

TAX JUSTICE IS GENDER AND RACIAL JUSTICE

Tax policy can be a powerful tool to advance gender and racial justice when it accurately reflects our values and creates room in state and federal budgets to make the investments we need and deserve to thrive. But when policies prioritize tax cuts for wealthy households and corporations or reinforce longstanding assumptions about the labor of women—especially that of women of color—it can impede progress toward gender and racial equity.

The tax code sets the rules that shape our economy, reflecting and perpetuating notions of who and what our society values. Unfortunately, the federal tax code—along with the vast majority of state tax systems—[devalues and disadvantages women and people of color](#) in many ways. By privileging wealth over work in their design and combining policies that make the overall tax system regressive, these tax codes widen [gender and racial wealth gaps](#). Loopholes and decades of unfair tax cuts have allowed the rich to get richer and have left everyone else—especially women and people of color—behind. In fact, in [41 states, the top 1% of earners pay a smaller share of their income in taxes than any other income group](#). And in 34 states, those earning the least pay a higher share of their income in taxes than those with greater means.

Women and women of color [earn lower wages](#), are [more likely to live in poverty](#), and have less wealth than men due to historical discrimination and occupational segregation that have led to significant wage gaps. Structural inequities in the tax code deepen these existing economic disparities and mean that [women are more likely to be taxed at higher overall rates](#) than very wealthy earners, particularly at the state level. In addition, embedded in today's tax code are outdated and often biased assumptions about family structures, marriage, caregiving, and participation in the paid workforce, perpetuating inequalities that harm women, people of color, and families with low incomes.



CASE STUDY: CARE AND THE FEDERAL TAX CODE

One key example of these biases and assumptions is found in how tax codes treat care work: paid and unpaid caregiving for children and adults who require care support. Tax and budget policy inadequately reflects the true value of labor traditionally done by women, including care work—labor that women especially rely on to participate in the paid workforce. As a result, there remains an unmet need for systemic investments in universal child care, paid family and medical leave, and aging and disability care, which all of us need and rely on.

Rather than addressing this unmet need, recent federal tax policy has prioritized cutting taxes for the wealthy—forgoing needed revenue that has left the government unable and unwilling—to make these public investments in care. This means families, especially those headed by women and women of color, have to pick up the slack and manage on their own.

Where the federal tax code does address [child and dependent care](#), it does so through tax benefits that don't meet the need, especially for [families with low or moderate incomes](#). For example, the Child and Dependent Care Tax Credit (CDCTC) is a non-refundable credit for a portion of out-of-pocket care expenses for people who are working or looking for work. Expenses are capped at \$3,000 for one dependent and \$6,000 for two or more dependents, falling far short of reflecting the cost of full-time care—and the credit can only offset at maximum 50% of these expenses. Because it is non-refundable, it gives limited benefit to low-income families who pay low or no taxes. It is estimated that in 2026, the average credit amount for families with [incomes below \\$30,000 will be \\$0](#).

Tax credits for care expenses are, at best, an incomplete response to the care crisis. They do not increase the supply of available care options, or work to increase wages for the care workforce. Policies that are calculated based on out-of-pocket expenses, such as the CDCTC, do not help families who can't find or afford care. Other credits that seek to incentivize employers to offer care benefits, like the 45S (paid leave) and 45F (child care) tax credits have done little to expand the supply of child care and tend to benefit well-resourced employers who

are already in a position to offer these benefits. [Modest changes](#) to these credits in 2025 did nothing to rectify their structural deficiencies.

These limited supports are wildly inadequate, given the systemic investments in care that are needed. All of this reflects underlying assumptions about care that connect to gender and race. Public investments in care supports are too often deprioritized in part because women, children, and people of color—groups whose interest are often underrepresented in policymaking—need them most, and because care work is often seen as the work of women, immigrants, and people of color who are too frequently undervalued in our workforce. Reorienting the tax code to better support care would increase gender and racial equity.

2025 FEDERAL TAX CHANGES MADE THE FEDERAL CODE MORE INEQUITABLE

The federal tax and budget bill passed in July—H.R. 1 or the One Big Beautiful Bill Act (OBBBA)—moved tax policy in the wrong direction. It included \$4.5 trillion in tax cuts that disproportionately benefit those who [already have wealth](#), paid for by stripping away people's access to essential health, food assistance, education, and basic needs programs that help families thrive.

OBBBA not only extended the expiring 2017 tax cuts, but it also expanded tax breaks for wealthy households. Personal income tax cuts, bigger estate tax cuts for wealthy heirs, and bigger tax breaks for pass-through business owners mean more than [70 percent of the net tax cuts will go to the richest fifth](#) of Americans in 2026. The richest 1 percent of Americans will receive an average net tax cut of \$66,000. Those tax breaks for the wealthy dwarf benefits for lower- and middle-income families, [who are projected to receive](#) between \$40 (for the lowest income families) and \$1,500 (for middle income families). These modest tax savings will be more than offset by tariffs that are expected to cost middle income families more than [\\$3,000 each year](#), resulting in a net economic loss for many households across the country. Moreover, the impact of tariffs will be larger at lower income levels, in which families with children, families of color, and families headed by women are overrepresented.

OBBBA provisions advertised as helping families are small or temporary and won't benefit those who most

need the help. While OBBBA increased the federal Child Tax Credit amount, for example, that increase remains only partially refundable and will not be available to many families earning low wages because they don't earn enough to be eligible for the full credit. [An estimated 19 million children](#) will be left behind, while higher-income families will benefit from the full credit increase, adding to the many benefits that the wealthy and well-connected will receive due to OBBBA's passage.

To make matters worse, in order to pay for these enormous tax cuts for the nation's wealthiest, the bill makes major cuts to essential programs, including the Supplemental Nutrition Assistance Program (SNAP) and Medicaid, which is expected to [result in 15 million people losing access to healthcare and cuts to food assistance for 4 million people](#). Alongside program and funding cuts and eligibility restrictions, the OBBBA shifts a larger share of federal program costs onto states. These program cuts and cost-shifting measures will put extraordinary pressure on state budgets and cause billions of dollars in state budget shortfalls across the country. While essential programs like food assistance and health care will be directly hit, budget shortfalls will also impact other programs and services that children and families depend on every day. For example, in Pennsylvania, the federal OBBBA is expected to cost the state \$55 billion over 10 years, an average of \$5.5 billion each year, and more than 10 times the [\\$516 million that Pennsylvania spends on child care and early learning programs each year](#).

From tariffs to program cuts and cost-shifting measures, federal fiscal policies passed this year will result in economic harm that will be disproportionately felt by women and children, particularly [women and children](#) of color. The severe impact on state budgets also increases the urgency for state tax policy to redress the harms this federal policy will cause and raise revenues to protect, feed, fund our schools, and provide healthcare for our families.

STATE ADVOCATES CAN ADVANCE TAX POLICY THAT FURTHERS EQUITY

In the face of federal tax policy that harms gender and racial equity, state tax policy can take a different course. State advocates and legislators can advance gender and racial justice by ensuring the wealthy pay their fair share,

helping narrow gender and racial wealth gaps while ensuring more resources to invest in women, families and communities. In the wake of OBBBA, it is even more crucial for states to mitigate the outsize harms their residents will experience by raising revenue to fill the gaps in essential programs and avoid budget shortfalls. [Each state](#), regardless of political makeup or current tax code, has [key opportunities to address these revenue gaps](#) in ways that advance equity. By increasing the progressivity of state income taxes, increasing taxes on highly profitable, multinational corporations, enacting tax policies that target wealth and high-value property, and by simply rejecting—or [decoupling from](#)—certain federal tax provisions that many states currently mirror, states can raise and protect revenues to invest in programs that kids, families, and communities depend on.

With robust public funding, these supports have the power to reduce poverty and improve economic opportunity and gender equity, including [child care assistance](#) and refundable tax credits like [Child Tax Credits and Earned Income Tax Credits](#). In contrast, as noted above, non-refundable credits provide little to no support for families that need them most, and credits tied to employer-provided care have proven inadequate at best. Even tax credits that directly support low-income families are no substitute for direct care investments, which are necessary to ensure women and families have the care supports they need to thrive and to drive broadly shared economic growth. Lawmakers should feel confident raising the revenues needed for these investments, as [taxing ultra-rich individuals and corporations remains broadly popular](#) in state and legislative districts across the country.

States have the opportunity to chart a different course as they grapple with the effects of OBBBA, and can serve as proving grounds for an inclusive democracy that lifts all of us, particularly women, people of color, and the families and children that need support the most, not just the wealthy few. There are many opportunities to build towards progressivity and ensure adequate, sustainable, and equitable funding for the programs that kids, families, and communities depend on. State policymakers are on the frontlines of ensuring that women and children have the resources they need to build a bright future.