



UNITED STATES SENATE COMMITTEE ON FINANCE

WORKING FAMILIES TAX CUTS

NEW AND IMMEDIATE PRO-FAMILY TAX RELIEF

On July 4, 2025, President Trump signed the **Working Families Tax Cuts** into law. This legislation not only prevented the largest tax hike in history, but it also restored and made permanent critical pro-growth tax provisions that are already increasing domestic investment and boosting economic growth. Moreover, by extending and enhancing policies like the **Child Tax Credit**, **Paid Family Leave Tax Credit**, **Employer-Provided Child Care Credit** and **Child and Dependent Care Tax Credit**, Republicans have delivered tax relief for working families, with low- and middle-income Americans being the biggest winners under this bill.

Child Tax Credit

- Building upon Republicans doubling the Child Tax Credit in 2017, the bill **permanently increases the nonrefundable Child Tax Credit** for tens of millions of families to **\$2,200 per child and permanently indexes that amount to inflation**.
- Makes permanent an increased refundable Child Tax Credit of \$1,700 in 2025, indexed to inflation.
- Makes permanent the income phase-out threshold amount of \$200,000 (\$400,000 for joint filers), as well as a \$500 nonrefundable credit for each dependent of the taxpayer.

Paid Family and Medical Leave Credit

- Building off the success of Republicans' Paid Family and Medical Leave (PFML) Tax Credit in 2017, the bill **permanently extends and enhances the PFML credit** to further incentivize businesses to provide employees with PFML.
- **Expands the businesses eligible to receive the credit** and includes those that utilize insurance policies to provide paid leave.

Employer-Provided Child Care Credit

- **To incentivize businesses to provide child care to their employees, permanently expands the Employer-Provided Child Care Credit** by increasing the maximum credit from \$150,000 to \$500,000 and the credit rate from 25 percent to 40 percent. The maximum credit is also indexed to inflation.
- For qualified small businesses, the maximum credit amount is \$600,000.

Adoption Credit

- Makes the Adoption Tax Credit partially refundable up to \$5,000 (indexed to inflation).

Dependent Care Assistance Flexible Spending Account

- Increases the exclusion for dependent care assistance to \$7,500 per year (previously \$5,000).

Child and Dependent Care Tax Credit

- Increases the maximum credit rate to 50 percent (previously 35 percent), helping millions of families offset the cost of child care by an average of almost \$1,000.

*"In the United States, two-thirds of children ages five and under are living in homes where all available parents are working. This means **child care is not optional for most families – it's essential**. **Child care-related tax breaks can help parents offset the cost of care**, but they hadn't been updated in decades. The new law includes a [\\$16 billion investment](#) in child care-related tax credits through permanent increases and enhancements to three provisions currently in the U.S. tax code." - [First Five Years Fund](#)*