



Position Statement on House Bill 1259, Printer’s Number 1480

Issued June 9, 2023

Position

Recognizing the importance of helping families afford the cost of child care and the challenges of child care affordability, the Pennsylvania Association for the Education of Young Children (PennAEYC), Trying Together, and First Up support House Bill 1259, PN 1480. However, expanding the Child and Dependent Care Tax Credit does not address the child care crisis. The sector’s top challenge is retaining and recruiting child care teachers due to the terribly low average wage, which is at \$12.43/hour.

A stepped increase to the Child and Dependent Care Tax Credit is an acceptable effort to improve Pennsylvania’s tax code to address the challenges that families have faced for decades in paying for high-quality child care. However, right now child care teacher wages are so terribly low that child care programs are not able to compete in today’s labor market and retain and recruit the necessary workforce. Full programs and classrooms are sitting closed and dark as a result of the staffing crisis and families are struggling to access child care, which impacts their ability to work. A child and dependent care tax credit is not a solution to the child care staffing crisis. Tax credits will not help families access child care if they remain on wait lists because there are not enough teachers to serve their children.

Bill Summary

House Bill 1259 amends Section 1903-I (credit for child and dependent care employment-related expenses) of the Tax Reform Code of 1971 to add a new subsection. The bill proposes to expand the Child and Dependent Care Enhancement Tax Credit beginning after December 31, 2021 equal to the following for employment-related expenses incurred by the taxpayer who also claimed a federal tax credit during the prior taxable year. The tax credit must be equal or less than the following, whichever is less:

Taxable Year	Employment-Related Expenses	One Qualifying Individual	Two or More Qualifying Individuals
2022	30%	\$3,000	\$6,000
2023	30%	\$3,000	\$6,000
2024	35%	\$3,500	\$7,000
2025	40%	\$4,000	\$8,000
2026	45%	\$4,500	\$9,000
2027 and thereafter	50%	\$5,000	\$10,000

The act would take effect in 60 days.

Background

Child care is necessary for many working families with young children and many families struggle with affording child care. Pennsylvania currently offers a state tax credit, the Child and Dependent Care Enhancement Tax Credit, that eases child and dependent care costs for working families which can be claimed when they file their Pennsylvania Personal Income Tax Return. This credit can range between \$180 and \$630, depending on income level and the number of dependents and is equal to 30% of the federal credit. Taxpayers must receive the federal credit to be eligible for the state credit.



Recommendations and Rationale

PennAEYC, Trying Together, and First Up support child and dependent care tax credits since they help families afford the cost of child care. However, this does not address the child care staffing crisis that is occurring due to low child care teacher wages.

Child and dependent care tax credits are a demand-side solution to a supply-side problem. State investments to increase child care teacher wages provide solutions for child care providers to address the low wages that have led to the workforce shortages. The child care staffing crisis which impacts the supply of child care for families is a direct result from an underpaid child care workforce.

Without addressing child care teacher wages through state investments, programs will continue to have closed and dark classrooms and growing wait lists. Tax credits alone will not help families access child care if classrooms remain closed due to the child care staffing crisis and low wages. On average, a family in Pennsylvania is paying between \$8,499-\$12,152 for infant and toddler care already. However, if public investments are not made to address the wage issue then providers may need to increase the price for families in order to keep staff and remain open, further burdening them and making child care even more unaffordable.

Fiscal Impact to Child Care Provider Community

This bill will not have a fiscal impact to the child care provider community.