Credit for Caring Act

Millions of family caregivers help their loved ones live independently in their homes and communities. In 2013, about 40 million family caregivers provided unpaid care valued at about $470 billion to adults who needed help with daily activities such as bathing, dressing, meal preparation, medical/nursing tasks, and transportation, more than total Medicaid spending that year.[1] About 3.7 million family caregivers provide care to a child under age 18 because of a medical, behavioral, or other condition or disability and 6.5 million family caregivers assist both adults and children.[2] Not only does this assistance help people live in their homes and communities, it saves taxpayer dollars by helping to delay or prevent their loved ones from needing more costly nursing home care and helping to prevent unnecessary hospital readmissions.

To make this care possible, family caregivers take on physical, emotional, and financial challenges. In addition to providing hands-on assistance and coordinating care, family caregivers pay for goods, services, and supports for their loved ones out-of-pocket, such as service providers, adult day care, transportation, home modifications, assistive technology, and other supports. Although family caregivers often take on care responsibilities willingly, financial strains are unavoidable, and as a country we should support family caregivers as they take on these costs and responsibilities. A family caregiver tax credit is one way to help address the financial burdens family caregivers face, help them stay in the workforce and contribute to the economy, and help them be more financially secure as they juggle caregiving and paid employment.

Why is a family caregiver tax credit needed?

Caregiving is costly both in terms of direct expenses and potential income and retirement savings foregone. Family caregivers often pay out-of-pocket to assist their loved ones. In a national survey, nearly 7 in 10 (68%) of family caregivers say they have had to use their own money to help provide care for their loved one. Nearly 4 in 10 (39%) felt financially strained.[3] One survey found that over 40 percent of caregivers spend more than $5,000 a year on caregiving expenses.[4] Another survey found caregivers of persons age 50 and older reported spending an average of more than 10 percent of their annual income on caregiving expenses, an average of $5,531 out-of-pocket in 2007. Long-distance caregivers averaged $8,728 in annual expenses. Paying for caregiving expenses can mean using savings, cutting back on the caregiver's own health care, or reducing or stopping saving for their own future.

Employed family caregivers can also lose income if they leave the workforce or cut back their hours. Staying in the workforce can help family caregivers be more financially secure. Leaving the workforce can mean lost job security and career mobility, employment benefits, and retirement savings. Estimates of lifetime income-related losses sustained by family caregivers age 50 and over who leave the workforce to care for a parent range from a total of $283,716 for men to $324,044 for women, or $303,880 on average, in lost income and benefits over a caregiver's lifetime. Evidence suggests that caring for aging parents in midlife has a greater economic impact on female caregivers' retirement years than on male caregivers' retirement years, and may substantially increase women's risks of living in poverty and receiving public assistance in old age. Employers are also affected when they lose employees due to their caregiving responsibilities.

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A family caregiver tax credit could help working family caregivers pay for a home care aide, adult day care, respite care or other supports that help their loved ones and make it easier for the caregivers to work. Additionally, the tax credit could help offset some of the caregiving expenses. A family caregiver tax credit could help enable a family caregiver not to cut back on hours at work or leave the workforce due to the time needed for caregiving, making it potentially harder to return. A credit could also help provide respite care to give family caregivers relief -- time to take care of their own needs and return refreshed and recharged to caregiving or to the workplace. The existing child and dependent care credit (CDCC) does not adequately serve all family caregivers, especially those assisting older adults. Unlike the existing CDCC, this new credit would help family caregivers who do not live with the person they are assisting. The amount of the credit would be 30 percent of the qualified expenses paid or incurred by the family caregiver above $2,000, up to a maximum credit amount of $3,000. The new credit also differs in terms of the eligibility criteria and the indexing of certain dollar amounts to inflation.

How would the family caregiver tax credit work?

AARP is urging passage of the Credit for Caring Act (H.R. 4708) introduced by Representatives Tom Reed (R-NY) and Linda Sanchez (D-CA) that would provide a new, non-refundable federal tax credit of up to $3,000 to family caregivers to help address the financial burdens of caregiving and help working family caregivers remain employed and not have to leave their jobs and risk their financial security. The tax credit would phase out at higher income levels.

Family caregivers caring for loved ones of all ages could receive the credit if the care recipient meets certain functional or cognitive limitation or other requirements certified by a licensed health care practitioner. Family caregivers would not be required to live with the care recipient, as many family caregivers may not reside with the loved one they are assisting. Family caregivers would include spouses and the relationships named under the "dependent" definition, and they must have earned income for the taxable year over $7,500. The family caregiver would need to appropriately document qualified expenses. Dollar amounts and income levels used in the bill would be indexed to inflation. The bill includes provisions to coordinate with other existing tax provisions to prevent double dipping.

AARP urges Congress to enact the Credit for Caring Act. A family caregiver tax credit is something both Republicans and Democrats should unite behind to help support and sustain family caregivers nationwide. The strong majority (83%) of registered voters age 40 and older, across party lines, support providing a federal income tax credit to family caregivers for the support and care of loved ones, according to a poll conducted by AARP. Sooner or later, we'll all be family caregivers or someone who needs one.

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[1] S. Reinhard, L. Feinberg, R. Choula & A. Houser, *Valuing the Invaluable: 2015 Update, Undeniable Progress, but Big Gaps Remain* (AARP PPI, 2015), available at http://www.aarp.org/content/dam/aarp/ppi/2015/valuing-the-invaluable-2015-update-undeniable-progress.pdf.

[2] National Alliance for Caregiving (NAC) and AARP, *Caregiving in the U.S. 2015*: *Executive Summary*, (June 2015), available at http://www.aarp.org/ppi/info-2015/caregiving-in-the-united-states-2015/?cmp=CRGVNUSA_MAY21_015.

[3] A. Bonner, *2015 AARP National Caregiving Survey of Registered Voters Age 40 and Older* (AARP Research, 2015), available at http://www.aarp.org/research/topics/care/info-2015/national-survey-family-caregivers.html.

[4] L. Feinberg, S. Reinhard, A. Houser & R. Choula, *Valuing the Invaluable: 2011 Update, The Growing Contributions and Costs of Family Caregiving* (AARP PPI, 2011), available at http://www.aarp.org/relationships/caregiving/info-07-2011/valuing-the-invaluable.html. All data cited included in this source unless otherwise noted.