

HJR 70

File

(11)

HOUSE COMMITTEE REPORT
FURTHER REFERRALS:

Date Referred: February 26, 1992

Date of Committee Action: 3/6/92

The FINANCE Committee considered:

HJR 70

HOUSE JOINT RESOLUTION NO. 70

FEDERAL TAX EXEMPTION FOR CHILD CARE

Urging the United States Congress to amend the Internal Revenue Code to increase the personal exemption and to provide a parental child care exemption.

RECOMMENDATIONS:

be replaced with CS HJR 70 (FIN)

- the same title
- a new title

- have attached amendments(s)
- do pass
- do not pass
- no recommendations
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

- fiscal impact _____
- zero fiscal note _____

- fiscal note(s) _____
- zero fiscal note(s) Health, Ed, & Social Sec Com. 2/26/92

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
E. Maclean	✓	Mike Spavone NAUAYVE			✓
Mark Bayer	X	John			
Jay Brown	✓	John			
Ramona Barnes	X				
George Jacko	X				
Phillips	✓				
Bob Sharp					
Larson	X				

Mike Spavone NAUAYVE
 Co-CHAIRMAN'S SIGNATURE
 Eileen P. Maclean
 MACLEAN

CS FOR HOUSE JOINT RESOLUTION NO. 70 (FINANCE)**IN THE LEGISLATURE OF THE STATE OF ALASKA****SEVENTEENTH LEGISLATURE - SECOND SESSION****BY THE HOUSE FINANCE COMMITTEE**

Offered:

Referred:

Sponsor(s): REPRESENTATIVES LEMAN, B.Davis

A RESOLUTION

1 Urging the United States Congress to amend the Internal Revenue Code to increase the
2 personal exemption for children under 18 and to provide a parental child care exemption.

3 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 **WHEREAS** compassionate and caring parents are the best providers of care for their children;
5 and

6 **WHEREAS** children, in particular preschool children, are best cared for by a parent in the home;
7 and

8 **WHEREAS** research indicates that the bonding and attachment that take place between a child
9 and its primary caregiver are very important to a child's future potential; and

10 **WHEREAS** in most families where one parent chooses to stay at home to care for children,
11 opportunities for a second income outside the home are delayed or lost; and

12 **WHEREAS** changing economic conditions have made it increasingly more difficult for a family,
13 especially one with children, to live on one income; and

14 **WHEREAS** the federal social services block grant makes funds available to states for child care
15 and a range of other social services; and

16 **WHEREAS** existing tax law allows a tax credit to offset up to \$4,800 in expenses for child care

1 services provided by others; and

2 **WHEREAS** federal policy should not discriminate against parents who stay at home, but should
3 serve to increase the economic vitality of these families; and

4 **WHEREAS**, according to Census Bureau data, 47 percent of American children under the age
5 of five are primarily cared for by the mother who stays home with the children; and

6 **WHEREAS** an additional eight percent of American children under five are cared for by both
7 parents who work shifts and share the care of the children; and

8 **WHEREAS** another five percent of children have mothers working for pay at home and caring
9 for their children; and

10 **WHEREAS** inflation has greatly reduced the value of the dependent exemption credit for
11 purposes of federal income taxation; and

12 **WHEREAS** existing tax law allows for a double dependent exemption deduction for a person
13 who is blind or 65 or older;

14 **BE IT RESOLVED** that the Alaska State Legislature respectfully requests the Congress of the
15 United States to amend the Internal Revenue Code to increase the personal exemption for children under
16 18 by at least \$500 and to allow a parental child care exemption for the services of a parent who stays
17 at home to care for at least one child under the age of 13; and be it

18 **FURTHER RESOLVED** that the Alaska State Legislature requests that the parental child care
19 exemption allowance be set at an amount that does not exceed full-time employment at the minimum
20 wage.

21 **COPIES** of this resolution shall be sent to the Honorable George Bush, President of the United
22 States; the Honorable Dan Rostenkowski, Chair, Committee on Ways and Means of the U.S. House of
23 Representatives; the Honorable Bill Archer, Ranking Minority Member, Committee on Ways and Means
24 of the U.S. House of Representatives; the Honorable Lloyd Bentsen, Chair, Committee on Finance of
25 the U.S. Senate; the Honorable Robert Packwood, Ranking Minority Member, Committee on Finance
26 of the U.S. Senate; Fred T. Goldberg, Jr., Commissioner of the Internal Revenue Service; and to the
27 Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don
28 Young, U.S. Representative, members of the Alaska delegation in Congress.

STATE OF ALASKA
1992 LEGISLATIVE SESSION

Revision Date: _____ Department Affected: Legislature
 Title: Amend. Internal Revenue Code BRU: _____
 Sponsor: Rep. Leman Component: _____
 Requestor: _____ COMPONENT SERIAL NO.

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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-					
CAPITAL	-0-					
REVENUE	-0-					
FUND SOURCE:						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-					
FEDERAL FUNDS	-0-					
OTHER	-0-					
FUND SOURCE:						
TOTAL	-0-					

POSITIONS:

FULL-TIME	-0-					
PART-TIME	-0-					
TEMPORARY	-0-					

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: [Signature] Phone: 465-3732
 Division: House Health Education and Social Services CMTE Date: 1/21/92

Approved by Commissioner: _____
 Agency: _____ Date: 1/21/92

Alaska State Legislature

HOUSE OF REPRESENTATIVES



REPRESENTATIVE FRAN ULMER

MEMORANDUM

March 2, 1992

TO: Rep. Mike Navarre, Co-chair
House Finance Committee

FROM: Rep. Fran Ulmer

RE: HJR 70, relating to tax exemption for parental child care

I am concerned that the statistics regarding the number of children with working mothers contained in HJR 70 on page 2, lines 2-7, are incorrect. I have reviewed data made available by the Children's Defense Fund and Action for Alaska's Children (see attached) and have concluded that approximately 68% of all Alaska children have working mothers. HJR 70 states that approximately 60% of children are cared for at home by a parent.

From Action for Alaska's Children we learn that over 20% of Alaska children live in single parent families. Approximately 4% of the population (8000) families receives Aid to Families with Dependent Children. We conclude that 16% of Alaska children have single parents who work.

From the Children's Defense Fund we learn that, of the remaining 80% of children who live in 2 parent families, 66% have mothers who work. We conclude that 52.8% of all children live in a 2 parent family with a mother who works.

We must conclude that approximately 68% of all Alaska children have working mothers. The figures in HJR 70 misrepresent the current number of mothers in the workforce.



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**AN OPINION MAKER'S GUIDE
TO CHILDREN IN
ELECTION YEAR 1992**



ry.

LEAVE NO CHILD BEHIND

Children's Defense Fund

ly

- ❖ Fully 2.8 million families with children had an unemployed family member during an average month in 1990.
- ❖ If unemployment figures counted discouraged workers (those who want jobs but who have given up searching), the unemployment rate in the second quarter of 1991 would have been 7.5 percent instead of 6.8 percent.
- ❖ If unemployment figures counted discouraged workers and half of the involuntary part-time workers who cannot find full-time jobs, the unemployment rate in the second quarter of 1991 would have been 9.7 percent.

Falling Wages and Workers' Incomes

- ❖ In 1990 average hourly wages for production or nonsupervisory workers dropped to their lowest point since 1965.
- ❖ Although the economy had a record-long expansion in the 1980s, real hourly wages for production or nonsupervisory workers were lower at the end of the recovery than when it started. This was the first time on record (since government recordkeeping began in 1947) that wages fell in an economic recovery.
- ❖ Between 1970 and 1990 the median yearly incomes of men with full-time, year-round jobs plunged 27 percent for high school dropouts, 18 percent for high school graduates without college training, and 9 percent for graduates of four-year colleges.
- ❖ The value of the minimum wage has plummeted. In 1975 the earnings of a full-time, year-round worker with a minimum wage job could lift a family of three out of poverty. In 1991 a minimum-wage income came to less than 80 percent of the three-person poverty line.

Increasing Work Effort

- ❖ The proportion of workers working more than 40 hours a week jumped from 25 percent to 30 percent from 1980 to 1990.
- ❖ Between 1975 and 1988 (the most recent year available), the proportion of married mothers in the labor force leaped from 48 percent to 66 percent. More than two of three married mothers in the labor force in 1988 held full-time jobs.

Stagnating Family Incomes

- ❖ Between 1970 and 1990, real income rose only 6 percent for the median family (the family at the middle of the income distribution).



ALASKA'S CHILDREN

A data book prepared by ACTION for ALASKA'S CHILDREN
(Formerly The Child and Family Advocacy Project of Alaska Children's Services)



SINGLE PARENT FAMILIES

"RESEARCH ON CHILD DEVELOPMENT EMPHASIZES THE IMPORTANT AND POSITIVE EFFECTS ON CHILDREN OF CLOSE AND LASTING RELATIONSHIPS WITH THEIR FATHERS AS WELL AS THEIR MOTHERS."

National Commission on Children

- The number of U.S. children living with their mothers only increased from 7.5 million in 1970 to 13.5 million in 1988. The increase is due to marital disruption and births to unmarried women.
- The number of children living with their fathers only increased from 748,000 in 1970 to 1.8 million in 1988. The number living with divorced fathers has nearly quadrupled since 1970.
- Although Alaska's divorce rate has declined somewhat, it still ranks among the highest in the United States.
- In 1987, there were 62 divorces for every 100 marriages in Alaska.
- In 1980, 20.1% of Alaska's children lived in single parent families.

Sources: 2, 4, 6, and 7

WORKING MOTHERS

A recent study of salary earnings of 244,020 people in Alaska in 1988 by the Alaska Department of Labor, Research and Analysis revealed the following:

- Women earn less than men in each of the five geographic categories defined in the study.
- Women earn less than men in each of the twelve age groups defined in the study.
- Women earn less than men in every industry.
- Women earn less than men in every occupational category.

Source: 3 and 7



THE RISING NUMBER OF FEMALE-HEADED FAMILIES MEANS THAT MORE AND MORE CHILDREN ARE GROWING UP WITHOUT THE CONSISTENT PRESENCE OF A FATHER IN THEIR LIVES."

National Commission on Children

- A conservative estimate would place the unduplicated count of Alaskan families to receive aid during FY 90 at 33,000 families—approximately 70,000 persons or roughly 13 percent of the population.
- The FY 90 budget provides a \$684.00 average monthly payment
- 8,202 Alaskan families in the Aid to Families With Dependent Children program.
- The unemployment rate in Alaska in September, 1990 was 6.4%—In August, 1990, it was 5.5%.
- Unemployment in some parts of rural Alaska can be as much as 50% higher than the state unemployment rate.

Income thresholds allowing families to receive AFDC benefits, as well as the benefit levels themselves, are shockingly low in many states. Alaska's AFDC benefits, the highest in the nation are still only at 77% of the Alaska poverty level.

Source: 2, 13 and 16

NEED: PARENTS HAVE THE PRIMARY RESPONSIBILITY TO SUPPORT THEIR CHILDREN AND MUST MAKE EVERY EFFORT TO DO SO. CHILD SUPPORT IS A CHILD'S RIGHT NOT A CUSTODIAL PARENT'S RIGHT. CHILDREN ARE LIKELY TO SUFFER SIGNIFICANTLY FROM A DECREASED STANDARD OF LIVING FOLLOWING A DIVORCE. AGGRESSIVE MEASURES ARE NECESSARY TO ENFORCE THIS RIGHT.

From Department of Treasury
FAMILY TAX ALLOWANCE

Current Law

In general, a taxpayer is allowed a personal exemption for himself, his spouse, and for each dependent. Personal exemptions are allowed as deductions in computing taxable income. The amount of each personal exemption is \$2,300 for taxable years beginning in 1992.

In general, a child age 18 or under qualifies as a dependent if the taxpayer furnishes over half the child's support. A "child" includes a child by blood, an adopted child, a stepchild, and a child placed with the taxpayer by an authorized placement agency for legal adoption. In addition, a child who is a member of the taxpayer's household and lives with the taxpayer during the entire taxable year may be considered the taxpayer's "child." The amount of the personal exemption is indexed for inflation. Personal exemptions are phased out for high-income taxpayers.

Reasons for Change

Taxpayers incur significant costs in rearing children. An increase in the personal exemption for dependent children is a simple and effective way to decrease the financial burden on families.

Proposal

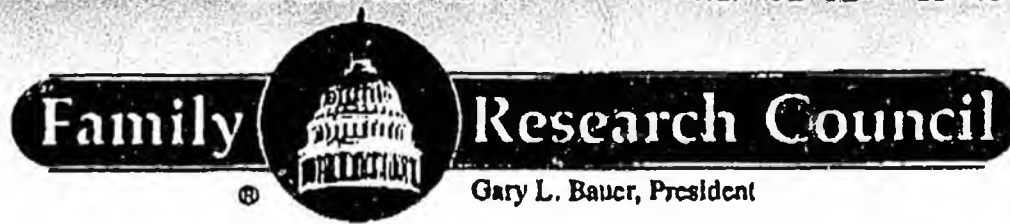
The proposal increases the personal exemption for dependent children age 18 and under at the end of the taxable year by \$500 per child. This amount would be indexed for inflation. The proposal is effective October 1, 1992.

Effects of Proposal

Under the proposal, the personal exemption for dependent children age 18 or under at the end of the taxable year will increase by \$500 per child. For taxable years beginning in 1992, the increase will be prorated.

Revenue Estimate

	Fiscal Years						
	1992	1993	1994	1995	1996	1997	1997-97
Family tax allowance:	0	-4.4	-4.6	-4.7	-5.0	-5.2	-23.8



February 26, 1992

MEMORANDUM

TO: Representative Loren Leman
FROM: William R. Mattox, Jr.
RE: Statistics on Child Care Arrangements

Per your request, here are two key tables from the 1990 Census Report entitled Who's Minding the Children. As the text under Population Coverage indicates, there were 52.1 million children under the age of 15 living with their mothers when this Census survey was conducted. Of these, 18.5 million were preschoolers. In addition, Table A indicated another 524,000 preschoolers were living in single-parent households headed by their fathers.

Thus, the total population of preschoolers was 19.0 million, of which 9.6 million (50.5%) had employed mothers and .5 million (2.7%) had single fathers. The remaining 8.9 million (46.8%) had non-employed mothers, a small proportion of whom were taking classes.

When these data are combined with the data in Table B, the results for children under age 5 are as follows:

- 47% have a non-employed mother;
- 8% are cared for by Dad when Mom earns income;
- 5% are cared for by Mom while she earns income;
- 11% are cared for by a grandparent or other relative;
- 14% are cared for in a school or center-based day care program;
- 12% are cared for in "family" day care home;
- 3% are cared for at home by a nanny, au pair, or babysitter.

As I have indicated previously, this breakdown gives greater attention to who provides care rather than where care is provided. It also assumes that the small percentage of single fathers utilize substitute care arrangements in roughly the same proportions as employed mothers.

I hope this information is helpful. Please call me if you have any further questions. Again, thanks for your leadership on this issue and for giving me the opportunity to testify.

CURRENT POPULATION REPORTS

Household Economic Studies

Series P-70, No. 20

Issued July 1990

by
 Martin O'Connell
 and Amara Baohu

**Who's
 Minding
 The Kids?**



Child Care Arrangements:
 Winter, 1986-87



U.S. Department of Commerce
 Robert A. Mosbacher, Secretary
 Thomas J. Murrin, Deputy Secretary
 Michael R. Darby, Under Secretary
 for Economic Affairs

BUREAU OF THE CENSUS
 Barbara Everitt Bryant, Director

respondent was either at work or in school. The terms "employed" or "working" mothers or women are used interchangeably in this report to refer to women employed in the paid labor force in the month preceding the interview.

HIGHLIGHTS

(The figures in parentheses denote the 90-percent confidence interval of the estimate.)

Child Care Arrangements and Trends

- In the fall of 1987, 59 (± 0.9) percent of children under 15 years old had mothers who were employed in the labor force. Another 3 (± 0.3) percent had mothers who were enrolled in school.
- The majority of preschool-age children with employed mothers in the fall of 1987 were cared for in a home environment while their mothers were at work; 30 (± 1.9) percent were cared for in their own homes, while 36 (± 2.0) percent were cared for in the provider's home.
- Twenty-four (± 1.8) percent of preschool-age children with employed mothers were cared for in day/group care centers or nursery/preschools during most of the hours their mothers were at work in fall 1987. These proportions were significantly higher than those estimated for preschoolers in June 1977 (13 ± 1.4 percent) from the Current Population Survey.
- About 6 (± 0.3) million children of employed mothers also used a secondary child care arrangement in fall 1987. The majority of children (6 million ± 0.3 million) using secondary arrangements were 5 years and over and were attending kindergarten or grade-school during most of the time their mothers were at work. Twenty-two (± 2.2) percent of these children (1.3 million ± 0.1 million) cared for themselves after school.

Economic Aspects of Child Care Arrangements

- Child care related work disruptions affected 7 (± 1.1) percent of employed women with children each month in fall 1987. Among women with only one child, work disruptions were more prevalent among women with infants and 1- and 2-year-olds than among women with school-age children.
- Children under 5 living in poverty in fall 1987 depended more on in-home care by their grandparents and relatives than did children of more economically advantaged parents. On the other hand, families which were not poor more often used organized child care facilities and family day care providers outside their homes for their children than did families living in poverty.

Child Care Expenditures

- One-third (± 2.5 percent) of the families with employed women with children under 15 years old paid for child care during fall 1987, averaging \$49 ($\pm \3) per week. This amounted to an estimated annual expenditure of \$15.5 billion. Since the first SIPP survey taken in winter 1984-85, costs have increased by \$8.20 ($\pm \3.40) per week, of which \$3.60 of this increase was the result of inflation.
- Child care costs in fall 1987 were higher in the Northeast (\$57, $\pm \$11$) than in the South (\$43, $\pm \$4$). Families in the Northeast reported that child care expenditures made up 7.1 (± 1.1) percent of their monthly family income which was not statistically different from 6.6 (± 0.6) percent reported by families living in the South.
- Child care payments in fall 1987 amounted to 6.6 (± 0.5) percent of the monthly family income of employed mothers of children under 15. Women in poverty who made child care payments spent one-quarter (± 4.8 percent) of their family income on child care, compared with 6.3 (± 0.5) percent for employed women in families who were not poor.

POPULATION COVERAGE

The child care data presented in this report profile the arrangements typically used for children under 15 years old (including any adopted or stepchildren) during the time their parents were at work or in school. There were an estimated 52.1 million children under age 15 living in the United States with their mothers in the fall (September to November) of 1987 (table A). About 59 percent of these children (30.6 million) had mothers who were employed. Since the data on child care arrangements were collected only for the three youngest children under age 15 in the family, data are shown for 28.8 million children. This represents 94.2 percent of all children under 15 years of age of employed mothers.

In addition to the children whose mothers were employed, there were another 1.4 million children whose mothers were enrolled in school, of which 1.2 million (90.5 percent) were in the survey universe. The remaining children, 20.1 million, were living with mothers who were neither employed nor attending school. Some of the children of these women may also attend nursery schools or day care centers during the day. However, the SIPP data set shown in this report did not include questions on child care arrangements for parents who were neither employed nor enrolled in school. Future child care supplements to the SIPP will ask child care questions of persons who are not employed but looking for a job.

The final group shown in table A is children who are not living with their mothers but with their fathers or male guardians who were either employed or enrolled in

Table A. Population Universe for Child Care Module: Fall 1987

(Numbers in thousands. Numbers represent average monthly estimate of employed and enrolled parents or guardians and their children)

Population	Total	Children under 5	Children 5 to 14
Total women¹:			
Number.....	29,787	14,457	21,655
Number of children ²	52,092	18,403	33,630
Employed women³:			
Number.....	18,501	7,914	13,917
Number of children ²	30,812	10,350	21,061
Children in sample ⁴	28,842	9,124	19,718
Women enrolled in school³:			
Number.....	771	452	458
Number of children ²	1,389	694	775
Children in sample ⁴	1,239	589	670
Men employed or enrolled in school³:			
Number.....	1,407	462	1,117
Number of children ²	2,187	524	1,673
Children in sample ⁴	1,908	467	1,439

¹Refers to average monthly number of women as of interview date, October-December, 1987.

²Total number of children living with a parent or a guardian.

³Employed or enrolled in school as of reference month.

⁴Information collected only for three youngest children living in the household.

Note: Total number of parents is less than individual estimates by age of children as some parents have children in both age groups.

school. An estimated 1.4 million men cared for approximately 2.2 million children under 15 years old. Since the child care questions were asked only for the three youngest children in the household, the estimated population for analysis was reduced to 1.9 million children.

PRIMARY CHILD CARE ARRANGEMENTS

Table B shows the distribution of the primary child care arrangements for children under 5 years old (preschoolers) and grade-school-age children 5 to 14 years old in fall 1987.

Child care arrangements for grade-school-age children. Seventy-one percent (14 million) of the 19.7 million grade-school-age children of employed mothers were in either kindergarten or grade school most of the hours their mothers were at work. This does not mean that the remaining 29 percent were not enrolled in school; rather it implies that the majority of the hours that the mothers worked did not necessarily coincide with their children's school day. A subsequent section in this report will examine the secondary child care arrangements provided for school-age children in addition to the time they spend in school.

Of the remaining 5.7 million grade-school-age children not attending kindergarten/grade school, 2.7 million children were cared for in their own home. One-half of the total care in the children's homes was provided by the children's fathers. About 800,000 children were left unsupervised most of the time that their mothers were at work.

Child care arrangements for children under 5 years old. Employed women with preschool age children use more non-school types of child care arrangements for their children than do employed women with older children who spend most of their daytime hours in school. Thirty percent of preschoolers in fall 1987 were cared for in their own homes, mainly by their fathers,

Table B. Primary Child Care Arrangements Used by Employed Mothers for Children Under 15: Fall 1987
(Numbers in thousands)

Type of arrangement	Total		Under 5 years		5 to 14 years	
	Total	Percent	Total	Percent	Total	Percent
All children.....	28,842	100.0	9,124	100.0	19,718	100.0
Care in child's home.....	5,397	18.7	2,728	29.9	2,671	13.5
* By father.....	2,719	9.4	1,385	16.9	1,324	6.7
* By grandparent.....	750	2.6	463	5.1	287	1.5
* By other relative.....	1,090	3.8	298	3.3	792	4.0
By nonrelative.....	838	2.9	570	6.2	269	1.4
Care in another home.....	4,309	14.9	3,249	35.6	1,059	5.4
* By grandparent.....	1,177	4.1	792	8.7	384	1.9
* By other relative.....	693	2.1	414	4.5	179	0.9
By nonrelative.....	2,539	8.7	2,043	22.4	496	2.5
Organized child care facilities.....	2,678	9.3	2,220	24.3	459	2.3
Day/group care center.....	1,808	6.3	1,485	16.1	341	1.7
Nursery school/preschool.....	873	3.0	755	8.3	118	0.6
Kindergarten/grade school.....	14,105	48.9	80	1.0	14,014	71.1
Child cares for self.....	832	2.9	24	0.3	807	4.1
* Mother cares for child at work ¹	1,521	5.3	814	8.9	707	3.6

¹Includes women working at home or away from home.