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April 15, 2013

The Honorable Danny Davis
U.S. House of Representatives
2159 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Diane Black
U.S. House of Representatives
1531 Longworth House Office Building
Washington, D.C. 20515

House Ways and Means Committee Office
1102 Longworth House Office Building
Washington D.C. 20515

Dear Congressman Davis, Congresswoman Black, and members of the House Ways and Means Committee:

I write to you about the importance of the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC). As you consider tax reform, I urge you to ensure these credits are as strong as possible. Specifically, the Ways and Means Committee should:

1. Protect the EITC and CTC from any harmful cuts or changes, particularly any reductions in refundability;
2. Make the current benefit levels permanent, including the 2009 improvements;
3. Improve the EITC's effectiveness by expanding it to childless workers and noncustodial parents; and
4. Lower the CTC's income threshold to \$0 so that parents get credit for every dollar of earning.

The EITC and CTC are two of the most effective anti-poverty programs in the United States. Together they helped lift over 9 million people, including 5 million children, out of poverty. These credits promote work, strong families, self-sufficiency, and economic mobility.

Research shows these credits increase employment. Only working families can receive the credit. In fact, a majority of EITC recipients only receive the benefit for one or two years before moving into higher income brackets. Ultimately, they end up paying more in taxes than they ever

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received in benefits. The EITC and CTC effectively act as springboards into the middle class, working exactly as our anti-poverty programs should.

Moreover, these credits produce positive long-term outcomes in our children and workforce. Children of EITC recipients do better in school, are more likely to attend college, and earn more as adults. Furthermore, infants born to mothers who likely received the EITC in the 1990s (when we saw some of the largest expansions to the credit) had the greatest improvements when it came to low-weight births and premature births.

Congress has enacted important improvements to the EITC and CTC over the last decade, particularly in 2009. However, those improvements are set to expire in five years. The improvements include: (1) additional marriage penalty relief for the EITC, (2) a larger EITC benefit for families with three or more children, and (3) lowering the CTC income threshold to \$3,000 so that families can begin counting earnings below \$13,000 towards the credit. Extending the 2009 improvements past 2012 benefited over 13 million families, including well over 25 million children in 2013 alone. Now is the ideal time to make the current benefit levels permanent because the next five years of those improvements are already paid for.

While the EITC and CTC are extremely effective and efficient provisions of our tax code, Congress can still make them stronger. Their effect on work is impressive, but the benefits are limited mostly to parents with children. Current EITC levels are too small for childless adults and noncustodial parents living at the poverty line even to offset their federal taxes. They are the only Americans taxed into poverty by the federal income tax. Research credits EITC expansions over the past couple decades with increased employment, particularly among single mothers. By expanding the EITC to better assist childless adults and non-custodial benefits, you would be providing a larger incentive for these individuals to work and move up the income scale.

Additionally, lowering the CTC income threshold would help simplify the credit while allowing families to count every dollar earned towards the credit. Currently, families cannot begin to earn a penny of the credit until they have earned \$3,000, and then they can only claim 15% of every additional dollar. If the 2009 improvements expire, they can only begin to earn 15% of every dollar earned above \$13,000. The income threshold combined with the 15% partial refundability make calculating this credit particularly confusing and prevents low-income families from counting all earnings towards the credit.

I ask you to continue the EITC and CTC's long history of bipartisan support. The EITC was enacted under President Ford and expanded under Presidents Reagan, Clinton, Bush, and Obama.

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President Reagan called the EITC the best anti-poverty measure of his administration. Continue the legacy of all these elected leaders and do what you can to protect and strengthen the EITC and CTC in tax reform.

Sincerely,

David Beckmann
President

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