



The Child Care for Economic Recovery Act Section-by-Section Summary

Division A – Worker Access to Family and Child Care

Prepared by the Committee on Appropriations Majority Staff

Title I. Department of the Treasury – Internal Revenue Service

Appropriates an additional \$5 million for the Internal Revenue Service’s Volunteer Income Tax Administration Matching Grant Program (VITA), expanding access to tax preparation assistance for lower income filers who will be impacted by this bill. VITA assistance is critical to ensure filers understand and benefit from the child and dependent care expense credit and dependent care assistance program legislative changes.

Title II. Department of Health and Human Services – Administration for Children and Families

Appropriates an additional \$850 million to the Social Services Block Grant for family care for essential workers, as authorized in Division B of this Act. The funding will be used to support essential workers who need access to and funding for child care and adult day care for adults incapable of self-care.

Appropriates an additional \$10 billion to the Child Care Development Fund for infrastructure grants to improve child care safety, as authorized in Division B of this Act. This funding will provide grants to states to adapt and expand child care facilities, as well as reconfigure child care facilities in response to coronavirus, and for long-term assessment of child care facilities throughout the U.S.

Title III. General Provisions

Technical budgetary provisions.

Division B – Worker Access to Family and Child Care

Prepared by the Committee on Ways and Means Majority Staff

Sec. 401. Short title.

Sec. 402. Refundability and enhancement of child and dependent care tax credit.

Makes the child and dependent care tax credit (“CDCTC”) fully refundable and increases the maximum credit rate to 50 percent. Amends the phaseout threshold to begin at \$120,000 instead of \$15,000. Doubles the amount of child and dependent care expenses that are eligible for the credit to \$6,000 for one qualifying individual and \$12,000 for two or more qualifying individuals.

Sec. 403. Increase in exclusion for employer-provided dependent care assistance.

Increases the exclusion for employer-provided dependent care assistance from \$5,000 to \$10,500 (from \$2,500 to \$5,250 in the case of a separate return filed by a married individual).

Sec. 404. Payroll credit for certain fixed expenses of child care facilities subject to closure by reason of COVID-19.

Provides a 50% refundable payroll tax credit for rent, mortgage, and utility costs incurred by qualified childcare facilities. For each quarter, qualified expenses eligible for this credit are limited to the lesser of 1) \$25,000,000 or 2) 25% of qualified wages (as defined in the employee retention credit) or 6.25% of 2019 gross receipts (which annualizes to 25%), with a limitation of up to \$50,000 of qualified expenses per facility.

Employers must be subject to a full or partial suspension due to a COVID-19 government order or have a decline in gross receipts of at least 10% compared to the same calendar quarter of the preceding year. This credit is phased in for employers with a decline in gross receipts between 10% and 50%.

The Social Security Old Age, Survivor, and Disability Insurance trust funds and the Social Security Equivalent Benefit Account is held harmless under this provision, through a General Fund transfer.

The section applies to qualified fixed expenses paid or accrued in calendar quarters beginning after date of enactment until December 31, 2020.

Sec. 405. Payroll credit for certain employee dependent care expenses paid by employers.

Provides a 30% refundable payroll credit for qualified depended care expenses paid by an employer on behalf of an employee. Qualified dependent care expenses include dependent care assistance as defined for the purposes for the existing income exclusion for household and dependent care services necessary for gainful employment. For each quarter, qualified dependent care expenses eligible for this credit are limited to \$2,500 per employee.

The Social Security Old Age, Survivor, and Disability Insurance trust funds and the Social Security Equivalent Benefit Account is held harmless under this provision, through a General Fund transfer.

The section applies to qualified fixed expenses paid or accrued in calendar quarters beginning after date of enactment until December 31, 2020.

Sec. 406. Flexibility for dependent care flexible spending arrangements.

Permits dependent care flexible spending arrangements to allow participants to carry over up to the annual maximum amount of unused dependent care assistance benefits or contributions from 2020 to 2021.

Permits dependent care flexible spending arrangements to provide an extension of the grace period for the 2020 plan year to 12 months after the end of the 2020 plan year. Extension of the grace period will allow benefits or contributions from these plans or arrangements to be used for expenses incurred up to 12 months after the end of the plan year.

Permits retroactive amendments to dependent care arrangements for the purposes of this section.

Sec. 407. Employee retention credit allowed with respect to employment of domestic workers.

Permits employers of qualified domestic workers who perform services in the private home of the employer to claim the employee retention tax credit for wages paid to that worker respect to which the employee is not providing services due to a COVID-19 related work order.

Sec. 408. Child care stabilization funds.

Increases the guaranteed funding level for the Child Care Entitlement to States from \$2.9 billion to \$10 billion per year, starting in 2020 and continuing through 2024. Also waives the requirement that states match the new funding during 2020 and 2021.

Sec. 409. Family care for essential workers.

Authorizes an additional \$850 million appropriation to the Social Services Block Grant for the sole purpose of ensuring dependent care for members of the households of essential workers who are incapable of self-care, including children and adult family members who require daytime care. “Essential worker” is defined to include health care sector workers, child care workers, emergency response workers, sanitation workers, and other workers the State or local government deems to be essential during the COVID-19 pandemic.

In consultation with the lead agency designated under the Child Care and Development Block Grant, states could use the funds to pay child care and adult care providers or set up emergency child and adult care, or, in cases where no such care was possible, reimburse workers for care they obtained on their own. Statutory requirements with the Social Services Block Grant which require all child care to be provided in accordance with all state and local licensing laws would apply to the funding unless the state determined that a specific requirement would prevent them from providing the services, in which case they would be required to demonstrate that the waiver does not harm the health, safety, or development of children and report specifically to the Secretary on the requirement and why it is an impediment.

Section 410. Infrastructure grants to improve child care safety.

Authorizes \$10 billion over the 2020-2024 period to finance grants to improve child care infrastructure, including constructing, renovating, and improving facilities to address long-standing issues and to respond to the COVID-19 pandemic. The Secretary of HHS would conduct an immediate needs assessment of the condition of child care facilities in order to inform the grant process and ensure that funds are distributed to areas of high need and in a way that increases availability of quality child care for poor children, young children, and children of essential workers, and also assists providers in complying with new public health rules and remaining open. The Secretary of HHS would also conduct a long-term needs assessment within 4 years to assess the condition of child care facilities nationwide.

State priority granting would be based on: improving child care facilities across a range of geographic areas, and collaboration across public and private sectors. State, tribal, and territorial grants would be capped at \$35 million per year, and additional grants of up to \$10 million would be available to intermediary organizations with demonstrated experience in child care facilities financing, for the purpose of providing technical assistance, capacity building, and financial

products to help develop or finance child care facilities. Three percent each of total funding would be reserved Indian tribes and U.S. territories, and at least 10 percent but not more than 15 percent of total funding would be reserved for grants to intermediary organizations that support facility financing. States and territories (but not tribes and tribal organizations) would be required to provide a cash or in-kind match for 10 percent of the grant funds. The section disregards any grants provided from the limitation on total payments to U.S. territories in Section 1108 of the Social Security Act.