Subtitle G. Recommendations Related to Promoting Economic Security

Part 1. Additional Economic Impact Payments

A. Background

These payments are targeted to provide immediate cash relief to those struggling with unmet need during the coronavirus pandemic.

- While corporations and wealthy shareholders have fared well through the pandemic, the economic fallout of the pandemic has disproportionately affected middle- and low-income communities and communities of color.
- In January of 2021, 11% of adults reported not getting enough to eat in the past seven days, compared to only 3.4% of adults over the course of the twelve months leading up to the pandemic.
- Food insecurity disproportionally affects those with children. Nearly one in six households with children reported not being able to get enough to eat.
- One in five renters report not being caught up on rent, and renters of color were disproportionately likely to report that they were not caught up on rent compared to white renters.

B. Overview

This legislation provides immediate relief to low- and middle- income individuals and families by providing an additional $1400 economic impact payment for each taxpayer and each dependent. Unlike the 2020 economic impact payments, taxpayers will receive a payment for each dependent, not just for children.

Payments will be targeted to low- and middle-income recipients, including those experiencing an income shock in 2020

- Payments will be determined based 2019 or 2020 income, based on the most recent taxpayer information processed by the IRS. For taxpayers that do not initially qualify for a payment based on 2019 income, the IRS will issue an addition round of payments for those who then qualify based on 2020 income at the close of filing season.

- Individuals with adjusted gross income of up to $75,000 ($112,500 for head of household, $150,000 for joint filers) will be eligible to receive the full amount.
- Eligible Social Security, Railroad Retirement Board (RRB), and VA Beneficiaries not otherwise required to file tax returns will NOT need to file with the IRS to receive payments.

These payments will be provided to mixed status families, including undocumented parents with citizen children

- This legislation ensures mixed status families will qualify to receive payments for each family member with a Social Security Number.
- For mixed-status families where only one spouse has a SSN, that family will receive $1,400 for that spouse and $1,400 per dependent with a SSN. For families where neither parent has an SSN, that family will receive a payment for each dependent with a SSN.

Part 2. Expanding and Improving the Child Tax Credit for Low- and Middle-Income Families

A. Background

The CTC is an important tool for reducing child poverty and lessening the burden of raising children for low- to moderate-income families.

- The CTC kept about 1.6 million children out of poverty, and lessened poverty for an additional 6.7 million children in 2017.
- Refundable credits like the CTC help children score better in elementary and middle school, and these children are more likely to attend college. A few thousand dollars goes a long way: for families with children under the age of 5, receiving an extra $3,000 per year is associated with children earning 17 percent more in annual income as adults.

However, the CTC currently leaves behind one-third of children, who live in families who earn too little to receive the full credit.

- The 2017 Republican tax law left out the most vulnerable families, who can only receive up to $1,400, the refundable portion of the credit, compared to $2,000 for other families.
- The refundable child tax credit phases in with earned income above $2,500. This means that, at the $1,400 credit level, a parent would have to earn over $21,000 per year to receive the full benefit of the credit. The poorest and most vulnerable families receive the least.
- Roughly 27 million children, or one-third of all children in families eligible for the CTC, live in families that don't earn enough to receive the full credit. Roughly half of Black and Latino children do not receive the full child tax credit.
- A single mother with two children working full-time at the minimum wage is eligible for $900 per child, less than half the full credit.

Cash Infusion is Critical for Low-Income Families During COVID-19

- Between February 2020 and January 2021, the economy shed over ten million jobs. The pandemic has been financially devastating for households of all types, but it has exacted a disproportionate toll on households with children. Since last March, households with children under 18 have been more likely to experience income loss and food insecurity, and they have been twice as likely as other households to fall behind on rent payments.
- The most recent Census Bureau data from January 6-18 show that 54 percent of the people living in U.S. households with children present have lost income since the beginning of the pandemic, while 43 percent households without children have.
- In January, households with children were twice as likely to be late paying rent (28.6 percent) than households without children (12.8 percent).
- 13 percent of households with children under 18 reported sometimes or often not having had enough food to eat during the previous week, and 7 percent of households without children did.

B. Overview

This bill makes a robust investment in alleviating child poverty by increasing the Child Tax Credit (CTC) to $3,000 per child ($3,600 for children under 6), making the credit fully refundable for families who currently make too little to receive the full credit, and providing for the IRS to pay out the credit in advanced monthly payments.

This proposal removes this barrier to the CTC by making the credit fully refundable for 2021, allowing all families to receive the full credit of $3,000 per child and $3,600 per child under the age of 6.

- This proposal would lift 7.1 million people, including 4.1 million children, above the poverty line. It would lift another 12.3 million poor people, including 5.8 million children, closer to the poverty line.

This proposal provides for the Treasury Department to pay out the CTC through advanced monthly payments, effectively creating a "Child Allowance" for qualifying families.

- Providing the credit through advance payments would allow families to use the credit to help meet expenses and unmet need during the COVID-19 pandemic, rather than forcing families to wait to realize the value of the credit in a lump sum amount.

Part 3. Enhancing the EITC for Workers Without Children

A. Background

The EITC is a proven, bipartisan program with a record of combating poverty and encouraging work.

- Research consistently shows that previous EITC expansions increased employment and labor force participation. One study shows that 60 percent of the increase in annual employment of single mothers between 1984 and 1996 is attributable to the EITC.
- The EITC is the one of the largest anti-poverty programs in the U.S., keeping over 5.6 million people out of poverty in 2018, including 3 million children.
- The EITC stimulates local economies. EITC recipients spend their credits on food, transportation, and other goods and services in their communities shortly after receiving them.
- The EITC is bipartisan. The EITC was initially proposed, supported, and expanded by Republican policymakers.
- The EITC boosts earnings and employment for low-income women. The Congressional Budget Office estimated that the EITC increased lifetime average earnings for women with a high school degree by 17 percent and increases the likelihood that women will qualify for Social Security benefits on their own.

Workers without children have been left behind.

- Since the last expansion of the EITC for childless workers in 1993, the poverty rate for non-elderly adults without children has plateaued while falling substantially for all other groups.
- The 2017 Republican tax law completely failed to touch the EITC, which has not been substantially modified since the *American Recovery and Reinvestment Act of 2009* when Congress increased the credit for married couples and to families with 3 or more children.
- The EITC for workers without children has not been updated in 27 years, aside from inflation adjustments. Currently, the maximum credit for a worker without children is extremely small—only $543, less than 10 percent of the maximum credit for a worker with children.
- Workers without children are the only taxpayers that are taxed into poverty from the combination of federal income and payroll taxes. Today, more than 6 million workers aged 19 and above are taxed into or deeper into poverty by federal taxes (excluding full time students age 19-24) including 1.0 million Black childless adults and 1.5 million Latino childless adults.

Although we say "childless workers", in many cases we are still talking about families.

- Many individuals who claim the "childless EITC" either do not have custody of their children or are not the primary caregiver of a child in a shared custody agreement.
- Noncustodial parents love their children and contribute to their wellbeing of their children in a number of ways beyond formal custody, including shared parenting, formal child support payments, financial support other than child support payments, and in other less formal ways such as in-kind support.
- Providing financial support to non-custodial parents through an expanded "childless EITC" ensures that non-custodial parents are able to make ends meet and help support their children.

B. **Overview**

This bill dramatically expands the Earned Income Tax Credit (EITC) for workers without children for the first time in 27 years, providing much needed relief for workers and stimulus for local economies during the COVID-19 pandemic. This proposal would be the largest expansion of the EITC since 2009.

This proposal would provide real relief to working Americans struggling in today's economy, expanding both the generosity and eligibility for the credit.

- This proposal would nearly triple the maximum credit, and extend by a third the maximum income, one can earn to receive some credit.
- This proposal would make our tax code better reflect the reality of today's young workers by allowing 19- to 24-year-olds who are not full-time students to claim the credit, and would eliminate the age limit preventing seniors from accessing the credit.
- In the event a worker's income fell due to the COVID-19 pandemic, this proposal would allow an election to claim a more generous credit based on 2019 income.

This proposal is necessary in a Coronavirus relief package

- Criticisms that this is not "money going out the door in 2021" are misguided
- The pandemic will have a long-lasting impact on the economy. It is clear that additional income supports will be necessary well after this coronavirus relief bill is enacted.
- Enacting this provision in 2021 will ensure that this particularly vulnerable population of low-income taxpayers will have continued support in calendar year 2022.

Part 4. Helping Families Access Quality Child Care

A. Background

The COVID-19 pandemic has exacerbated the inequality of access to access to quality, safe, and affordable child care. Increased access to quality child care leads to more employment, higher earnings, and better outcomes for children. This bill puts child care within reach for more working families by expanding the child and dependent care tax credit.

Working families struggle to fit quality child care into family budgets.

- Paying for child care reduces income for middle-class working families by an average of 5% to 7% each year, and often forces them to choose lower-quality care or lower-paid jobs.
- The average middle-class family using paid child care spends between $5,000 and $10,000 a year—$400 to $800 a month—and receives little or no help offsetting the cost.
- High-quality child care, infant child care, child care in high-cost areas, and child care provided outside of normal business hours can cost substantially more – sometimes over $20,000 a year.

Expanding access to quality child care increases workforce participation and reduces child poverty.

- High-quality early learning and care is proven to increase employment, earnings, and educational achievement for parents and for their children later in life. For every dollar spent, these programs can generate as much as $5.98 to $10.15 of benefits to society.
- The National Academy of Sciences (NAS) recently estimated that improving access to direct and tax code subsidies that reduce out-of-pocket child care costs would add more than half a million workers to the economy – a 2% increase in employment for every 10% reduction in out-of-pocket child care costs.
- The NAS projected that child care access improvements alone could reduce child poverty by more than one-fourth over the next decade, and identified child care improvements as one of the most cost-effective approaches to reducing poverty.

B. Overview

Expanding the child and dependent care tax credit (CDCTC) creates fairer access to this tax benefit and makes child care more affordable for families by increasing reimbursement of child care costs through the tax code.

- The 2017 TCJA failed to expand child care incentives for families; This proposal makes the CDCTC refundable, allowing many low- and middle-income families to claim the credit for the first time while increasing the benefit for those already eligible to claim the credit.
- Under this proposal, families making up to $125,000 would be able to receive a credit for half of their first $16,000 child care expenses. Families making up to $400,000 would be able to receive a credit for at least 20% of their first $16,000 in child care expenses.
    - Allows families to claim a credit for up to half of their expenses, up from one-third.
    - Increases the amount of expenses that can be counted from $6,000 to $16,000.
    - Extends a more generous credit to families up to $125,000 instead of phasing down starting at $15,000.

Part 5. Paid Family and Medical Leave Credits

This legislation extends the paid leave credits passed in the Families First Coronavirus Relief Act through the end of September 2021, to help employers provide coronavirus related paid leave through the pandemic.

Expanding support for employer provided paid medical and family leave.

- This proposal increases the per-employee limitation on wages for which an employee can claim paid family leave from $10,000 to $12,000.
- This proposal provides for an additional 10 days of paid sick leave. Beginning in April, the 10 day per-employee limit for the sick leave credit resets, allowing employers to claim the credit for employees who previously used sick leave
- The legislation extends medical and family leave credits for self-employed workers, including self-employed workers in the gig economy.

Part 6. Employee Retention Credit

A. Background

As noted above, between February 2020 and January 2021, the economy shed over ten million. While we work to address the ongoing public health crisis and economic recovery, it is important that coronavirus relief legislation continue to preserve the employer/employee relationship for businesses and workers most affected by the pandemic. Millions of Americans rely on their employer to provide healthcare, retirement saving, child care, and other benefits.

B. Overview

The employee retention tax credit (ERTC) provides employers with an incentive to retain workers or hire workers by providing a 70% credit on qualified wages paid to an employee by an eligible employer. Per-employee creditable wages are capped at $10,000 per quarter. The ERTC was first enacted in the CARES Act and was modified and extended through June 30, 2021 in the 2020 year-end omnibus bill. This legislation further extends the ERTC through December 31, 2021 to support working families through the pandemic.

Part 7. Improvements to the Affordable Care Act

A. Overview

This section expands access to the Affordable Care Act's (ACA) premium tax credits for 2021 and 2022 by reducing the individual or family's share of premiums in the subsidy calculation. The section also eliminates the subsidy cliff at 400% of the federal poverty level phasing out the premium credit available to taxpayers above 400 percent of the federal poverty line (FPL). An individual's or family's modified share of premiums applicable for 2021 and 2022 would be based on percentage of household income, ranging from 0.0 percent of household income (from 100 percent of FPL up to 150 percent of FPL) up to 8.5 percent of household income, determined on a sliding scale.

B. Background

Under the Affordable Care Act (ACA), consumers who enroll in any qualified health plan offered in the Marketplaces may receive financial assistance through premium tax credits, which are based on income and family size. Advance payments of premium tax credits (APTC) play an important role in ensuring that health insurance coverage is affordable for consumers.

Under current law, individuals with incomes between 100 percent of the Federal Poverty Line (FPL) and 400 percent of FPL[1], the ACA specifies the share of income that households are expected to pay toward benchmark silver plan. APTC provides assistance with the difference between the actual cost of the benchmark plan and this specified share of income. Put another way, APTC is the amount that allows consumers to purchase the benchmark plan for no more than the specified share of income. Almost 9 out of 10 Marketplace place enrollees received APTC to help with the cost of coverage. The average monthly APTC in 2019 was $544.

Even with current APTC policy, premiums remain a significant barrier to coverage for many Americans. For the many Americans who earn incomes above the current 400 percent of FPL and therefore do not qualify for assistance, the full cost of premiums would constitute a high percentage of their income. Additionally, under current law while an individual at 400% FPL qualifies for a subsidy, and individual at 401% FPL does not, creating a cliff rather than a smooth transition.   For others, the available subsidies are not enough to make coverage affordable with competing expenses such as housing, child care and food. Increasing the generosity of APTC can both increase the number of people with insurance coverage as well as lowering the health care–related financial burdens for many people already enrolled in Marketplace coverage.

[1] There are a very limited number of individuals whom are eligible for advanced premium tax credits below 100 percent of the Federal Poverty Line.

Part 8. Miscellaneous Provisions

A. Overview

Repeal of election to allocate interest and other expenses on a worldwide basis

This legislation repeals the election allowed for tax years starting in 2021 to allocate interest by looking through foreign subsidiaries. The election was first passed into law in 2004 with a delayed effective date. Since the provision was first included in the Code, its effective date has been repeatedly delayed. The worldwide expense allocation provisions of current law would be difficult for Treasury and the IRS to implement because of changes to the international tax rules since 2004 that the provision was never updated for. As a result of the repeal, companies will see no change compared to the policy that was in effect in 2020 and earlier years; however they will not have the opportunity to make an election that could further reduce their taxes.

Tax Treatment of EIDL and Restaurant Revitalization Grants

The legislation supports restaurants and small businesses receiving federal grants by excluding Small Business Administration Economic Injury Disaster Loan grants and Restaurant Revitalization grants from income, while allowing these businesses to maintain tax benefits otherwise associated with expenses paid with these grants.