



OHIO HOUSE OF REPRESENTATIVES

HB 577 – Child Care Income Tax Credit for Families Sponsor Testimony Representative Andrea White

Chair Roemer, Vice Chair Lorenz, Ranking Member Troy, and members of the House Ways and Means Committee, thank you for allowing me to come and testify on House Bill 577, which will create state child care income tax credits for working parents to help offset the enormous costs facing many families with young children.

I provided a detailed overview of the impact of the child care crisis on our workforce and businesses in my testimony on House Bill 576. What I didn't mention is that Ohio's legislature is running a bit behind other states in passing bills with solutions. Last year, 36 states passed 95 different bills to address child care and early childhood education issues facing their current and future workforce. It's time we stepped up our game.

By enacting HB 577, we would join 30 other states who are currently offering a child care tax credit to working parents. As I mentioned earlier, the average cost of center-based child care for Ohio families ranges from \$8,580 to \$11,438 per year depending on the age of the child. A mom with two young children – an infant and a preschooler – would spend almost \$10 an hour on child care alone, making a return to work unaffordable for many Ohioans.

You may already know Ohio is scraping the bottom when it comes to subsidizing child care for lower wage working families. Right now, our eligibility threshold for publicly funded child care sits at 145 percent of the Federal Poverty Level (FPL). Consider that same mom with two young children. If she was contemplating a return to work, she would need to be offered a starting wage below \$18.00 an hour to qualify for any publicly funded child care support. If she had one child, she couldn't make more than \$14.25. Even our fast-food jobs are paying more than that to get workers these days.

HB 577 offers an onramp to the workforce for some and a life raft for others by providing a \$3,000 per child or up to \$6,000 per family child care state tax credit for our working parents. This same tax credit is available at the Federal level, however, working parents can only receive a credit for 20% to 35% of their actual cost of care and it is non-refundable. Families with lower incomes, including many women-headed households, are therefore largely shut out of the credit despite the fact that the costs of child care fall hardest on them.

What this legislation provides is a credit for the cost of eligible employment-related child care expenses on a sliding scale that now ranges from 100 percent for lower income families to 10 percent for high wage earners up to the maximums of \$3,000 per child and \$6,000 per family. This sliding scale credit percentage using a Federal Poverty Level (FPL) income percentage breakdown is similar to the one adopted under Ohio's educational choice voucher expansion program last year. The goal is to support our lower wage workers and help bring and keep more employees in the workforce. The credit is also refundable if the amount exceeds the tax due.

Tax credit percentages available for child care under the legislation are as follows:

<u>Household Income</u>	<u>Credit percentage</u>
At or below 450% FPL	100%
451 to 500% FPL	85%
501 to 550% FPL	70%
551 to 600% FPL	55%
601 to 650% FPL	40%
651% to 700% FPL	25%
701 to 750% FPL	10%

Child care costs take a significant chunk out of parents' incomes during the years when families tend to be earning lower amounts during the earlier stages of their working lives. Family-friendly state tax policy can play a powerful role in helping more working parents meet the challenges of paying for child care. If we want more parents to be able to stay in or re-enter the workforce, Ohio needs to step up now with investments that support both our families and our businesses.

Chair Roemer, Vice Chair Lorenz, Ranking Member Troy, and members of the House Ways and Means Committee, thank you again for allowing me to testify and I am happy to answer – or find you answers – to any of your questions today!