

# Credit for Caring Act

AARP is urging passage of the bipartisan, bicameral Credit for Caring Act (S. 1670/H.R. 3321) introduced by Senators Ernst, Bennet, Capito, and Warren and Representative Sánchez that would provide a new, non-refundable federal tax credit of up to \$5,000 to eligible family caregivers to help address the financial challenges of caring for parents, spouses, and other loved ones while remaining in the workforce. Eight in ten registered voters age 50 and older support a tax credit for family caregivers aligning with the details of the bipartisan Credit for Caring Act.

## Background

Family caregivers are the backbone of the U.S. care system, helping parents, spouses, and other loved ones live independently in their homes, providing about \$470 billion annually in unpaid care. This care ultimately helps save taxpayer money by delaying or preventing expensive nursing home stays and hospital visits, though often at the cost of caregivers' own financial security (including out-of-pocket expenses) and physical and emotional health. AARP believes family caregivers have earned support as they take on these costs and responsibilities which have been compounded by the COVID-19 pandemic.

## Why is the Credit for Caring Act needed?

Nearly eight in ten family caregivers (78 percent) incur out-of-pocket costs due to caregiving. Caregivers spend on average \$7,242 annually on care-related expenses, or 26 percent of their income on average, though Hispanic/Latino and African American caregivers reported greater financial strain. These personal contributions will likely to grow in the future. Nearly half of family caregivers (47 percent) experienced at least one financial setback, such as having to dip into their personal savings, cut back on their own health care spending, or reduce how much they save for their retirement. But, if working family caregivers age 50-plus have support, the U.S. GDP could grow by an additional \$1.7 trillion in 2030.

Too often, employed family caregivers leave the workforce or reduce their hours to fulfill their caregiving duties, which can result in a loss of income, retirement savings, benefits, and career mobility. The COVID-19 pandemic has significantly increased these risks with services family caregivers depend on, such as adult day services, being closed, further shifting the responsibilities to family caregivers.



**Over 48 million**

Number of family caregivers



**\$7,242**

Average annual routine out-of-pocket expenses for family caregivers



**\$1.7 trillion**

Additional amount U.S. GDP could grow in 2030 if family caregivers age 50-plus have access to support in the workplace

The Credit for Caring Act would help working family caregivers offset the cost of some caregiving expenses such as a home care aide, adult day services, home modifications, assistive technology, respite care, transportation, or other supports that help them and their loved ones. The bill, unlike the existing child and dependent care credit, would help family caregivers who care for non-dependents or who do not live with the person they are assisting.

## How would the Credit for Caring Act work?

Eligible family caregivers assisting loved ones of all ages would receive the credit if the care recipient meets certain functional or cognitive limitations or other requirements certified by a licensed health care practitioner. 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 \$5,000. Individuals with higher incomes would be ineligible for the tax credit, and the bill includes provisions to prevent double-dipping with existing tax provisions.

A federal tax credit for family caregivers aligning with details of the Credit for Caring Act has strong support across party lines among registered voters 50-plus, with 93 percent of Democrats, 83 percent of Independents, and 78 percent of Republicans supporting it.

For more information, or if you are interested in cosponsoring, please contact Rhonda Richards ([r-richards@aarpp.org](mailto:r-richards@aarpp.org)) on AARP's Government Affairs staff.



\$5,000

Maximum amount of family caregiver tax credit in Credit for Caring Act



47%

Percentage of family caregivers who experienced at least one financial setback due to caregiving