

# TAX & BUDGET

## Women Suffer Two-Thirds of Losses if Congress Ends Improved Tax Credits for Working Families

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Congress faces a series of critical budget choices in the coming months, and must soon decide which federal income tax provisions set to expire at the end of this year should be renewed and which should end. Expiring provisions include tax cuts enacted in 2001 and 2003 and improvements to the Child Tax Credit (CTC) and Earned Income Tax Credit (EITC) that were included in the American Recovery and Reinvestment Act of 2009 (ARRA) to help low- and moderate-income families make ends meet when their paychecks are not enough. A bill passed by the Senate, S. 3412, would renew the 2009 improvements to the CTC and EITC along with the Bush-era tax cuts for 98 percent of Americans (couples with incomes below \$250,000, individuals with incomes below \$200,000), while largely ending the Bush-era tax cuts on income above those levels.

*In contrast, the bill passed by the House, H.R. 8, would renew the Bush-era tax cuts for the richest two percent but end the 2009 improvements to the CTC and EITC – taking **\$12.6 billion in tax credits** away from low- and moderate-income working families next year,<sup>1</sup> while giving households with incomes above \$1 million an average tax cut of \$160,000.<sup>2</sup>*

### Ending the 2009 improvement to the Child Tax Credit would disproportionately hurt women and their families:<sup>3</sup>

- Over 12.7 million tax filers will have less money in their pockets in 2013 if the CTC improvement expires. More than two-thirds of these tax filers are women.
- Women would suffer over 70 percent of the estimated \$9 billion financial loss in 2013.<sup>4</sup>
- About 98 percent of the financial loss would be borne by families with low to moderate incomes (in the lowest two-fifths of the income distribution nationwide). About 45 percent of tax filers in families with low or moderate incomes are people of color.<sup>5</sup>

### Ending the CTC and EITC Improvements Would Take Money Out of the Pockets of Women Supporting their Families.

**Jessica, a single mom with three kids, makes \$14,500 per year working full time in a child care center.**

- Jessica's family would **lose \$1,545** if Congress ends the CTC improvement. If Congress ends the 2009 improvement, she would receive only \$180 from this credit instead of \$1,725.
- Jessica's family would **lose \$666** if Congress ends the EITC improvements, for a combined loss of \$2,211 in tax credits.

**Nicole and David, a married couple who both work full-time at minimum wage jobs, support their three children with their combined annual income of \$29,000.**

- Nicole and David's family would **lose \$645** if Congress ends the CTC improvement. If Congress ends the 2009 improvement, they would receive only \$2,355 from this credit instead of \$3,000.
- Nicole and David's family would **lose \$1,081** if Congress ends the EITC improvements, for a combined loss of \$1,726 in tax credits.

- Single parents would lose more than \$6 billion. Over 80 percent of this loss would be borne by single mothers.
- Families headed by married parents would lose nearly \$2.2 billion. This loss would be disproportionately borne by low- and moderate-income married-parent families who would lose nearly \$2.1 billion. Among low- and moderate-income married-parent families, nearly 44 percent have stay-at-home moms.<sup>6</sup>

## Ending the 2009 improvements to the Earned Income Tax Credit would disproportionately hurt women and their families:<sup>7</sup>

- Nearly 12 million tax filers will have less money in their pockets in 2013 if the EITC improvements expire. More than half of these tax filers are women.
- Women would suffer nearly 57 percent of the estimated \$3.6 billion financial loss in 2013.<sup>8</sup>
- About 96 percent of this financial loss would be borne by families with low to moderate incomes.
- Single parents would lose about \$900 million. About 80 percent of this loss would be borne by single mothers.

- Families headed by married parents would lose nearly \$2.7 billion. This loss would be disproportionately borne by low- and moderate-income married-parent families who would lose nearly \$2.6 billion.

## Ending the 2009 improvements to the CTC and EITC would push working women and their families into poverty:

- In 2010 the CTC and the EITC kept 9.3 million people out of poverty, the majority of whom (4.9 million) were women and girls.<sup>9</sup>
- Of these 9.3 million people, more than one in six – 1.6 million – were lifted out of poverty due to the 2009 improvements to the credits.<sup>10</sup>

### What Are the CTC and EITC and How Were They Improved in 2009?

The **Child Tax Credit (CTC)** is a federal tax credit, worth up to \$1,000 per child, which helps working parents meet the costs of raising children. It is partially refundable, so that parents with low or moderate earnings who pay other taxes but have little or no federal income tax liability also can benefit from the credit.

Parents must have earnings to receive the CTC as a refund. They can receive 15 percent of their earnings above a certain threshold as a refund, up to the \$1,000 per child limit. The 2009 improvement to the CTC set that threshold at \$3,000, so a single mother with three children earning \$14,500 in a full-time minimum wage job is eligible for a credit of \$1,725 (15% x \$11,500 [\$14,500 - \$3,000]). If Congress ends the 2009 improvement, the threshold would rise to \$13,300 in 2013, so the first \$13,300 of a taxpayer's income would not count towards the credit. As a result, a single mother earning \$14,500 would be eligible for a credit of only \$180 (15% x \$1,200 [\$14,500 - \$13,300]). If her hours were reduced so she earned only \$13,000 next year, she would receive nothing from the CTC.

The **Earned Income Tax Credit (EITC)** is a refundable federal tax credit for low- and moderate-income workers. It encourages and rewards work and strengthens families by helping hard-working parents lift their families out of poverty.

The amount of the EITC depends on income, number of children, and marital status. The 2009 improvement increased the EITC by providing a larger credit for families with three or more children, recognizing that larger families face higher expenses. It also reduced the "marriage penalty" the EITC can otherwise impose when two low-wage workers marry by allowing married couples to have additional earnings before their EITC is reduced. For a married couple who each work at minimum wage jobs and together earn \$29,000, these improvements in the EITC are worth an additional \$1,081 in 2013.

- 1 Data retrieved from the Tax Policy Center, Tables T12-0246: <http://www.taxpolicycenter.org/numbers/Content/PDF/T12-0246.pdf> (TPC 0246) and T12-0248: <http://www.taxpolicycenter.org/numbers/Content/PDF/T12-0248.pdf> (TPC 0248). Income adjusted for family size. The term "families" signifies "tax units."
- 2 National Economic Council, *The President's Proposal to Extend the Middle Class Tax Cuts* (July 2012), [http://www.whitehouse.gov/sites/default/files/uploads/middleclassreport\\_7\\_24\\_2012.pdf](http://www.whitehouse.gov/sites/default/files/uploads/middleclassreport_7_24_2012.pdf). The estimated average tax cut for millionaire households does not include the effect of estate tax changes.
- 3 TPC 0246, *supra* note 1 and NWLC calculations based on 2010 American Community Survey (ACS) data courtesy of Steven Ruggles, J. Trent Alexander, Katie Genadek, Ronald Goeken, Matthew B. Schroeder, and Matthew Sobek. *Integrated Public Use Microdata Series: Version 5.0* [Machine-readable database]. Minneapolis: University of Minnesota, 2010.
- 4 This figure includes half of the losses for married couples.
- 5 ACS, *supra* note 3. White, non-Hispanic tax filers comprise 55 percent of these groups.
- 6 ACS, *supra* note 3. A "stay-at-home mom" is a married woman with a child 18 or under living at home, who is not in the labor force but whose spouse is.
- 7 TPC 0248, *supra* note 1 and ACS, *supra* note 3.
- 8 This figure includes half of the losses for married couples.
- 9 Arloc Sherman, Ctr. on Budget & Policy Priorities, *Poverty and Financial Distress Would Have Been Substantially Worse in 2010 Without Government Action* (Nov. 2011), <http://www.cbpp.org/files/11-7-11pov.pdf>. The definition of "poverty" used here refers to a measure based on National Academy of Sciences recommendations, not the official federal poverty line (which does not account for tax credits). Arloc Sherman, Ctr. on Budget & Policy Priorities, *Tax Credits for Working Families Help Women Now and Later* (Mar. 2012), <http://www.offthechartsblog.org/tax-credits-for-working-families-help-women-now-and-later/>.
- 10 Sherman, *Poverty and Financial Distress Would Have Been Substantially Worse in 2010 Without Government Action*, *supra* note 10.