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Tax Policy Must Benefit Working Parents

NCNW urges the House of Representatives and the U.S. Senate to expand the Child Tax Credit to \$2,000 and make the credit refundable so that a larger number of lower income working class families can take advantage of the credit. The Child Tax Credit provides some relief for working families with children - many of whom have not seen an increase in real wages or purchasing power in years. One proposal to increase the refundability of the Child Tax Credit would lift 11 million people, including 6 million children, above or closer to the poverty line.

As a result of the Great Recession, between 2007 and 2011, the proportion of working families who are low income increased from 28 percent to 32 percent. Low-income working families earn less than twice the federal poverty level. Working-class families, which have struggled economically in recent decades, are predominately low and middle income, with median income more than 20 percent below the national median. About one out of five working-class adults have incomes below the federal poverty line. Many Americans work hard every day, but are still poor, or nearly poor.

Although both houses of Congress have now voted in favor of tax legislation, a small committee from each house must now iron out the differences between the two bills before it can become law. The House version of the tax bill increases the child credit to \$1600 – that tax credit can be used to reduce the

amount of tax owed, or **refunded** to the tax payer if no income tax is due. That is why it is called a “refundable” tax credit.

The Senate version increases the Child Tax Credit to \$2000 – that tax proposal is NOT refundable and expires in 2025. Lower income families who pay sales, payroll and other taxes cannot take advantage of the child tax credit if they owe no income tax. An amendment to make the Senate version of the Child Tax Credit refundable was defeated 79-21. The Senate version expands the Child Tax Credit eligible family income from \$250,000 up to \$580,000.

We urge the House and Senate conference committee members, who are charged with merging the two pieces of tax legislation, to give relief to lower income families who are raising children. It is unwise and unfair to enact laws to reward more fortunate families and punish less fortunate hard-working parents for economic forces, such as trade policy, the real estate bubble and automation, which are beyond their control. Tax decisions should benefit American workers and American families.

The National Council of Negro Women is an “organization of organizations” (comprised of 200 community-based sections and 38 national women’s organizations) that enlightens, inspires and connects more than 3,000,000 women and men. Its mission is to lead, advocate for and empower women of African descent, their families and communities. NCNW was founded in 1935 by Dr. Mary McLeod Bethune, influential educator and activist, and for more than fifty years, the iconic Dr. Dorothy Height was president of NCNW. Ms. Ingrid Saunders Jones was elected Chair of NCNW in 2012, ushering in a new era of progress and growth for the organization.

Sources:

<http://www.prb.org/Publications/Articles/2013/us-working-poor-families.aspx>

<https://www.cbpp.org/research/federal-tax/how-tax-reform-can-raise-working-class-incomes>

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