NATIONAL WOMEN'S LAW CENTER
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OCTOBER 2024 FACT SHEET

The 2025 Tax Fight: Expand the Refundable Tax Credits to Support Women and Families

The Tax Cuts and Jobs Act (TCJA) was written and passed by Republican lawmakers and signed by President Trump in 2017. This law overwhelmingly benefits the wealthy at the expense of women, people of color, and families with low and moderate incomes. The law reduced federal revenues by nearly $2 trillion over the first 10 years, concentrating significant public dollars to the wealthiest households and corporations – dollars that could have been used to invest in women and families.

Many provisions of this 2017 tax law are set to expire in 2025. Over the next year and a half, there will be intense negotiations around these provisions – as well as other tax policies. During the 2025 tax debates, advocates should fight to make the wealthiest and big corporations pay their fair share of taxes, expand refundable tax credits for families, and invest our tax dollars to help women and families thrive.

Refundable federal income tax credits, such as the Child Tax Credit (CTC) and Earned Income Tax Credit (EITC), boost families' incomes, increase the well-being of children and adults, and can help reduce racial, gender, and economic inequities. The EITC benefits low- and moderate-income workers and their families, and the CTC helps families meet the costs of raising children. The Child and Dependent Care Tax Credit (CDCTC), which is a nonrefundable tax credit for tax year 2024, helps families who pay out of pocket for child and dependent care in order to work or look for work.

The 2025 tax fight offers an opportunity to implement tax credit expansions proven to support families

For tax year 2021, the American Rescue Plan Act (ARPA) expanded the CTC, including by increasing the amount of the credit, making the credit fully refundable, and providing for advance monthly payments of half of the credit. Additionally, the ARPA increased the amount of the EITC for workers without children at home and made it more available. Finally, the law increased the amount of the CDCTC and made it refundable, making it available to many families with low and moderate incomes for the first time.

Unlike the 2017 law's changes to the CTC, the ARPA changes to the refundable tax credits meaningfully benefited families with low incomes and led to historic reductions in poverty in 2021. According to 2021 Census Poverty Data, the expanded CTC and EITC combined lifted out 9.6 million people out poverty, and helped drive the 46 percent reduction in child poverty in 2021. Surveys show that families used the CTC payments to pay bills, purchase necessities, pay down debt, and replenish savings. The payments reduced food insecurity among households and helped families afford healthier meals for their children. The CTC expansion also had a huge impact on the incomes of single mothers. Before the expansion, single mothers received 11 percent of their income from the CTC; and after the expansion, that number jumped to 20 percent.

The proven success of the ARPA expansions provides a model for changes policymakers should prioritize in the 2025 tax fight. The following policy changes should be prioritized because they would target benefits to the women and families who need them most.

- A fully refundable CTC. Making the CTC fully refundable in 2021 drove the majority of the ARPA's anti-poverty impact and allowed millions of families to benefit from the credit for the first time, including a disproportionate amount of children in families of color and women-headed families. These payments were spent on necessities like food and also helped families pay for child care. However, even a generously expanded CTC would only cover a fraction of families' child care costs and is not a substitute for direct investments in child care.

- Advance monthly CTC payments. Many families preferred receiving advance monthly payments, which made it easier for them to manage their budgets. Restoring the option for monthly CTC payments would help women of color—who were especially likely to use the monthly payments to pay for basic necessities like food and rent—meet their day-to-day needs.

- CTC eligibility for children with ITINs. The 2017 changes to the CTC exclude children with Individual Tax Identification Numbers (ITINs) from being claimed for the CTC, which harms already economically disadvantaged immigrant communities. Expanding eligibility to children with ITINs would allow roughly one million children (many of them "Dreamers") to benefit from the credit.

- Ensure that the EITC reaches more low-income workers without children at home. In 2021, the EITC expansion for childless workers benefited one in three younger workers, who were disproportionately impacted by the pandemic. Restoring the expansion—which includes raising the maximum credit amount, raising the income eligibility so more workers qualify, and expanding eligibility to workers ages 19 and older—would help a broad range of women workers, including women of color, working mothers without eligible children, women workers caring for relatives who are seniors or people with disabilities, and older women approaching retirement. Making the ARPA EITC expansion permanent would benefit about 14 million low-paid working adults.

- A refundable CDCTC. Making the CDCTC refundable in 2021 allowed over 770,000 more families with incomes under $30,000 to receive this tax assistance. Women continue to bear disproportionate responsibility for the care of children, and restoring the refundable CDCTC, in combination with increased direct child care investments, can help them cover the rising cost of child care. This policy is not a substitute for direct investments in care, which are necessary to make care truly affordable, build the supply of care, ensure living wages for care workers, and establish health and safety standards.

- A tax credit for newborns. Research shows that women can experience a dramatic loss of income around a child's birth, impacting their family's immediate and long-term economic security. A tax credit for newborns, received during the first year of a child's life, can help provide a financial boost for families during this time when they are facing additional costs like diapers, car seats, cribs and infant formula. However, this credit should not be considered a substitute for a paid family and medical leave benefit, though it could complement a robust national paid family and medical leave program.

The 2017 law's changes to the Child Tax Credit did not help families that need it most

Policymakers expanded the CTC in the 2017 tax law, but these changes—which expire in 2025—unfortunately benefited households with high incomes rather than the families most in need of support. The 2017 law doubled the size of the CTC from $1000 to $2000 per child, and made families with incomes over $200,000 ($400,000 for married couples) eligible to claim the credit for the first time. While the 2017 law lowered the earned income threshold required to receive a portion of the credit as a refund to $2,500, it did not eliminate this requirement. Additionally, the law limited the refundable portion of the CTC, which prevents many families with low incomes from receiving the full credit. These limitations mean an estimated 19 million children are unable to fully benefit from the CTC under the 2017 tax changes, including roughly 45 percent of Black children and 70 percent of children in families headed by single women.

In the upcoming tax fight, policymakers should allow the prohibition on ITINs eligibility to expire, and should not prioritize extending the 2017 changes to the CTC that benefit wealthy families. Additionally, they should not allow the earned income requirement to rise back to the pre-2017 level and should prioritize making the credit fully refundable. Studies show the families who received the monthly credits in 2021 did not work less than other families. Instead, earned income requirements harm those most in need of support, including taxpayers who are ill or disabled, caretakers between jobs, parents of very young children, and student parents. Additionally policymakers should not enact changes that undercut other benefits that women and families rely on, or undermine their ability to make decisions about if whether or when to have children.

Raising progressive revenues and fully funding the IRS will ensure that expanded refundable tax credits will advance gender and racial equity

To provide more revenues to support expanding refundable tax credits and making other public investments, policymakers should raise revenues from taxing wealthy individuals and large corporations, both of which are not currently paying their fair share under the tax system. The 2025 tax debate is an opportunity to change course and make the tax code more progressive as well as to raise needed revenue. Policymakers should allow temporary provisions from the 2017 tax law that benefit the wealthiest to expire in 2025 as well as go further to make sure the wealthy and big corporations are paying their fair share.

To make sure women and families with low incomes can access the expanded refundable tax credits, the IRS must have sufficient funding for tax credit outreach and support for tax filers claiming the credits. Such funding also significantly increases the revenue the IRS is able to collect. The Inflation Reduction Act of 2022, which passed in August 2022, provided IRS with almost $80 billion in additional funding over ten years; however, this funding has since been reduced. Policymakers should restore the full IRA funding and add additional mandatory funding to ensure that families have the administrative support they need to access their tax credits.

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The expiration of the 2017 tax law in 2025 will provide an opportunity for policymakers to make the tax code more progressive, including by expanding the refundable tax credits to benefit those families most in need of support. Policymakers should build off the ARPA expansions and prioritize refundable tax credit changes that reduce poverty; promote racial and gender equity; and improve the economic, mental, and physical well-being of women and families. These changes would support women, families of color, and families with low and moderate incomes and help build an economy that works for all of us, not just the wealthy few.