RESULTS
the power to end poverty

2015 International Conference Background Packet

U.S. Poverty Campaigns

"Never doubt that a small group of thoughtful, committed citizens can change the world.

Indeed, it's the only thing that ever has."

-Margaret Mead

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Welcome

Poverty is a complicated experience. People in our country who face poverty are often isolated, excluded, and ignored in our policy decisions for a variety of different reasons. That is why you are here. As a RESULTS volunteer, you have committed yourself to ensuring that every single American has a voice, that every single American experiences fairness and equal opportunity.

There are many misconceptions about who lives in poverty, how they experience it, and what our elected officials can do about it. This packet will give you a small glimpse into the current state of poverty in America and some of the policies currently in place to address it. Although this packet will help you gain a fuller picture of poverty in the United States, there is no substitute for personal stories of those who have lived it. Elected officials and the general public need to hear those stories. As you work through this packet, take time to reflect on your own personal experience, as well as those of your friends, family, or acquaintances that may have been impacted by poverty or policy decisions affecting poverty.

> *"Congress should not make any decisions about programs meant to help families living in poverty without people who know poverty first hand at the decision-making table."*
>
> – Tianna Gaines-Turner, Witness to Hunger

Our main campaign this year is focused on creating economic mobility for all Americans by building ladders out of poverty. During the RESULTS International Conference, we will focus primarily on this Economic Mobility campaign, in particular the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC), because this is our best legislative opportunity to address poverty this year. However, RESULTS volunteers who feel a particular connection to our campaign work to protect nutrition programs, notably SNAP (formerly Food Stamps), and/or whose senators or representatives who sit on the Agriculture Committees, may find themselves discussing nutrition programs in the conference lobby meetings.

Thank you for joining RESULTS to fight for a more inclusive, just, and fair America.

Poverty in the United States

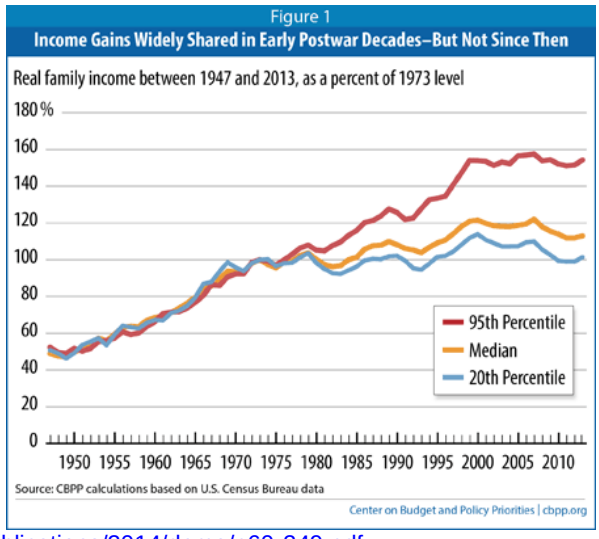
As America is the wealthiest and most bountiful nation in the world, it is no surprise that many Americans think of hunger and poverty occurring only in developing countries. The face of hunger and poverty in the United States is quite different from the images we are used to seeing. The face of hunger in America is a child who is malnourished because her parents do not earn enough to buy healthy food and sometimes has to skip meals. The face of a person in poverty in the United States is a single parent who works full time, but still cannot afford to pay for food, rent, child care, medical bills, and the costs of transportation to work.

In 2013, one out of every seven Americans lived in poverty ($23,624 per year for a family of four) - 14.5 percent of the population.[1] Even worse- one out of every five children in the U.S. lived in poverty in 2013,[2] with the highest percentage being children age 0 to 5 years old.[3] These statistics are based on the federal poverty line but that equation understates the immense struggles millions of other families also face every day. In 2013, 45 percent of all U.S. children lived right on the brink of poverty (up to $47,248 per year for a family of four)[4] – one emergency or financial crisis away from being pulled into poverty.

There are policies in place designed to help individuals lift themselves out of poverty. These policies also have the power to reshape national opinion and priorities so that individuals have the opportunity to achieve the American Dream. Programs such as SNAP and the Earned Income Tax Credit have significantly improved people's lives, giving them the confidence, support, and resources they need to be successful. Poverty can have terrible consequences on people's lives but it is important to remember that it is a solvable problem. We can end poverty but not without urging our elected officials to enact a policy agenda that fosters economic mobility.

Understanding Income and Wealth Inequality in America

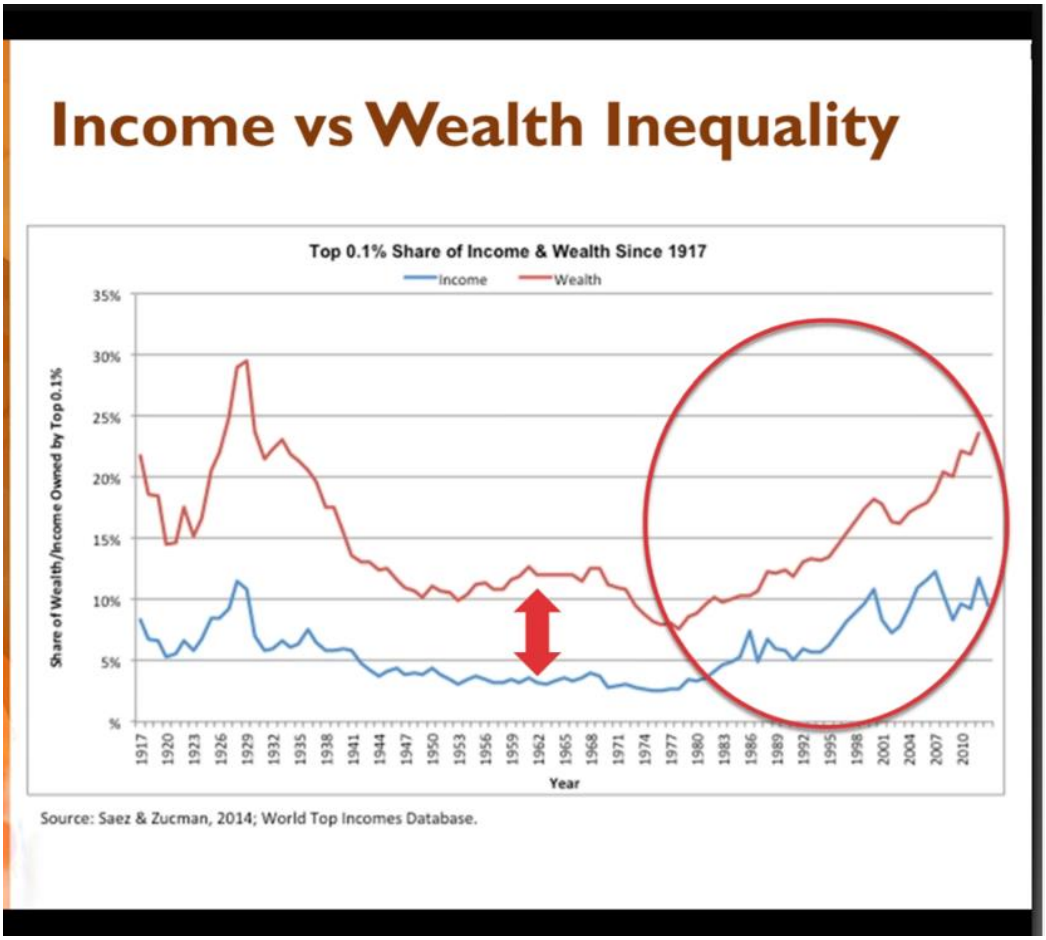
Income inequality has become hot-button issue in many political spheres. The income gap has widened since the 1970's as those with the highest incomes have continued to see strong growth while everyone else's incomes have been stagnant. The current concentration of income at the very top has risen to levels similar to the 1920s, right before the Great Depression (right). What has not been given enough attention is the growing gap in wealth, which includes more than just income.



[1] U.S. Census: https://www.census.gov/content/dam/Census/library/publications/2014/demo/p60-249.pdf
[2] Ibid.
[3] Annie Casey Foundation: http://datacenter.kidscount.org/data/tables/5650-children-in-poverty-by-age-group?loc=1&loct=1#detailed/1/any/false/868,867,133,38,35/17,18,36/12263,12264
[4] Annie Casey Foundation: http://datacenter.kidscount.org/data/tables/47-children-below-200-poverty?loc=1&loct=1#detailed/1/any/false/868,867,133,38,35/any/329,330

Wealth Inequality

Wealth – the value of a household's property and financial assets, minus the debts that are owed – is much more highly concentrated at the top than income. The graph below demonstrates that share of wealth for the top 0.1 percent wealthiest Americans has continued to grow while their share of income has decreased in the last few years. In other words, as the income decreased, their wealth still went up.

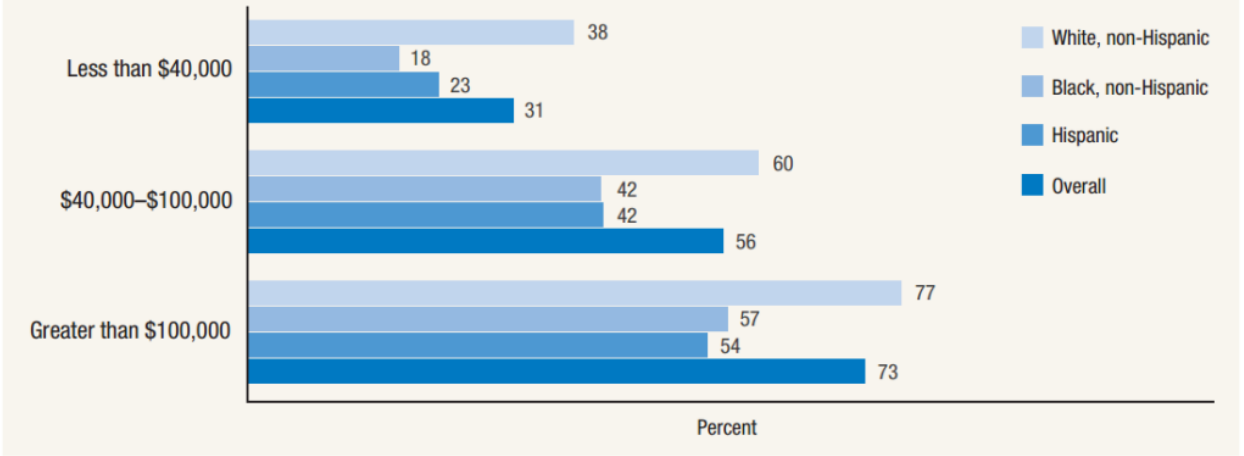


In 2013, the wealthiest three percent received roughly one-third of all income in 2013, while the wealthiest three percent held *54 percent* of all wealth. In particular, the share of wealth held by the top three percent rose from 44.8 percent in 1989 to 54.4 percent in 2013, while the share held by the bottom 90 percent fell from 33.2 percent in 1989 to 24.7 percent in 2013.[5] The consequences of this wealth concentration are profound.

[5] Center on Budget and Policy Priorities (CBPP): http://www.cbpp.org/research/poverty-and-inequality/a-guide-to-statistics-on-historical-trends-in-income-inequality#_ftn33

In the Report on the Economic Well-Being of U.S. Households from the Federal Reserve System in 2014, 47 percent of Americans report that they could not cover a financial emergency costing of only $400 with their current finances.[6]

Figure 7. Percent of respondents who would completely pay an emergency expense that costs $400 using cash or a credit card that they pay off at the end of the month (by race/ethnicity and household income)



Even though most respondents are comfortable with their current situation, many are not planning for their financial future, with four in ten non-retirees giving little or no thought to retirement savings.[7] Three in ten American households do not possess a savings account, suggesting widespread financial vulnerability.[8]

Liquid asset poverty is a significant problem. Liquid asset poverty indicates that a household has insufficient liquid assets (assets that can be converted to cash quickly) to live at the poverty level for more than three months without an income. Nearly half of all households (44 percent) are in liquid asset poverty.[9] Liquid asset poverty can lead to added stresses such as food insecurity or inability to pay bills and low-income families who are liquid-asset poor are twice as likely to report increased hardships compared to similar families with sufficient liquid assets.[10] A national conversation on asset-building is far too limited and needs more attention.

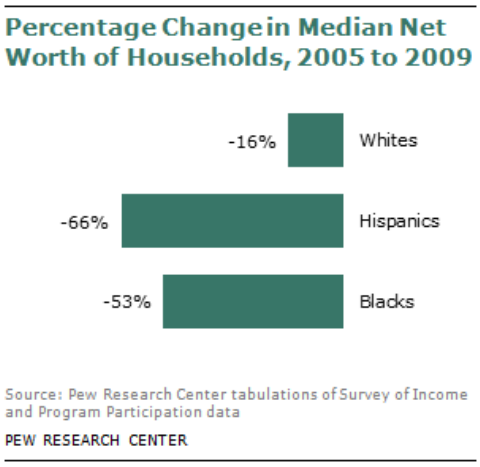
The Racial Wealth Gap

The stark disparity in wealth grows even more when stratified by race. In 2011, for every one dollar that Whites held in wealth, Blacks held only six cents and Latinos held only seven cents in

[6] Coalition on Human Needs (CHN): http://www.chn.org/2015/06/12/fact-of-the-week-nearly-half-of-americans-would-struggle-with-unexpected-expense-of-400/#.VYF4rflVikq
[7] Ibid.
[8] New America Foundation (NAF): http://www.newamerica.org/asset-building/flexible-savings/
[9] Corporation for Economic Development (CFED): http://scorecard.assetsandopportunity.org/2013/measure/liquid-asset-poverty-rate
[10] NAF: http://www.newamerica.org/asset-building/flexible-savings/

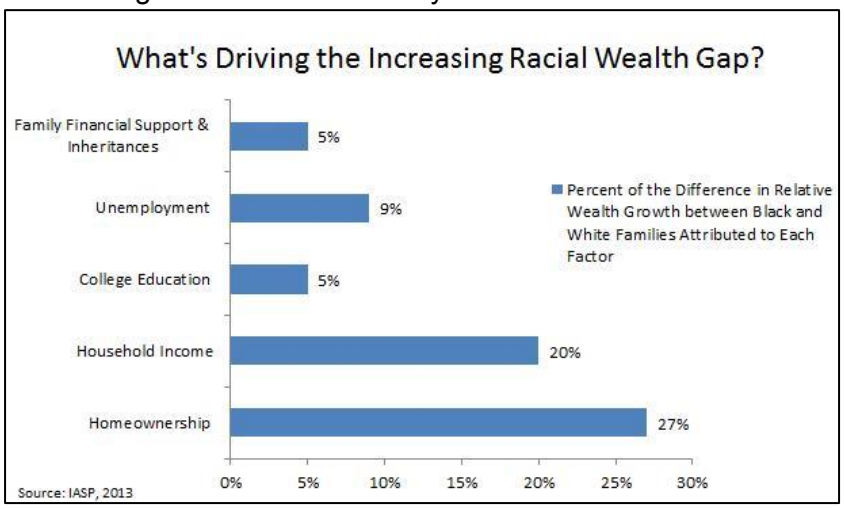
wealth.[11] Native American median wealth was only 8.7 percent of *all* Americans' median wealth in 2000.[12] An Urban Institute study found that the racial wealth gap expanded during the Great Recession, even as the income gap between White Americans and Non-white Americans remained stable.[13]

The Great Recession negatively impacted the wealth of millions of American families; however, the impact has been particularly hard on families of color. Consequently, White net wealth was 10 times greater than that of Latino wealth and 13 times that of Black wealth in 2013.[14]



Even though education is traditionally viewed as the vehicle of opportunity, it has not come close to undoing the entrenched wealth gap – the average Black college graduate owns less wealth than a White high school dropout.[15]

Instead, homeownership is seen as the most significant factor in the racial wealth gap. Owning a home is still the primary way most Americans build their personal wealth and when there are great disparities in homeownership, it becomes a large driver in the creation of the wealth gap. According to Brandies University's Institute on Assets and Social Policy, difference in homeownership counts for 27 percent of the racial wealth gap, compared to 20 percent for income and five percent for education.[16] In 2011, less than half of Black and Latino households owned a home compared to almost three-fourths of White households,[17] and less than six out of ten Native Americans owned their homes in 2007.[18] Though the



[11] Center for Global Policy Solutions (CGPS): http://globalpolicysolutions.org/wp-content/uploads/2014/04/Beyond_Broke_FINAL.pdf
[12] Economic Policy Institute (EPI): http://www.epi.org/publication/bp370-native-americans-jobs/
[13] Urban Institute: http://www.urban.org/research/publication/less-equal-racial-disparities-wealth-accumulation
[14] Pew Research Center: http://www.pewresearch.org/fact-tank/2014/12/12/racial-wealth-gaps-great-recession/
[15] Demos: http://www.demos.org/blog/9/23/14/white-high-school-dropouts-have-more-wealth-black-and-hispanic-college-graduates
[16] Institute for Assets and Social Policy (IASP): http://iasp.brandeis.edu/pdfs/2013/Roots_of_Widening_RWG.pdf
[17] Demos: http://www.demos.org/publication/racial-wealth-gap-why-policy-matters
[18] Insight Center for Community Economic Development: http://www.insightcced.org/uploads/CRWG/Racial%20Gap%20in%20Homeownership%20Spring%202009.pdf

Great Recession exacerbated this problem, the racial homeownership gap is directly attributed to the racial segregation and discrimination our government practiced for centuries.

How the U.S. Created the Racial Wealth Gap

Racial wealth inequality dates back to the founding of this country: Europeans forcibly removed Native Americans from their own land in order to create the current United States. Many White Americans were able to build and grow their own wealth through owning Black slaves and conquering Native American territories. Sadly, this violence is part of the foundation of the modern United States. Even after the prohibition of slavery and land grabbing, intentionally discriminatory public policies and an unbalanced tax system maintain racial injustice. Consequently, the racial wealth gap grew to what it is today.

When looking at racial wealth gap, many assume that the residential isolation of communities of color is only the accident of economic circumstance, a natural phenomenon. However, twentieth century history reminds us that residential segregation and the racial wealth gap derives from racially-motivated public policy. Even though racial segregation in housing was outlawed in a 1948 Supreme Court case,[19] the federal government still allowed localities across the country to prevent racial minorities from moving into White neighborhoods. Practices such as blockbusting[20], redlining[21], and racialized zoning laws[22] (see box at right) created deep segregation and blocked households of color from owning their homes and

Three Tools Used to Perpetuate Racial Discrimination in Housing

Redlining: "The practice of arbitrarily denying or limiting financial services to specific neighborhoods, generally because its residents are people of color or are poor. While discriminatory practices existed in the banking and insurance industries well before the 1930s, the New Deal's Home Owners' Loan Corporation (HOLC) instituted a redlining policy by developing color-coded maps of American cities that used racial criteria to categorize lending and insurance risks. New, affluent, racially homogeneous housing areas received green lines while black and poor white neighborhoods were often circumscribed by red lines denoting their undesirability."

Blockbusting: "The efforts of real-estate agents and real-estate speculators to trigger the turnover of white-owned property and homes to African Americans. Often characterized as "panic peddling," such practices frequently accompanied the expansion of black areas of residence and the entry of African Americans into neighborhoods previously denied to them. In evidence as early as 1900, blockbusting techniques included the repeated—often incessant—urging of white homeowners in areas adjacent to or near black communities to sell before it became "too late" and their property values diminished."

Zoning Laws: "Municipal or local government laws that dictate how real property can and cannot be used in certain areas. Zoning laws gave localities immense power in determining who could live where, thus the ability to

[19] Justia: https://supreme.justia.com/cases/federal/us/334/1/case.html
[20] Encyclopedia of Chicago: http://www.encyclopedia.chicagohistory.org/pages/147.html
[21] Encyclopedia of Chicago: http://www.encyclopedia.chicagohistory.org/pages/1050.html
[22] Investopedia: http://www.investopedia.com/terms/z/zoning.asp

receiving adequate public investment in their neighborhoods. These segregationist policies have created decades-long consequences. According to the Economic Policy Institute, in 2011:

- Seven percent of poor Whites lived in high poverty neighborhoods (more than 40 percent of the residents are poor), up from four percent in 2000.
- 15 percent of poor Latinos lived in high poverty neighborhoods in 2011, up from 14 percent in 2000
- 23 percent of poor Blacks lived in high poverty neighborhoods in 2011, up from 19 percent in 2000.[23]

Living in concentrated poverty not only severely decreases a family's chance to afford their own home, houses decrease in value in high poverty neighborhoods, making it hard to for those who can afford a home to build wealth.

Furthermore, some of the most important U.S. policies for economic mobility in the twentieth century were not accessible for families of color. When first enacted, the *Social Security Act of 1935* excluded certain domestic workers and farmers from participating in the program. Because these professions were primarily employed by Black Americans, this exclusion had the effect of excluding *65 percent* of Black workers from Social Security. The law was not changed to include these workers until 1954, almost two decades later. Also, the G.I. bill signified an important time in which the federal government invested in providing affordable education and housing to World War II veterans and their families. [24] This bill is largely credited for the creation of the American middle class. However, because of Jim Crow[25] and other racist policies, veterans of color were not afforded the same opportunity. If a Black or Native American veteran lived in an area in which Jim Crow was prevalent, then the local Veterans' Administration could deny their benefits or relegate them to lower-quality and segregated housing options. In the times in which White families were provided important opportunities for mobility and wealth accumulation, families of color were intentionally, and sometimes violently, excluded from these important federal policies.

The *Fair Housing Act of 1968* officially ended discriminatory housing practices. This Act prohibited discrimination in the sale, rental, and financing of dwellings based on race, color, religion, sex, or national origin. It allowed the Department of Housing and Urban Development to play an expanded role in forcing local communities across the country to obey the law.[26] This was a significant victory in helping protect people of color from housing discrimination. Although

[23] EPI: http://www.epi.org/publication/modern-segregation/
[24] The G.I. bill, officially the Servicemen's Readjustment Act of 1944, provided many benefits to veterans of World War II. It established veterans' hospitals, provided for vocational rehabilitation, made low-interest mortgages available, and granted stipends covering tuition and living expenses for veterans attending college or trade schools. .http://www.history.com/topics/world-war-ii/gi-bill
[25] Jim Crow: Named after a popular 19th-century minstrel song that stereotyped African Americans, "Jim Crow" came to personify the system of government-sanctioned racial oppression and segregation in the United States. http://www.pbs.org/wnet/jimcrow/
[26] U.S. Department of Housing and Urban Development (HUD): http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/progdesc/title8

the *Fair Housing Act* and other civil rights initiatives formally banned racial discrimination in housing, the new policies did not reverse the already existing racial wealth gap. White Americans have had a huge head start in generating wealth throughout our nation's history, while Americans of color were only given meaningful opportunities to build wealth 1-2 generations ago. Without comparable wealth that was intentionally denied to them for so long, families of color are much more vulnerable to financial emergencies and have less opportunity to move up the economic ladder.

Our Unfair Tax Code Perpetuates Wealth Inequality

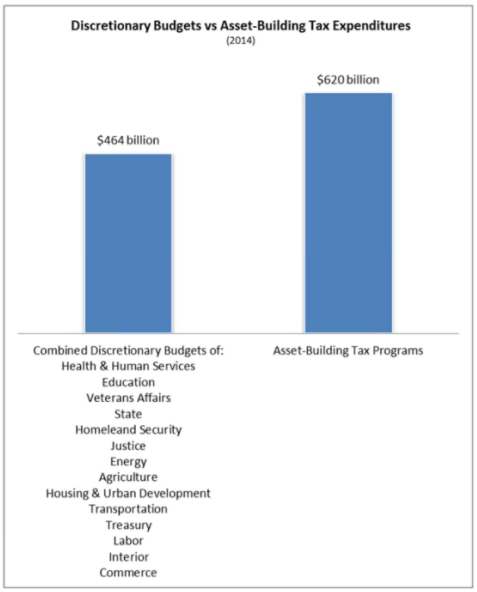
The racial wealth gap is a pervasive inequity in this country that has lasted for too long. While RESULTS' lobbying work at the RESULTS International Conference will not be focused on the racial wealth gap, it is important that we understand how poverty rates and wealth inequality disproportionately affect specific communities. RESULTS' efforts on tax credits for low-income working families will have an impact on the racial wealth gap. Tax fairness is not only important in lifting up all families, but is particularly critical in supporting families of color to move up socioeconomically. The Earned Income Tax Credit (EITC) and low-income portion of the Child Tax Credit (CTC) are particularly beneficial for communities of color because these communities experience higher rates of poverty. For example, Blacks make up 12 percent of the population but 19 percent of the working poor. Latinos make up about 17 percent of the working population but 28 percent of the working poor. Consequently, tax credits targeted to low-income populations as well as other savings policies will help to close the racial wealth gap and decrease poverty rates in those communities.

The U.S. tax code already includes over a half a trillion dollars in tax benefits that incentivize households to save and invest. However, lower-income households are not provided access to these benefits. For example, less than half of Black households own homes and are thus unable to take advantage of homeownership tax subsidies. Also, only four out of ten Black workers participate[27] in an employer-based retirement savings account – another critical method of gaining wealth. (Read more about tax fairness on RESULTS' website). Understanding America's history and tax system is fundamental to creating equitable public policies.

[27] Policy Link: http://www.policylink.org/find-resources/library/building-an-equitable-tax-code

When done right, tax policy can empower all Americans to save, invest, and build wealth. However, the current U.S. tax code benefits wealthier families in terms of wealth creation much more than middle and low-income families. From 2014-2019, the federal government will spend more than $4 trillion on tax programs to boost savings, investments, and wealth. The $540 billion in federal spending on these programs in 2014, with a few exceptions, largely serves to expand the wealth of those at the top. Most individuals and families (those in the bottom 60 percent) receive less than 12 percent of the benefits from these programs. When thinking about annual tax benefits, a family in the top one percent could buy a Cadillac with their tax savings and credits while a family in the bottom 20 percent could barely fill the gas tank.[28] Thus, these tax expenditures on asset-building start feeling, as the Corporation for Enterprise Development likes to call it, "upside down" – those who need it least get the most, and those who need it most get the least. Creating tax policy that steers toward opportunity and equity for all Americans will begin to address these gaping inequalities.

Tax expenditures for building wealth in 2014



Creating Economic Mobility: Protect and Expand the EITC and CTC

While the tax code is indeed skewed to help those who already have wealth, there are tax policies intentionally designed to help low-income Americans. The two most effective in lifting low-income people out of poverty are the Earned Income Tax Credit and the Child Tax Credit.

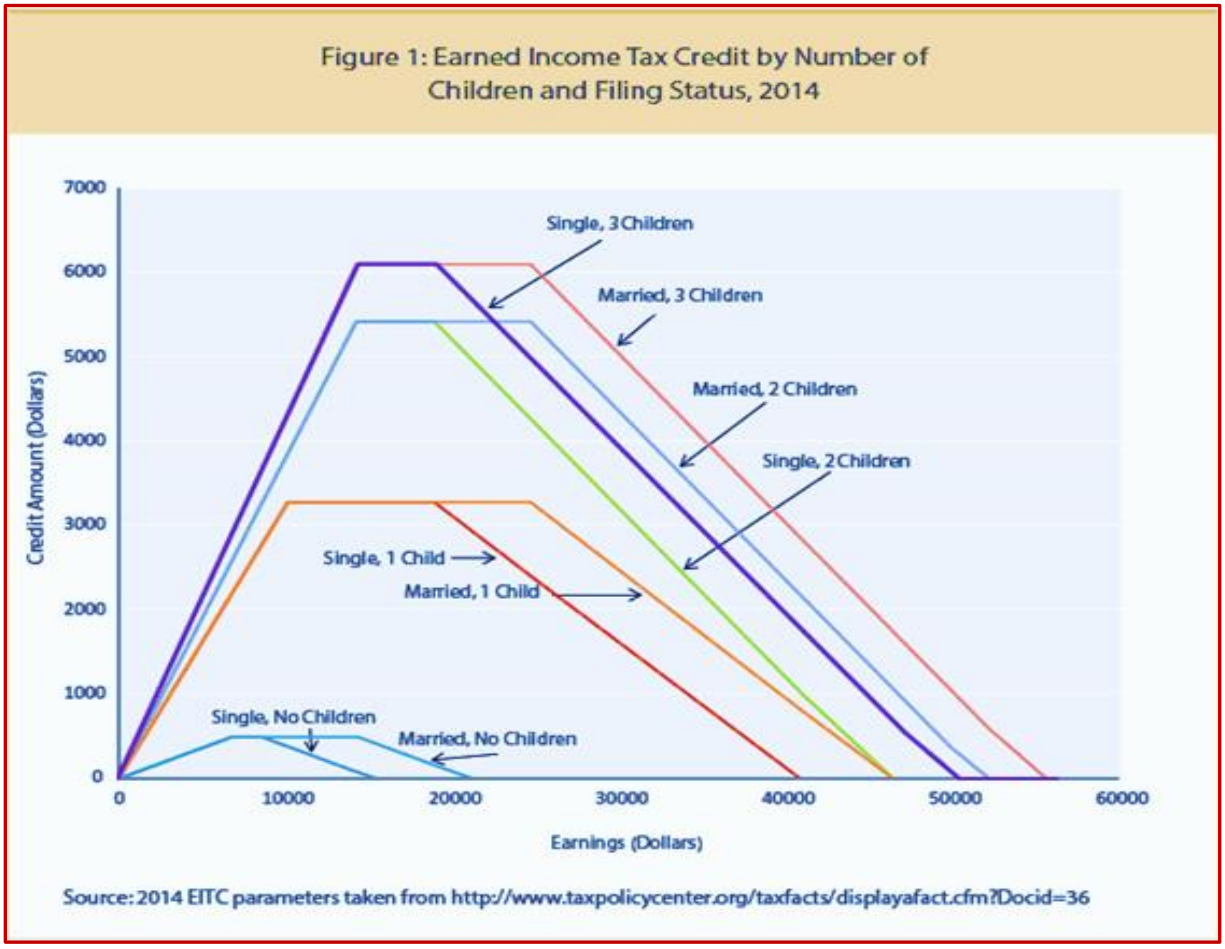
[28] CFED: http://cfed.org/assets/pdfs/Upside_Down_to_Right-Side_Up_2014.pdf

The Earned Income Tax Credit

The Earned Income Tax Credit (EITC) is a refundable federal tax credit available to working individuals and families who work in low-wage jobs. This successful program is designed to "make work pay;" in addition to supplementing low-wage work with additional income, the higher the income a person earns, the higher the EITC they receive.

How the EITC Works

As a credit, the EITC reduces a low-income family's overall tax liability. It is fully refundable, so if a family's EITC exceeds the amount of federal taxes owed, the family receives the difference as a refund.[29] The size of the EITC is calculated as a fixed percentage of the worker's earnings.



The credit "phases in," meaning it increases with additional earnings until the maxiumum credit is reached (at about $16,000 for a family with three children). Once the EITC reaches the maximum, it begins "phasing out" providing a continued but decreasing refund for additional

[29] Tax Credits for Working Families: http://www.taxcreditsforworkingfamilies.org/earned-income-tax-credit/

income earned until it disappears completely. This ensures that the EITC is targeted to those who need it. The amount of a person's EITC depends on family size and marital status (see graph below).[30]

History of the EITC

First enacted during President Gerald Ford's administration as part of the *Tax Reduction Act of 1975,* the EITC was intended "to offset the Social Security taxes of low-income workers with children and to provide those taxpayers with an increased incentive to work."[31] Since its establishment, the EITC has become the nation's leading anti-poverty program for working, low-income families. The credit has a long history of bipartisan support, having been expanded under both Republican and Democratic Congresses and presidents. In the *Tax Reform Act of 1986*, the EITC saw significant expansion, and later the *Omnibus Budget Reconciliation Act of 1990* also expanded the credit and added a supplemental credit amount for families with two or more children."[32]

EITC Improvements under the *American Recovery and Reinvestment Act*

More recently, in 2009 the *American Recovery and Reinvestment Act* (ARRA, also known as the "stimulus" bill) provided an expansion of the EITC by allowing married couples to earn more income before losing their EITC (reducing the so-called "marriage penalty") and then adding a "third tier" so families with three or more children can receive a slightly larger EITC.[33] Unfortunately, these improvements were only made temporary. In 2010, RESULTS successfully worked to extend them another two years and subsequently, the *American Tax Payer Relief Act of 2013* (the "fiscal cliff deal") extended these improvements once again, until 2017.[34]

With these EITC expansions throughout the last forty years, the underlying belief that low-income families should not be subject to unfair tax policy and should be "rewarded for increasing their earning power" remains strong.[35]

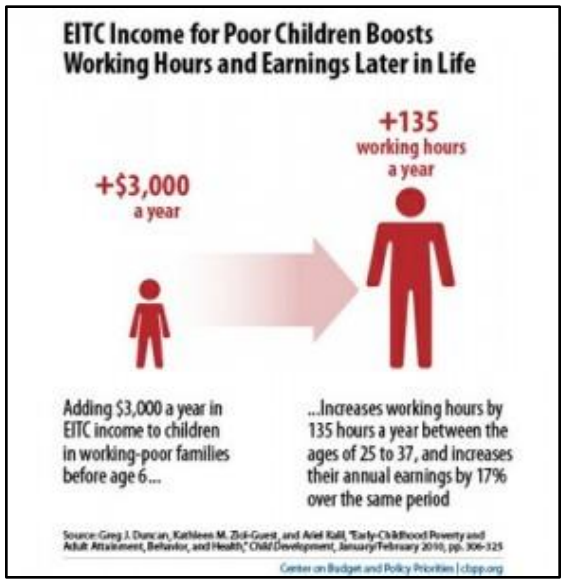
The Impact of the EITC

- **The EITC has proven to be an effective anti-poverty program.** In 2013, the federal EITC lifted 6.2 million Americans, including 3.2 million children, out of poverty. If not for

[30] Tax Policy Center (TPC): http://www.taxpolicycenter.org/briefing-book/key-elements/family/eitc.cfm
[31] Tax Policy Center (TPC): http://www.taxpolicycenter.org/taxtopics/encyclopedia/EITC.cfm
[32] Ibid.
[33] CBPP: http://www.cbpp.org//sites/default/files/atoms/files/policybasics-eitc.pdf
[34] Ibid.
[35] National Low-Income Housing Coalition: http://nlihc.org/article/40-years-ago-earned-income-tax-credit

the EITC, the number of poor children in America would have been one-quarter higher. Additionally, the credit reduced the severity of poverty for another 21.6 million people, including 7.8 million children.[36] The EITC (together with the Child Tax Credit) is the largest contributor to preventing poverty for working families.

- **Infant health is positively linked with increases in the EITC.** Research reveals a positive correlation between increased EITCs and infant health markers such as birthweight and premature birth, so that higher EITCs result in healthier birthweights and fewer premature births.[37]



- **The EITC strengthens work and earnings in the next generation.** Research has found that for children in low-income families, each additional $3,000 per year received before age 6 correlates with an average yearly increase of 135 work hours between the ages of 25 and 37, and their average annual earnings increase by 17 percent.[38] In addition, by boosting the employment and earnings of working-age women, the EITC boosts the size of the Social Security retirement benefits they ultimately will receive.
- **EITC children do better in school**. Elementary and middle-school students earn higher test scores when their families receive larger refundable tax credits (such as the EITC and CTC). In addition, low-income children are more likely to go to college when their families have benefited from the EITC.[39]
- **The EITC strengthens local economies.** The EITC refund checks are often spent quickly and locally, resulting in at least $1.50-$2.00 in local economic activity for every $1 claimed.[40]
- **The EITC increases promotes work, especially among single mothers.** The EITC expansions of the 1990s helped more than a half a million families move from cash welfare assistance to work.[41]

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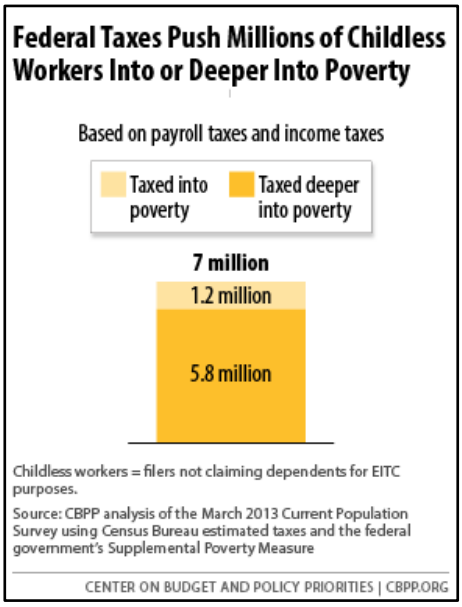
[36] CBPP: http://www.cbpp.org/research/federal-tax/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens
[37] Ibid.
[38] CBPP: http://www.cbpp.org/research/policy-basics-the-earned-income-tax-credit
[39] CBPP: http://www.cbpp.org/research/federal-tax/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens?fa=view&id=3793
[40] Center for American Progress (CAP): https://www.americanprogress.org/issues/poverty/report/2014/10/07/98452/harnessing-the-eitc-and-other-tax-credits-to-promote-financial-stability-and-economic-mobility/

Expanding the EITC for Single Workers

There is growing bipartisan momentum to expand the EITC for single workers without children in the home. This portion of the population receives a very meager EITC compared to families receiving it. Currently, a "childless worker," which includes non-custodial parents who pay child support, is eligible for less than one-tenth the EITC that a family with two children receives.[42] In fact, childless workers who are single are phased completely out of the EITC when their household income reaches $14,591 and childless workers under the age of 25 are not eligible for the credit, regardless of income.[43] These low-income workers are estimated to be the *only* population that is taxed into or deeper into poverty. It has been estimated that in 2015, a childless worker earning wages at the federal poverty line (estimated at $12,566 for 2015) would owe nearly $2,000 in federal taxes even *after* receiving the EITC.[44] It is critical to recognize that more than one in five of these "childless" workers are non-custodial parents;[45] thus missing an important opportunity to provide for their families. Finally, because the EITC is so minimal for these workers, it fails to encourage labor force participation like it does for parents with custody of their children.



President Obama and House Ways and Means Chair Paul Ryan (R-WI) have proposed an expansion to the EITC for childless workers that would significantly benefit many people in America. The President's FY2015 budget proposal would lower the eligible EITC age from 25 to 21 and double the size of the credit (from around $500 to $1,000 as a maximum EITC). It is estimated that this expansion would help 13.5 million Americans, including 1.5 million non-custodial parents, and would lift 500,000 hard-working Americans out of poverty.[46]

The Child Tax Credit

The Child Tax Credit (CTC) is a partially refundable federal tax credit designed to help families offset some of the costs of raising children. When combined with the EITC, the CTC is an effective anti-poverty tool. The Center on Budget and Policy Priorities estimates that in 2013,

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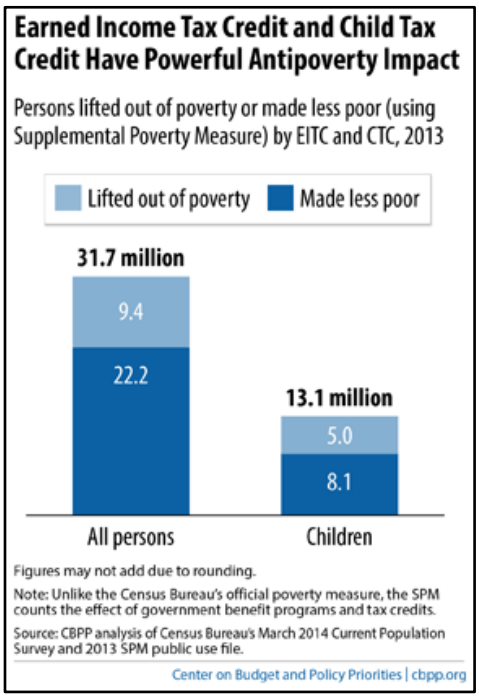
[41] CBPP: http://www.cbpp.org/research/federal-tax/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens?fa=view&id=3793
[42] CBPP: http://www.cbpp.org/research/policy-basics-the-earned-income-tax-credit?fa=view&id=2505
[43] Ibid.
[44] CBPP: http://www.cbpp.org/research/strengthening-the-eitc-for-childless-workers-would-promote-work-and-reduce-poverty?fa=view&id=3991
[45] CBPP: http://www.cbpp.org/research/strengthening-the-eitc-for-childless-workers-would-promote-work-and-reduce-poverty ; http://www.cbpp.org/blog/strengthen-minimum-wage-and-eitc
[46] White House: https://www.whitehouse.gov/sites/default/files/docs/eitc_report_0.pdf

the CTC lifted 3.1 million people out of poverty, including approximately 1.7 million children, and "reduced the severity of poverty for another 13.7 million people, including 6.8 million children."[47] With the expenses of raising a child continually increasing, the CTC is a critical measure in ensuring that children receive the necessary resources and home stability that they deserve.



How the CTC Works

First enacted in 1997, the CTC has a similar structure and function to EITC. As with the EITC, only working families are eligible to receive the credit, and the CTC "phases in" as income increases. Unlike the EITC, however, the CTC requires families to earn a minimum income of $3,000 to qualify for the credit and is only partially refundable. That means that if a family's CTC exceeds its federal tax liability, the family may only receive only a portion of the credit rather than the total difference as a refund.[48] In addition, the CTC has a maximum credit value of $1,000 per qualifying child (under age 17 at the end of the tax year). Because single filers earning up to $75,000 and married filers earning $110,000 can receive the full CTC (it gradually phases out above those levels[49]), the CTC reaches families at a broad economic range.

CTC Improvements under the *American Recovery and Reinvestment Act*

As with the EITC, the CTC underwent significant expansion under ARRA that allowed many more families to claim the CTC, while increasing the credit for others. Prior to 2008, a family had to earn a minimum of $12,050 to be eligible for the CTC. ARRA lowered this minimum threshold to $3,000.[50] It is estimated that this expansion opened the CTC to three million new children and expanded the credit for ten million more, with 80 percent of these benefits going to households earning at least $10,000 per year.[51] Furthermore, these changes lifted 1.1 million people above the poverty line in 2013.[52]

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[47] CBPP: http://www.cbpp.org/research/policy-basics-the-child-tax-credit?fa=view&id=2989
[48] CBPP: http://www.cbpp.org/research/policy-basics-the-child-tax-credit
[49] Ibid.
[50] CBPP: http://www.cbpp.org/research/recovery-agreement-temporarily-expands-child-tax-credit-for-large-numbers-of-children-in?fa=view&id=2547
[51] Ibid.
[52] CBPP: http://www.cbpp.org/research/policy-basics-the-child-tax-credit?fa=view&id=2989

Critical EITC and CTC Provisions Set to Expire in 2017

Currently, the expansions to the EITC and the CTC enacted as part of the ARRA are set to expire in 2017. Should these key provisions expire, "some 50 million Americans would lose part or all of their EITC or CTC… [and] more than 16 million people in low- and modest-income working families, including eight million children, would fall into – or deeper into – poverty in 2018."[53] In addition, approximately one in four veteran and armed forces families utilize the EITC and CTC.[54] And if the tax improvements are not expanded or made permanent, 450,000 of those families will lose all or part of their tax credits.[55] These families are counting on Congress make these improvements permanent now. We cannot hope to reverse the trajectory of America's wealth gap if we allow effective policies to end and force more people into poverty.

RESULTS is following several key pieces of legislation that would make the EITC and CTC provisions permanent and also expand both tax credits:

- **The *Working Families Tax Relief Act of 2015*** (S.1012) would strengthen the EITC and CTC by making the 2009 improvements permanent, expanding the EITC for full-time workers and workers without children, lowering the EITC eligibility age from 25 to 21, and simplifying the EITC rules for certain claimants.[56]
- **The *Earned Income Tax Credit Improvement and Simplification Act of 2015*** (H.R.902) would make permanent the EITC provisions

> *"When the economy tanked, we lost our taxi company. My husband was unemployed, and I went to work for $12/hr. This became even less, when I was partially laid off- two winters in a row! Our family of four was hard-pressed even to pay the bills, much less the mortgage. We finally broke down and applied for SNAP, unemployment, and other help, to make it through. When tax time came around, we found out that since we'd not claimed the EITC and Child Tax Credit before, we were able to get 2 years' worth of the tax credit, just in the nick of time, because we were about to lose our house, due to missed mortgage payments. From that day forward, I used this strategy to make sure that our payments are on time, and my kids have a roof over their heads: we save our tax return money- ALL of it- and use it strictly to pay the mortgage. Five years later, and we have not missed a single payment! In the meantime, our economic situation has gotten better- this year, my husband was able to find work (part-time), and I've gotten a raise. But without the EITC and Child Tax Credits, we would be in a very different situation. It gave us the ability to pick up the pieces, and pull ourselves up."*
>
> – *Heather, Boise, Idaho*
>
> Read more at https://www.momsrising.org/blog/the-eitc-and-child-tax-credit-has-rescued-these-families

[53] CBPP: http://www.cbpp.org/research/strengthening-the-eitc-for-childless-workers-would-promote-work-and-reduce-poverty
[54] Tax Credits for Working Families: http://www.taxcreditsforworkingfamilies.org/2015/05/infographic-nearly-500000-military-families-could-face-a-tax-increase-in-2018/
[55] Ibid.
[56] http://capwiz.com/results/issues/bills/?bill=66786631

passed under ARRA in 2009 and expand the credit for single workers without children.[57]

- **The *Child Tax Credit Permanency Act of 2015* (H.R.1286)** would make permanent the 2009 ARRA expansions to the CTC and would create an inflation adjustment to the $1000 per child credit maximum following the year 2013.[58]

As Congress debates other tax provisions, many families are speaking up to remind Congress of the benefits that tax credits have for individuals, families, children, and society as a whole.

Frequently Asked Questions about EITC and the CTC

Isn't the EITC rife with fraud?

Let's be clear – this is about errors, not fraud, in the EITC. The error rate is largely due to simple mistakes made during the tax process. EITC is a complex program with detailed regulations that make the program difficult to follow precisely. Many low-income families cannot afford a tax accountant or only have access to predatory tax preparers, making it easier for overpayments AND underpayments to occur.

The EITC error rate is estimated at 25 percent but there is evidence that the overpayments are extremely overestimated. The National Taxpayer Advocate reports that 40 percent of claims that were identified as incorrect were successfully appealed.[59] The error rate does not include underpayments. Additionally, the error rate is largely due to forces outside of working families' control. Over the years, Congress has substantially reduced IRS' enforcement authority, which has severely limited its ability to follow up on questionable claims. According to the IRS, 68 percent of EITC filers use paid third parties to prepare their taxes.[60] When the IRS tried to regulate paid preparers, a federal court ruled that the IRS did not have this authority.[61] In order for the IRS to fully do its job on ensuring accuracy, Congress must first permit that authority, and then fund the IRS adequately to ensure enforcement.

Why should we be focusing on the EITC/CTC now when these provisions do not expire for another two years?

It is true these EITC and CTC provisions will not expire until 2017 and for many in Congress that seems very far away. However, this year Congress is focused on several pieces of tax legislation, and this creates a critical opportunity for Congress to act to protect and expand EITC

[57] http://capwiz.com/results/issues/bills/?bill=64181791
[58] http://capwiz.com/results/issues/bills/?bill=64205501
[59] CBPP: http://www.cbpp.org/cms/index.cfm?fa=view&id=3960
[60] IRS: http://www.irs.gov/pub/irs-soi/EITCComplianceStudyTY2006-2008.pdf
[61] *San Francisco Chronicle* (blog), http://blog.sfgate.com/pender/2014/05/13/irs-program-to-regulate-tax-preparers-appears-dead/

and the Child Tax Credit. Congressional leaders are pushing to make corporate tax breaks permanent this year and most expect some sort of tax deal on "extenders" and other tax provisions by year end. If Congress enacts ANY permanent changes to the tax code, these EITC and CTC provisions MUST be their top priority.

If Congress does not prioritize the EITC and CTC, millions of working families face an uncertain future. Next year is an election year and Congress is unlikely to take up major tax legislation before the 2016 elections. If corporate tax breaks are made permanent this year without a deal for working family tax credits, that will send the wrong message to millions of low-income working Americans and, to be candid, it will make it that much more difficult to expand EITC and CTC in two years after Congress is on record prioritizing corporate tax breaks but ignoring these critical tax credits for low-income working Americans.

How does the President's Immigration Order affect EITC/CTC?

To start, it is important to understand how much immigrants contribute to our economy and specifically our federal government. It is not fair to assume that undocumented immigrants do not contribute to our tax system. The CBO estimates that over 50 percent of unauthorized immigrant workers pay income taxes and payroll taxes. In 2010 alone, these workers contributed $13 billion to the Social Security trust funds and $10.6 billion in state and local taxes.[62]

In November 2014, President Obama issued an executive order to expand Deferred Action for Childhood Arrivals (DACA) and to initiate the Deferred Action for Parents of Americans and Lawful Permanent Residents (DAPA). The expanded DACA program allows youth who came to United States as children (sometimes known as "DREAMers") to be granted temporary permission to stay in the U.S. and receive a social security number. The newly issued DAPA program follows a similar pattern and allows undocumented parents of U.S. citizens and parents of lawful permanent residents to request deferred action and temporary employment authorization. In a January 2015 hearing, the IRS highlighted that with the Executive Order undocumented immigrants living in the United States currently could claim EITC benefits for the three prior years. The IRS testified that the law does not give it the legal authority to deny the credit to unauthorized workers. Right now, implementation of the President's Immigration Order is stalled, and it is not clear if or when these families might become eligible for the EITC.

As you may know, unlike the EITC, families can claim the Child Tax Credit with an Individual Taxpayer Identification Number (ITIN), which undocumented immigrants can receive – many of whom are raising children who are American citizens. The CTC is designed to help families raising children in the United States with the cost of doing so – and it makes sense that we help

[62] Congressional Budget Office (CBO): http://www.cbo.gov/sites/default/files/cbofiles/attachments/49868-Immigration4.pdf

all children growing up in our country. Nearly one out of every 15 U.S.-born children living in the United States has at least one unauthorized parent.[63] Several proposals have been introduced in both the House and the Senate in the last few months to try to prohibit EITC and CTC eligibility for immigrants, including for families authorized under DACA/DAPA [note: you can see more specifics on these proposals on our website at: http://capwiz.com/results/issues/bills/].

Isn't this just welfare by another name? These programs trap people in poverty.

The argument that the EITC "traps" people in poverty is false. Studies show that EITC promotes work, particularly for single mothers.[64] The Census Bureau calculated that the EITC and the CTC lifted 8.8 million *out of poverty* in 2013.[65] Also, 42 percent of EITC recipients use the credit for 1 year or less consecutively, and most recipients get the credit for two years or less.[66]

How much does this cost?

The EITC helps hard-working families stay out of poverty and make ends meet. The CTC helps parents raise their children. We know that credits like these make children healthier, help them do better in school, make them more likely to go to college, and work more and earn more as adults. Because most people only claim the EITC for a year or two at a time, it's a short term investment with great long term benefits. These credits are well worth the cost. Specifically, making sure that families earning less than $13,000 are still eligible for the Child Tax Credit costs $88 billion over the next ten years, reducing the EITC's marriage penalty costs $11 billion, and ensuring larger families get a higher EITC is estimated to cost $19 billion over the next decade.[67] Expanding the EITC for childless workers in line with the President's proposal would cost approximately $60 billion per year.[68] What's important to keep in mind in this conversation is that we spend over $400 billion annually in the tax code just to help Americans build wealth – and 78 percent of that goes to the wealthiest 20 percent of Americans.[69] As Congress considers the tax policy changes we need to strengthen our economy and our future. I think we need to invest wisely in providing opportunities for families to work hard and move out of poverty.

Can we afford this?

We can afford it, we just choose not to. We cannot afford costly tax cuts for wealthy corporations. Yet, that is exactly what the House is proposing to do – they have already passed

[63] The *NY Times*: http://www.nytimes.com/2015/04/27/opinion/parents-first-undocumented-second.html?_r=0
[64] Russell Sage Foundation: https://www.russellsage.org/publications/making-work-pay
[65] CBPP: http://www.cbpp.org/research/federal-tax/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens
[66] CBPP: http://www.offthechartsblog.org/new-research-highlights-importance-of-eitc-for-working-families/
[67] Joint Committee on Taxation: https://www.jct.gov/publications.html?func=startdown&id=4585
[68] The House and U.S. Treasury: http://www.whitehouse.gov/sites/default/files/docs/eitc_report.pdf
[69] CBPP: http://www.cbpp.org/cms/?fa=view&id=3948

hundreds of billions of dollars in corporate tax cuts without paying for them. I would rather my taxpayer money be invested in families who need help than corporations that do not.

Also, we spend about $400 billion on tax provisions that help Americans build assets. Yet less than three percent of the benefits go to the bottom 40 percent of earners.[70] If we can afford to reward wealth at the top, we can also afford to create wealth at the bottom.

Why should the government pay people to work?

That is exactly right. In an ideal world (or even just a fairer one), people would be able to find work that pays a living wage. Unfortunately, that is not reality. Millions of Americans are working hard every day to make ends meet but their jobs do not pay enough to do it. Until all employers pay a living wage, we need the EITC and CTC so that all Americans can work hard, play by the rules, and make an honest living. RESULTS does support increasing the minimum wage but we think Congress has the opportunity NOW to help millions of working families make ends meet by protecting and expanding the EITC.

What's better: a higher minimum wage or higher EITC?

With controversial articles such as Warren Buffet's *Wall Street Journal* op-ed[71], where he argues for an increase in the EITC but not the minimum wage, it seems as if we have to choose between one or the other. This is a false dichotomy and working families should not have to choose between the two. RESULTS strongly supports an increase in the minimum wage (although it is not a grassroots priority for us); we know that EITC and a minimum wage increase work best *together*. Strengthening both policies in combination are particularly effective:[72]

- **The minimum wage and EITC reach overlapping but different populations.** Each supports families and individuals that the other does not reach. For example, the EITC primarily targets low-income families with children and is available to working families earning more than three times a full-time minimum wage worker's annual salary ($15,080). The minimum wage targets the very lowest-wage workers, regardless of factors like total family income, family status, or age.
- **The benefits of the two policies are timed differently**. An expanded minimum wage increases every paycheck, which helps with routine expenses, like food, monthly bills, and rent. The EITC is paid at tax time and can be used for larger, one-time expenses, like car repairs or a security deposit.
- **Improving both together allows the public and private sectors to share the cost of boosting incomes for those who work.** The EITC is a cost largely borne by

[70] CFED: http://cfed.org/assets/pdfs/Policy_Brief_-_Tax_Incentives.pdf
[71] *Wall Street Journal*: http://www.wsj.com/articles/better-than-raising-the-minimum-wage-1432249927
[72] CBPP: http://www.cbpp.org/research/state-budget-and-tax/state-earned-income-tax-credits-and-minimum-wages-work-best-together

government, and by extension taxpayers. The minimum wage is borne principally by the private sector, especially employers and consumers. Improving both policies spreads the cost of making work pay more broadly than does either policy alone.

Keeping Food on the Table: Protecting Federal Nutrition Programs

Many Americans do not realize that there are people in our communities at risk of going to bed hungry. According to the United States Department of Agriculture (USDA), in 2013 there were almost 17.5 million households that didn't have access to enough food to sustain a healthy life. That's a shocking 49.1 million people.[73]

Food is the fuel that allows people to live and function. Without adequate nourishment, it becomes harder to hold jobs, learn, and participate in society. Proper development, including access to quality nutrition, is critical for a child's life long health and success. The early years of a child's life are when they develop many different abilities that shape the course of their lives. Access to appropriate nutrition is one of the most fundamental and crucial building blocks of a child's development. Hungry children often suffer "lasting behavioral and cognitive deficits, including slower language and fine motor development, lower IQ, and poorer school performance."[74] These lifelong effects highlight the importance of ensuring that each and every child receives the nutrients they need to develop healthily so that they can become full-functioning members of society. That is why RESULTS supports proper nutrition for young children.

SNAP is Safe… For Now

The Supplemental Nutrition Assistance Program (SNAP, formerly Food Stamps) is the largest anti-hunger program in America and is our nation's primary defense against hunger. SNAP serves low-income families, including the elderly and disabled, and 31 percent of SNAP households are working, a number that has been rising. More on SNAP's key role:

[73] USDA: http://www.ers.usda.gov/topics/food-nutrition-assistance/food-security-in-the-us/key-statistics-graphics.aspx#insecure
[74] Zero to Three: http://main.zerotothree.org/site/PageServer?pagename=ter_key_brainFAQ#nutrition

- Nearly 48 million people rely on SNAP[75]
    - 70 percent of participants are families with children[76]
    - More than 25 percent are in households with seniors or people with disabilities[77]
- Every SNAP dollar spent generates $1.79 for local economies[78]
- In 2013, SNAP lifted 4.8 million out of poverty, including 2.1 million children[79]
- 99 percent of SNAP benefits go to eligible households[80]

Earlier this year, leaders in Congress proposed to cut billions of dollars from the SNAP, a move that could have forced 11-12 million men, women, and children off the program.[81] They would have used a fast-track budget process called "budget reconciliation" to make it much easier to enact these cuts (reconciliation bills cannot be filibustered in the Senate). However, because of the powerful advocacy work by RESULTS volunteers and others – including generating over 70 media pieces from RESULTS volunteers between February and May urging Congress to protect SNAP – the final FY 2016 budget resolution did not include cuts to SNAP in budget reconciliation.

RESULTS is still concerned about the possibility of cuts to SNAP later this year, but House Agriculture Committee Chair Mike Conaway (R-TX-11) recently indicated that SNAP cuts were not a priority this year (see remarks in box), which provides some hope. It is still important that we voice our strong support for SNAP, especially to members of the House and Senate Agriculture Committees.

> *"There will be no dramatic change in the food stamp program proposed like that until we finish this review of what's working, what's not working."*
>
> – Rep. Mike Conaway (R-TX-11), Chairman, House Agriculture Committee, June 10, 2015

Child Nutrition Reauthorization

Also with regard to nutrition policy, child nutrition programs are scheduled for reauthorization this fall when the *Healthy, Hunger-Free Kids Act of 2010* expires at the end of September. Child nutrition programs include:

- School Breakfast Program

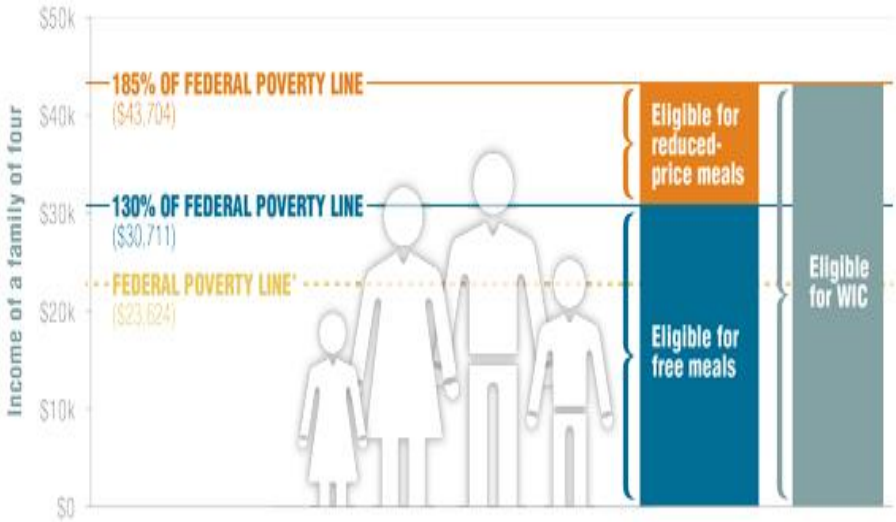
[75] Feeding America: http://www.feedingamerica.org/hunger-in-america/news-and-updates/our-perspective/snap-users-5-things.html
[76] CBPP: http://www.cbpp.org/research/policy-basics-introduction-to-the-supplemental-nutrition-assistance-program-snap?fa=view&id=2226
[77] CBPP: http://www.cbpp.org/research/policy-basics-introduction-to-the-supplemental-nutrition-assistance-program-snap?fa=view&id=2226
[78] Feeding America: http://www.feedingamerica.org/hunger-in-america/news-and-updates/our-perspective/snap-users-5-things.html
[79] CBPP: http://www.cbpp.org/research/food-assistance/chart-book-snap-helps-struggling-families-put-food-on-the-table#part7
[80] CBPP: http://www.cbpp.org/research/snap-error-rates-at-all-time-lows?fa=view&id=4159
[81] CBPP: http://www.cbpp.org/research/food-assistance/house-budget-would-slash-snap-by-125-billion-over-ten-years

- National School Lunch Program
- Child and Adult Care Food Program
- Summer Food Service Program
- Fresh Fruit and Vegetable Program
- Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

Child nutrition reauthorization provides an opportunity for Congress to protect and bolster these programs to close the gaps and ensure that children have year-round access to nutritious meals. For example, only 1 in 6 low-income children who receive free or reduced lunch during the school year participate in the Summer Nutrition Program,[82] creating what our friends at Bread for the World call the Child Hunger Gap"[83]. Also, many children lose eligibility WIC before they enter school and become eligible for school meals. The Witnesses to Hunger shared their firsthand expertise on child nutrition programs. Witness to Hunger Tianna G. of Philadelphia shared, "During the summer, the kids don't get lunch at school anymore. Summer food helps ease the worry if you're running low."[84] Read the Witnesses' recommendations for child nutrition reauthorization for more on their priorities and real-world experiences. [85]

RESULTS has endorsed three critical pieces of legislation that we hope will be included in child nutrition reauthorization:

- *Summer Meals Act of 2015* (H.R. 1728, S. 613), which would increase participation in the Summer Food Service Program
- *Stop Child Summer Hunger Act of 2015* (H.R. 2715, S. 1539), which would provide summer electronic benefit cards (EBT,) for families of children who qualify for free or reduced lunch
- *Wise Investment in our Children Act* (WIC Act, H.R. 2660), which would



[82] Food Research & Action Center (FRAC): http://frac.org/pdf/2015_summer_nutrition_report.pdf
[83] Bread for the World: http://www.bread.org/ol/2015/downloads/infographic-closing-the-child-hunger-gap.pdf
[84] Witnesses to Hunger: Recommendations for Child Nutrition Reauthorization: http://www.centerforhungerfreecommunities.org/sites/default/files/pdfs/CNR%20book_Web.pdf
[85] Witnesses to Hunger: Recommendations for Child Nutrition Reauthorization: http://www.centerforhungerfreecommunities.org/sites/default/files/pdfs/CNR%20book_Web.pdf

extend eligibility for WIC up to age six

Even though we support a strong child nutrition reauthorization, we must watch possible efforts to cut SNAP in order to pay child nutrition programs, as Congress did in 2010. During conversations with policymakers and their staff, RESULTS volunteers will voice support for these programs and let Congress know that you believe that child nutrition programs and SNAP should be protected and strengthened.