# RESULTS U.S. POVERTY CAMPAIGNS OVERVIEW

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## 2016 INTERNATIONAL CONFERENCE BACKGROUND PACKET

RESULTS
the power to end poverty

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RESULTS
the power to end poverty

# 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 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[1] 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.

Specifically, RESULTS works to expand opportunities for low-income individuals and families to move up the economic ladder. We support features of the tax code that assist working families, such as the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC). The EITC, which provides tax refunds to people working in low-income jobs, is the largest poverty reduction program in the U.S. outside of Social Security. The CTC helps low and middle income families with the costs of raising children. It is estimated that in 2014 alone, the EITC and CTC lifted 9.8 million people out of poverty, nearly half of them children. By reducing a family's tax liability, and in low-income families providing a partial refund, refundable tax credits are important tools for increasing income and reducing poverty.

> *I work full time, but I still find myself in the rut of not being able to afford the costs of everyday life... It's not easy, but the EITC and CTC provide us with the crucial support we need to get by.*
> – Maxine Thomas, RESULTS Expert on Poverty

While increased income is a key step towards ending poverty, there are other tools needed as well. Studies show that the most common reasons people fall into poverty is unexpected illness, job loss, or changes in the family (i.e divorce, death). Having savings and assets on hand reduces the likelihood of people falling into poverty and help those already living in poverty to lift themselves out. This is particularly important for people of color – over generations, policies have created huge gaps in wealth between more privileged groups and communities of color, and we need a bold approaches to reduce the racial wealth gap. RESULTS supports strategies to help low-income Americans build savings for both emergency savings and to provide financial stability over the long term, with an explicit priority on policies that will reduce racial wealth inequality.

In addition, this is a critical time period for re-defining (and protecting) anti-poverty programs – many policymakers and candidates are offering proposals that would radically restructure the safety net in America. In particular, we must aggressively push back on proposals to block grant or restructure SNAP (the Supplemental Nutrition Assistance Program, formerly Food Stamps).

[1] Read RESULTS Expert on Poverty Maxine Thomas' story: http://thehill.com/blogs/congress-blog/economy-budget/259011-congress-must-act-now-to-save-pro-work-tax-provisions

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

# POVERTY IN THE UNITED STATES

Some Americans believe that, because the U.S. is one of the wealthiest nations in the world, hunger and poverty exist only outside the United States. The face of hunger and poverty in the United States is quite different from the images we are used to seeing of poverty overseas. 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, childcare, medical bills, and the costs of transportation to work.

In 2014, one out of every seven Americans lived in poverty ($23,850[2] per year for a family of four) - 14.8 percent of the population.[3] Even worse- one out of every five children in the U.S. lived in poverty in 2014,[4] with the highest percentage being children age 0 to 5 years old.[5] These statistics are based on the federal poverty line but that equation understates the immense struggles millions of other families also face every day[6]. In 2014, 44 percent of all U.S. children lived right on the brink of poverty (up to $47,700 per year for a family of four)[7] – 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 EITC 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.

## It is Crucial to Hear from Experts with Direct Experience of Poverty

Too often, the voices of low-income Americans are not heard in policy debates despite the fact that they have the unique experience and knowledge needed to end poverty. Last year, RESULTS launched its Experts on Poverty (EOP) project, bringing together a cohort of 15 people with direct lived experience of poverty to amplify their voices and their stories to incite positive policy change with members of Congress. The Experts have made their voices heard in letters to

[2] U.S. Dept. of Health and Human Services: https://aspe.hhs.gov/2014-poverty-guidelines
[3] Hunger in America:http://www.worldhunger.org/hunger-in-america-2015-united-states-hunger-and-poverty-facts/
[4] Hunger in America: http://www.worldhunger.org/hunger-in-america-2015-united-states-hunger-and-poverty-facts/ .
[5] 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
[6] NCCP: http://www.nccp.org/publications/pub_825.html
[7] 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

the editor, op-eds, TV news features, face-to-face meetings with members of Congress, testifying on the floor at Congressional hearings, and attending town hall meetings.

## RUTH'S STORY

Since joining RESULTS earlier this year, I've learned to understand the power of my own voice. If I speak up and demand change — and if other ordinary people do the same — our elected representatives will listen. That's why advocacy is such an incredible force. It has the capacity to transform policy and impact the lives of millions of people.

It's a cold December day in 2007, and downtown Jamaica Queens, N.Y., is decorated for the season. Big and beautiful wreaths hang from post to post. I stand in line hoping to be the first of the few inside before the building becomes unbelievably packed. I'm standing in line to renew my SNAP benefits (formerly known as food stamps). I have three young boys to care for, and I'm doing the best I can. Earlier that year I had been living on base, married to a military member and trying to figure out a way to escape an unhealthy marriage. Those were days of extreme struggle. Today, I am an accountant working in a field I enjoy, and I often think on those days – in a way I'm still living those days, just not as desperately as I once was. There is still the struggle to save for a better future and not just survive. In this, I know I'm not alone.

The subject of wealth inequality dominates our national conversation. We're already talking about the problem, and it is a problem that can be solved. Let's not get discouraged; we can tackle this. A great start would be to preserve the programs already in place that help keep millions of Americans like me afloat.

Most working families don't even realize that many times the little refund they receive at tax season is due to these tax breaks. Christmas is my favorite holiday, and getting a tax refund is usually the best Christmas present I get – in March. A tax refund means we get caught up on past-due bills, and I have a glimmer of hope of a savings account. According to recently released U.S. census data, North Carolina suffers from a 17.2 percent poverty rate. Wow, that's a cringe-worthy number. But we don't have to simply accept it and throw up our hands. We can do better. We can continue the good fight and keep the aforementioned programs in play.

I made North Carolina my adopted home. I was attracted to its beauty and its people. As a North Carolinian, I don't want anyone in this great state to go hungry or to watch his or her children suffer. Though I've left the hardships of food insecurity behind, I'm still in the fight to excel. Knowing that a job loss can send me back to my days of extreme struggle makes me very sad. But even sadder is the fact that I'm not alone.

Let's keep Congress accountable. Let's make sure that while tax breaks for businesses are consistent priorities, working families get the same attention. Working families of this country

deserve dignity and respect from their elected officials. These proven programs must survive to ensure a better future for families just like mine.[8]

Ruth is a 2015 RESULTS Expert on Poverty living in North Carolina.

# Did the War on Poverty Fail? No, But There's More to Do.

The Census Supplemental Poverty Measure data offered some good news (and proof of what we knew already): refundable tax credits (including the Earned Income Tax Credit (EITC) and the refundable portion of the Child Tax Credit) lifted 9.8 million and SNAP (formerly the Food Stamp program) 4.7 million people above the poverty line in 2014 under the Census' alternative computation. Also, the percentage of uninsured dropped from 13.3 percent in 2014 to 10.4 percent). This continuing drop can be attributed to more young adults getting coverage because of the *Affordable Care Act* increasing Medicaid and Medicare enrollment. [9]

Other analyses of Census data showed that safety net programs cut the poverty rate in half. The Center on Budget and Policy Priorities (CBPP) recently analyzed data from the Urban Institute that corrects for underreporting of key government benefits in the Census survey and reveals an even stronger impact: the safety net reduced the poverty rate from *29.1 percent to 13.8* percent in 2012 and lifted 48 million people above the poverty line, including 12 million children.[10] Using this data, analysts were able to calculate the actual effects of social safety net programs. The safety net protects millions of Americans from poverty and especially from deep poverty, with the numbers lifted out of poverty seen to be even larger after correcting for underreported income.

> *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 and RESULTS Expert on Poverty

The safety net reduced the share of persons with family income below half of the poverty line to 3.6 percent, well below the 5.1 percent reported by the Census without the corrected data. For children, the reduction is even more notable — to 2.3 percent, about half the 4.7 percent originally reported. By itself, the EITC lifted 6.7 million people (including 3.4 million children) above the poverty line in 2012 by our measure, while the CTC lifted 2.7 million people (including 1.4 million children) above the poverty line. The EITC and the CTC, together lifted 10.3 million Americans — including 5.3 million children —*above* the poverty line in 2012.[11]

It is important to share stories and data about how anti-poverty programs are working – while at the same time pushing for ending poverty to be a top political priority, with specific proposals to strengthen anti-poverty programs. For example, many RESULTS volunteers have begun to educate policymakers about the importance of expanding the EITC so no American workers is

[8] Ruth Innocent is a 2015 RESULTS Expert on Poverty. This op-ed was published by various North Carolina's *News and Observer*: http://www.newsobserver.com/opinion/op-ed/article38240091.html
[9] Hillary Hoynes, University of California at Berkeley, summary of Census data: https://gspp.berkeley.edu/assets/uploads/research/pdf/Hoynes_Why_SNAP_Matters_1-25-16.pdf
[10] Center on Budget and Policy Priorities (CBPP): http://www.cbpp.org/research/poverty-and-inequality/safety-net-more-effective-against-poverty-than-previously-thought
[11] IBID

taxed into poverty. In addition, based on the feedback of RESULTS Experts on Poverty and others, RESULTS supports an agenda that will not only protect SNAP, but focus on strengthening anti-hunger programs by increasing SNAP benefits and addressing "cliff effects".

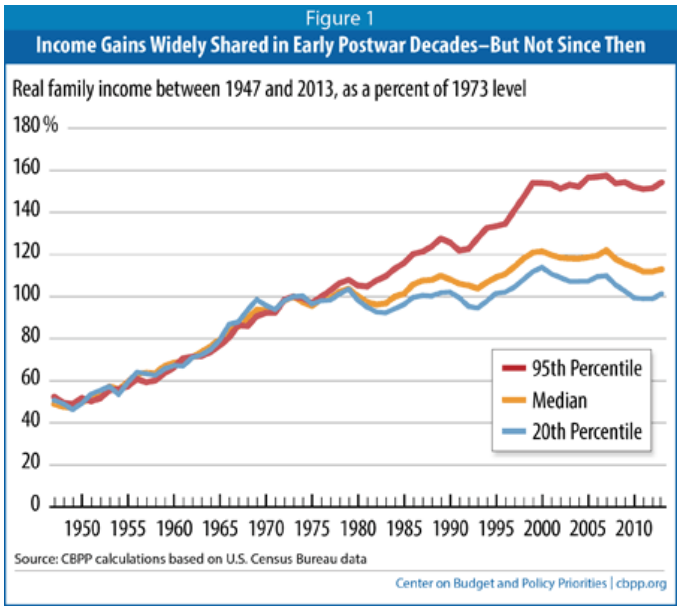
# UNDERSTANDING INCOME AND WEALTH INEQUALITY IN AMERICA

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 gained enough attention is the growing gap in wealth, which gives a fuller understanding of the impact of racism in America.

*The subject of wealth inequality dominates our national conversation. We're already talking about the problem, and it is a problem that can be solved. Let's not get discouraged; we can tackle this. A great start would be to preserve the programs already in place that help keep millions of Americans like me afloat.* – Ruth Innocent, RESULTS Expert on Poverty

Wealth – *the value of a household's property and financial assets, minus the debts owed* – is even 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 their income decreased, their wealth still increased.

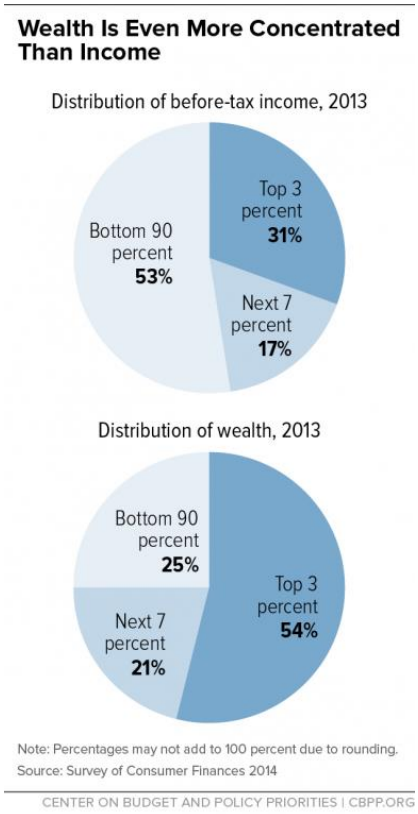
In 2013, the wealthiest three percent received roughly one-third of all income in 2013 and held *more than half* of all wealth. In particular, the share of wealth held by the top three percent rose from 44.8 percent in 1989 to 54.4 percent in 2013, while the share held by the bottom 90 percent *fell* from 33.2 percent in 1989 to 24.7 percent in 2013.[12] The consequences of this wealth concentration are profound.




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 only $400 with their current finances.[13] Even though most respondents are comfortable with their current

[12] CBPP: http://www.cbpp.org/research/poverty-and-inequality/a-guide-to-statistics-on-historical-trends-in-income-inequality#_ftn33
[13] 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

situation, many are not planning for their financial future, with four in ten non-retirees giving little or no thought to retirement savings.[14] Nearly one-third of American households do not possess a savings account, suggesting widespread financial vulnerability.[15]




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.[16] 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.[17]

Building savings and assets is an integral part of ending poverty, yet few financial instruments are designed for low-income families. Savings helps improve household stability and without savings, families are always at the risk of falling into or deeper into poverty when financial crises arise. With assets, people are better able to weather financial emergencies, thus reducing the chances of disorder in the household. Children in low income families who save do better academically are more likely to move out of poverty as adults[18]. A national conversation on asset-building is far too limited and needs more attention.

# Our Unfair Tax Code Perpetuates Wealth Inequality

The racial wealth gap is a pervasive inequity in this country that has lasted for too long. It is important that we understand the historical roots of wealth inequality, and how poverty rates and wealth inequality disproportionately affect communities of color. 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

[14] Ibid.
[15] New America Foundation (NAF): http://www.newamerica.org/asset-building/flexible-savings/
[16] Corporation for Economic Development (CFED): http://scorecard.assetsandopportunity.org/2013/measure/liquid-asset-poverty-rate
[17] NAF: http://www.newamerica.org/asset-building/flexible-savings/
[18] CFED: http://cfed.org/assets/pdfs/FactFile_-_Saving_Up_Moving_Up.pdf

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[19] in an employer-based retirement savings account – another critical method of gaining wealth. (Read more about tax fairness on the RESULTS site.) Understanding America's history and tax system is fundamental to creating equitable public policies.

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. In 2015, the $660 billion in federal spending on these programs in 2015[20], 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.[21] 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.

# CREATING ECONOMIC MOBILITY: REDUCE 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 wealth.[22] Native American median wealth was only 8.7 percent of *all* Americans' median wealth in 2000.[23] 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.[24]

Even though education is often viewed as the vehicle of opportunity, it has not come close to undoing the entrenched wealth gap – the average Black *college* graduate still owns less wealth than a White *high school* dropout does.[25]

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[19] Policy Link: http://www.policylink.org/find-resources/library/building-an-equitable-tax-code
[20] CFED: http://turnitrightsideup.org/
[21] CFED: http://cfed.org/assets/pdfs/Upside_Down_to_Right-Side_Up_2014.pdf
[22] Center for Global Policy Solutions (CGPS): http://globalpolicysolutions.org/wp-content/uploads/2014/04/Beyond_Broke_FINAL.pdf
[23] Economic Policy Institute (EPI): http://www.epi.org/publication/bp370-native-americans-jobs/
[24] Urban Institute: http://www.urban.org/research/publication/less-equal-racial-disparities-wealth-accumulation
[25] Demos: http://www.demos.org/blog/9/23/14/white-high-school-dropouts-have-more-wealth-black-and-hispanic-college-graduates

Instead, homeownership is a 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 Brandeis University's Institute on Assets and Social Policy, generational differences in homeownership counts for 27 percent of the racial wealth gap, compared to 20 percent for income and five percent for education.[26] In 2013, fewer than half of Black and Latino households owned a home compared to almost three-fourths of White households,[27] and fewer than six out of ten Native Americans owned their homes in 2007.[28] Though the Great Recession exacerbated this problem, the racial homeownership gap is directly attributed to the racial segregation and discrimination our government practiced for centuries.

**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 discriminate."

## How U.S. Government Policy 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, 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

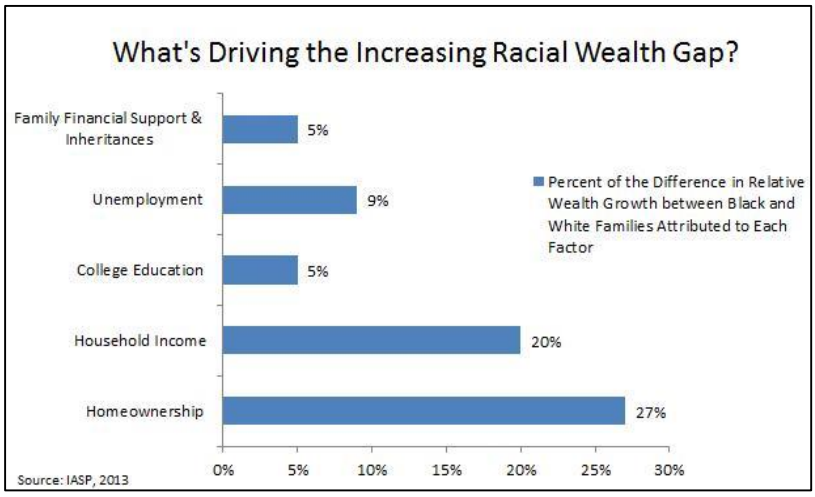
[26] Institute for Assets and Social Policy (IASP): http://iasp.brandeis.edu/pdfs/2013/Roots_of_Widening_RWG.pdf
[27] Demos: http://www.demos.org/publication/racial-wealth-gap-why-policy-matters
[28] Insight Center for Community Economic Development: http://www.insightcced.org/uploads/CRWG/Racial%20Gap%20in%20Homeownership%20Spring%202009.pdf

outlawed in a 1948 Supreme Court case,[29] the federal government still allowed localities across the country to prevent racial minorities from moving into White neighborhoods. Practices such as blockbusting[30], redlining[31], and racialized zoning laws[32] (see box at right) created deep segregation and blocked households of color from owning their homes and receiving adequate public investment in their neighborhoods. These segregationist policies have created decades-long consequences. According to the Economic Policy Institute:

- 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.[33]

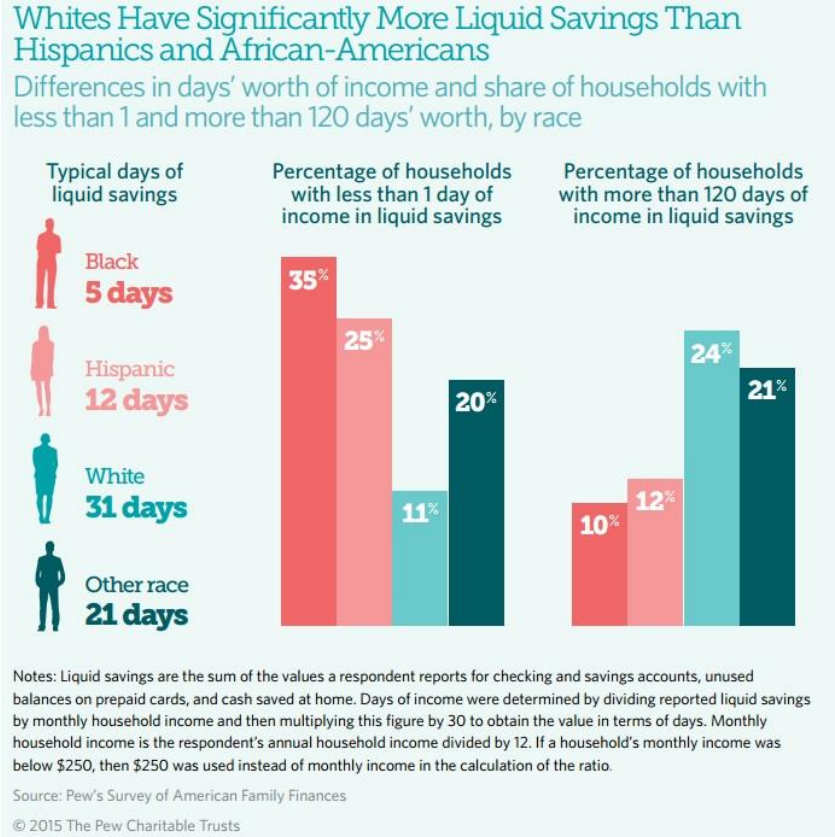
Living in concentrated poverty not only severely decreases a family's chance to afford their own home, houses decrease in value in high poverty neighborhoods, making it hard to for those who can afford a home to build or maintain wealth.

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.[34] This bill is largely credited for the creation of the American middle class. However, because of Jim Crow[35] and other racist policies, veterans of color were not afforded the same opportunity. If a Black or Native American veteran lived

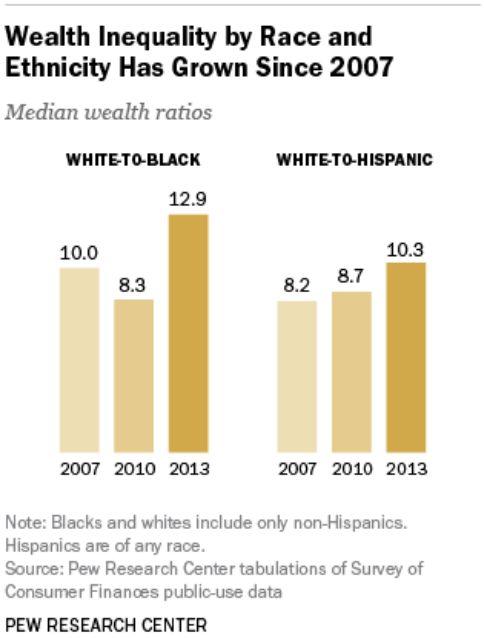



[29] Justia: https://supreme.justia.com/cases/federal/us/334/1/case.html
[30] Encyclopedia of Chicago: http://www.encyclopedia.chicagohistory.org/pages/147.html
[31] Encyclopedia of Chicago: http://www.encyclopedia.chicagohistory.org/pages/1050.html
[32] Investopedia: http://www.investopedia.com/terms/z/zoning.asp
[33] EPI: http://www.epi.org/publication/modern-segregation/
[34] 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
[35] 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/

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.[36] This was a significant victory in helping protect people of color from housing discrimination. Although 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.




In recent history, 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 nearly 13 times that of Black wealth in 2013.[37]

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 the comparable wealth that was intentionally denied to them for so long, families of color are much

[36] U.S. Department of Housing and Urban Development (HUD): http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/progdesc/title8
[37] Pew Research Center: http://www.pewresearch.org/fact-tank/2014/12/12/racial-wealth-gaps-great-recession/

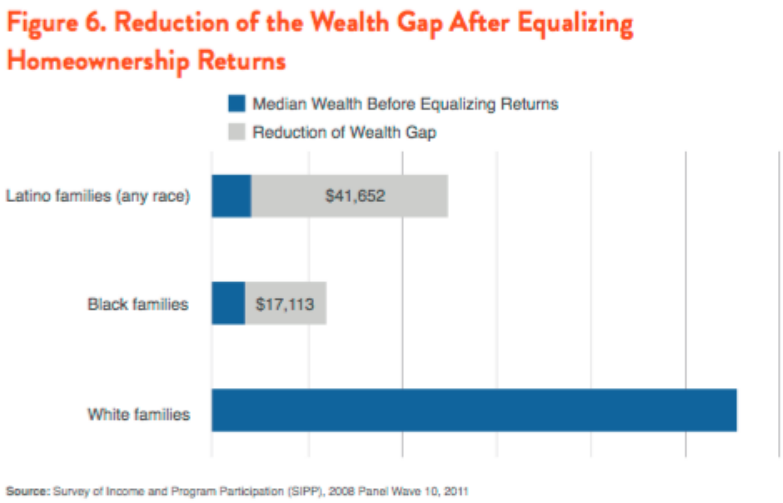
more vulnerable to financial emergencies and have less opportunity to move up the economic ladder.

## Analyzing Policies to Address the Racial Wealth Gap

The U.S. racial wealth gap is substantial and is largely driven by public policy decisions. From the continued impact of redlining on American homeownership to the decline of desegregation initiatives in public education, policy has shaped these disparities, leaving them impossible to overcome without racially-aware policy change. There is no one policy solution that would, by itself, eliminate the racial wealth gap. But it is important to understand policies that can address wealth inequality, and RESULTS is putting an explicit priority on those policies that will build wealth in communities of color. This is a process that will take time, but it is important to understand some of the policy options that will substantively reduce the racial wealth gap.

DEMOS and the Brandeis University's Institute for Assets and Social Policy (IASP) co-authored a report detailing the profound impact public policy has on the racial wealth gap, using a tool developed by IASP – the *Racial Wealth Audit*. The report considers the reduction of the black-white racial wealth gap if proposed policy initiatives were passed. Their main findings are summarized below[38]:

**If public policy eliminated disparities in homeownership rates and returns, the racial wealth gap would be substantially reduced.** While 73 percent of white households owned their own homes in 2011, only 47 percent of Latinos and 45 percent of Blacks were homeowners. If public policy successfully eliminated racial disparities in homeownership rates, so that Blacks and Latinos were as likely as white households to own their homes, the wealth gap between Black and white households would shrink 31 percent. The Latino wealth gap with white households would shrink 28 percent.

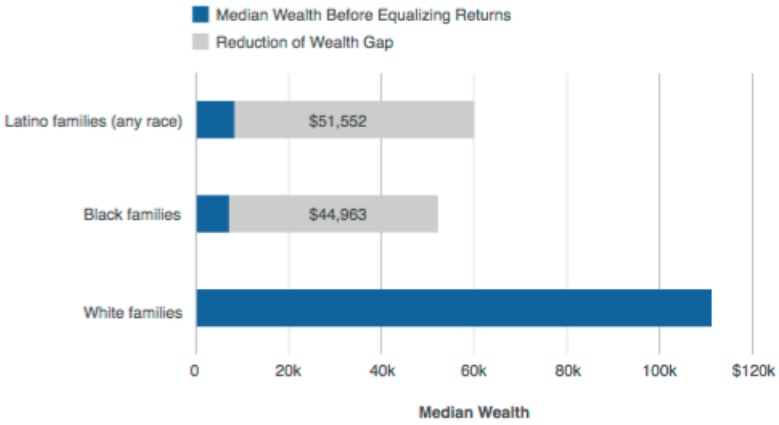



**If public policy eliminated disparities in graduation and the return on a college degree, there would be a modest but direct impact on the racial wealth gap.** In 2011, 34 percent of whites had completed four-year college degrees compared to just 20 percent of Blacks and 13 percent of Latinos. If public policy successfully equalized the return to college graduation, the wealth gap between Black and white households would shrink 10 percent and 6 percent between Latino and white households.

[38] DEMOS/IASP: http://www.demos.org/sites/default/files/publications/RacialWealthGap_1.pdf

**If public policy successfully eliminated racial disparities in income,** the wealth gap between Black and white households would shrink 11 percent. The Latino wealth gap with white households would shrink 9 percent. **If public policy successfully equalized the return to income,** so that each additional dollar of income going to Black and Latino households was converted to wealth at the same rate as white households, the wealth gap would shrink with white households by 43 and 50 percent respectively.

**Figure 18. Reduction of the Wealth Gap After Equalizing Returns to Income**




**Source:** Survey of Income and Program Participation (SIPP), 2008 Panel Wave 10, 2011

The below table is a quick breakdown of findings in the Demos/IASP report and other analyses using the Racial Wealth Audit:

| Policy | IASP Audit: reduction of black-white wealth gap |
|---|---|
| Student loan forgiveness for low-income families | 7% |
| Student loan forgiveness for low-wealth families | 37% |
| Student loan forgiveness for everyone | WORSE |
| Equalize homeownership rates | 31% |
| Equalize college graduation rates | 1-3% |
| End income inequality | 9-11% |
| Universal savings accounts at birth, with additional deposits | 20-80% |

## Reducing the Racial Wealth Gap Through "Tax Time Savings"

While the United States is engaged in a broader conversation about wealth inequality, Congress can build on December's bipartisan tax deal by focusing on the opportunity and convenience of tax time to encourage low-income tax filers to start saving. Ideally, this would accelerate savings and reduce wealth inequality by offering a matched deposit to low-income tax filers who agree to direct deposit all or part of their tax refund into an eligible savings product.

In particular, this is a great time for Congress to consider a policy proposal called a **"Rainy Day" EITC.** This would essentially become an opt-in program where those receiving the EITC can choose to defer 20 percent of their lump sum. In the proposal drafted by CFED and sociologist Kathryn Edin, that 20 percent would then be matched by 50 percent (this may remind some of the

Financial Security Credit), and given back to the recipients six months later. This program would be optional for taxpayers that find themselves able to put away part of their EITC refund.[39]

Earlier this spring, Senators Cory Booker (D-NJ) and Jerry Moran (R-KS) introduced S. 2797, the *Refund to Rainy Day Savings Act*, to help low-income taxpayers build emergency savings by setting aside a portion of their tax refund to a Treasury Department account with interest. The legislation does not include resources to help taxpayers substantially build savings (unlike the Financial Security Credit), but it offers an important framework for those who claim the Earned Income Tax Credit (EITC). For more information, see Senator Booker's press release and this *New York Times* piece. [40]

## Reducing the Racial Wealth Gap by Facilitating Financial Stability While Reining in Predatory Lending

Obviously, while RESULTS hopes Congress will move forward with policies that help low-wealth Americans, in particular people of color, build savings and financial stability, it is critical to protect Americans from wealth stripping. Payday loans and other forms of predatory lending cost families $8.7 billion a year in interest and fees, perpetuating the cycle of poverty.[41]" Congress should support efforts to rein in predatory lending and provide alternative products that are safe and accessible by expanding access to bank accounts with a focus on financial inclusion.

For example, according to CFED a typical payday loan borrower takes out eight loans of $375 each per year and spends $520 on interest[42]. Predatory lenders disproportionately target low-income communities of color – one Committee for Responsible Lending (CRL) study found that payday lenders are eight times more likely to be located in African American and Latino neighborhoods than in white neighborhoods. Even after controlling for other factors like income, the study found that payday lenders were 2.4 times more concentrated in neighborhoods of color. [43] CRL recommends a 36 percent APR limit applicable to all borrowers, similar to what it enacted for active-duty military and their families in the Military Lending Act. In meetings with members of the House Financial Services and Senate Banking Committees, RESULTS volunteer advocates will explore their strategies to promote financial inclusion and limit predatory lending practices that are particularly damaging to communities of color.

Obviously, Congress can examine housing and homeownership policies to address racial wealth inequality, supporting entrepreneurs in communities of color to start or build businesses,

[39] CFED: http://cfed.org/blog/inclusiveeconomy/turning_the_eitc_into_an_emergency_savings_tool_for_low-wage_workers/
[40] Senator Cory Booker: https://www.booker.senate.gov/?p=press_release&id=403
[41] CFPB: http://files.consumerfinance.gov/f/201503_cfpb-proposal-under-consideration.pdf
[42] CFED: http://scorecard.assetsandopportunity.org/latest/measure/predatory-small-dollar-lending-protections
[43] Committee for Responsible Lending: http://www.responsiblelending.org/state-of-lending/reports/10-Payday-Loans.pdf

removing asset limits for safety net programs, and bipartisan efforts to enact criminal justice reform, which has an obvious impact on the ability to build wealth for families and communities. And these issues are related – for example, some predatory lenders even specialize as bail bonds, encouraging families with incarcerated members to take out extremely high-interest loans to post bail and then send them right back into the criminal justice system when they default on loan repayment.

# CREATING ECONOMIC MOBILITY: PROTECT AND EXPAND THE EITC

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 tax policies for lifting low-income people out of poverty are the Earned Income Tax Credit and the Child Tax Credit.

## WHAT DOES "REFUNDABLE" MEAN? WHY DOES IT MATTER?

The EITC and CTC are such important anti-poverty tax credits because they're both fully or partially refundable. For low-to-moderate-income (LMI) families, refundable tax credits can be essential saving tools at tax time. The EITC is fully refundable, meaning that if it exceeds a low-wage worker's income tax liability (what they owe on taxes), the IRS will refund the balance – for most eligible families with children, this was an average of $3,074 dollars back at tax time in 2013.[44]

The CTC includes a refundable component, the Additional Child Tax Credit, for low-income families. This means that if the value of the CTC exceeds the amount of federal income tax a family owes, the family may receive part or all of the difference in the form of a refund check. As a result, many working families can benefit from the CTC even if their incomes are so low that they owe little or no federal income tax in a given year.[45] This refundable feature is important for low-income working families, who otherwise wouldn't receive the tax benefits available to higher-income families to help offset the cost of raising children.[46]

For many low income workers, refundable tax credits offer an opportunity to boost emergency savings, purchase necessary items for their household or children, make large purchases (such as a car), or pay down outstanding debts.[47] The EITC and CTC greatly reduce poverty for working

[44] CBPP: http://www.cbpp.org/research/federal-tax/policy-basics-the-earned-income-tax-credit
[45] CBPP: http://www.cbpp.org/research/policy-basics-the-child-tax-credit
[46] IBID
[47] Tax Credits for Working Families: http://www.taxcreditsforworkingfamilies.org/2016/03/new-survey-sheds-light-workers-use-eitc/

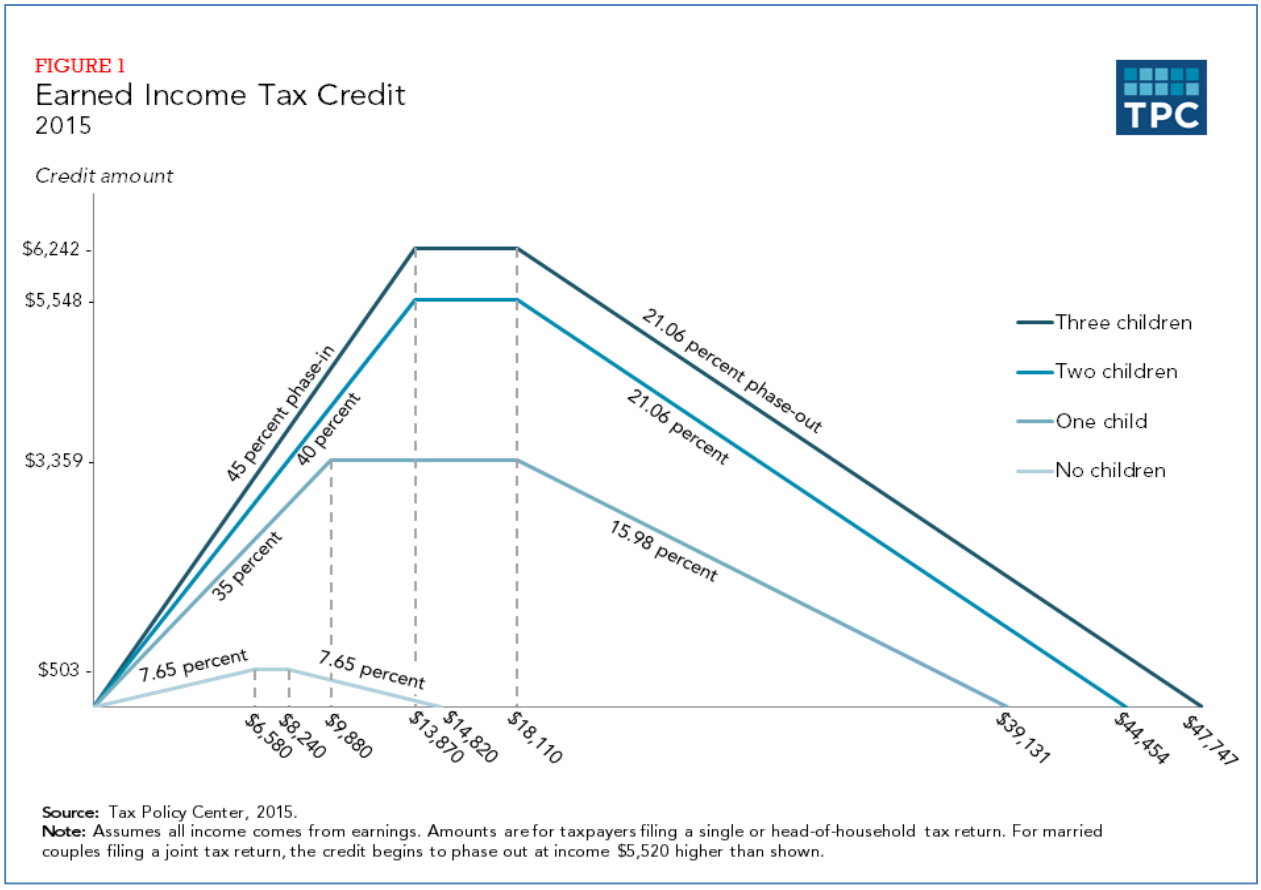
families. These working-family tax credits lifted 10 million workers, and more than 5 million children[48], out of poverty and made 22 million other people less poor in 2014.[49]

# 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.[50] 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 income earned




[48]CBPP: http://www.cbpp.org/blog/safety-net-programs-lift-millions-from-poverty-new-census-data-show
[49] CBPP: http://www.cbpp.org/research/federal-tax/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens
[50] Tax Credits for Working Families: http://www.taxcreditsforworkingfamilies.org/earned-income-tax-credit/

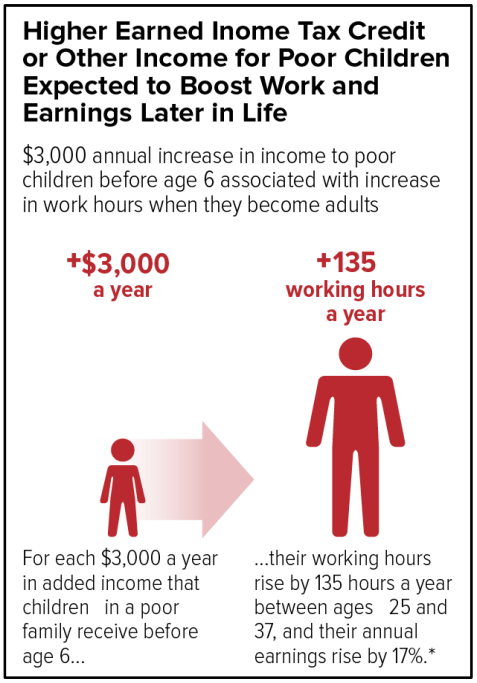
until it disappears completely. This ensures that the EITC is targeted to those who need it. The amount of a person's EITC depends on family size and marital status (see graph below).[51]

## 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."[52] 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.

## 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 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.[53] 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.[54]
- **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




[51] Tax Policy Center (TPC): http://www.taxpolicycenter.org/briefing-book/key-elements/family/eitc.cfm
[52] Tax Policy Center (TPC): http://www.taxpolicycenter.org/taxtopics/encyclopedia/EITC.cfm
[53] CBPP: http://www.cbpp.org/research/federal-tax/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens
[54] Ibid.

annual earnings increase by 17 percent.[55] 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.[56]
- **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.[57]
- **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.[58]

## EXPANDING THE EITC FOR "CHILDLESS WORKERS"

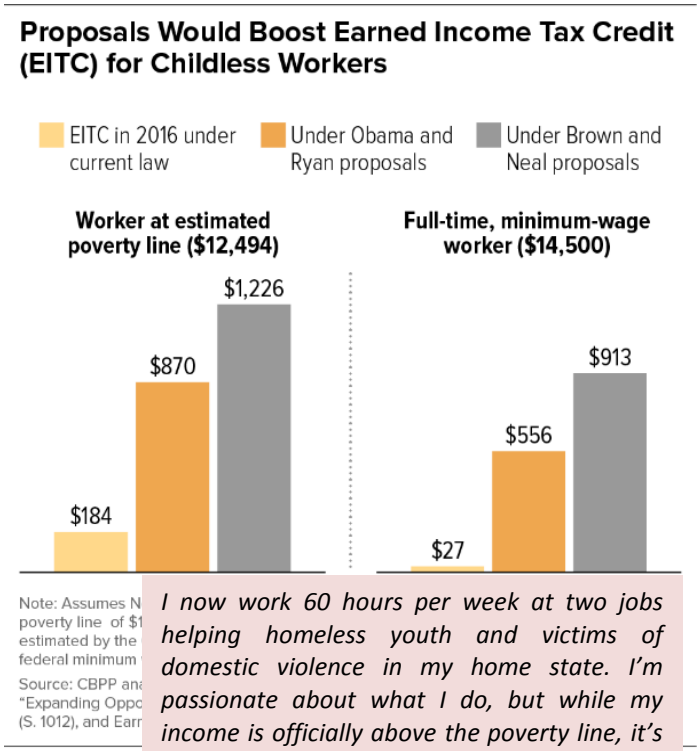
There is growing bipartisan momentum to expand the EITC for workers who do not claim children at tax time. This portion of the population receives a very meager EITC compared to families. Currently, a "childless worker," which includes non-custodial parents who pay child support, is eligible for less than one-tenth the EITC that a family with two children receives.[59] This translates to a maximum credit amount of $503, as seen in above graph detailing EITC credit amounts. 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.[60] 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.[61] It is critical to recognize that more than one in five of these "childless" workers are non-custodial parents; [62] thus missing an

> *I am a single worker without children and I am deeply in favor of having the EITC for childless workers increased. Currently I work two part time jobs with a combined gross salary of less than $20,000. One of the jobs is seasonal, so I'm laid off for about four months out of the year, which makes an already tight budget even tighter. I wish that I could put some of the tax refund in savings or buy a car, which would help me land a better job, but the check isn't big enough to do anything like that.* Kevin Pearson, new RESULTS Expert on Poverty

[55] CBPP: http://www.cbpp.org/research/policy-basics-the-earned-income-tax-credit
[56] CBPP: http://www.cbpp.org/research/federal-tax/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens?fa=view&id=3793
[57] 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/
[58] CBPP: http://www.cbpp.org/research/federal-tax/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens?fa=view&id=3793
[59] CBPP: http://www.cbpp.org/research/policy-basics-the-earned-income-tax-credit?fa=view&id=2505
[60] Ibid.
[61] CBPP: http://www.cbpp.org/research/strengthening-the-eitc-for-childless-workers-would-promote-work-and-reduce-poverty?fa=view&id=3991
[62] 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

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. There are two critical proposals to expand the EITC for childless workers, the Obama/Ryan proposal and the Brown/Neal proposal:

1. President Obama's and Speaker Paul Ryan's (R-WI) have both offered proposals to lower the eligibility age for the EITC from 25 to 21, increase the phase-in rate, boost the maximum credit for childless workers by double, and expand eligibility to include more low-wage working adults without dependents. The Obama/Ryan proposal would lift an additional 2.1 million African American workers, nearly 3 million Latino workers, and more than 600,000 veterans out of poverty. [63]
2. The Sherrod Brown (D-OH) and Richard Neal (D-MA) proposals go a step further to essentially ensure that the federal tax code doesn't tax childless wage-earners aged 21 through 64 into poverty through similar measures as the Obama/Ryan proposal. Compared to the numbers above, the Brown/Neal proposal lifts 2.6 African Americans, nearly 4 million Latino workers, and over 715,000 veterans out of poverty. [64]

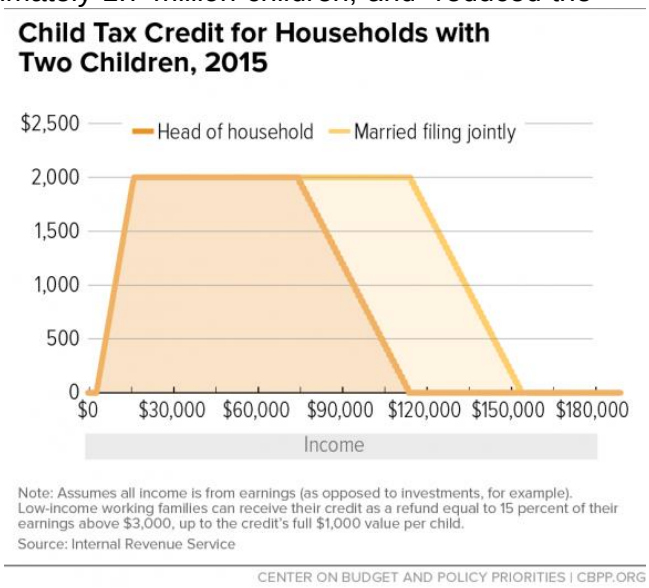



*I now work 60 hours per week at two jobs helping homeless youth and victims of domestic violence in my home state. I'm passionate about what I do, but while my income is officially above the poverty line, it's not by much. I'm still 22. Access to the EITC for me would mean I could spend more time focused on the kids who depend on me, and less time focused on keeping the heat on in the Minnesota winter.* Manny Houle, 2015 REAL Change Fellow

[63] CBPP: unpublished report
[64] CBPP: unpublished report

# 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, 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."[65] 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 receive only a portion of the credit rather than the total difference as a refund.[66] 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[67]), the CTC reaches families at a broad economic range.

# EITC & CTC PROVISIONS MADE PERMANENT IN DECEMBER 2015

The expansions to the EITC and the CTC enacted as part of the American Recovery and Reinvestment Act of 2009 (ARRA, sometimes referred to as the "stimulus") *were* set to expire in 2017.

In December 2015, Congress voted to make permanent the 2009 EITC and CTC provisions, increasing the tax credit amount for larger families and reducing the marriage penalty for joint filers. This means the EITC marriage penalty reduction and increased EITC for larger families, along with the lower $3,000 income eligibility threshold for the CTC, all became permanent law. This gives working families a peace of mind in knowing that their EITC and CTC will not drop or disappear after 2017. Through 225 meetings with members of Congress and 145 media pieces

[65] CBPP: http://www.cbpp.org/research/policy-basics-the-child-tax-credit?fa=view&id=2989
[66] CBPP: http://www.cbpp.org/research/policy-basics-the-child-tax-credit
[67] Ibid.

over the last two years, RESULTS vounteers played a key role in Congress making these crucial pro-work tax credits permanent. More than 16 million people, including 8 million children, were lifted above or closer to the poverty line. This is one of the biggest anti-poverty legislative victories in twenty years, and one that RESULTS volunteers played a critical role in achieving.


# Frequently Asked Questions about EITC & 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.[68]

The bipartisan December 2015 tax deal took some steps to address the error rate in EITC. It includes stronger anti-error initiatives to decrease the error rate, including penalties for improperly claimed credits – such as increased penalties for paid preparers engaging in reckless conduct and restrictions on taxpayers who claimed improperly the year before. It also imposes even stricter ITIN and SSN requirements for workers to be eligible to claim the tax credits, which immigration advocates fear will reduce access for immigrants and refugees.

Over the years, Congress has substantially reduced IRS' resources, which has severely limited its ability to follow up on questionable claims and offer further guidance for taxpayers. According to the IRS, 68 percent of EITC filers use paid third parties to prepare their taxes.[69] When the IRS

[68] CBPP: http://www.cbpp.org/cms/index.cfm?fa=view&id=3960
[69] IRS: http://www.irs.gov/pub/irs-soi/EITCComplianceStudyTY2006-2008.pdf

tried to regulate paid preparers, a federal court ruled that the IRS did not have this authority.[70] 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.

To read more about efforts to regulate paid preparers, read this blog post.

## WHY SHOULD WE BE FOCUSING ON THE EITC JUST AFTER CONGRESS MADE THE EXPIRING TAX PROVISIONS PERMANENT?

While Congress' move to make EITC and CTC provisions permanent in 2015 is a key step in the fight against poverty, there is still work to do. In particular, there is bipartisan consensus that no American should be taxed into poverty – and there is momentum given that the House Speaker and President Obama have both proposed to expand the EITC. In particular, expanding the EITC is particularly important for young workers, and communities of color. Even during an election year, expanding the EITC is a rare opportunity for policymakers to come together and enact important changes to the tax code.

## HOW ARE IMMIGRANTS AFFECTED?

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.

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 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.[71] Several proposals have been introduced in both the House and the Senate to try to prohibit eligibility for the Child Tax Credit for immigrant families by requiring a Social Security Number to claim the credit.

## 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. Expanding the EITC for childless workers in line with House Speaker Paul Ryan and President Obama's proposal would cost approximately $60 billion per year.[72] 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

[70] *San Francisco Chronicle* (blog), http://blog.sfgate.com/pender/2014/05/13/irs-program-to-regulate-tax-preparers-appears-dead/
[71] The *NY Times*: http://www.nytimes.com/2015/04/27/opinion/parents-first-undocumented-second.html?_r=0
[72] The House and U.S. Treasury: http://www.whitehouse.gov/sites/default/files/docs/eitc_report.pdf

build wealth – and 78 percent of that goes to the wealthiest 20 percent of Americans.[73] 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 hundreds of billions of dollars in corporate tax cuts without paying for them. Child poverty alone costs the U.S. more than $670 billion dollars, almost 4% of the U.S. gross domestic product (GDP)[74].

## 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 Americans make ends meet by 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[75], 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:[76]

- **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.

[73] CBPP: http://www.cbpp.org/cms/?fa=view&id=3948
[74] Talk Poverty: https://talkpoverty.org/2016/05/25/reduce-child-hunger-corporations-taxes-overseas-profits/
[75] *Wall Street Journal*: http://www.wsj.com/articles/better-than-raising-the-minimum-wage-1432249927
[76] CBPP: http://www.cbpp.org/research/state-budget-and-tax/state-earned-income-tax-credits-and-minimum-wages-work-best-together

- **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 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.

## PEOPLE GET PLENTY OF HELP ALREADY, RIGHT?

Childless workers are still taxed into poverty – they often don't receive the same supports as families because many programs designed to lift people out of poverty are structured for families with children. Childless workers are more prone to live in deep poverty.

Now, many workers without dependents are losing their SNAP benefits across the country because of ABAWD regulations (Able-Bodied Adults Without Dependents). This means that low-income adult workers without dependents are taxed into poverty and are losing essential safety net supports.

## WHAT ABOUT CHILDREN?

Many of the workers who will benefit are noncustodial parents. These parents have both parenting and financial obligations to their children. Improving these workers' stability and success in the labor market can help them do better at meeting these other responsibilities, including serving as a role model to their children.

The EITC and CTC have profound positive impact on children in families receiving the credits. A report by the Center on Budget and Policy Priorities (CBPP) says that income from the EITC and CTC leads to improved educational outcomes for young children in low-income households. For each $1,000 increase in annual income over two to five years, children's school performance improves on a variety of measures.

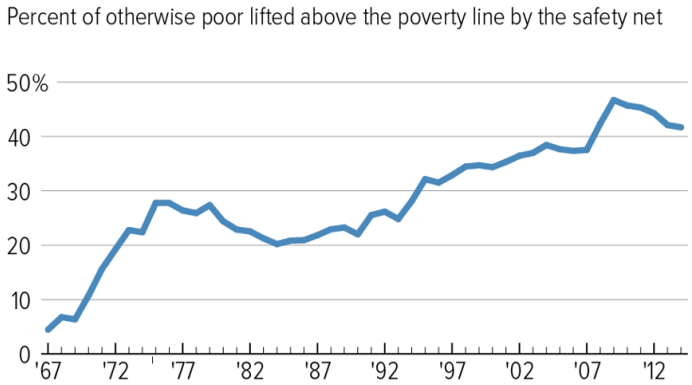
The expansion proposals extend the credit to younger workers - many of whom are future parents. The more successful young workers are in the labor market - the better foothold they gain in the economy - the more likely they are to succeed in the labor market over time and be able to provide for their children when they start families.

The credits' success in boosting work effort and earnings also extends into the next generation. Children whose families receive more income from refundable tax credits do better in school, are more likely to attend college, and likely earn higher incomes as adults; they also are more likely to avoid the early onset of disabilities and other illnesses associated with child poverty, which further enhances their earnings ability as adults, some research suggests.

# BUILDING POLITICAL MOMENTUM TO END HUNGER AND POVERTY IN A CRUCIAL ELECTION YEAR

During this election year, we have an opportunity to shape the debate about poverty in America – and build towards ending hunger and poverty in America. At the United Nations last September, world leaders affirmed their commitment to ending extreme poverty globally by 2030, including in the United States. We need a strong commitment to ending poverty in this country – and the election season is a critical time to demand it. RESULTS and other organizations launched Vote to End Hunger (VTEH), a campaign to ensure that Presidential candidates prioritize ending hunger and poverty, in Iowa last fall. In addition, candidates for all 435 seats in the House of Representatives and one-third of the Senate will be campaigning over the coming months. We can use this opportunity to engage them in a conversation about ending poverty in meetings with current policymakers, and while candidates are on the campaign trail.

This comes at a time when some policymakers and candidates have a renewed interest in addressing poverty in America. Too often the rhetoric about poverty in America focuses on the "failure" of anti-poverty programs, despite evidence that anti-poverty programs reduce poverty by forty percent (right). [77]




Note: For each year, figures show the percent reduction in the number of people in poverty from when government benefits and taxes are not counted to when they are counted. Calculations use Supplemental Poverty Measure (SPM) and 2012 SPM poverty line adjusted for inflation.

Source: 1967-2012 data are from Christopher Wimer et al., "Trends in Poverty with an Anchored Supplemental Poverty Measure," Columbia Population Research Center, December 2013. (Plot points generously shared by the authors.) For 2013-2014, CBPP analysis of Census Bureau data from the March Current Population Survey and SPM public use files.

To counter that perception that anti-poverty programs do not make an impact, RESULTS Experts on Poverty powerfully shared how programs such as the EITC and SNAP (formerly the Food Stamp program), impact their lives during a TwitterChat on June 1. As new Expert on Poverty Pamela M. Covington tweeted, "***Without nutrition assistance my children and I would have gone dreadfully hungry living below poverty level***." [78] Sadly, some policymakers and candidates proposed deep cuts and drastic changes SNAP and other anti-poverty programs in previous budget and policy proposals, which could result in millions of people losing access to these critical benefits.

[77] Center on Budget and Policy Priorities (CBPP): http://www.cbpp.org/research/poverty-and-inequality/safety-net-more-effective-against-poverty-than-previously-thought

[78] RESULTS Experts on Poverty Twitterchat: https://storify.com/RESULTS_Tweets/expertsonpoverty-twitter-chat

RESULTS volunteers have worked over the past few months to raise our voices in the media -- a powerful tool for shaping public policy – in order to influence the narrative about poverty in America. While Congress is unlikely to move on major legislation during an election year, some RESULTS volunteers will engage in targeted conversations about protecting and strengthening anti-hunger programs during lobby meetings in June.

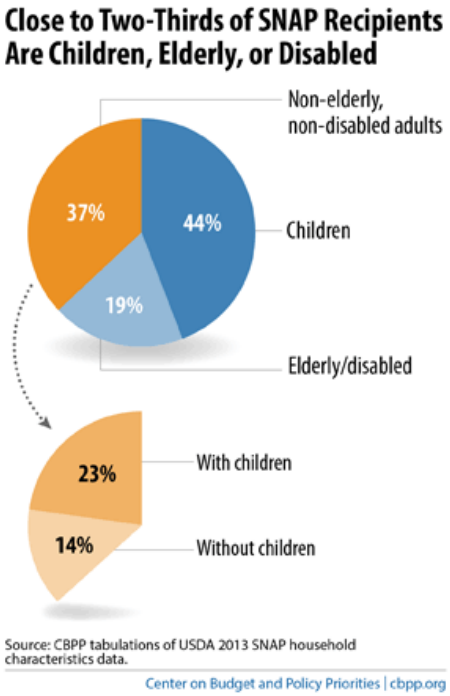
# To End Hunger, We Need Strong Anti-Hunger Programs – Especially SNAP

Food insecurity affects 1 in 7 Americans, and almost one in five children. [79] That means that they do not always have access to enough food to eat to keep them healthy for an active lifestyle. Being food insecure can not only affect health, but it also affects a person's ability to work or learn in school.

Hunger in America cannot be ended by charity alone, as this powerful visual from Bread for the World shows:


[79] Feeding America: http://www.feedingamerica.org/hunger-in-america/impact-of-hunger/

Fortunately, we have SNAP and other federal nutrition programs. SNAP is the first line of defense against hunger in America. Currently, 45 million people — almost half of them children — receive SNAP benefits. SNAP lifted 4.7 million people out of poverty in 2014[80] and significantly reduces hunger and poor health in children.[81]

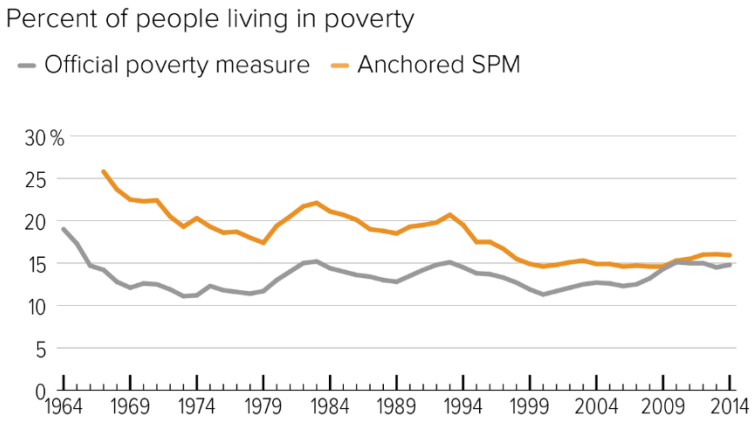



SNAP helps working families make ends meet and get on their feet. More than half of SNAP households with at least one working-age, non-disabled adult, and more than 60 percent of households with children work while participating in SNAP. Moreover, SNAP is critically important for local economies. USDA reports that SNAP is one of the most effective economic stimuli: every five dollars spent creates nine dollars in economic activity.[82] Finally, SNAP is a very efficiently run program considering the scale of its administration, with 97 percent of benefits going to eligible households and very few mistaken payments.[83]

Congress typically makes changes to SNAP as a part of the Farm Bill, and the current Farm Bill runs through 2018. Despite the importance of SNAP for millions of families and the completion of the Farm Bill just two years ago, we are concerned that Congress may look again to make deep cuts or structural changes to SNAP in early 2017.

## House Speaker Paul Ryan's Task Force on Poverty

On June 7, House Speaker Paul Ryan's Task Force on Poverty released its recommendations for changes to anti-poverty programs.[84] In the report, House Speaker Paul Ryan claims that poverty is unchanged over the past five decades. Unfortunately, using the official poverty rate leaves out many of the programs like EITC and SNAP designed to alleviate poverty. Using a broader measure based on the Census Bureau's Supplemental Poverty Measure shows the poverty rate has fallen by two fifths.[85]

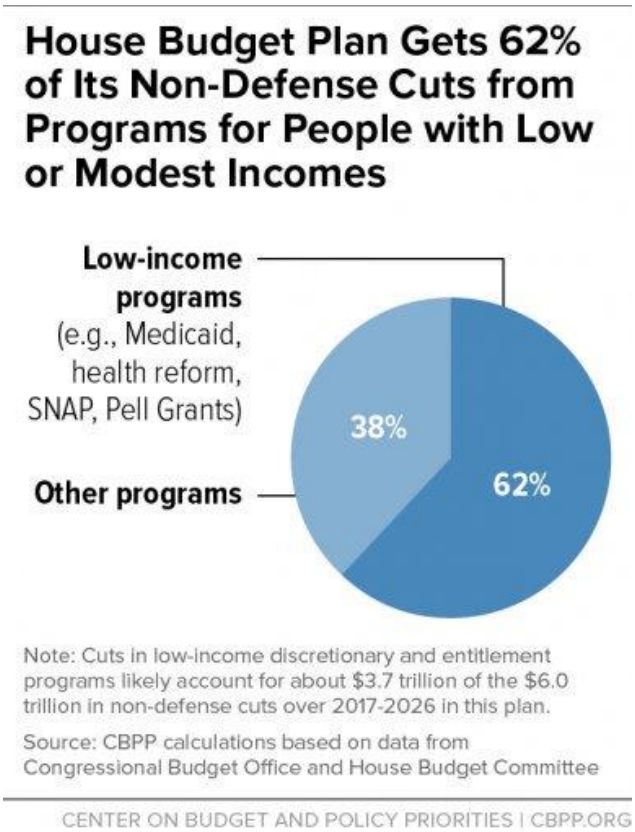


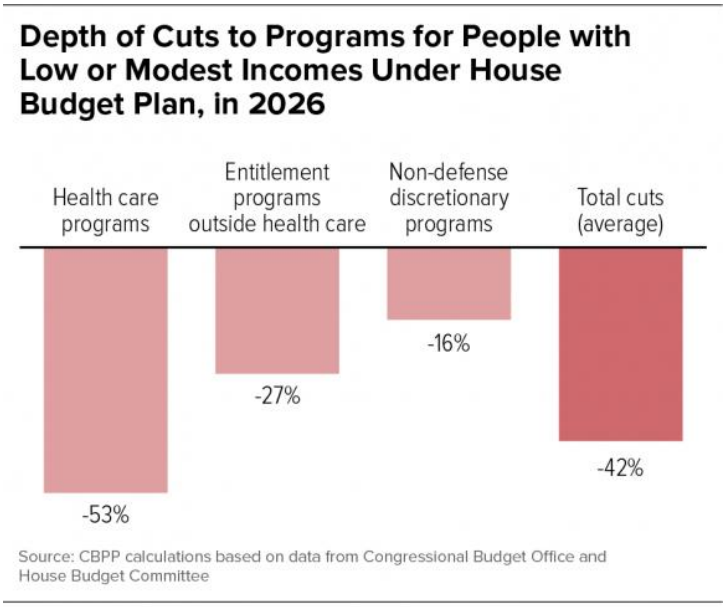

[80] U.S. Census Bureau: http://www.census.gov/content/dam/Census/newsroom/releases/2014/cb14-188_spm.pdf?eml=gd&utm_medium=email&utm_source=govdelivery
[81] Iowa State University: http://www.news.iastate.edu/news/2013/01/14/foodstamps
[82] USDA: http://www.ers.usda.gov/publications/err-economic-research-report/err103.aspx
[83] CBPP: http://www.cbpp.org/blog/the-facts-on-snap-part-3-snap-is-efficient
[84] House Speaker's Office: http://abetterway.speaker.gov/_assets/pdf/Full_Task_Force_Report_Poverty.pdf
[85] CBPP using data from Columbia University: http://www.cbpp.org/research/poverty-and-inequality/chart-book-accomplishments-of-the-safety-net#part1_5

This report lacks a lot of detail, but RESULTS and many other advocates are believe the proposals would by and large leave millions of Americans worse off. The recommendations focus on:

- requiring safety net program participants to work,
- giving states flexibility and streamlining anti-poverty programs,
- changing policies that "trap" people into poverty while "getting the incentives right" to move people away from participating in safety net programs, and
- measuring results.

Many anti-poverty advocates have pointed out the stark contrast between House Republican leaders rhetoric versus their "budget priorities, however, are unmistakable – they would cut programs for low- and modest-income people dramatically", according to CBPP's Bob Greenstein.[86] For example, these visuals show the budget priorities in the 2016 House Budget Resolution passed out of committee in the spring:




SNAP is an effective response to hunger in times of emergencies or economic downturn. During the Great Recession, SNAP responded exactly as it was designed by helping tens of millions of Americans weather that crisis – and now that the unemployment rate has gone down, SNAP caseloads are falling also. RESULTS volunteers did a great job of generating media to educate the public about the importance of protecting SNAP in order to shape the Poverty Task Force's recommendations -- with 45 media pieces in local papers across the country over the past few

[86] CBPP: http://www.cbpp.org/blog/house-gop-vows-to-fight-poverty-but-its-budget-would-eviscerate-anti-poverty-spending

months. This media attention helped push back on proposals to fundamentally change the structure of SNAP and other anti-poverty programs to capped state block grants under the guise of "merged funding streams". It is worth noting that House Republicans have proposed legislation to block grant school meals in their Child Nutrition reauthorization bill (H.R. 5003),[87] but RESULTS believes that is not likely that proposal will move this year.

It is critical that our core anti-hunger program continue to be able to react quickly and strongly to local needs. RESULTS opposes changes to SNAP (and other nutrition programs) that would harm vulnerable children and families, increase hunger, and reduce SNAP's effectiveness. While the Ryan Poverty Task Force ultimately did not explicitly call for shifting SNAP to a block grant, we must continue to educate policymakers and the general public about the critical role SNAP and other nutrition programs play in fighting hunger in America.

## AN AGENDA TO STRENGTHEN SNAP

Based on the feedback of RESULTS Experts on Poverty and others, RESULTS supports an agenda that will not only protect SNAP, but focus on strengthening anti-hunger programs. In particular, SNAP's meal allotment of about $125 per month, or about 1.40 per meal, per person is inadequate to meet the nutritional needs of hungry Americans.[88] Low-income families report that to meet their food needs, they would need to spend an additional $4 to $9 per person per week on food, or about $17 to $40 per month. Food-insecure families, who are more likely to be poorer, report needing an additional $12 to $20 per person per week (about $50 to $85 per month).[89] As a result, when times are tough many families are more likely to postpone needed healthcare, resulting in higher ER costs.[90]

Researchers at the University of Kentucky[91] and also those from Dartmouth and Wellesley Colleges[92] have examined the potential impact of raising SNAP benefits by 20 percent. They find that increasing SNAP's benefits would reduce food insecurity and increase consumption of more nutritious foods. The Children's Defense Fund reports that this change would reduce child poverty by 16 percent, lifting 1.8 million children out of poverty, and cost approximately $23.2 billion.[93] RESULTS supports legislation, such as H.R. 3657 and H.R. 5215, that will increase SNAP's benefits this critical lifeline for millions.[94]

In addition, several RESULTS Experts on Poverty have shared about the impact of the "cliff effect" on their own lives. RESULTS urges Congress to create and support policies that give people the resources they need to make ends meet, including strong safety net and social insurance

[87] RESULTS bill summary: http://capwiz.com/results/issues/bills/?bill=72025636
[88] Kaiser Family Foundation: http://kff.org/other/state-indicator/avg-monthly-food-stamp-benefits/
[89] CBPP: http://www.cbpp.org/blog/house-gop-vows-to-fight-poverty-but-its-budget-would-eviscerate-anti-poverty-spending
[90] White House: https://www.whitehouse.gov/sites/whitehouse.gov/files/documents/SNAP_report_final_nonembargo.pdf
[91] University of Kentucky professor James Ziliak, for the Hamilton Project: http://www.hamiltonproject.org/papers/modernizing_snap_benefits
[92] Patricia M. Anderson of Dartmouth College and Kristin F. Butcher of Wellesley College: http://www.cbpp.org/research/the-relationships-among-snap-benefits-grocery-spending-diet-quality-and-the-adequacy-of-low
[93] Children's Defense Fund: http://www.childrensdefense.org/library/PovertyReport/EndingChildPovertyNow.html#chapter2
[94] FRAC: http://frac.org/leg-act-center/bill-we-are-watching/

programs for those who are struggling financially, and that policies must support Americans as they move up the income ladder, providing adequate supports over a sustained period of time for families transitioning out of poverty. At times, low-income Americans abruptly lose some benefits (the "cliff effect") as they work to get on their feet by entering the workforce or higher paying jobs. Generally, SNAP is structured as a work incentive: for every additional dollar a SNAP recipient earns, SNAP benefits decline by only 24 to 36 cents.[95] Families that receive SNAP thus have a strong incentive to work more hours or search for better-paying jobs.

RESULTS will continue to push for policies to end hunger and poverty in the United States, and we are excited about proactive strategies to strengthen programs based on the insights of RESULTS Experts on Poverty and others. Thank you for your interest in nutrition programs and in raising your voice to make a big difference!

[95] Congressional Research Service: http://greenbook.waysandmeans.house.gov/sites/greenbook.waysandmeans.house.gov/files/R43400_gb.pdf