

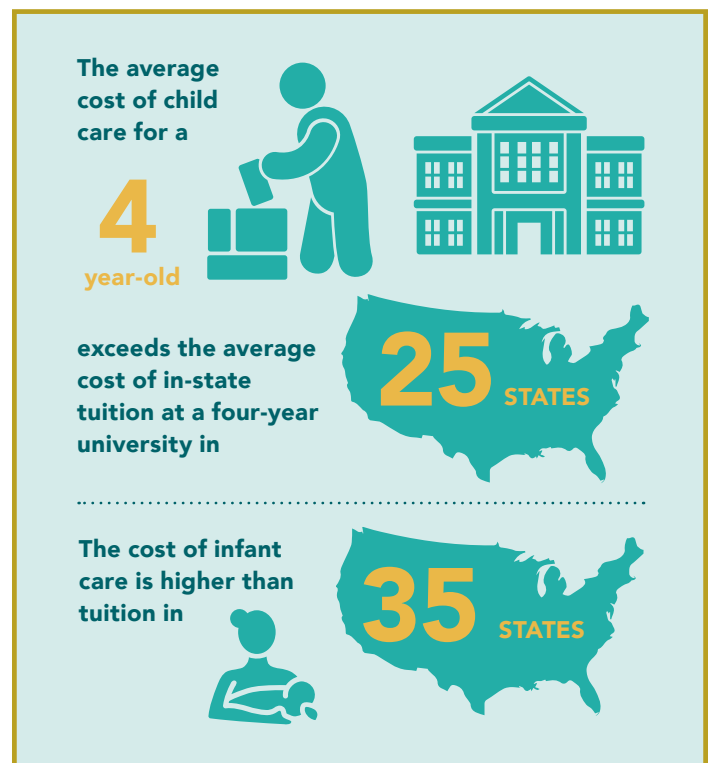
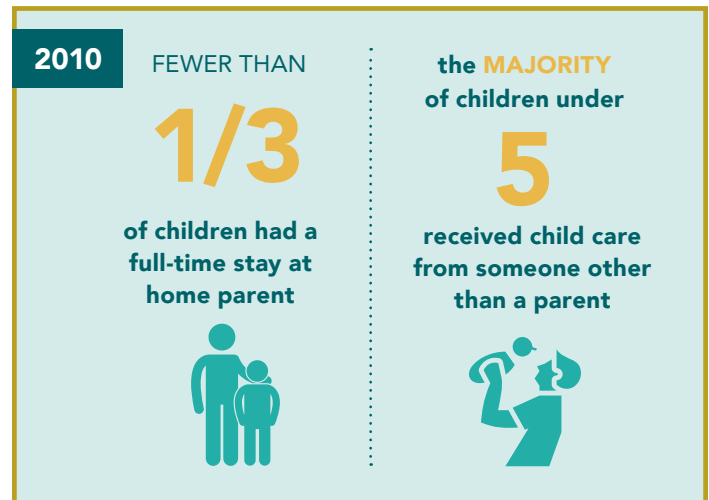
EXPAND THE CHILD AND DEPENDENT CARE TAX CREDIT TO INCLUDE STUDENT CAREGIVERS



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Access to affordable child care is crucial for families: In 2010, fewer than one-third of children had a full-time stay at home parent, and the majority of children under five received child care from someone other than a parent.¹ At the same time, data from the 2014 Survey of Income and Program Participation (SIPP) show that, for nearly every income level, the average weekly cost of child care exceeds the federal government's child care affordability guidelines.² According to the Economic Policy Institute, the average cost of child care for a four-year-old exceeds the average cost of in-state tuition at a four-year university in 25 states, and the cost of infant care is higher than tuition in 35 states.³ Additionally, the price of care during non-standard hours, during which between 28 to 50 percent of families work,⁴ exceeds average costs.⁵ Black workers are more likely to work non-standard hours than white or Asian peers, which means that Black parents could face higher child care costs due to their work schedules.⁶ Lack of access to affordable care negatively impacts working and student caregivers. One study found that mothers who reported difficulty finding affordable child care were less likely to be employed,⁷ and another found that time constraints related to caregiving responsibilities negatively impacted caregivers' academic performance.⁸ In a recent survey, 64 percent of student caregivers who needed or used child care reported that they missed at least one day of class or work in the previous semester due to child care challenges.⁹



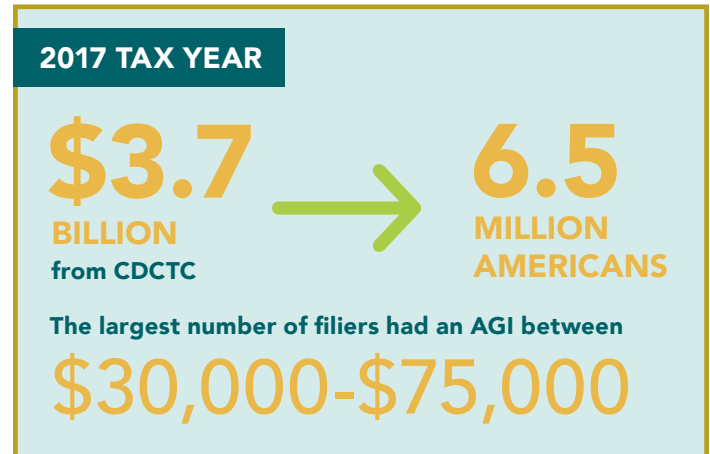
▶ WHAT IS THE CHILD AND DEPENDENT CARE TAX CREDIT?

One way that the federal government has subsidized the cost of child care for working families is through the Child and Dependent Care Tax Credit (CDCTC).¹⁰ This tax credit allows eligible caregivers to claim between 20 and 35 percent of child care costs associated with employment or seeking employment as a federal non-refundable tax credit. In order to claim this credit, individuals must meet three main criteria:

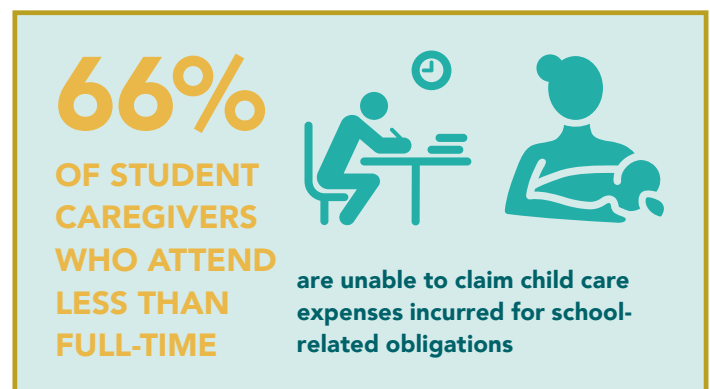
- 1 The individual must have filed taxes.**
- 2 The individual and spouse, if applicable, must have earned income from employment.**
- 3 The individual must have incurred employment-related expenses for the care of a qualifying person, defined as either a dependent under the age of 13 or a person or spouse who is unable to care for themselves.**

Qualifying care expenses include payments to care providers, enrollment in Pre-K or nursery school for children not yet in kindergarten, and certain transportation and household service expenses. Caregivers with an adjusted gross income (AGI) that is less than \$15,000 can claim 35 percent of their care costs, and this percentage decreases as AGI increases until the floor of 20 percent of costs for individuals with an AGI of \$43,000 or higher. Caregivers can claim the maximum of \$3,000 in expenses for one dependent and \$6,000 for two or more dependents. This means that filers with an AGI below \$15,000 who claim the maximum cost can receive \$1,050 for a single dependent and \$2,100 for two or more, and those on the high end of income scale who claim the maximum cost amount could receive a \$600 credit for a single dependent and a \$1,200 credit for two or more dependents. In the

2017 tax year, approximately 6.5 million Americans claimed \$3.7 billion from this tax credit, and the largest number of filers that claimed this credit had an AGI between \$30,000 and \$75,000.¹¹



Although student caregivers have similar child care needs as working families and enroll in higher education to improve their employment prospects and achieve economic stability for their families,¹² student caregivers are generally unable to claim their expenses under this credit. The credit counts full-time enrollment in postsecondary education for at least five months of the year as employment, but only one-third of caregivers enroll full-time.¹³ This means that the 66 percent of student caregivers who attend less than full-time are unable to claim child care expenses incurred for school-related obligations, such as attending classes, visiting office hours, completing homework, or commuting from work to school, on their tax filing.



POTENTIAL IMPACT OF COVID-19 ON THE ENROLLMENT OF STUDENT CAREGIVERS

It is currently unclear what long-term impact COVID-19 will have on the economy and higher education landscape,¹⁴ but over 42 million first-time unemployment claims were filed between mid-March and the end of May, 2020.¹⁵ During the 2008 recession, caregivers and those without a postsecondary degree were hit harder by job loss than the general population, and Black workers at all education levels were disproportionately impacted. In December of 2009, 11 percent of children had at least one parent who lost their job due to the recession, compared to the national unemployment rate of 7.4 percent,¹⁶ and the unemployment rate nearly doubled for single mothers between 2007 to 2010.¹⁷ Similarly, the unemployment rate for those

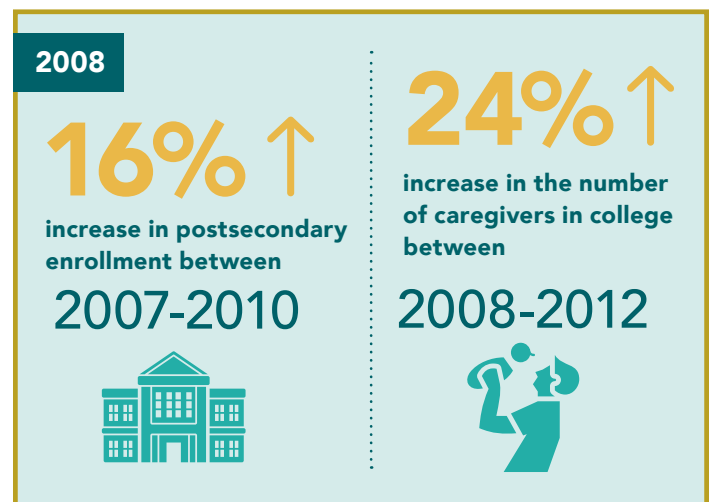


without a college degree increased at a higher rate than the rate for those with a degree.¹⁸ Black workers were more likely than White workers to experience unemployment in the Great Recession—although the unemployment rate for Black workers was higher than that of White workers prior to the 2008 recession, the gap widened by 4.1 percent from the last quarter of 2007 to the second quarter of 2011.¹⁹

Postsecondary enrollment is countercyclical, meaning that it increases in times of recession or high unemployment.²⁰ This is driven by workers' belief that they need to re-skill if they have become unemployed or a desire to obtain a credential as protection against the economic downturn.²¹ The most recent recession in 2008 led to a nearly 16 percent increase in postsecondary enrollment between 2007 to 2010,²² and the number of caregivers in college increased 24 percent between

2008 and 2012.²³ The enrollment of caregivers in 2012 varied markedly along gender and racial lines. Although 32 percent of all women in college were caregivers, nearly half of all Black women pursuing an undergraduate credential were caregivers. A smaller proportion of men in higher education were caregivers, but Black and Native men were more likely to be student caregivers.²⁴

The 2008 recession is markedly different than the current economic situation: the 2008 economic downturn was not caused by a pandemic that has forced colleges to deliver instruction online, average tuition and fees are higher now in real dollars,²⁵ and public opinion polls reveal public concerns about the price of higher education,²⁶ which might be heightened if the fall semester remains online.²⁷ However, very early data show similar unemployment impact and interest in additional training. The April 2020 unemployment report from the Bureau of Labor Statistics (BLS) shows that, although the unemployment rate increased for all education levels, the rate for those without a college degree increased the most.²⁸ It also shows that the unemployment rate for women who maintain families increased from 4.1 percent in February to 15.9 percent in April, the highest rate of all marital statuses included in the report.



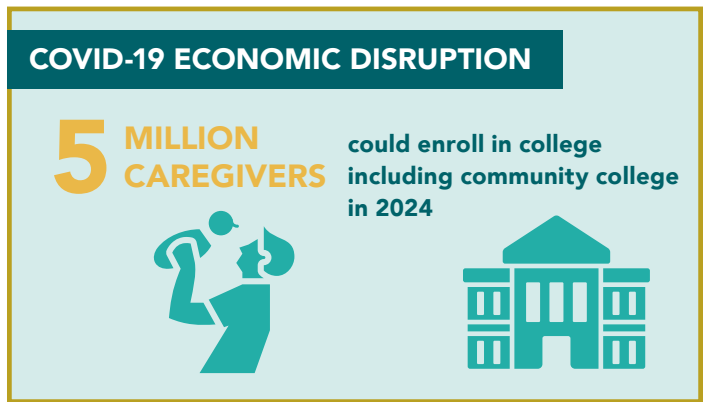
Although May's report revealed a 1.4 percent decline in the overall unemployment rate, the unemployment rate for women who maintained families only declined by 0.1 percent, and the gap in the unemployment rate for those without a degree and those with a degree is still larger than it was in the months preceding the pandemic. The May report also illustrates that the economic downturn continues to impact Black and Latinx workers the worst—the unemployment rate of Latinx workers is currently the highest of any racial or ethnic group in the BLS report, and the Black unemployment rate is the second highest. While the employment situation improved for most in the May report, the unemployment rate for Black workers was higher than it was in April.²⁹

Strada's nationally representative weekly survey of COVID-19 perceptions has consistently found that a third of respondents believe that they will need more education if they lose their job, and 36 percent would change career fields.³⁰ Fifty-three percent of respondents to this survey have also reported that they would prefer to pursue online education opportunities, even when given the option of in-person education opportunities, possibly meaning that the uncertainty about

if campuses will be physically open may not strongly impact their enrollment decisions.



Between 2004 and 2012, the number of caregivers in college increased by 30 percent.³¹ If the economic disruption caused by COVID-19 results in a similar increase in the number of student caregivers, colleges would enroll approximately 5 million caregivers in 2024, and many of them would be pursuing education at community colleges³².



▶ OUR SOLUTION: EXPAND CDCTC TO SUPPORT STUDENT CAREGIVERS IN COLLEGE

Although it is still too early to know what will happen in the 2020 fall semester, every recession since the 1960s has corresponded with an increase in postsecondary enrollment.³³ Previous enrollment patterns suggest that parents without a college degree are likely to be impacted and could enter postsecondary education at higher rates than the general population. However, the high price of child care makes enrolling and completing a credential more difficult, and this could be compounded if K-12 schools are also impacted in the fall.³⁴

The federal government supports working families with the cost of child care through the CDCTC, and expanding the credit to allow student caregivers who attend less than full-time to claim dependent care expenses incurred for school obligations would increase student caregivers' access to a postsecondary degree or credential. Although the proportion of students who are caregivers slightly declined from 2012 through 2016, 2016 data show that 40 percent of Black women and 36 percent of Native women and approximately one-fifth of Black

and Native men in postsecondary education are caregivers.³⁵ Expanding the tax credit to include part-time postsecondary enrollment is an equity imperative given that student caregivers are much more likely to come from marginalized communities.

Additionally, the majority of student caregivers are low-income,³⁶ and low-income families often do not owe taxes and are unable to benefit from non-refundable tax credits.³⁷ In 33 states, Black and Latinx children are twice as likely to live in poverty as white peers, meaning that these families are less likely to benefit if the credit is expanded but still non-refundable.³⁸ And one study has found that increases in the generosity of the CDCTC leads to providers raising prices, although not enough to offset the benefit of the credit.³⁹ However, this means that low-income families who are not able to claim this credit but pay for care could face higher costs if the credit is expanded but not refundable, and this could disproportionately impact Black and Native

student caregivers given that they are more likely to have a low income. Beyond expanding the credit to include student caregivers, legislators should make the credit refundable to better help those who do not owe taxes afford the high cost of child care and ensure that an expansion does not, at best, inadvertently exclude or, at worst, penalize marginalized students who could benefit the most from additional financial support to afford childcare.⁴⁰

The future of the higher education landscape is uncertain, but making the CDCTC refundable and allowing part-time students to claim their child care expenses can support the 3.8 million student caregivers currently in college and the likely additional caregivers that will enroll.⁴¹ And given the proportion of Black and Native students that are caregivers, expanding the generosity of the tax credit is one way that legislators can make federal policy work better for historically marginalized populations.

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