costs. Families continue to struggle with the cost of

⁹¹ *Id.*

⁹² See, e.g., Gideon Lukens, "Expanding Health Savings Accounts Would Boost Tax Shelters, Not Access to Care," CBPP (June 22, 2023) (noting that health savings accounts are overwhelmingly owned and used by higher-income taxpayers).

⁹³ National Women's Law Center calculations based on IRS, "SOI Tax Stats: Mid-November Filing Season Statistics by AGI, Tax Year 2021."

⁹⁴ *Id.*

⁹⁵ Sarah Jiyoon Kwon, "The Effects of the Child and Dependent Care Tax Credit (CDCTC) on Child-Care Use and Maternal Labor Supply," 98 *Soc. Serv. Rev.* (2024).

⁹⁶ Burns, *supra* note 5.

⁹⁷ Treasury, "Equitable Recovery in the United States" (Oct. 2023); see also written testimony of Amy K. Matsui before the Senate Committee on Finance hearing, "Anti-Poverty and Family Support Provisions in the Tax Code" (June 14, 2023). The ARPA expansions to the CTC included making the credit fully refundable, increasing its amount, and giving families the option to receive half of it in advance monthly payments. Treasury, "Child Tax Credit" (accessed Nov. 2024).

⁹⁸ Jacob Bogage, "Senate Republicans Block a Child Tax Credit Expansion," *The Washington Post*, Aug. 2, 2024.

⁹⁹ Family First Act, H.R. 353.

living, indicating that they need the unrestricted benefits provided by an expanded CTC in addition to systemic investments in care.

B. Care-Related Tax Benefits for Employers

While care-related tax benefits for workers and families are insufficient, especially for families with low and moderate incomes, care-related tax benefits for employers are, at best, a reward for larger businesses that can already afford to support care.¹⁰⁰ Moreover, there is little evidence that these provisions have increased the availability of care supports, reflecting that the benefits do little to meaningfully address the care crisis.

In 2017 the TCJA created the employer credit for paid family and medical leave (also known as the section 45S credit), which allows businesses to claim a tax credit for offering qualifying paid family and medical leave to their employees.¹⁰¹ As an initial matter, very few employers claim this credit: In 2021 only 490 companies across the country claimed it.¹⁰² Further, most of the benefits of the credit went to multimillion-dollar companies, meaning scarce tax dollars went to subsidizing wealthy corporations. Because employers could claim the credit for existing policies, there is no evidence that companies created *new* paid leave policies in response to the credit. Also, the minimum standard for leave qualifying for the credit is far from comprehensive: Employers only needed to offer two weeks of leave, at 50 percent of an employee's regular wages, for just one qualifying reason under the Family and Medical Leave Act.

Similarly, the data indicate that the voluntary paid leave credits enacted during the pandemic did little to increase access to paid leave for most workers. The Families First Coronavirus

Response Act of 2020 created a refundable tax credit for employers with fewer than 500 employees that provided paid leave for COVID-related reasons (and to self-employed individuals who took that leave).¹⁰³ As with the section 45S credit, employers could claim the credit for paid leave policies that were less than comprehensive. Many fewer employers than anticipated claimed the credit,¹⁰⁴ and indeed, less than 5 percent of eligible businesses claimed it in the second and third quarters of 2020.¹⁰⁵ Moreover, the evidence suggests that the paid leave expansions, such as they were, were short-lived. Data from 2022 show that companies began to roll back the more generous paid leave policies they had offered during 2020.¹⁰⁶

Research shows that the tax credit purported to give businesses incentives to offer child care supports is similarly ineffective and underutilized.¹⁰⁷ The employer-provided child care credit (also known as the section 45F credit) allows a business to claim a tax credit if it provides child care benefits to its employees, including onsite child care centers or slots or spaces at local child care programs, or else contributes to child care centers or resource and referral agencies. Like the paid leave employer credit, the section 45F credit is claimed by very few employers. On the federal level, the IRS estimated that only 141 to 176 corporate income tax returns claimed \$15.5 million to \$15.7 million in section 45F credits in 2021.¹⁰⁸ Nineteen states provided tax credits for employers and businesses that provide child care benefits in 2024.¹⁰⁹

¹⁰⁰ Businesses can deduct the costs of providing care-related benefits to their employees as an ordinary and necessary business expense. IRS, "Publication 535: Business Expenses" (2022) ("You can generally deduct amounts you spend on employee benefit programs on the applicable line of your tax return. For example, if you provide dependent care by operating a dependent care facility for your employees, deduct your costs in whatever categories they fall (utilities, salaries, etc.).")

¹⁰¹ IRS, "Section 45S Employer Credit for Paid Family and Medical Leave FAQs" (accessed Nov. 2024). The credit can be claimed for wages paid through January 1, 2026.

¹⁰² IRS, "Publication 5108: SOI Tax Stats — Corporation Income Tax Returns Line Item Estimates."

¹⁰³ IRS fact sheet FS-2022-16 (Mar. 2022).

¹⁰⁴ Mary Gately, Ben Gitis, and Emerson Sprick, "Performance of the FFCRA Paid Leave Tax Credit," Bipartisan Policy Center (Sept. 20, 2021).

¹⁰⁵ Government Accountability Office, "Sustained Federal Action Is Crucial as Pandemic Enters Its Second Year," GAO-21-387 (Mar. 2021).

¹⁰⁶ Society for Human Resource Management, "SHRM Releases 2022 Employee Benefits Survey" (June 12, 2022).

¹⁰⁷ GAO, "Employer-Provided Child Care Credit: Estimated Claims and Factors Limiting Wider Use," GAO-22-105264 (Feb. 2022).

¹⁰⁸ IRS Publication 5108.

¹⁰⁹ The 19 states that had tax credits for employers or businesses providing child care benefits in 2024 are Arkansas, Colorado, Connecticut, Georgia, Illinois, Iowa, Kansas, Louisiana, Maryland, Mississippi, Nebraska, New Mexico, New York, Ohio, Oregon, Rhode Island, South Carolina, Virginia, and West Virginia.

However, the evidence suggests that these state-level benefits are also underutilized,¹¹⁰ and between 2002 and 2024 10 states repealed or discontinued their employer-provided child care tax credits.¹¹¹

The section 45F credit's potential effect on child care supply is limited. According to a 2022 Government Accountability Office report, the section 45F credit is also more likely to benefit large, corporate employers, which are more likely than small employers to be able to manage the significant upfront and ongoing costs of providing on-site child care.¹¹² In fact, many employers cannot afford to invest in new child care facilities, even with the credit. Moreover, employers that offer child care benefits are more likely to provide them to white-collar, higher-paid employees. For example, employers are more likely to offer child care at their corporate headquarters than at retail, distribution, or manufacturing locations.¹¹³ Finally, more tightly connecting child care to employment could create unhelpful ripple effects — for example, locking parents into jobs they might otherwise leave because they do not want to lose care, or disrupting children's care if the company eliminates the benefit or a parent changes jobs.¹¹⁴

Those factors call into question the wisdom of offering tax-based incentives for employers to provide paid family and medical leave or child care. While some have argued that increasing the size of those incentives would encourage more employers to offer paid leave or child care benefits, the evidence does not support that argument; and even if it did, expansions would benefit only higher-income workers rather than

the workers most in need of care. Thus, this is a gamble with long odds using scarce public dollars.

Existing tax provisions that address care have failed to make an appreciable effect on the care crisis for taxpayers with low and moderate incomes, among whom women supporting families on their own and households of color are overrepresented. It seems unlikely that any of these provisions will be expanded as part of the 2025 tax legislation. It is unclear whether DCAPs, the medical expense deduction, or the employer credits *could* be amended in ways that would meaningfully alleviate the care crisis, especially for the families struggling most with care. The data from 2021 suggest that expanding the CDCTC *would* allow more families with low and moderate incomes, and thus women and people of color, to access this tax assistance. But even an improved CDCTC would not, on its own, be sufficient for families to manage the cost of care, nor would it increase the availability of child care or improve compensation and benefits for the care workforce.¹¹⁵ In short, tax benefits, without systemic investments, are not enough.¹¹⁶

VII. Republicans' Tax Policy Priorities Threaten a Comprehensive Solution to the Care Crisis

At the end of 2025 many provisions of the TCJA will expire. We are in the midst of intense debates about not only the expiring provisions but also the direction of our tax policies more generally. Fundamentally, lawmakers will be deciding how to set the fiscal trajectory and whether to continue the decades-long run of tax cuts for the wealthy that have exacerbated inequity or to instead change course and reshape the tax code so we may invest in broadly shared prosperity. Unfortunately, all signs indicate that President Trump and congressional Republicans have doubled down on even more tax cuts for the wealthiest and corporations at the expense of women and families. To make matters worse, they

¹¹⁰ Christina Smith FitzPatrick and Nancy Duff Campbell, "The Little Engine That Hasn't: The Poor Performance of Employer Tax Credits for Child Care," National Women's Law Center (Nov. 2002).

¹¹¹ The 10 states that have repealed or discontinued all their tax credits for employers providing child care benefits between 2002 and 2024 (and the years in which they repealed their tax credits) are Nevada (2003), Nebraska (2007), Texas (2008), Florida (2009), Pennsylvania (2009), Tennessee (2009), California (2012), Oklahoma (2014), Maine (2015), and Montana (2019).

¹¹² GAO, *supra* note 107.

¹¹³ *Id.*

¹¹⁴ Elliot Haspel, "Questioning the Promise of Employer-Sponsored Child Care Benefits," New America (Feb. 2024). Likewise, employer-sponsored child care benefits disproportionately flow to large, for-profit child care enterprises, many of which are chains backed by private equity firms.

¹¹⁵ These limitations would likewise apply to proposals like a "caregiver credit," which was mentioned during the 2024 presidential campaign. Tony Pugh, "Caregiver Tax Credit Could Pass in 2025 With Trump, GOP Support," *Bloomberg Law News*, Dec. 24, 2024.

¹¹⁶ Gallagher Robbins, Boteach, and Kashen, "Why Child Care Needs Direct Spending, Not Just Tax Credits, During COVID and Beyond," Center for Law and Social Policy (Jan. 28, 2021).

plan to offset the massive cost of these tax cuts by taking healthcare, food, and care supports away from families, thus raising their costs of living.

But it doesn't have to be that way. Lawmakers could support caregivers and families needing care by increasing the taxes paid by the wealthiest households and big corporations, which would generate more tax revenue that could be invested in care, and by enhancing refundable tax credits like the CDCTC, the CTC, and the earned income tax credit in ways that help caregivers and the families with the lowest incomes that struggle the most to afford care. Doing so would also advance gender, racial, and economic equity.¹¹⁷ The public continues to strongly support raising taxes on the wealthiest to enable public investments in care and expand the refundability of the CTC in ways that help families with low incomes.¹¹⁸

Although unlikely in today's political environment, letting the tax cuts for the wealthiest expire, and instead increasing the taxes paid by the richest individuals and corporations, would lead to large changes in federal revenue levels. As noted, extending all the expiring 2017 tax cuts will cost at least \$4.6 trillion over 10 years, and additional tax cuts have been proposed by the incoming administration and Republicans in Congress. In contrast, just letting the change to the top marginal income rate expire and return to 39.6 percent from 37 percent would raise \$360 billion over 10 years.¹¹⁹ Many other proposed tax changes would make even more of a difference to federal revenue levels.¹²⁰ For example, raising the corporate tax rate from 21 percent to 28 percent would raise \$1.35 trillion over 10 years.¹²¹ Enacting capital gains reform, including by raising the capital gains rate and closing the stepped-up basis loophole, would raise \$289 billion over 10 years,¹²²

while taxing the wealthiest households on gains on their wealth annually would raise \$503 billion over 10 years.¹²³ Reforms to the estate tax, including a progressive rate structure, would raise \$430 billion over 10 years.¹²⁴ While not a legislative change to the tax code, one proposal for increased IRS funding would generate at least \$341 billion over 10 years by ensuring that wealthy individuals and corporations pay the taxes they owe,¹²⁵ with some estimates for even greater revenue based on the deterrent effect of increased enforcement.¹²⁶

Other proposals include international tax reforms,¹²⁷ a financial transaction tax,¹²⁸ a surtax on incomes over \$1 million,¹²⁹ and more. Making the tax code more fair by asking more of those at the top would raise significantly more revenue compared with the pre-2017 baseline, rather than less.¹³⁰ This would create favorable conditions to make significant federal investments in care, and potentially other long-overdue investments that would improve caregivers' and families' health, well-being, and economic security.

Policymakers interested in supporting caregivers and families needing care should also expand refundable tax credits. Structuring tax benefits as refundable credits ensures that taxpayers with low and moderate incomes can access tax assistance.¹³¹ Increasing tax benefits for the low-income families that struggle the most to afford care would bolster their economic security and reduce poverty.

As described above, while the CTC is not designed to address care expenses specifically and would not be a substitute for care investments, expanding it in ways that are consistent with the 2021 ARPA expansions would

¹¹⁷ Groundwork Collaborative, "Groundwork Joins Over 100 National Groups to Urge Congress to Overhaul the Tax Code, Raise Corporate Rate in 2025" (May 21, 2014).

¹¹⁸ National Women's Law Center, "Election Night Survey Summary" (Nov. 12, 2024).

¹¹⁹ Joseph Rosenberg, "What Would Extending the Tax Cuts and Jobs Act Look Like Without the Rate Cuts?" Tax Policy Center (Feb. 25, 2025).

¹²⁰ Kimberly A. Clausing and Natasha Sarin, "The Coming Fiscal Cliff: A Blueprint for Tax Reform in 2025," Brookings Institution (Sept. 2023).

¹²¹ Treasury, "General Explanations of the Administration's Fiscal Year 2025 Revenue Proposals" (Mar. 11, 2024) (green book).

¹²² *Id.* at 79, 242.

¹²³ *Id.* at 83, 242.

¹²⁴ Letter from Joint Committee on Taxation Chief of Staff Thomas A. Barthold to Sen. Bernie Sanders, I-Vt., regarding a revenue estimate for the For the 99.5 Percent Act (Mar. 24, 2021).

¹²⁵ Treasury green book, *supra* note 121, at 235, 247.

¹²⁶ Clausing and Sarin, *supra* note 120, at 20.

¹²⁷ Financial Accountability & Corporate Transparency Coalition, "The Urgent Case for U.S. International Tax Reform" (Aug. 2021).

¹²⁸ Clausing and Sarin, *supra* note 120, at 21.

¹²⁹ Sen. Chris Van Hollen, D-Md., "Van Hollen, Beyer Reintroduce Millionaires Surtax to Invest in Working Families" (June 10, 2021).

¹³⁰ Groundwork Collaborative, *supra* note 117.

¹³¹ Boteach et al., *supra* note 3.

benefit many families with low and moderate incomes, including those of care workers.¹³² (Policymakers should also consider reinstating ARPA's expansions to the EITC for workers with very low incomes who are not claiming children, which likely benefited many care workers.¹³³) In the realm of specific tax provisions related to care, policymakers should prioritize expansions to the CDCTC, like those in ARPA, that would enable more families with low and moderate incomes to receive the benefits of this tax credit than under current law. (Conversely, eliminating the CDCTC to pay for even more tax cuts at the top would take existing care supports, albeit limited ones, away from families.) These expansions to refundable tax credits would be most effective as complements to systemic investments made possible by revenue raised through tax changes like the ones described above.

Raising more revenue by increasing taxes at the top and making the tax code work better for women, workers, and families points the way forward to supporting caregivers and families in need of care, a stronger and more equitable economy, and a fairer tax code.

VIII. Conclusion

The 2025 tax debates represent a pivotal moment for caregivers and families in need of

care — especially those that have been historically left behind by tax policies. The interests of the wealthiest and big corporations are deeply entrenched in the modern tax code and have become more so over the past 50 years as a result of historically low income tax rates, privileging income from wealth over income from work, shielding massive transfers of intergenerational wealth, and allowing tax avoidance by the ultrawealthy. Republican leaders in Congress have indicated that they intend to continue putting billionaires over families by enacting even more tax cuts for those at the top at families' expense.

If we are serious about supporting caregivers and families in need of care, lowering costs for families, and growing the economy, we should move our tax policies in a different direction: We should instead raise more revenue that could support domestic spending on nondefense discretionary programs and public investments. Public investments in high-quality child care for all, paid family and medical leave, and aging and disability care, with improved job quality for care workers, along with improvements to refundable tax credits that are targeted to the families that are struggling the most, are foundational to building broadly shared prosperity. If we raise the revenue to support these investments by asking wealthy individuals and corporations to pay their fair share, we will get closer to harnessing the power of the tax code to support caregivers and families that need care, advance gender and racial equity, and strengthen the economy for everyone, not just the wealthy few. ■

¹³²Treasury, "Child Tax Credit," *supra* note 97; National Women's Law Center, "The 2025 Tax Fight: Expand the Refundable Tax Credits to Support Women and Families" (Oct. 30, 2024).

¹³³Crandall-Hollick, "The 'Childless' EITC: Temporary Expansion for 2021 Under the American Rescue Plan Act of 2021," CRS IN11610 (updated May 3, 2021); McLean et al., *supra* note 25.