

Table T05-0198
Child and Dependent Care Tax Credit (CDCTC) Options
Static Impact on Individual Income Tax Liability and Revenue (\$ billions), 2005-15¹

	Year											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2005-15
Fiscal Year Revenue²												
Option 1: Allow CDCTC Regardless of Tentative AMT³	0.0	-0.3	-1.3	-1.5	-1.7	-1.8	-1.8	-1.1	-1.3	-1.5	-1.7	-14.1
Option 2: Option 1 Plus Make EGTRRA Changes Permanent⁴	0.0	-0.3	-1.3	-1.5	-1.7	-1.8	-1.9	-1.6	-1.8	-2.0	-2.2	-16.2
Option 3: Option 2 Plus Index for Inflation⁵	0.0	-0.3	-1.4	-1.6	-1.8	-2.1	-2.2	-1.9	-2.2	-2.5	-2.7	-18.6
Option 4: Option 3 Plus Make Fully Refundable⁶	-0.3	-1.9	-3.1	-3.4	-3.7	-4.0	-4.2	-3.9	-4.2	-4.6	-5.0	-38.3
Option 5: Option 4 Plus Single Credit Rate of 35 Percent⁷	-0.7	-4.0	-5.2	-5.6	-6.0	-6.5	-6.7	-6.3	-6.7	-7.2	-7.7 #	-62.7
Option 6: Option 4 Plus 50 Percent Top Credit Rate, Phaseout Starts at \$15,000⁸	-0.7	-3.7	-4.9	-5.2	-5.6	-5.9	-6.1	-5.7	-6.1	-6.5	-6.9	-57.2
Option 7: Option 4 Plus 50 Percent Top Credit Rate, Phaseout Starts at \$30,000⁹	-0.7	-3.7	-5.0	-5.4	-5.7	-6.1	-6.3	-5.9	-6.3	-6.7	-7.2	-59.0
Addendum: Revenue Cost of CDCTC Under Current Law	-3.1	-2.9	-2.0	-1.9	-1.8	-1.7	-1.6	-1.5	-1.4	-1.3	-1.2	-20.6
Calendar Year Liability												
Option 1: Allow CDCTC Regardless of Tentative AMT	0.0	-1.3	-1.5	-1.6	-1.8	-2.0	-1.1	-1.3	-1.5	-1.7	-1.9	-15.6
Option 2: Option 1 Plus Make EGTRRA Changes Permanent	0.0	-1.3	-1.5	-1.6	-1.8	-2.0	-1.6	-1.8	-2.0	-2.2	-2.4	-18.1
Option 3: Option 2 Plus Index for Inflation	0.0	-1.3	-1.6	-1.8	-2.0	-2.2	-1.9	-2.1	-2.4	-2.7	-3.0	-21.0
Option 4: Option 3 Plus Make Fully Refundable	-1.6	-3.0	-3.3	-3.6	-3.9	-4.2	-3.8	-4.2	-4.5	-4.9	-5.2	-42.5
Option 5: Option 4 Plus Single Credit Rate of 35 Percent	-3.7	-5.2	-5.6	-6.0	-6.4	-6.8	-6.2	-6.6	-7.1	-7.6	-8.1	-69.2
Option 6: Option 4 Plus 50 Percent Top Credit Rate, Phaseout Starts at \$15,000	-3.4	-4.8	-5.2	-5.5	-5.9	-6.2	-5.6	-6.0	-6.4	-6.8	-7.2	-62.9
Option 7: Option 4 Plus 50 Percent Top Credit Rate, Phaseout Starts at \$30,000	-3.4	-4.9	-5.3	-5.6	-6.0	-6.4	-5.8	-6.2	-6.6	-7.1	-7.5	-65.0
Addendum: Revenue Cost of CDCTC Under Current Law	-3.2	-2.0	-1.9	-1.8	-1.7	-1.7	-1.5	-1.5	-1.4	-1.2	-1.2	-19.1

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0305-2).

(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 is scheduled to expire 12/31/05. 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 01/01/06. 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 01/01/05.

(7) Under current law, the credit rate phases down from 35 percent to a minimum of 20 percent based on the taxpayer's AGI. This proposal would eliminate the phasedown and establish a single rate of 35 percent of eligible expenses, effective 01/01/05.

(8) The top credit rate of 50 percent would be reduced by 1 percentage point for each \$2,000 (or fraction thereof) by which AGI exceeds \$15,000 (indexed for inflation after 2005). The minimum credit rate would be 20 percent.

(9) The top credit rate of 50 percent would be reduced by 1 percentage point for each \$1,000 (or fraction thereof) by which AGI exceeds \$30,000 (indexed for inflation after 2005). The minimum credit rate would be 20 percent.