

Refundable Tax Credits Provide Much-Needed Help to Women Working Hard to Support Their Families

Refundable tax credits help women who work hard for low wages meet their family's needs. The improvements in the refundable Child Tax Credit and Earned Income Tax Credit that were enacted as part of the *American Recovery and Reinvestment Act* of 2009 have helped millions of families – but they will expire at the end of 2010. Congress has the opportunity to reward work and strengthen families by making these improvements permanent.

Child Tax Credit

- Middle- and lower-income families with children are eligible for a Child Tax Credit. The credit is partially refundable, so parents who work but have incomes too low to owe federal income tax – disproportionately single mothers – can receive part of the credit as a refund. The credit is equal to 15 percent of the amount of a family's earnings above the income threshold—set at \$3,000 for tax years 2009 and 2010 in the Recovery Act—up to \$1,000 per child.
- For a single mother with two children earning \$14,500 from a full-time, minimum-wage job, this improvement means a Child Tax Credit of \$1,725 this year. If this Recovery Act provision expires, she would lose nearly \$1,500 of this credit in 2011.

Earned Income Tax Credit for Families with Three or More Children

- The Earned Income Tax Credit is designed to boost the wages of low earners, especially those with children. The Recovery Act created a new, higher benefit level for families with three or more children, a group at increased risk of poverty.
- This improvement in the EITC is worth up to \$629 more for eligible families. If this Recovery Act provision expires, about three million families with ten million children could lose out.

Marriage Penalty Relief for EITC Couples

- When two low-income workers marry, their combined income is likely to reduce, or even eliminate, their EITC. Congress reduced this marriage penalty in 2001, by allowing a married couple to earn an additional \$3,000 in combined income, compared to a single parent, before the EITC declines. The Recovery Act increased this amount to \$5,000.
- If this Recovery Act provision expires, about five million couples with eight million children could lose out.