

Statement of David Harris, Children's Research and Education Institute, Inc.

Members of the committee thank you for the opportunity to submit these comments to you about the Child Tax Credit.

Over the next decade, our nation is on course to spend over \$400 billion on the Child Tax Credit, if the expansion in 2001 is extended beyond 2010. It is our single largest child subsidy.

Middle class families receive \$1,000 back on their taxes for each child. The families of approximately 20 million children – ¼ of all children - are ineligible for the full credit because they pay too little in income taxes to receive \$1000 back.

Workers are only eligible for the CTC if their earnings are above \$11,300. As such, a single earner family working full-time, full-year is currently ineligible for even a partial child credit.

The vast majority of children who do not get the full credit are in working families. This group includes approximately ½ of all African-American and Hispanic children.

Those left out of the full credit include the families who make up the backbone of America – the families of our armed service members, waitresses, farmers, home health care workers, among others.

Those fighting in Iraq and Afghanistan represent one of the most vivid illustrations of why this policy needs to be fixed. On Friday, November, 24, 2006, the Washington Post reported that according to the Pentagon, more than 16,000 single mothers have served in Iraq. Many of these women remain ineligible for the full Child Tax Credit even as many of their better compensated neighbors receive the full \$1,000 per child.

Clearly the CTC should reach as many families as possible. Getting rid of the indexed threshold, would address these inequities, in a way that is consistent with encouraging work and marriage.

There exists a wide range of options to expand eligibility of the Child Tax Credit ranging from the 1990 National Commission on Children chaired by Senator Jay Rockefeller plan to make it fully refundable (which lost on a party line vote in the House Budget Committee in 2003) to Senator Lincoln's 2003 proposal to lower the threshold to \$5,000 (which lost 49-51 on a procedural vote in 2003) to Senators Lincoln and Snowe's recent effort to deindex the Child Tax Credit at \$10,000.

Additionally, there was a regional option, in legislation offered by Representatives Rangel and DeLauro that would have eliminated the child tax credit threshold for families affected by Katrina.

Since the real value of the CTC continues to erode for working families and shrinks even in nominal terms for many low-income families, another option could be to index the \$1000 credit and simultaneously expand the credit for more working families. This policy would be achieved by eliminating the CTC threshold.

The Child Tax Credit (CTC) should be made available to the children of all working families. If you work full-time, you should get the full credit. If you work part-time, you should get a partial credit. And, if you don't work, you don't get a credit.

Furthermore, this proposal rewards work and marriage. The more you work, the larger the credit you get. If you are employed full-time, you will get the full \$1000 for your first child. A reformed child tax credit would achieve this goal, while simplifying the tax code and adding the most children – helping the families of over 14 million children.
