



March 19, 2002

Now Hear This . . .

Daschle Democrats Voted Against Nearly \$200 Billion for Child Care

As the Finance and Health, Education, Labor, and Pensions Committees examine how to ensure the working poor have access to affordable health care, observers should bear the following in mind. The Bush tax cut (P.L. 107-16, the Economic Growth and Tax Relief Reconciliation Act of 2001) provided nearly \$200 billion over 10 years to defray child care costs through the expansion of four existing provisions relating to child care initiatives and the addition of one new provision. The 10-year cost of these changes was estimated by the Joint Committee on Taxation as follows:

Earned Income Credit Expansion:	\$ 5,191,000,000
Doubling the Child Tax Credit:	\$ 171,782,000,000
Dependent Care Tax Credit Amendments:	\$ 2,991,000,000
Credit for Employer-Provided Child Care (new):	\$ 1,405,000,000
Adoption Tax Benefit Amendments:	+ \$ 3,135,000,000
Total:	\$ 184,504,000,000

Nonetheless, a sizeable majority of Senate Democrats (see reverse) voted against these Republican provisions. Some, including Health, Education, Labor and Pensions Committee Chairman Kennedy, have called for their repeal:

- **An Expanded and Simplified EITC for Low-Income Families.** The earned-income tax credit, which targets exclusively lower-income taxpayers, is fully refundable for those taxpayers who owe less in taxes than they are awarded in tax credits. In 2001, Congress undertook various simplification proposals as well as a number of expansions to the program. For example, the relationship requirement was expanded to include the descendants of a previously qualifying child (excepting a foster child).
- **Doubling the Child Tax Credit.** Congress provides tax relief to families with children in the form of a refundable tax credit for each dependent child under age 17. The Bush tax cut

increased the credit to \$600 per child for the 2001 tax year and expanded the refundability of the provision for low-income families. The credit will grow to \$700 in 2005, \$800 in 2009, and \$1,000 in 2010. The credit is phased out as income rises.

- **Enhancing the Dependent Care Tax Credit and Exclusion.** In 2001, Congress increased the amount of qualifying expenses and the maximum amount of the credit, providing a higher level of benefits to lower-income taxpayers.
- **New Incentives for Employer-Provided Child Care.** Starting this year, employers may take a tax credit equal to 25 percent of qualified expenses for employee child care and 10 percent of qualified expenses for child care resource and referral services. The maximum credit is \$150,000.
- **Doubling the Adoption Tax Credit.** The adoption tax credit was increased from \$5,000 to \$10,000 for each adopted child beginning in 2002. The credit is phased out as income increases.
- **In the Senate, only a quarter of the Democrat caucus – 12 Senators – supported the Bush tax relief measure and with it the child care provisions (Votes [#165](#), 5/23/01, & [#170](#), 5/26/01). Three-fourths of the Democrat caucus – 38 Senators – opposed this aid.** Unlike bipartisan majorities in both the House and Senate, these senators chose their own big-government ideology over working families and opposed legislation that is now making care of children more affordable:

Akaka	Dodd	Lieberman
Bayh	Dorgan	Mikulski
Biden	Durbin	Murray
Bingaman	Edwards	Nelson, Bill
Boxer	Feingold	Reed
Byrd	Graham	Reid
Cantwell	Harkin	Rockefeller
Carper	Hollings	Sarbanes
Clinton	Inouye	Schumer
Conrad	Kennedy	Stabenow
Corzine	Kerry	Wellstone
Daschle	Leahy	Wyden
Dayton	Levin	