

CHILD AND DEPENDENT CARE ENHANCEMENT TAX CREDIT

TAX YEAR 2022

Pursuant to § 1607-W of the Pennsylvania Fiscal Code, the Department of Revenue is required to produce an annual report on the Child and Dependent Care Enhancement Tax Credit (CDCE). Details regarding the CDCE tax credit for tax year 2022 may be found below.

DESCRIPTION OF TAX CREDIT

Pennsylvania residents subject to Personal Income Tax are eligible for the credit if they receive the corresponding federal credit for child and dependent care expenses under section 21 of the Internal Revenue Code. This section details the types of dependents who qualify (dependent under age 13 or dependent or spouse who is incapable of caring for himself or herself) and the types of expenses that qualify (expenses for household services and expenses for the care of the dependent, provided in either case that the expenses are incurred to enable the filer to be employed).

For tax year 2022, the credit is calculated as follows:

- 1) Take the total amount of qualifying expenses claimed for the federal credit. This amount is capped at \$3,000 for filers with one dependent and \$6,000 for filers with two or more dependents.
- 2) Multiply this amount by the applicable percentage for the federal credit for 2022. The applicable percentage is 35% for incomes up to \$15,000, reduced by one percentage point for each \$2,000 (or fraction thereof) by which the filer's income exceeds \$15,000. The applicable percentage does not fall below 20% (this percentage therefore applies to incomes above \$43,000). The resulting amount is the amount of the federal credit.
- 3) Multiply the result from step 2 by 30%. This is the amount of the Pennsylvania credit.

TAX YEAR 2022 DATA

The figures reflect data as of February 12, 2024.

The report is required to contain the following information:

- (1) The number of tax credits approved under this article.
- (2) The amount of tax credits approved under this article.
- (3) The amount of tax credits claimed under this article.
- (4) The amount of tax credits refunded under this article.

The CDCE tax credit is refundable above and beyond a taxpayer's liability. To the extent that has occurred, it is reflected below as the **amount of credits paid as refunds in excess of tax liability**.

The **amount of credits paid as refunds** reflects the amount of credits refunded in excess of tax liability and the refunding of amounts already paid (like employer withholding and estimated payments).

		1607-W(b)
Number of credits claimed	213,679	(3)
Amount of credits claimed	\$40,172,294.00	-
Number of credits approved	209,912	(1)
Amount of credits approved	\$39,308,318.00	(2)
Amount of credits paid as refunds in excess of tax liability	\$2,029,322.00	(4)
Amount of credits requested as refunds	\$30,395,445.95	(4)
Amount of credits paid as refunds	\$28,423,552.66	(4)