

**HB 2440 STAFF MEASURE SUMMARY**

**Joint Committee On Tax Expenditures**

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**Prepared By:** Kyle Easton, Economist

**Meeting Dates:** 6/3

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**WHAT THE MEASURE DOES:**

Extends sunset, from January 1, 2022 to January 1, 2028, of working family household and dependent care credit.

**ISSUES DISCUSSED:**

**EFFECT OF AMENDMENT:**

No amendment.

**BACKGROUND:**

The Working Family Household and Dependent Care (WFHDC) credit is a refundable personal income tax credit available to low and middle income households with employment related dependent care expenses. The credit helps low to moderate income families pay for the care of their qualifying dependents while they are working, looking for work, or attending school. Credit amount is determined by applying a credit percentage multiplied by the amount of qualified employment related expenses. The credit percentage is based on a taxpayer's adjusted gross income (AGI) as a percentage of federal poverty level (FPL) and the age of the youngest qualifying dependent individual. Once a taxpayer's AGI as a percentage of FPL equals more than 300%, the taxpayer no longer qualifies for the credit.

The WFHDC credit was created in 2015 through the combining of two expiring tax credits, the Child & Dependent Care credit and the Working Family Child Care credit. The two credits were combined in order to simplify the process for taxpayers qualifying for both credits and to extend more benefit to lower income taxpayers through a new refundable credit. Measure extends sunset of WFHDC credit by six years, to January 1, 2028.