114th Congress: Pro-Child, Pro-Family Tax Policy Agenda

August 2015

Many don't realize that federal tax provisions make up the largest federal investment for families. In fact, 3 of the top 4 overall federal investments in children and families are federal tax provisions. The Earned Income Tax Credit (EITC), the Child Tax Credit (CTC) and the dependent exemption accounted for more than $145 billion in 2013 in tax refunds as well as reductions in tax liabilities. While all three of these provisions have historically enjoyed strong bipartisan support, the 114th Congress needs to protect and strengthen various provisions within the tax code.

Leaders within the Republican majority in the House and Senate, as well as President Obama, have stated that they would like to consider broad tax reform in this Congress. First Focus believes that any tax reform measures need to place the economic security of children and families as a chief priority. There should be efforts to strengthen and expand the impact of the EITC and CTC. Specifically, First Focus believes:

- The Earned Income Tax Credit (EITC) helps 26 million American families. EITC subsidizes low-income working families and increases in value depending on the number of children within a family. Congress and President Obama need to keep EITC focused on helping to lift millions of people, and more than 3 million children, out of poverty annually.

- More than 38 million American families benefited from the CTC in 2013, and while it's had a significant impact since its initial creation in 1997, CTC's maximum value of $1,000 per child has remained flat since 2004. Congress should do something very simple that over time would have a huge impact on families – the CTC should be indexed for inflation every year so families can see this credit grow with the normal rate of inflation. Most federal programs, including Social Security and Medicare, are annually indexed for inflation. While the cost of raising children has risen sharply over the past 10 years, the CTC has remained flat.

- The 2009 stimulus package adopted by Congress made important, but temporary, improvements to EITC and CTC for very low-income working families. For the EITC, there was relief from the "marriage-penalty" as well as an increased credit for families raising more than two children. The CTC's refundability threshold was lowered from $10,000 to $3,000. Yet these stimulus improvements to CTC will expire at the end of 2017. Congress should make these improvements permanent so these poor working families can get more and permanent tax relief.

- Congress should create a "baby bonus" within the CTC, which would double it to $2,000 for the first two years of a child's life to support parents raising a newborn baby.

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- In the context of tax reform, Congress should consider the serious tax proposals by Members of Congress like Senators Marco Rubio that would greatly expand the CTC to $2,500 or even $3,500 per child. Increasing the CTC that dramatically would signal the priority this country places on children and their families. However, doubling the CTC should not be done at the expense of large general tax rate reductions that could harm the economic security of some families.

- Finally, a second earner tax break would reduce 20% of the first $60,000 in income earnings of married couples with children, as championed by the Hamilton Project at the Brookings Institution. This would allow some families to keep more of their earnings in order to raise their children.

44 percent of children under 18 were living in low-income families in 2013. Tax credits such as the EITC and CTC provide critical income for many of these families to meet their basic needs. As Congress considers tax reform proposals, we urge them to protect existing investments, and enact reforms that would strengthen the economic security of low-income families and ensure a brighter future for our nation's children.