December 15, 2023

Chairman Mike Kelly  Ranking Member Mike Thompson
Subcommittee on Tax  Subcommittee on Tax
1139 Longworth HOB  1139 Longworth HOB
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NWLC Written Statement for U. S. House of Representatives, Committee on Ways and Means, Tax Subcommittee Hearing on Tax Policies to Expand Economic Growth and Increase Prosperity for American Families

Dear Chairman Kelly and Ranking Member Thompson,

The National Women’s Law Center (NWLC) appreciates the opportunity to submit this written statement for the record for the December 6, 2023 Tax Subcommittee Hearing on Tax Policies to Expand Economic Growth and Increase Prosperity for American Families.

NWLC fights for gender justice—in the courts, in public policy, and in our society—working across the issues that are central to the lives of women and girls. We use the law in all its forms to change culture and drive solutions to the gender inequity that shapes our society and to break down the barriers that harm all of us—especially women of color, LGBTQ people, and women and families with low incomes.

Policymakers who are concerned about economic growth and the prosperity of families in this country should take steps to make the tax code more progressive and commit to making robust public investments in women, children, and families.

Making the Tax Code Fairer Would Increase Equity and Stimulate Economic Growth.

Extreme income and wealth inequality, fueled in part by a failed strategy of trickle-down tax cuts, hampers economic growth. While the income tax code’s rate structure is progressive, its overall progressivity has been undermined by tax cuts that overwhelmingly favor the richest households and the expansion of policies that treat wealth preferentially. Commensurate changes to other parts of the tax system—including corporate tax rate cuts and ballooning exemptions to the estate tax—have also fueled income and wealth inequality. The failure of such tax policies to produce robust economic growth and broadly shared prosperity is well-established. Tax policies favoring the wealthy and corporations, moreover, are less likely to
favor households of color and women supporting families on their own because they are overrepresented among low- and moderate-income households (due to systemic discrimination). Such policies not only reflect and further discrimination across our economic systems and structures, but also have hampered investments that ensure that the economy works for everyone, by failing to collect adequate tax revenues over time.

For these reasons, policymakers concerned about economic growth and the fundamental strength of the economy should increase the progressivity of the tax code. Revenues raised by more progressive tax policies could further support a more robust economy, and broadly shared prosperity, if invested in public supports like child care, paid family and medical leave, and aging and disability care, along with refundable tax credits for families.

As an initial matter, policymakers should decline to extend, much less make permanent, the regressive provisions of the Tax Cuts and Jobs Act of 2017 (TCJA) that are expiring in 2025. This legislation, whose benefits overwhelmingly went to the wealthy and big corporations, failed to produce appreciable economic growth while reducing federal revenues by an estimated $1.6 trillion dollars over a ten-year period, and increasing the deficit by nearly $2 trillion. Extending all of the expiring provisions would further reduce federal revenues by an estimated $3.1 trillion over ten years, increasing the deficit by an estimated $3.8 trillion. These costs would be in addition to ongoing revenue losses from the permanent provisions of the TCJA, which along with other tax cuts for the wealthy and big corporations contribute significantly to the increasing debt-to-GDP ratio. Extending expiring provisions of the TCJA that mostly benefit the wealthy would double down on the failed strategy of “trickle down” economics.

Policymakers should also eschew proposals like the Fair Tax Act of 2023, which would reduce federal revenues by $10 trillion over ten years. We can, and should, make different choices.

There are numerous tax policy options that would instead make the tax code more equitable and stimulate economic growth, while raising significant federal revenues. For example:

- **Raise the corporate tax rate.** In 2017, the TCJA permanently slashed the corporate tax rate from 35 percent to 21 percent among other corporate tax cuts. One proposal from the Biden administration would raise the corporate rate to 28 percent, which would raise an estimated $1.3 trillion over ten years. Increasing corporate tax rates would also improve equity in the tax code because households of color are less likely to own corporate stock.

- **Tax income from wealth like income from work.** The design of the individual income tax is intended to take taxpayers’ ability to pay into consideration. Yet billionaires pay an estimated effective tax rate of only 8% annually, compared to higher rates for working people. Forty-one percent of the income received by the richest households in the United States is derived from wealth, rather than from work. Income from wealth, such as capital gains, is generally taxed at a lower rate than the top marginal rate for income from work (20% compared to 37%). Moreover, income from work is taxed when received while capital gains are only taxed when assets are sold, even though economists and tax scholars
recognize that these gains meet the economic definition of income.\textsuperscript{25} This enables the wealthy to borrow against their wealth, or wait to sell until they have other financial circumstances that reduce their tax liability. In addition, wealthy individuals can avoid taxation on their assets if they hold onto them until they die. When the next generation inherits, the asset is valued, for tax purposes, as of the time of inheritance—known as the “step up in basis” or “stepped-up basis.”\textsuperscript{26} This way, the heirs receive the benefit of assets that have grown in value over a lifetime without those gains ever being taxed.

Raising the capital gains rate to match the top rate for income from labor and closing the stepped-up basis loophole is estimated to raise $214 billion over ten years.\textsuperscript{27} Proposals to tax income from wealth annually as it is earned (and used to buy real assets in the economy) could also raise significant revenues. The Billionaire Minimum Income Tax proposed in President Biden’s budget and introduced by Representatives Steve Cohen and Don Beyer\textsuperscript{28} is estimated to raise $437 billion over ten years,\textsuperscript{29} and Senator Ron Wyden’s proposed Billionaires Income Tax could yield $557 billion in federal revenue.\textsuperscript{30} These proposals would also increase equity in the tax code by addressing large and persistent gender and racial wealth gaps.\textsuperscript{31}

- **Tax wealth itself.** Another potential option to ensure that the wealthiest pay a fairer share of taxes\textsuperscript{32} is to institute a wealth tax--an annual tax on the entire value of a taxpayer’s net worth, defined as the total value of all assets minus any debts\textsuperscript{33}--for the richest households. Senator Elizabeth Warren’s wealth tax is estimated to raise up to $3 trillion over ten years.\textsuperscript{34}

- **Strengthen the estate tax.** In the 1920s, the estate tax was implemented to help stem high levels of wealth inequality, but it has not lived up to its promise. Instead, the estate tax has been weakened over time and is now owed by only the top 0.1% of families.\textsuperscript{35} Strengthening the estate tax could raise up to $430 billion over ten years,\textsuperscript{36} and even modest reforms, to return to 2009 levels, are estimated to yield $189 billion.\textsuperscript{37} This would also advance equity, given that “White families are twice as likely to receive an inheritance as Black families, and that inheritance is nearly three times as much.”\textsuperscript{38}

- **Close the carried interest loophole.** This provision privileges compensation for private equity managers by allowing them to characterize their income as capital gains, which are subject to a lower tax rate than ordinary income.\textsuperscript{39} The current treatment of carried interest benefits wealthy workers,\textsuperscript{40} and raises particular equity concerns, given that private equity is a sector that is notoriously lacking in gender and racial diversity.\textsuperscript{41} The Biden Administration has proposed closing this loophole, which would raise an estimated $6.6 billion in revenue over ten years.\textsuperscript{42}

Enacting progressive tax policies like these could stimulate economic growth by reducing economic inequality, especially if the ensuing revenues were invested in long-overdue and much-needed supports for women, people of color, workers with low incomes, and families. In addition, fully funding the IRS would help ensure that revenues owed under the tax code are collected and available to be invested in our shared priorities.\textsuperscript{43}

Tax credits wipe out tax liability, and a refundable tax credit provides a refund if the tax filer lacks sufficient tax liability to use up the full amount of the credit. This allows families with low and moderate incomes, among whom women supporting families on their own and households of color are overrepresented, to benefit. Both the refundable Child Tax Credit (CTC) and the refundable Earned Income Tax Credit (EITC) have a long track record of supporting women, families of color, and families with low incomes. Both credits serve a greater proportion of households of color, though a larger number of white households receive the credits. The income boosts from the CTC and EITC have been proven to support working women, especially single working mothers. Additionally, refunds from the credits have been shown to improve children’s well-being, health, and education outcomes.

In 2021, the American Rescue Plan Act (ARPA) expanded and strengthened three federal income tax credits that benefit families, including the EITC and CTC, and the temporarily refundable Child and Dependent Care Tax Credit (CDCTC). Even under normal economic circumstances, families in need who receive refunds from tax credits like the EITC and CTC tend to spend them quickly—because they need to pay bills or rent, or for other necessities. Researchers in 2021 “estimate[d] that the CTC expansion [alone] will boost consumer spending by $27 billion, generate $1.9 billion in revenues from state and local sales taxes, and support the equivalent of over 500,000 thousand full time jobs at the median wage.”

The Child Tax Credit

The CTC helps families with the cost of raising children and has long been a critical source of income support for women and families. For tax year 2023, the CTC is worth up to $2,000 per child under age 17, and families can receive up to $1,600 of that amount as a refundable tax credit if they have at least $2,500 in earned income. Due to their overrepresentation among families with low incomes, families headed by women of color especially benefit from the refundable portion of the CTC. However, because the CTC is not fully refundable, families with low incomes who have limited or no tax liability—including a disproportionate number of women-headed households and households of color—cannot receive the full value of the CTC.

For tax year 2021, the ARPA made the CTC fully refundable, allowing families with low incomes to benefit from the full credit. The size of the credit was also increased: families received up to $3,600 per qualifying child ages 0 to 5 and up to $3,000 per child ages 6 to 17 (up from the previous age limit of 16). Finally, the ARPA allowed families to receive up to half their CTC credit amount in monthly installments between July and December 2021, with the second half received when they filed their tax returns in early 2022.

The expanded CTC had a tremendous anti-poverty impact, especially for families of color. It lifted 1.5 million women above Supplemental Poverty Measure (SPM) poverty in 2021,
including 575,000 Latinas and 351,000 Black women. Additionally, the monthly payments reduced child poverty by about 30 percent from July-December 2021.

This reduction in poverty was also associated with an increased ability for families to meet their basic needs. Analysis of the Census Household Pulse Survey demonstrated that, while families were receiving advance payments, food insufficiency dropped by almost 20 percent among families with children. Families used their payments to help pay for necessities like groceries, rent, and child care, and Black women and Latinas were especially likely to report using their payments to purchase food. Finally, a national survey found that nearly seventy percent of families who received the advance payments reported that the payments reduced their financial stress—and this percent was even larger among Latinx respondents.

The advance payments also helped parents balance caregiving needs and work. In a national survey, over one-quarter of families who received the payments reported that the payments helped them work more, and Black respondents were twice as likely as white respondents to do so. Parents interviewed for the survey specified that the advance payments helped them pay for transportation and cover the child care they needed to work additional hours. Additionally, a 2023 report by the Treasury Department found that support provided by the expanded CTC contributed to the increase in women’s participation in the workforce in 2021.

*The Earned Income Tax Credit*

The EITC is a refundable tax credit that benefits workers with low and moderate incomes. For tax year 2023, the EITC is worth a maximum of $7,430 for families with children and $600 for families not claiming children for the credit. Eligibility and credit amounts depend on a worker’s income, number of children claimed, and marital status. Women of color and single mothers, who are more likely to be paid low wages, especially benefit from this credit: in 2019, 21 percent of Black women and Latinas benefited (compared to the 9 percent of white, non-Hispanic women who did so).

However, the EITC only provides a very small benefit—or no benefit at all—to workers who do not claim children, including noncustodial parents and parents with older children. In 2020, the average benefit for this group was $295. The EITC for childless workers, moreover, is limited to those ages 25-64, meaning that many younger and older workers are prevented from receiving the credit at all. This harms young adults trying to get a foothold in the workforce; they are generally ineligible for other state and federal benefits and face high rates of poverty. Older adults are also impacted: one in 5 older adults over age 65 is still in the workforce, many for financial reasons, and the earnings of women over age 65 are only 77 percent of older men’s. In fact, childless workers with low incomes are the only group that is pushed into—or further into—poverty by their federal taxes, largely because their EITC is too small to offset their income and payroll taxes. It is estimated that this group comprises almost 6 million workers ages 19 and older.
In 2021, the ARPA addressed these shortcomings by expanding the EITC for workers not claiming children. The maximum credit was tripled, from around $500 to $1,502, and the income limits for claiming the credit were increased from about $16,000 to around $21,000 for single adults ($27,000 for married couples). Additionally, the lower age limit was reduced to 19 in most cases and the upper age limit was removed. These expansions made 11 million people newly eligible for the credit, including 2 million older adults. The 2021 EITC (including both the credit for workers not claiming children and that for families with children) moved 2.6 million people out of SPM poverty, including 946,000 women (180,000 of whom are Black and 434,000 of whom are Latina).

Accordingly, policymakers committed to promoting broadly shared prosperity should permanently expand refundable tax credits, most importantly by making the CTC fully refundable and ensuring that the EITC prevents low-income workers not claiming children from being taxed into poverty. One 2022 study estimated that restoring the ARPA's CTC expansions would increase the number of children eligible for the full credit from 64 percent to nearly 97 percent of all children, including 98 percent of Black and Latinx children. Additionally, it is estimated that restoring full refundability would lift 1.5 million children out of poverty, even without the other CTC expansions. Finally, expanding the EITC for workers not claiming children would provide additional benefit to 17.4 million workers, including one in three young workers. Making these CTC and EITC expansions permanent would also increase equity in the tax code.

NWLC appreciates the opportunity to submit this written statement for the record. Should you have any questions, please do not hesitate to contact Amy Matsui, Director of Income Security and Senior Counsel, at amatsui@nwlc.org.


15 Bobby Kogan, “Tax Cuts Are Primarily Responsible for the Increasing Debt Ratio” (Center for American Progress, March 27, 2023), https://www.americanprogress.org/article/tax-cuts-are-primarily-responsible-for-the-increasing-debt-ratio/.


20 “General Explanations FY 2023,” p. 110.


29 “General Explanations FY 2024,” p. 78.


42 “General Explanations FY 2023,” p. 112.


47 See, e.g., JP Morgan Chase Institute, Tax Time: How Families Manage Tax Refunds and Payments (March 2019), available at https://institute.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/institute/pdf/institute-tax-time-report-full.pdf (showing that even when the economy is not in crisis, families (and especially families with lower incomes) receiving tax refunds increase their spending and reduce their credit card debt).


If the Rescue Plan’s Child Poverty
programming is expanded from its
moderate level of 12.4% to 15%,
related child and dependent care expenses
making the
Continued Outreach Remains Essential” (April 2022),
57 Center for Law and Social Policy, “The Expanded Child Tax Credit is Helping Families, But National Survey Shows
https://www.aarp.org/research/topics/economics/info
aigar.org/federal
64 S. Kathi Brown, “Widespread Support of Tax Relief for Workers Ages 65-Plus,” AARP Research, April 2023,
https://www.aarp.org/research/topics/economics/info-2023/earned-income-tax-credit.html.
65 National Council on Aging, “Get the Facts on Economic Security for Seniors,” June 8, 2023,
66 Center on Budget and Policy Priorities, “Policy Basics.”
67 Chuck Marr, “Another Tax Day Message for Congress: Time to Expand EITC for Adults Without Children,” Center
68 Ibid.
69 Nancy A. LeaMond, “An Age Cap in the Tax Code Harms Older Workers,” AARP, April 13, 2023,
https://blog.aarp.org/fighting-for-you/eitc-age-cap-older-workers.
70 Hassmer et al., “By the Numbers.”
71 Additionally, policymakers can improve the equity of the tax code and help support women and families by making the Child and Dependent Care Tax Credit (CDCTC), which helps families meet their out-of-pocket, work-related child and dependent care expenses, refundable. This would make the credit available to low-and moderate-income families.
73 Chuck Marr, Kris Cox, and Sarah Calame, “Any Year-End Tax Legislation Should Expand Child Tax Credit to Cut Child Poverty” (Center on Budget and Policy Priorities, November 7, 2023),
74 Chuck Marr, “Another Tax Day Message.”