



# Impacts of the One Big Beautiful Bill Act (H.R. 1) on Louisiana’s Early Childhood Education System, Children, and Families

August 2025

## Overview

The One Big Beautiful Bill Act (H.R. 1), recently passed by Congress and signed into law by the president, includes sweeping changes to federal policy that will deeply affect children and families. For Louisiana, a state where many families already face high poverty rates and limited access to child care, several provisions in the bill could increase economic hardship and reduce the resources families rely on to meet their basic needs. At the same time, the act includes a few promising steps toward making child care more affordable for working families and encouraging greater investment in child care infrastructure.

Provisions Potentially Beneficial for Some Louisiana Families:	Provisions Potentially Harmful to Some Louisiana Families:
<ul style="list-style-type: none"> <li>• Temporary increase to \$2,200 for the Child Tax Credit</li> <li>• Expansion of Employer Child Care Credit and Dependent Care Assistance Plan (DCAP)</li> <li>• Increased Child and Dependent Care Tax Credit (CDCTC) for lower-income families</li> <li>• Increased maximum Employer Provided Child Care Credit (45F)</li> </ul>	<ul style="list-style-type: none"> <li>• 43% of Louisiana children are excluded from the full Child Tax Credit</li> <li>• Mixed-status families are now barred from the Child Tax Credit</li> <li>• Restricted Pell Grant eligibility and student loan repayment plans</li> </ul>

## Provisions Impacting the Early Childhood Education System

### Child Tax Credit (CTC) Expansion (Section 70401, effective January 1, 2025 - December 31, 2028)

The [bill](#) permanently makes the current level of \$2,000 for the Child Tax Credit (CTC). However, from 2025 to 2028, it includes a temporary \$200 boost to the credit (\$2,200 per child), and in 2029, the credit reverts to \$2,000 per child. [The refundable portion](#) of the credit continues to be indexed to inflation, but the \$500 nonrefundable credit for other dependents is not. Generally, tax experts estimate that 85% of the nation’s households would receive a tax cut in 2026.

Maximum Child Tax Credit amount	Previously	2025 - 2028
	\$2,000 per child	\$2,200 per child

### *Limitations to the Child Tax Credit*

Millions of families nationwide will [not benefit](#) from the proposed CTC expansion, especially those who need help the most. As many as [20 million children](#) nationwide could be excluded because their parents do not earn enough. Under current law, 17 million children don't receive the full \$2,000 CTC, and they would get nothing from the bill's \$200 per child increase in the credit, even as families earning up to \$400,000 would get the full increase. The new rule also requires taxpayers (and their spouses, if married and filing jointly) to have a work-eligible Social Security Number (SSN) to claim the CTC, disqualifying 4.5 million citizens or lawful permanent residents from eligibility for the CTC.

To receive the full CTC benefit, a family must earn:

One Child	Two Children	Three Children	Four Children
\$28,700	\$33,700	\$38,700	\$45,800

### *Implications for Louisiana:*

- Approximately 43% of children in Louisiana currently receive less than the full CTC because their families earn too little to qualify. Under the proposed changes, these children would remain ineligible for the full benefit and would likely receive little or none of the additional \$200 per child.
- The SSN requirement will especially harm families in Louisiana with mixed immigration status.

### **Dependent Care Assistance Program (DCAP) Enhancement (Section 70404, effective January 1, 2025)**

This amendment allows working parents to set aside more pre-tax income for child care through [flexible spending accounts](#). It increases the cap from \$5,000 to \$7,500 annually.

The amount a household can put into a pre-tax flexible spending account to use on child care	Previously	Starting in 2025
	\$5,000	\$7,500

*Implications for Louisiana:*

- Higher pre-tax savings could ease the child care burden for middle- and higher-income families. However, the lowest-income families, who may not earn enough to benefit from tax deductions, are unlikely to utilize this provision.

**Child and Dependent Care Tax Credit (CDCTC) Enhancement (Section 70405, effective January 1, 2026)**

[Increases the maximum reimbursement](#) rate for low-income families to 50% of child care costs, decreasing on a sliding scale as income rises. This enhancement is effective for tax years beginning after December 31, 2025.

Details	Previously		The New Law		The Difference
	Percentage of claimed expense	Maximum credit for two children	Percentage of claimed expense	Maximum credit for two children	
Family income (married filing jointly)					Potential increase of...
\$30-\$34K	34%	\$2,040	49%	\$2,940	\$900
\$58-\$62K	27%	\$1,620	42%	\$2,520	\$900
\$86-\$150K	20%	\$1,200	35%	\$2,100	\$900
\$182-\$186K	20%	\$1,200	26%	\$1,560	\$360
\$206K+ above	20%	\$1,200	20%	\$1,200	SAME

Source: [First Five Years Fund, TOPLINES: Child Care in the 2025 Tax Reconciliation Package](#)

*Implications for Louisiana:*

- This could help offset out-of-pocket costs for families who qualify, though the credit's design still favors families with the means to pay upfront for care. Lower-income families who face barriers to paying up-front costs may see limited impact.

**Employer Child Care Support (45F) (Section 70401, effective for expenses paid or incurred after December 31, 2025)**

The bill increases the maximum [Employer Provided Child Care Credit \(45F\)](#) from \$150,000 to \$600,000 for small businesses and \$500,000 for all others. It also increases the percentage of credit for qualified child care expenses covered from 25% to 50% for small businesses and 40% for all others. The provision also makes it easier for small businesses to collaborate by allowing them to pool their resources to offer child care, and it will enable employers to receive the credit when contracting with third-party organizations to manage child care services on their behalf.

	Previously	Starting in 2026
Percent of child care expenses covered	25%	40% for large businesses 50% for small businesses
Maximum credit	\$150,000	\$500K for large businesses \$600K for small businesses
Allows small businesses to pool resources to contract with a qualified child care provider	No	Yes

*Source: First Five Years Fund, TOPLINES: Child Care in the 2025 Tax Reconciliation Package*

*Implications for Louisiana:*

- While this provision could incentivize employers to invest in child care, employer-sponsored child care remains rare in Louisiana. Without additional state-level support or incentives, participation is likely to remain limited, and the small providers that make up the majority of Louisiana’s early childhood sector may see little to no benefit.
- The U.S. Bureau of Labor Statistics reported that, as of March 2024, only 14% of full-time private industry workers and 8% of part-time workers had access to employer-provided child care benefits.

**Student Aid Changes: Federal Student Aid “Institutional Accountability” (effective July 1, 2026)**

Starting [July 2026](#), college and university programs will be at risk of losing federal Direct Loan eligibility if the programs fail the “[earnings test](#).” In other words, if graduates of that program do not earn more than the [median earnings](#) of a working individual with a high school diploma in the state, students will [no longer be](#) able to use federal loans for that program.

*Implications for Louisiana:*

- The “earnings test” tied to program performance may disproportionately affect students attending community colleges and credentialing programs that serve a high share of lower-income learners. These changes could weaken the pipeline of qualified professionals who support Louisiana’s children and families.
- Louisiana's high school graduates make an average of [\\$31,111](#), and early childhood lead educators make an average of [\\$19,785](#). The “earnings test” rules imposed on federal direct loans would likely inhibit child care professionals from accessing federal loans, further straining the early childhood system's ability to recruit and retain high-quality teachers.