



## 2012 Agenda

### FAIR DEAL FOR WORKING PARENTS

## FACT SHEET: Make the State Child and Dependent Care Tax Credit Refundable

Children, families and communities all benefit when children receive quality child care. The Child and Dependent Care Tax Credit (CDCTC) is designed to help working parents afford the cost of child care so they can participate in the workforce while their children develop the skills they need to succeed in school. Accessible, quality child care is crucial for enhancing early learning for children, which benefits children, families and communities for decades through improved school achievement and earning potential.

#### FACTS:

**Paying for quality child care is expensive.** For families in Kentucky with one worker and two school-age children, child care is the largest expense the family faces annually. The average annual fee for full-time care for an infant in a child care center in Kentucky is \$6,500 a year and the average cost for before/after-school care for a school-age child is \$5,800. Many families do not have the resources to cover the cost of work-related care.

The federal and state CDCTCs address this daunting challenge, providing tax credits for families who pay for child or dependent care in order to work.

**Working families with the highest child care costs relative to their income don't receive the full value of their state CDCTC.** In 2007, nearly 80,000 Kentuckians claimed the CDCTC. Because the state CDCTC is not refundable, families who qualify for a credit that is more than the amount of taxes they owe will only receive the portion back that they owe in state income taxes. As a result, many of Kentucky's poorest families may receive little or no benefit.

For example, if a family qualifies for a state CDCTC of \$420, but owes only \$100 in state income tax, the family will only receive a \$100 credit, even though that family qualifies for \$420. If that family does not owe any state income taxes, it will not benefit at all from the state CDCTC. As a result, making the credit refundable in Kentucky would provide support for those low-income families caring for children or dependents.

#### SOLUTION:

Make the state-level Child and Dependent Care Tax Credit fully refundable to provide relief to the working families that need it most.