

PRESERVE FAMILY TAX CREDITS

H.R. 6181: Extending the Child Tax Credit & Earned Income Tax Credit



H.R. 6181, introduced in the U.S. House of Representatives by lead sponsor Congressman Richard Neal (MA-2), would extend critical, but expiring, improvements to the Child Tax Credit (CTC) and Earned Income Tax Credit (EITC) through 2013. This bill will preserve these key credits for 13 million families and 26 million children nationwide.

THE IMPORTANCE OF FAMILY TAX CREDITS

The CTC and the EITC represent two of the most important tax provisions for children – helping families meet their children’s basic needs and keeping millions of children from poverty. Both credits have a history of bipartisan support and have only ever been improved, most recently in the 2009 American Recovery and Reinvestment Act, with these provisions temporarily extended in 2010. As Congress considers the broad number of expiring federal tax provisions this fall, the importance of the refundable tax credits for low- and moderate-income families with children cannot be overstated.

Together, the improved version of these credits kept close to 5 million children from falling into poverty in 2010 alone. But these credits do more than boost a family’s income – for the children who receive them, the CTC and EITC are linked to improved school achievement in the short-run and increased work hours and future earnings as adults.

Both credits are also necessary investments for a strong middle class. Close to half of our nation’s children (44%) live in households earning \$44,000 or less. These are hardworking families for whom a tax break through the CTC or EITC could help pay a month’s rent or several months of groceries and clothing for their children.

THE NEED FOR CONGRESSIONAL ACTION

Child Tax Credit

Without Congressional action, the CTC will be cut in half – from a maximum of \$1,000 per child down to \$500 – and the qualifying income threshold will rise significantly, denying access to families on the lowest incomes and threatening the effectiveness of the CTC in combating child poverty.

Earned Income Tax Credit

Without Congressional action, the EITC – long hailed as the federal government’s most successful anti-poverty tool – will fail to recognize families with more than two children. As a result, the credit will no longer acknowledge the increased financial need of larger families and will be unable to target tax relief and support accordingly.

SUPPORT H.R. 6181 TO PRESERVE FAMILY TAX CREDITS

By extending these important provisions, H.R. 6181 ensures that in 2013:

- 16.4 million children will continue to receive the CTC, saving their families an average of \$854;
- 15.9 million children will continue to receive the EITC, saving their families an average of \$530.

In total, close to 26 million children¹ in low- and moderate-income families will continue to be supported with the resources they need to raise healthy children.



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¹ Figures obtained from a July 19, 2012 analysis by Citizens for Tax Justice (CTJ). The total number of children affected by preserving CTC and EITC expansions is less than the sum of children affected by each individual credit because CTJ found 18% of children would benefit from both credits simultaneously. The full analysis can be found at <http://ctj.org/pdf/refundablecredits2012.pdf>.