

**Testimony before the Senate Committee on Pensions and Labor  
Supporting SB 364 – Child Care Tax Credit**

Given by Erin Macey, Policy Analyst, Indiana Institute for Working Families  
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Good Morning Mr. Chairman, members of the Committee.

Erin Macey, policy analyst at Indiana Institute for Working Families. Thanks to Senator Stoops for this bill and to Chairman Hershman for hearing it today.

I was really excited that the theme of the day is the workforce and employers' demand for employees because child care policies including child care tax policies are levers for increasing our workforce and for promoting healthy child development.

Child care can be extremely expensive. These costs occur early in a family's career, when they are trying to build assets and move up the career ladder. They are saddled with these extreme costs.

While some working families are able to turn to a friend or relative to provide reduced-cost or no-cost childcare, this is not the case the many.

- In Indiana, the average cost of infant care is \$8918 (\$743/month) – that's more than in-state college tuition at IUPUI.
- For a preschooler, it's \$6760, or \$563/month.
- And it's important to note that built into these figures is the reality that a child care workers' median salary is \$19,040.
- Much of the cost is attributable to the staffing ratios needed for quality care. You can pack 150 kids into Econ 101 without much trouble, but 150 toddlers in a room with one adult sounds like something out of Alfred Hitchcock movie.

The Department of Health and Human Services defines affordability in childcare as 10% of a family's income; so we're looking at about \$67000/year as a ballpark range when this becomes affordable for families.

Yet most families struggle to pay those childcare bills anyway, because opting out is not a realistic or responsible option. In fact, 66% of children under the age of six requires some kind of childcare because all of the adults in their families work. And if the Year 1 data from On-My-Way-Prek is any indication – showing that half of participants in the longitudinal study increased work or study hours, and about a third got a new job - families might work more and more families might work if high-quality care became more affordable.

As we creep nearer to full employment and employers' demands for workers grow louder, this is an important point to consider.

There are currently a few options available to low income families who need to secure child care in order to work, but they do not cover everyone:

**CCDF vouchers available through the federal Child Care and Development Block Grant.**

To obtain a CCDF voucher, a family's gross monthly income cannot be more than 127% of the federal poverty level (and stay on up to about 85% of state median income, or about 250%, with copays).

- Family of 2, \$20,345; family of three, \$25,603; family of 4, \$30,861.
- This program serves about one in six eligible children (nationwide). I know our state has been aggressively working to keep the waiting list for CCDF down, so they could provide you with more specific data on where we stand.

**The federal child and dependent care tax credit** – This provides between 20 and 35% of childcare expenses up to a cap – so the most you can claim is \$1,050 if you have one child or \$2,100 if you have more than one. But this credit is not refundable, which means that only higher-income families realize substantial savings from it.

**There are some childcare facilities that offer sliding scale tuition** – but this is really up to the provider and often requires grant funding, volunteering or other sources of income to offset the cost.

A state child care tax credit (refundable or not) is a small but valuable step toward rewarding hard work and moving families toward self-sufficiency by mitigating the high cost of quality child care. I strongly urge you to consider it and thank you for your time.