

# H.R. 5296/S. 2976 Undermines the Child Tax Credit

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Working people need a comprehensive paid family and medical leave plan that provides financial stability and dedicated time to care for themselves and their loved ones. The Advancing Support for Working Families Act (H.R. 5296/S. 2976), introduced by Sen. Bill Cassidy (La.), Sen. Kyrsten Sinema (Ariz.), Rep. Colin Allred (Texas-32) and Rep. Elise Stefanik (N.Y.-21), provides no guarantee of leave and would instead offer meager temporary assistance that will cause long-term financial penalties for parents. This proposal flies in the face of a longstanding bipartisan consensus in favor of expanding and increasing the child tax credit without penalizing parents or children.

## Harmful to Women and Families

- **Penalizes families for seeking help.** This proposal offers short-term support for new parents, then financially punishes those who need assistance by cutting their annual child tax credit (CTC) over the next 10 to 15 years. The CTC cuts will be particularly harmful to families with low incomes, who are more likely to lack access to paid leave and other benefits through an employer.
- **Ignores longstanding bipartisan support for CTC increases.** The CTC has been expanded and increased multiple times since it was first enacted in 1997 and has long had broad bipartisan support.<sup>1</sup> No prior CTC increase has included a penalty for those who claim it.
- **Does not provide dedicated time to care.** The bill has no provision ensuring working parents can take time away from a job, and no protections against the loss of a job, loss of health insurance, or other adverse consequences for requesting or taking leave. About 40 percent of workers – typically part-time workers and workers who are paid low wages – are not covered by the federal Family and Medical Leave Act (FMLA)<sup>2</sup> and would still be forced to return to work quickly after welcoming a new child under this proposal.
- **Leaves millions of families behind.** Three-quarters of workers who take leave under the FMLA do so for reasons other than bonding with a new child, including addressing a serious personal medical condition (55 percent), caring for a family

member (18 percent) or caring for a servicemember (2 percent).<sup>3</sup> Nearly 44 million people in the United States are caring for aging parents, children with serious health conditions or other family members.<sup>4</sup>

● **Compounds racial and geographical inequities.** Parents with low incomes already receive the least benefit from the CTC and will face the greatest challenges if that already-meager benefit is cut. Overall 35 percent of children receive only a partial credit or no CTC at all due to low incomes, and Black and Latinx children, children of single parents, and children in rural areas are disproportionately affected.<sup>5</sup>

- Fifty-three percent of Black (non-Hispanic) children and 50 percent of Latinx children receive a partial credit or no CTC, compared to 23 percent of white children; as do
- Seventy percent of children of single mothers and 42 percent of single fathers, compared to 25 percent of children in two-parent households; and
- Forty-two percent of rural children, compared to 34 percent of urban children.

● **Reinforces gender inequality.**

The bill does nothing to address the financial and caregiving challenges that drive inequality in the home and at work. It does not expand access to paid leave – time away from work with timely wage replacement during the leave – a status quo that discourages men’s

involvement in parenting. It does not provide a large enough benefit to replace two incomes for a typical married couple with children.<sup>6</sup> This means that women – who continue to be paid less than men – would likely still be the primary leave-takers in heterosexual couples, potentially increasing their risk of employment discrimination.

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**For a middle-income married couple with children, a \$5,000 credit would replace only about one-fifth of the income lost if two parents had taken 12 weeks away from work to bond with a new child.**

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● **Has a high cost for parents with no real benefit.** Even though the bill fails to provide any actual paid leave, even for new parents, the advanced tax credit is still significantly more expensive than the modest cost of a comprehensive paid family and medical leave program – which does not increase in cost based on a family’s need.

**H.R. 5296/S. 2976**

**FAMILY Act**

	Maximum benefit	Annual cost to family	Length of leave	Maximum benefit	Annual cost to family	Length of leave
<i>Two parents, one child, earning \$60,000/year</i>	\$5,000	\$500	None	\$10,000	\$120	12 weeks
<i>Single parent, one child, earning \$40,000/year</i>	\$5,000	\$500	None	\$6,667	\$80	12 weeks
<i>Family caregiver or individual caring for personal medical issue, earning \$40,000/year</i>	None	None	None	\$6,667	\$80	12 weeks

**Confusing and Costly for Tax Filers**

- Payments are not timely.** Real paid family and medical leave provides wage replacement while a worker is out on leave. Under this bill, an advanced credit would most likely be paid through an individual's tax return, meaning months could pass between a child's birth or adoption and the parent receiving a credit.
- Asks new parents to gamble on their future.** The expenses of raising a child don't end after just one year, but this proposal essentially asks new parents to predict their ability to afford large cuts to their CTC for the next 10 to 15 years. This is especially challenging for younger workers – who are often in unstable, lower-wage jobs and least able to weather future cuts to earned benefits.
- Creates new risks and uncertainty for parents also experiencing serious illness or disability, unemployment or other major life events.** The complex need-based deferral process outlined in the bill will be challenging to navigate, and does not address situations in which a person becomes permanently unable to work.

## **A Regressive Change to the Child Tax Credit**

Under the current child tax credit (CTC), a parent can claim a credit of up to \$2,000 per eligible child (dependent children under age 17, including foster and adopted children), scaled based on income. The credit is counted against the federal income tax the parent would otherwise owe. Only up to \$1,400 of the tax credit is refundable, meaning that parents with low incomes receive only a partial benefit. The credit is reduced at higher income levels and is not available to single or head of household tax filers with earnings above \$280,000 or households above \$480,000. Parents can claim the credit every year as long as they have an eligible child, and there are no penalties for taking the credit.

H.R. 5296/S. 2976 would:

- Allow a parent who is eligible for the CTC to take an advanced CTC credit of up to \$5,000 after the birth or adoption of a child (foster children do not qualify).
- Parents who take this option face an annual cut to their CTC in the amount of one-tenth of the advanced credit they received for a period of 10 years – \$500 each year for someone who took the maximum \$5,000 credit.
- Parents with low incomes who do not qualify for the full CTC would receive a benefit of 25 percent of their earned income, and would face increased federal income tax of one-fifteenth of the advanced credit amount for a period of 15 years.
- Adoptive parents of children over the age of five would receive smaller advanced credits, reduced for each year the child is over five years old.
- The Treasury Department would be tasked with setting up a new online application system enabling parents to claim an advanced CTC credit “as soon as practical” after birth or adoption, but no funding is appropriated for creating, administering or overseeing this system. The bill would also allow parents to claim the credit by making an amendment to the prior year’s tax return, and calls on the Treasury Department to expedite the processing of these claims.

## **Families Need a Real Solution**

When it comes to paid family and medical leave, we know what works. Everyone needs dedicated time to care for a new child, a seriously ill family member or their own medical issue – and no paid leave plan should penalize people for taking that time. The bipartisan Family And Medical Insurance Leave (FAMILY) Act is modeled after programs already working well in states. It is the comprehensive, inclusive and sustainable paid leave plan that voters prefer and is the only proposal currently before Congress that meets the needs of our modern workforce.

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<sup>1</sup> Crandall-Hollick, M. L. (2018, March 1). *The Child Tax Credit: Legislative History*. Congressional Research Service report. Retrieved 10 January 2020, from <https://fas.org/sgp/crs/misc/R45124.pdf>

<sup>2</sup> Klerman, J.A., Daley, K., & Pozniak, A. (2012, September 7). *Family and Medical Leave in 2012: Technical Report*. Abt Associates publication. Retrieved 10 January 2020, from Department of Labor website: <https://www.dol.gov/sites/dolgov/files/OASP/legacy/files/FMLA-2012-Technical-Report.pdf>

<sup>3</sup> Ibid.

<sup>4</sup> AARP Public Policy Institute and National Alliance for Caregiving. (2015, June). *Caregiving in the U.S. 2015*. Retrieved 10 January 2020, from [https://www.caregiving.org/wp-content/uploads/2015/05/2015\\_CaregivingintheUS\\_Final-Report-June-4\\_WEB.pdf](https://www.caregiving.org/wp-content/uploads/2015/05/2015_CaregivingintheUS_Final-Report-June-4_WEB.pdf)

<sup>5</sup> High shares of Black and Latinx children, children of single parents, and children in rural areas receive only a partial or no credit due to low incomes, compared to the share receiving either a full credit or no credit due to high incomes. Collyer, S., Harris, D., & Wimer, C. (2019, May 13). Left Behind: The One-Third of Children in Families Who Earn Too Little to Get the Full Child Tax Credit. *Poverty & Social Policy Brief*, 3(6). Retrieved 10 January 2020, from Columbia University Center on Poverty & Social Policy website: <https://www.povertycenter.columbia.edu/news-internal/leftoutofctc>

<sup>6</sup> The median household income for a married couple with children under 18 in 2018 was \$101,514 (12 weeks of income, \$25,379). U.S. Census Bureau. (2019). *Current Population Survey, 2018*. Table HINC-04. Presence of Children Under 18 Years Old--Households, by Total Money Income in 2018, Type of Household, Race and Hispanic Origin of Householder. Retrieved 10 January 2020, from <https://www.census.gov/data/tables/time-series/demo/income-poverty/cps-hinc/hinc-04.html>

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