

The Phyllis Schlafly Report

VOL. 22, NO. 7, SECTION 1

BOX 618, ALTON, ILLINOIS 62002

FEBRUARY, 1989

The Challenge of Child Care Costs

Why are families with children short of cash? Because their tax burden has dramatically increased!

In 1948, an average couple with two children paid 2% of annual income in federal taxes. In 1988, an average couple with two children paid 24% of annual income in federal taxes. Families need tax relief — not government handouts! They want to spend their own money — not be told how to spend subsidies.

Dozens of child care bills will be introduced into the current Congress. More than a hundred bills were introduced into the last Congress. They can be grouped into two types of legislative options: (1) The liberal Dodd-Kennedy (ABC) daycare bills to subsidize licensed centers, impose regulations, and discriminate against family care. (2) The Child Tax Credit plan to assure parental choice in child care. This plan was pioneered by Congressmen Clyde Holloway, Richard Schulze, and Philip Crane, and Senators Malcolm Wallop and Pete Domenici, and is advocated by President George Bush.

The liberal child care action plan would —

1. Increase taxes.
2. Create a federal baby-sitting bureaucracy.
3. Discriminate against mothers who take care of their own children.
4. Discriminate against relatives who take care of children out of love and without pay.
5. Impose federal regulations and control that will
 - interfere with the curriculum of religious daycare,
 - cause legal harassment of religious daycare,
 - raise dramatically the cost of neighborhood daycare,
 - drive low-cost daycare out of business or underground,
 - reduce availability and affordability of daycare.
6. Discriminate against low-income families by subsidizing
 - upper-income families,
 - with two-earner couples,
 - who put their children in secular daycare centers.
7. Lead to a federal daycare system with a potential tax cost of \$100 billion annually.
8. Reward agencies that are paid for daycare services but penalize families that take care of their children out of love and commitment without payment.
9. Lead to a society modeled on Sweden where most children are cared for in government institutions.

The pro-family solution to the cost of child care is to give a tax credit for each child. This pro-family plan would —

1. Assure 100% parental freedom of choice in child care. Therefore, it would not substitute government decisions or incentives for parental choices.
2. Not discriminate against mothers who take care of their own children.
3. Not discriminate against or require the licensing or registration of grandmothers or other relatives.
4. Put 100% of the available cash in the hands of parents instead of bureaucrats, regulators, and providers.
5. Not build a federal baby-sitting bureaucracy.
6. Relieve some of the present unfair tax burden on families with children.
7. Help low-income families proportionately more than higher-income.
8. Move toward tax reduction instead of tax increases and costly bureaucratic growth.
9. Not interfere with religious daycare or cause lawsuits or harassment.
10. Not raise the costs of neighborhood daycare.
11. Preserve local control over daycare licensing standards.

What Is The Child Tax Credit?

A \$1,000 income tax credit per child under age 5,* up to a limit of 3 children, in families with at least one parent employed, with an annual income under \$21,000.***** (Options: \$25,000 or \$36,000). This would reduce a family's income tax up to \$3,000 per year.

* Note that this credit is for every child, regardless of whether he is at home, grandmother's, Aunt Millie's, neighborhood daycare mother's, church facility, or center.

** The requirement that at least one parent be employed means: (1) Families where *only* one parent is employed will *not be* discriminated against. (The liberal bills would deny all benefits unless the mother is employed and uses paid institutional licensed daycare.) (2) The child care issue is *not* about welfare! Mothers on welfare are already entitled under existing law to full compensation for daycare expenses at the market rate in their locality. In addition, the federal government spends \$3 billion for various programs for child care for low-income mothers.

*** Note that this plan is directed at low-income families. The income cap would move upwards as funds become available.

The Child Tax Credit plan has 3 options:

Option A

Target: Families with children under age 5

Tax credit: \$1,000 per child — limit of 3 children

Income cap: \$21,000

Phase-in: in first year, only families earning less than \$15,000 would receive some benefit. Dependent care credit unaffected except for families that get the child tax credit.

Option B

Target: Families with children under age 5

Tax credit: \$1,000 per child — limit of 3 children

Income cap: \$26,000

Phase-in: in the first year, only families earning less than \$15,000 would receive some benefit. Dependent care credit eliminated for families with income above \$50,000.

Option C

Target: Families with children under age 5

Tax credit: \$1,000 per child — limit of 3 children

Income cap: families earning less than \$36,000 would receive some benefit

Phase-in: in the first year, families earning less than \$18,000 would receive full benefit. Option C gradually eliminates the current dependent care tax credit and replaces it with a

universal tax credit for low and moderate income families with young children.

How will the child care tax credit help low-income families who pay little or no taxes?

Low-income families will benefit through an expansion of the earned income tax credit (EITC). The EITC is already a proven formula and successful part of our tax system. It rewards work by low-income people by returning to them some or all of the money they pay in taxes. Working parents who have no income tax liability will have a share of their Social Security taxes returned to them without losing Social Security benefits.

Low-income families who currently receive the earned income tax credit (EITC) at 14% of earnings would benefit through an extension of the EITC. Families earning below \$7,000 would receive benefits amounting to 28% of earnings if they have one child under age 5, or 40% of earnings if they have two or more children under age 5. As income rises above \$7,000, benefits would be incrementally reduced until the credit reaches \$1,000 per child.

Will families have to wait until the end of the year to receive the funds from their tax credit?

No. They can simply fill out a government form to adjust their withholding statement so that less money is taken out of their paycheck each week. The EITC would provide cash assistance to very low income working parents which they would receive through their weekly paychecks.

How will the tax credit plan be funded?

By partially phasing out the current dependent care tax credit, which is highly discriminatory against families with a mother in the home and benefits primarily upper-income two-earner couples.

Can we support legislation that includes both a Child Tax Credit and subsidies for daycare centers?

Absolutely not! We cannot accept ANY subsidies, grants, vouchers, certificates, loans, or credits that discriminate against care of children in their own homes by their own mother or other relatives. This type of discrimination is NOT acceptable! Furthermore, ANY type of subsidy or grant program means starting a new federal bureaucracy that will grow into a bureaucratic nightmare which will be unjust, discriminatory, intrusive in family well-being, and terribly costly.

Does the Child Tax Credit meet pro-family criteria?

The Child Tax Credit approach is the only plan that meets the criteria of Executive Order 12606 on "The Family" issued September 2, 1987.

- Does this action by government strengthen or erode the stability of the family, and particularly, the marital commitment?
- Does this action strengthen or erode the authority and rights of parents in the education, nurture, and

supervision of their children?

- Does this action help the family perform its functions, or does it substitute government activity for the function?
- Does this action by government increase or decrease family earnings? Do the proposed benefits of this action justify the impact on the family budget?
- Can this activity be carried out by a lower level of government or by the family itself?

How Liberal Daycare Bills Will Increase Costs

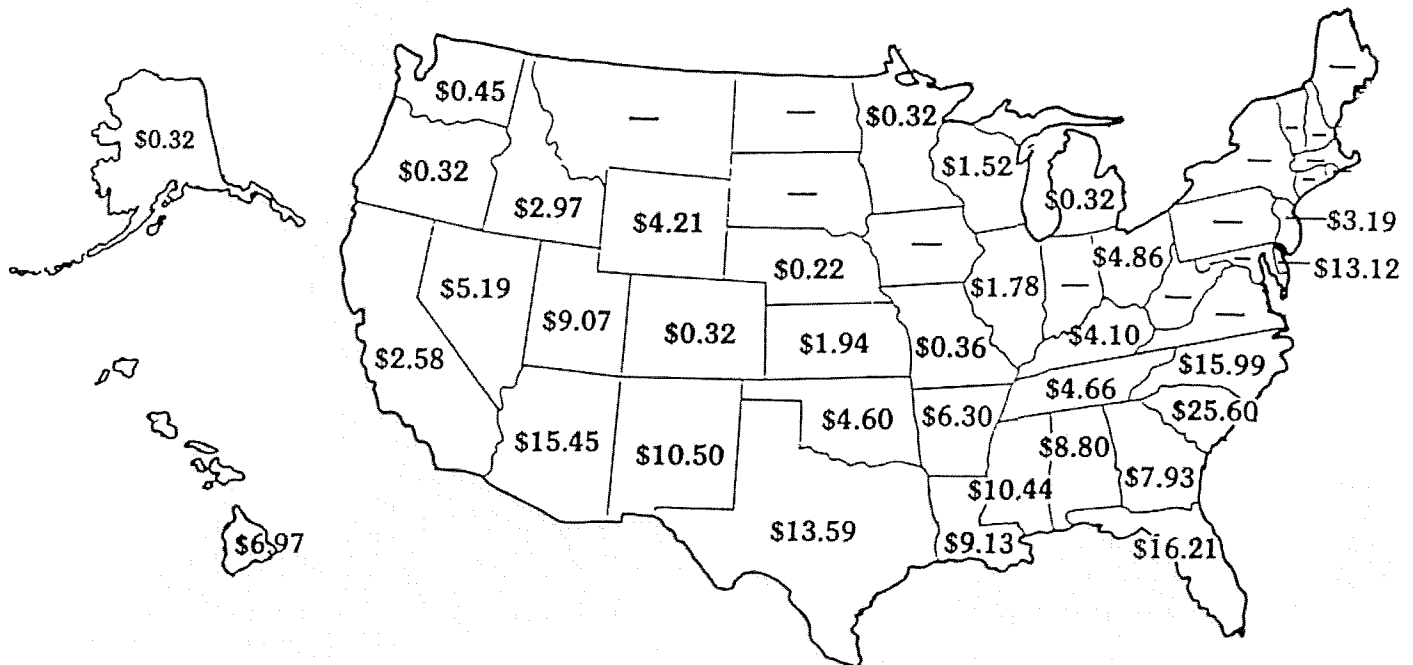
Child Care Review, the leading journal for the daycare industry, has reported that the Dodd ABC federal daycare bill would actually cost parents nearly \$1.2 billion in additional payments and displace over 786,000 children now in licensed facilities. According to this study, the Dodd ABC bill would have the effect of closing 12,600 daycare centers, or 20.3 percent of all the licensed facilities now in operation, because of the cost increases resulting from the bill.

The magazine explained that the federal standards mandated in the ABC bill would raise the cost of licensed care and displace children because daycare is such a labor-intensive industry. With staff costs already accounting for 51 percent (or \$27.18) of the parents' weekly daycare cost, federal standards that would impose lower staff-to-child ratios than are now required by state regulations would dramatically

raise parents' costs in most states. (The ABC bill is an attempt to impose on all 50 states the staff-to-child ratios now in effect in such states as Connecticut and Massachusetts, the home states of the bill's sponsors.)

Significantly, the two states which lead the nation in available licensed child care, Texas and Florida, would be the hardest hit by federal staffing standards, according to the report. Texas parents could expect an average increase in daycare costs of \$13.59 per week, and Florida parents could expect an average increase of \$16.21 per week. The cost increases for infant care would be much higher.

Child Care Review is published in Metairie, Louisiana. The study was reported in its April/May 1988 issue. The actual increases in weekly daycare costs, state by state, are shown on the map below.



The Current Dependent Care Tax Credit

The current Dependent Care Tax Credit should be phased out because it is unjust and discriminatory. The dependent care credit is an income tax credit of up to 30% of money actually spent for daycare for children under age 13, for a maximum of two children. The maximum credit that can be claimed is \$720 for one child, \$1,440 for two or more children.

This Dependent Care Tax Credit is denied to families that have a fulltime mother.

This Dependent Care Tax Credit is worthless to low-income families with little or no tax liability. This Dependent Care Tax Credit is worthless to families who use child care by relatives to whom little or no cash payment is made.

The Dependent Care Tax Credit is highly discriminatory

because millions of fulltime mothers are forced to subsidize employed mothers, and millions of low-income families are forced to subsidize the two-income middle- and upper-income families who use 80% of the dependent care tax credit.

The Earned Income Tax Credit

The earned income tax credit (EITC) should be expanded because it is a proven and popular formula in our current tax system. The EITC rewards people for working instead of for not working. Low-income employed families with children receive cash benefits through the EITC, which encourage them to work harder and discourage dependence on other welfare programs. The EITC is the opposite of current welfare spending which rewards people for *not* working. The earned income tax credit is a conservative and pro-family concept.

The Loaded Questionnaire on Child Care

Some 20 of the leading women's magazines are currently carrying a questionnaire on child care which is touted as "the largest magazine survey of its kind." It is sponsored by the Child Care Action Campaign and the Great American Family Tour, two organizations that have been aggressively lobbying for federally-financed and federally-regulated baby-sitting.

The fine print on the questionnaire states that the results will be presented to the President and released nationally in May. It is clear that the questionnaire was devised to produce the results that the sponsoring organizations have already predetermined.

Question 1 is "Do you think the federal government pays enough attention to child care and other family concerns?" The "no" answers will be used to argue that the public supports the federal government "paying attention" by creating a child care bureaucracy, imposing federal regulations, and starting massive federal spending and subsidies for daycare.

But one might very easily answer "no" and intend that the federal government should "pay attention" to child care and family concerns by giving families a tax credit for each child, as President George Bush has proposed. But the survey sponsors won't interpret the results that way, you can be sure.

Question 2 is "Do you think family issues should be a top priority for the President and Congress?" Again, one might very well answer "yes" but not in the slightest mean that "top priority" equals higher taxes, higher spending, or more regulations. "Top priority" could just as well mean tax fairness for families and tax credits for children.

Question 3 is "Are your child care concerns with: Finding care, Cost, Reliability, Safety, Making emergency arrangements, Quality of care?" Note how the fulltime homemaker is completely omitted from the list.

If you are a fulltime homemaker, getting along on the median family income of single earner families which is \$27,000, your child care concern is probably how to pay your monthly bills, and you would welcome some tax reduction to make that possible. But there is no box for you to check. In the survey, you simply don't exist.

This becomes even clearer in question 4 in which you are asked to check which of the following statements you agree with: (a) it is the sole responsibility of parents to pay for child care, (b) government should make good, affordable child care available for all children who need it, or (c) business should make good, affordable child care available for all children who need it.

The option that it is the responsibility of the government to keep taxes on families low enough so that parents can afford to care for their children themselves just isn't there. Obviously, such an answer would not be welcomed by the sponsors of this survey.

In case you didn't get the drift, now let's look at question 5. You are to circle how much you agree or disagree with the

following statements. Here we go again.

"The federal government should develop policies to make child care more available and affordable." For this statement to make any sense, it would have to mean only institutional daycare. Even if you answer "strongly agree" because you want the federal government to develop policies to make mother care more affordable by reducing taxes, you will still be counted by the survey managers as wanting the federal government to go into the subsidized baby-sitting business.

"The federal government should set minimum standards for child care centers including health and safety standards and staff-to-child ratios." The joker word is "federal." All state governments now regulate daycare within their own states. The public should be told that federal regulations would increase daycare cost dramatically without any proven benefits.

"The federal government should expand tax breaks to help parents pay for child care." That statement compounds the discrimination in the survey against fulltime homemakers and traditional families. It would be unjust and highly discriminatory for the federal government to expand tax breaks to help parents to "pay" for child care without making those tax breaks available equally to help parents use mother care (or grandmother care) without cash transfers.

"The federal government should provide money to help parents pay for child care." Again, it would be unconscionably discriminatory to provide money for parents to "pay" for daycare while denying it to parents who choose parental or relative care.

The sponsors of this survey devised the questions (a) to induce only answers that indicate support for federal baby-sitting legislation and (b) to prevent respondents from giving any answers that support fair treatment for families who care for their own children. It is an axiom of the polling business that you can get any result you want by how you word the question.

Eagle Forum Education & Legal Defense Fund has sponsored two major conferences on Child Care, one in September 1988 in St. Louis, the other in Washington, D.C., in January, 1989. The proceedings will be published later this year. Eagle Forum is a national organization of volunteers who participate in public policymaking at the national, state and local levels. Its president, Phyllis Schlafly, is an attorney, author of 12 books, syndicated columnist and radio commentator.

The Phyllis Schlafly Report

Box 618, Alton, Illinois 62002
ISSN0556-0152

Published monthly by The Eagle Trust Fund, Box 618, Alton, Illinois 62002. Second Class Postage Paid at Alton, Illinois. Postmaster: Address Corrections should be sent to the Phyllis Schlafly Report, Box 618, Alton, Illinois 62002.

Subscription Price: \$15 per year. Extra copies available: 50 cents each; 4 copies \$1; 30 copies \$5; 100 copies \$10.