What Does the Fiscal Cliff Deal Mean For Kids?

FIRST FOCUS
MAKING CHILDREN & FAMILIES THE PRIORITY

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The American Taxpayer Relief Act of 2012 (ATRA), officially averted the fiscal cliff of combined tax hikes and automatic spending cuts. While it leaves several important areas unsettled, the legislation provides helpful certainty on several issues important to families and kids. This factsheet will look at how kids and families fared in the deal.

HELPS LIFT KIDS & FAMILIES OUT OF POVERTY

Extends Important Improvements to Family Tax Credits

In 2009, Congress passed significant improvements to the Child Tax Credit (CTC) and the Earned Income Tax Credit (EITC). These new provisions alone helped lift nearly 1 million children out of poverty in 2010. Combined overall, the CTC and EITC help lift 5 million children out of poverty annually. These credits are two of the most effective anti-poverty investments for children and working families. The improvements to these credits, as well as earlier improvements to the Child and Dependent Care Tax Credit, were due to expire at the end of 2012. The American Opportunity Tax Credit, newly created by Congress in 2009 to help low and middle income families pay for college, was also set to expire.

ATRA extended the 2009 improvements to the Earned Income Tax Credit, Child Tax Credit, and American Opportunity Tax Credit for five more years and made the current version of the Child and Dependent Care Tax Credit permanent.

Provides Invaluable Support for Unemployed Families

More than 6 million children live in families with an unemployed parent, a 78 percent increase since 2007. Close to half (2.8 million) of these children have a parent who is, out of work for six months or longer. In light of these staggering figures, it was all the more important that ATRA extended Emergency Unemployment Compensation through the end of 2013.

Without action, over 2 million Americans – many of those parents – would have seen an immediate cutoff of unemployment compensation. In 2011, unemployment insurance kept 2.3 million people, including 1 million children, from poverty. Unemployment insurance also reduced the poverty rate for families who received it by 40 percent.

IMPROVES CHILDREN'S ACCESS TO HEALTHCARE

This legislation extends important initiatives that make it easier for families in need to get health insurance for their children. Most importantly, the Children's Health Insurance Program (CHIP) Express Lane Eligibility provision is extended through 2014. Express Lane Eligibility helps streamline the enrollment process for uninsured children eligible for health coverage through CHIP or Medicaid. Additionally, funding for Family-to-Family Information Centers was extended through 2013, providing grants

to nonprofits that help children with special needs and their families navigate the healthcare system so they receive quality care.

MAINTAINS VITAL SUPPORTS FOR HUNGRY KIDS

ATRA extends in current form the Supplemental Nutrition Assistance Program (SNAP), through the end of Fiscal Year 2013. At a time when one in five children are at risk of hunger, SNAP provides nutritious food to families most in need. In 2010 alone, SNAP helped lift 1.7 million children out of poverty. Unfortunately, the bill did include a significant cut to nutrition education and obesity prevention investments.

UNCERTAINTY OVER THE NEXT FISCAL CLIFF

Leaves in Place Billions in Automatic Spending Cuts to Kids

Even with all the positive policies for kids and families, ATRA still leaves a great deal unsettled and puts off several important decisions until March 1, 2013. Sequestration, the damaging across the board cuts set to take effect January 2 were postponed rather than averted. While the 2 month delay does reduce the overall cut, federal investments for kids could still be cut by as much as $4.6 billion in this fiscal year if nothing is done.

Fails to Raise the Debt Ceiling

Also unresolved is a necessary increase in the debt ceiling, which allows the federal government to borrow money so it can pay existing debts. If the debt ceiling is not increased, the federal government would not have enough money to pay all of its obligations. The government would have to choose between funding for children's health insurance and funding for veterans, among other difficult choices. Some policy makers have called for deep budget cuts to go along with any debt ceiling increase and have suggested proposals that could deeply jeopardize supports for kids. Investments like SNAP and Medicaid, which were wisely protected by ATRA, could be right back on the chopping block.

Fails to Address Continued Fiscal Year 2013 Funding

Finally, the Continuing Resolution that is currently funding the federal government expires on March 27, 2013. Legislation must pass in order for the government to continue to operate, but it is unclear at what amount. Any number of investments important for kids could be jeopardized if lawmakers chose to make additional cuts.

CONCLUSION

Though it's not perfect, the American Taxpayer Relief Act is good for kids. Congress should be applauded for deliberately making policy choices that help kids and families. Unfortunately, this is only the first piece in a broader budget debate. Going forward, we need Congress to remember that investments in children are not the cause of our fiscal imbalance and to ensure a bright future, we need to make sure they are wisely maintained and strengthened. A budget built on the backs of children is a move in the wrong direction.