

Table T07-0162
Child and Dependent Care Tax Credit (CDCTC) Options
Static Impact on Individual Income Tax Liability and Revenue (\$ billions), 2007-17¹

	Year											
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2007-17
Fiscal Year Revenue²												
Option 1: Allow CDCTC Regardless of Tentative AMT³	-0.3	-1.5	-1.7	-1.9	-1.8	-1.1	-1.3	-1.5	-1.7	-1.9	-2.1	-16.7
Option 2: Option 1 Plus Make EGTRRA Changes Permanent⁴	-0.3	-1.5	-1.7	-1.9	-1.9	-1.7	-1.9	-2.1	-2.3	-2.5	-2.7	-20.2
Option 3: Option 2 Plus Index for Inflation⁵	-0.3	-1.5	-1.7	-2.0	-2.1	-1.9	-2.1	-2.4	-2.7	-3.0	-3.3	-22.8
Option 4: Option 3 Plus Make Fully Refundable⁶	-0.3	-1.9	-3.5	-3.8	-4.0	-3.8	-4.1	-4.4	-4.8	-5.1	-5.5	-41.1
Addendum: Current Law Revenue Loss Due to CDCTC	-1.8	-1.7	-1.6	-1.5	-1.4	-1.3	-1.2	-1.1	-1.0	-0.9	-0.8	-14.6
Calendar Year Liability												
Option 1: Allow CDCTC Regardless of Tentative AMT	-1.5	-1.7	-1.8	-2.0	-1.1	-1.3	-1.5	-1.6	-1.8	-2.0	-2.2	-18.4
Option 2: Option 1 Plus Make EGTRRA Changes Permanent	-1.5	-1.7	-1.8	-2.0	-1.6	-1.8	-2.0	-2.2	-2.4	-2.7	-2.9	-22.5
Option 3: Option 2 Plus Index for Inflation	-1.5	-1.7	-1.9	-2.1	-1.8	-2.1	-2.3	-2.6	-2.9	-3.2	-3.5	-25.6
Option 4: Option 3 Plus Make Fully Refundable	-1.5	-3.5	-3.8	-4.0	-3.7	-4.0	-4.4	-4.7	-5.0	-5.4	-5.8	-45.8
Addendum: Current Law Revenue Loss Due to CDCTC	-1.9	-1.8	-1.7	-1.6	-1.5	-1.4	-1.3	-1.2	-1.1	-1.0	-0.9	-15.4

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-2).

(1) Baseline is current law.

(2) Fiscal-year revenue numbers assume a 20-80 split. The actual effect on receipts could differ.

(3) Under current law, the temporary provision that allows the CDCTC regardless of tentative AMT expired on 12/31/06. This proposal would make the provision permanent.

(4) EGTRRA makes the following changes to the CDCTC: increase the maximum credit rate from 30 to 35 percent; increase allowable expenses from \$2,400 to \$3,000 for one eligible individual and to \$6,000 from \$4,800 for two or more eligible individuals; increase the start of the phasedown of the credit rate from \$10,000 to \$15,000 of AGI. These provisions are scheduled to sunset 12/31/10. This proposal makes these provisions permanent.

(5) The maximum eligible expenses and the AGI level at which the credit rate begins to phase down would be indexed for inflation starting 01/01/08. The rounding factor for indexation would be the nearest multiple of \$10, the same as for the Earned Income Tax Credit.

(6) Taxpayers would be eligible for the credit regardless of individual income tax liability, effective 01/01/08.