DIVISION A: Universal Paid Family and Medical Leave

This division provides for universal paid federal family and medical leave for all U.S. workers (both full and part-time, both public and private sector, without regard to employer size, and including self-employed workers). The leave would be provided either via a new federal benefit administered by the Secretary of the Treasury, or, for workers who have access to equivalent benefits via an already-enacted state program or an employer plan, through those plans, which would receive a federal subsidy. Universal paid leave would begin January 1, 2023.

Under the Treasury-administered federal benefit program, workers would be entitled to up to 60 days of paid leave in a 12-month period for time away from work for the same reasons as under the Family and Medical Leave Act (FMLA): i.e., to address a serious personal or family health issue, to care for a newborn or newly adopted child, or for circumstances arising from a loved one's military deployment or serious injury, but with an expanded definition of family for caregiving relationships. Leave would be available on an intermittent or continuous basis but could not exceed 20 leave days in a month. There would be a one week (5 day) waiting period before paid leave benefits would begin.

To be eligible for this paid leave, workers would need to be taking leave from work for a qualified reason and have had earnings in the 30 days prior to the first caregiving day as well as during the 8-calendar-quarter period preceding their caregiving leave.

Benefits would be calculated using a progressive benefit formula designed to replace at least two-thirds of monthly earnings for most workers (based on their average earnings during the 8-quarter period). Treasury would pay benefits monthly, and only after an individual filed a "monthly benefit claim report" detailing the number of caregiving days they had in the month.

States with already-enacted paid leave laws could choose to continue providing benefits to workers through their state program and receive federal reimbursement, so long as the state benefits and eligibility criteria were equivalent to the federal program. States offering lesser benefits or eligibility would have three years to meet this standard. Workers in "legacy states" would not be eligible to receive benefits directly from the federal government.

Employers who provided at least 15 days of paid leave that replaced at least 50 percent of wages to all employees with at least a year of service would be eligible to receive subsidies for part of the cost of the benefits (either directly or via contract with an insurer).
Employers providing leave for all of the reasons under the FMLA would receive a higher subsidy (40 percent instead of 28 percent). Employees would not be able to receive public benefits for the same days they received employer paid leave that replaced more than half of their wages, and could only receive a total of 60 days of federally-subsidized leave in a 12-month period. Employers would be allowed to "top off" the federal benefit (for example, by providing additional benefits to increase the replacement rate), but those benefits would not be federally subsidized.

DIVISION B: Guaranteed Access to Child Care

Division B provides child care growth and innovation funding to improve child care supply, access, affordability, and physical infrastructure, and to support higher wages for child care workers.

The bill establishes a Child Care Information Network (CCIN) for parents and caregivers to access frequently updated information about available child care slots that meet their needs in their communities, the cost of the care, subsidies that may be available, and how to apply for the care. States, the District of Columbia, and U.S. Territories would receive startup funding and then a 75 percent match on expenditures to develop, implement, and maintain the CCIN including technology cost, the cost of developing a common application where parents could apply for child care slots with multiple providers, financial incentives to encourage provider participation, and other costs related to reducing the challenge of finding child care. The CCIN would leverage and build on the investments states and communities have made in their Child Care Resource and Referral systems.

The bill would permanently increase total funding for the Child Care Entitlement to States (CCES) from the new level set by the *American Rescue Plan Act* ($3.55 billion per year) to $10 billion per year in 2022, and would index the funds to grow with inflation and child population in the future. CCES provides a combination of base funding and matching funds to states which are used primarily to subsidize the cost of child care for low and middle-income families with children under age 13. CCES funds are permanently authorized, which allows states to create additional child care slots and expand eligibility for child care assistance without the risk of having to cut off families due to inadequate federal appropriations in future years.

For states that have obligated their full CCES allotment and operate a Child Care Information Network, the bill would also provide additional targeted funds, scaled to the share of children in the state who live in counties with a child care shortage, to increase child care supply, raise child care worker wages, help providers start new child care businesses or expand existing care options, and make child care affordable for families.

The bill would invest $15 billion over the next 5 years in physical infrastructure grants to states and intermediaries to improve the safety and quality of child care facilities, similar to the provisions in the *Child Care for Economic Recovery Act.*

The bill provides $563 million for Indian tribes to improve access, infrastructure, and affordability would be provided after the U.S. Department of Health and Human Services consults with tribes to inform guidance and best practices, and to provide technical assistance.

The bill would provide a new refundable payroll tax credit for wages paid by certain childcare providers, of up to $5,000 per year, to raise the wages of the essential child care work force, where wages currently average about $12 an hour.

DIVISION C – Child and Dependent Care Tax Benefits

This bill makes permanent the modifications to the child and dependent care tax credit ("CDCTC") made for 2021 in the American Rescue Plan. Those modifications make the credit fully refundable and increase the maximum credit rate to 50 percent. The phaseout threshold begins at $125,000 instead of $15,000. The amount of child and dependent care expenses that are eligible for the credit to $8,000 for one qualifying individual and $16,000 for two or more qualifying individuals (such that the maximum credits are $4,000 and $8,000). At $125,000 the credit percentage begins to phase out, and plateaus at 20 percent. This 20-percent credit rate phases out for taxpayers whose AGI is in excess of $400,000, such that taxpayers with income in excess of $500,000 are not eligible for the credit. Both the maximum credit amount, and the phaseout threshold, are indexed for inflation.

The bill provides for a reimbursement of mirror code territories for the costs of this refundable credit. Additionally, for non-mirror code territories (Puerto Rico and American Samoa), provides a reimbursement for the aggregate value of such a credit, provided the territory develops a plan, approved by the Secretary, to distribute these amounts to its residents.

Additionally, the bill makes permanent the American Rescue Plan increase in the exclusion for employer-provided dependent care assistance. Thus, the maximum exclusion is permanently increased to $10,500 ($5,250 in the case of a separate return filed by a married individual). These dollar amounts are indexed for inflation.
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DIVISION D: National Grant Program for the Worker Information Network

This division creates a new Worker Information Network (WIN) to assist workers in accessing paid leave, unemployment insurance benefits, and child care. States, U.S. Territories, and the District of Columbia would be offered federal grants to establish the program, which would provide free access to information, counseling, and assistance accessing available benefits and support. Similar to state health insurance counseling programs, the worker network would rely on both paid staff and volunteers to help individuals navigate sometimes complex benefit systems, including for individuals who need help in languages other than English, and those struggling to understand tradeoffs among their options. Counselors would also provide help to workers who regarding overpayment determinations or barriers to accessing benefits. State networks would work with eligible local partners, including community-based organizations, labor unions, and non-profits with expertise in serving workers.

The network would also conduct community-based education and outreach efforts to ensure workers were aware of available supports and opportunities, and would report annually to the Secretary of Health and Human Services to demonstrate that workers were receiving equitable access and make recommendations related to recurrent issues and complaints about public programs within the network's purview.

If states chose not to accept the grants or failed to provide the full array of worker-friendly assistance, the Secretary of Health and Human Services would be required to award the state's grant to an eligible local partner, which would provide the same services and follow the same rules as state-operated programs.

The division provides $1.5 billion per year for the WIN grants, to be distributed based on the working-age population.

DIVISION E – Child Tax Credit

The bill makes the child tax credit ("CTC") fully refundable and increases the amount to $3,000 per child ($3,600 for a child under age 6). This makes permanent the policy enacted in the American Rescue Plan. The bill also permanently increases the age of qualifying children by one year, such that 17-year-olds qualify for the credit. The excess of the CTC (i.e., the additional $1,000 or $1,600 per-child in excess of the present-law $2,000 per-child credit) is reduced by $50 for every $1000 in modified adjusted gross income in excess of a threshold amount, which for purposes of the discussion draft, is currently bracketed. Once the excess credit amount is so reduced, the credit plateaus at $2,000, and then phases out at $400,000 for joint filers, $300,000 for heads of household, and $200,000 for other filers). Both the values of the CTC, and the phaseout thresholds, are indexed for inflation.

The bill includes an election to allow the value of the CTC to be measured on a monthly basis in the event that a qualifying child has switched residences. In the case that both taxpayers (i.e., the taxpayer who could have previously claimed the child, and the taxpayer that can newly claim the child) agree, in a form and manner as provided by the Secretary, both the amount of the CTC and the flow of the monthly advance payments may adjust so as to match the respective residence of the child.

The bill directs the Secretary of the Treasury to continue providing the CTC through advance monthly payments, based on prior year tax return information. In the case of taxpayers who received an overpayment of the advance credit due to a child for whom the advance was paid, when in fact the child was no longer that taxpayer's dependent, the provision includes a reduced repayment obligation. Under this provision, a taxpayer below the provided income threshold ($40,000 for a single taxpayer, $50,000 for a head of household, and $60,000 for a joint filer) will be protected from repaying up to a certain amount (currently bracketed in the discussion draft) in overpayments per child that was incorrectly taken into account. The amount protected from a repayment obligation is decreased to $0 as the taxpayer's income rises to double the threshold amount. Advance payments are generally not subject to administrative offset for past due federal or state debts, including offset for past-due child support. Additionally, the advance payments are also exempt from bank garnishment or levy by private debt collectors.

The Secretary is directed to maintain the previously established online portal to allow taxpayers to opt-out of receiving advanced payments and provide information regarding changes in income, marital status, and number of qualifying children for purposes of determining each taxpayer's maximum eligible credit.

The bill extends the fully refundable CTC to the territories. As with the present-law CTC, with respect to mirror Code territories (i.e., the USVI, Guam, and CNMI), the Treasury Department will fully reimburse these territories the cost of the CTC. With respect to American Samoa, which does not have a mirror code, Treasury is instructed to make payments in an amount estimated by Treasury as being equal to the aggregate amount of benefits that would have been provided if American Samoa had a mirror code in place. Puerto Rico, which does not have a mirror code, will receive the refundable credit by having its residents file for the CTC directly with the IRS. Additionally, the Secretary is directed to issue a report to Congress two years after the date of enactment regarding the ability to extend the advance payments of the CTC to Puerto Rico, including legislative recommendations for such a program.

The bill retains the $500 nonrefundable tax credit for dependents other than child dependents, and indexes the value of this credit for inflation. Additionally, for taxable years beginning after 2025, the personal exemption for qualifying children is $0. However, for dependents other than children, a taxpayer may elect to claim the personal exemption if the taxpayer's income is below the second phaseout threshold of the CTC.

DIVISION F – Earned Income Tax Credit

The bill makes the temporary expansion the eligibility and the amount of the earned income tax credit for taxpayers with no qualifying children (the "childless EITC") enacted in the American Rescue Plan permanent. In particular, the minimum age to claim the childless EITC is reduced from 25 to 19 (except for certain full-time students) and the upper age limit for the childless EITC is eliminated. This section also increases the childless EITC amount by increasing the credit percentage and phaseout percentage from 7.65 to 15.3 percent, increasing the income at which the maximum credit amount is reached to $9,820, and increasing the income at which phaseout begins to $11,610 for non-joint filers. Under these parameters, the maximum credit amount increases from $543 to $1,502. The provision contains special rules regarding the application of the credit for former foster youth and homeless youth. As with all other parameters of the EITC, these amounts are indexed for inflation, and will be indexed beginning in 2022.

Additionally, the bill makes permanent the temporary provision included in the American Rescue Plan allowing a taxpayer to use the taxpayer's prior-year earned income for purposes of computing the EITC, in the event that a taxpayer's earned income in the current taxable year has fallen. This provision allows consistency in the value of the EITC for taxpayers who may have lost a job, or whose income has fallen temporarily.

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