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TAX & BUDGET

Women Suffer Two-Thirds of Losses If Congress Fails to Save Key Provisions of Tax Credits for Working Families

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When Congress considers changes to the tax code, a key priority should be saving critical provisions of the Child Tax Credit (CTC) and Earned Income Tax Credit (EITC) before they expire in 2017. These tax credits encourage and reward work, help families escape poverty, and provide lasting benefits to children. Because women generally earn less than men and are more likely to bear the responsibility of raising children on their own, saving these improvements is especially important to women and their families.

About two-thirds of the $12.6 billion in tax assistance that these provisions of the CTC and EITC provide to low- and moderate-income families goes to women and their families.[1]

What are the Child Tax Credit and Earned Income Tax Credit?

The **Child Tax Credit (CTC)** is a federal tax credit, worth up to $1,000 per child, designed to help 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 Congess fails to save this provision, in 2017 the first $14,700 of a taxpayer's income would not count towards the credit. *As a result, a single mother earning $14,500 would lose the entire child tax credit.*

The **Earned Income Tax Credit (EITC)** is a refundable federal tax credit for low- and moderate-income workers. It is designed to encourage and reward work and strengthen 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 provides a larger credit for families with three or more children, recognizing that larger families face higher expenses. It also reduces 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. If Congress fails to save these provisions, in 2017 a married couple with three children who together earn $29,000 would lose $1,198.

Women and their families would be disproportionately hurt if Congress lets a key provision of the Child Tax Credit expire:

- Over 12.7 million tax filers have more money to support their families because of the CTC improvement. More than two-thirds of these tax filers are women.[2]
- Women receive over 70 percent of the estimated $9 billion in tax benefits from the CTC improvement.[3]
- Virtually all (98 percent) of the tax benefits go to families with low to moderate incomes (in the lowest two-fifths

of the income distribution nationwide). The majority (55 percent) of tax filers in families with low or moderate incomes are white, non-Hispanic; about 45 percent are people of color.[4]

- Single-parent families receive more than $6 billion in tax benefits—and over 80 percent of this gain goes to single-mother families.
- Families headed by married parents gain nearly $2.2 billion, of which $2.1 billion goes to low- and moderate-income married-couple families. Nearly half (44 percent) of low- and moderate-income married-couple families have stay-at-home moms.[5]

Women and their families would be disproportionately hurt if Congress lets key provisions of the EITC expire:

- Nearly 12 million tax filers have more money to support their families because of the EITC improvements. More than half of these tax filers are women.[6]
- Women receive nearly 57 percent of the estimated $3.6 billion in tax benefits from the EITC improvements.[7]
- Virtually all (96 percent) of the tax benefits go to families with low to moderate incomes.
- Single-parent families receive about $900 million—and about 80 percent of this gain goes to single-mother families.
- Families headed by married parents gain nearly $2.7 billion, of which nearly $2.6 billion goes to low- and moderate-income married-couple families. Nearly half (44 percent) of low- and moderate-income married-couple families have stay-at-home moms.[8]

Failing to save key provisions of the CTC and EITC would take thousands of dollars out of the pockets of women supporting their families.[9]

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

- Jessica's family will **lose $1,725** if the CTC improvement expires.
- Jessica's family will **lose $726** if the EITC improvements expire, for a **combined loss of $2,451** 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 will **lose $855** if the CTC improvement expires.
- Nicole and David's family will **lose $1,198** if the EITC improvements expire, for a **combined loss of $2,053** in tax credits.

The EITC and CTC are among the nation's strongest tools to promote work and reduce poverty:

- The EITC and CTC promote work, especially among single mothers, promote higher wage growth in subsequent years, reduce poverty, and improve health, education, and employment outcomes for children.[10]
- Letting the 2009 improvements to the CTC and EITC expire in 2017 would push an estimated 16.4 million people, including 7.7 million children, into or deeper into poverty, according to the Center for Budget and Policy Priorities.[11]

1 Unless otherwise noted, the gains cited in this analysis are for 2013, based on the estimated impact if the 2009 improvements to the CTC and EITC had expired at the end of 2012 (when they were last renewed). 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. In this analysis, the term "families" signifies "tax units."
2 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.
3 This figure includes half of the gains for married-couple families.
4 ACS, *supra* note 2.
5 ACS, *supra* note 2. Women are defined as "stay-at-home mothers" if they are married, have a child 18 or younger living at home, and are not in the labor force but have a spouse who is.
6 TPC 0248, *supra* note 1 and ACS, *supra* note 2.
7 This figure includes half of the gains for married-couple families.
8 ACS, *supra* note 2.
9 NWLC calculations based on interactive chart by Nick Kasprak, Bryann DaSilva, Chye-Ching Huang & Rob Cady, Ctr. on Budget & Policy Priorities, in Chye-Ching Huang, Ctr. on Budget & Policy Priorities, What Would Congress's Inaction Cost Working Families? Find Out (Oct. 2014), http://www.cbpp.org/blog/what-would-congresss-inaction-cost-working-families-find-out#calculator (last visited Apr. 27, 2015). Estimate is if credits expire in 2017.
10 Chuck Marr, Chye-Ching Huang, Arloc Sherman & Brandon DeBot, Ctr. on Budget & Policy Priorities, EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children's Development, Research Finds (Apr. 2015) http://www.cbpp.org/research/federal-tax/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens.
11 Chuck Marr, Bryann DaSilva & Arloc Sherman, Ctr. on Budget & Policy Priorities, Letting Key Provisions of Working-Family Tax Credits Expire Would Push 16 Million People Into or Deeper Into Poverty (Feb. 2015), *available at* http://www.cbpp.org/research/letting-key-provisions-of-working-family-tax-credits-expire-would-push-16-million-people?fa=view&id=4228.