

Create Economic Mobility by Strengthening the Earned Income Tax Credit and Child Tax Credit

Please speak directly to congressional leadership, particularly House Speaker Paul Ryan and Ways and Means Committee Chairman Kevin Brady and Ranking Member Sander Levin or Senate Finance Committee Chairman Orrin Hatch and Ranking Member Ron Wyden, urging them to make working families their top priority in any tax legislation. Specifically, urge them to **enact tax policies that ensure no American worker is taxed into poverty by expanding the EITC for low-income, childless workers and non-custodial parents**, building on the proposals by President Obama and Speaker Ryan.

The EITC and CTC Support Working Families

The Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) are pro-work, pro-family financial lifelines for people working in low-wage jobs that lifted 9.8 million Americans above the poverty line in 2014. The evidence:

- The EITC and CTC encourage work. Only taxpayers who are working can claim the credits, and they encourage people to work more hours. In fact extensive research shows these pro-work credits did as much or more to raise employment among single mothers as welfare reform.
- The EITC and CTC help families make ends meet and improve the lives of children. Children in families receiving the EITC do better in school, are more likely to attend college, and earn more income as adults.
- The EITC and CTC are good for local economies. EITC and CTC refunds tend to get spent quickly and locally. Economist Mark Zandi estimated that the EITC generates at least \$1.24 in economic activity for every \$1 spent, and the CTC generates \$1.38 for every \$1 dollar spent.

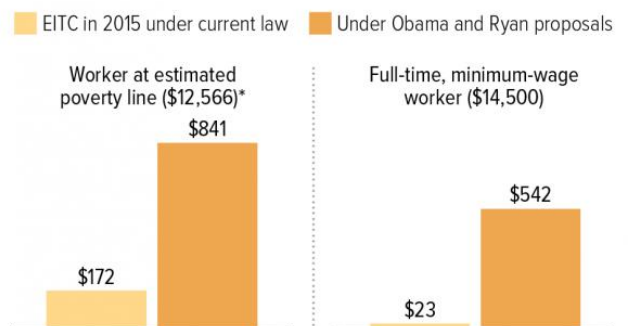
Next Step: Expand the EITC and Child Tax Credit

In December 2015, Congress passed a tax package that permanently ensures that some families who make under \$13,000 per year can still claim a partial CTC and preserves the current EITC for married couples and larger families. Congress can build on this important measure by expanding the EITC for childless adults, including young workers. Currently, adults without children in the home (including non-custodial parents who pay child support) receive a very small EITC (maximum of \$500), and consequently, these workers are the only group that the tax code actually taxes into or deeper into poverty. House Speaker Paul Ryan, President Obama, and others have proposed expanding the EITC for childless workers and lowering the eligibility age for this credit from 25 to 21. These proposals would:

- Benefit 13.5 million Americans, including 1.5 million non-custodial parents,
- Lift 500,000 hardworking Americans out of poverty, and
- Reduce the depth of poverty for another 10.1 million.

Congressional proposals (H.R. 902 and S. 1012) go beyond the Ryan/Obama proposals, and ensure that no American is taxed into poverty – and Congress should make it a priority to meet the principle that no American is taxed into poverty. In addition, Congress should lower the minimum income threshold for the CTC from \$3,000 to zero to ensure the most vulnerable families can claim the credit, and index it to inflation.

Obama and Ryan Proposals Would Boost Earned Income Tax Credit (EITC) for Childless Workers



*CBPP estimate based on 2013 official poverty line
Source: President's FY2016 budget, Chairman Ryan's "Expanding Opportunity in America" discussion draft, Internal Revenue Code

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