



United States House Committee on

Ways & Means

CHAIRMAN JASON SMITH

Correcting the Record: Work Incentives and the Child Tax Credit

Tax experts agree that child tax credit changes in the *Tax Relief for American Families and Workers Act* reward work, consistent with prior GOP tax reform

- Republicans rejected demands to eliminate work requirements as part of the tax bill.
 - The bill retains the pro-work structure created during GOP tax reform.
 - The \$2,500 minimum income requirement for the child tax credit remains in place.
 - The refundable portion of the child tax credit is phased in as income is earned above the \$2,500 threshold, consistent with the structure of the 2017 GOP tax reform.
- Economists confirm that the child tax credit changes in the bill encourage growth in jobs and hours worked:
 - Experts at the nonpartisan Joint Committee on Taxation determined, “the proposed expansion of the child tax credit on net increases labor supply.”
 - American Enterprise Institute notes, “the larger overall credit would increase the returns to work and encourage individuals to enter the labor force.”
 - Bipartisan Policy Center writes, “increasing the phase-in for the child tax credit and enhancing its refundability are two ways to increase work incentives... especially [for] those lower on the income ladder.”
 - Niskanen Center concludes, “Parents cannot drop out of the labor force altogether and continue to receive the credit each year. The idea of some parents gaming the system by jumping into and out of work every other year defies common sense and what we know about the hiring process.”

Large and growing families receive the biggest benefit from the child tax credit changes

- The *Tax Relief for American Families and Workers Act* also includes pro-family and pro-life changes that eliminate the existing penalty on large families.
 - Joint Committee on Taxation analysis shows that over half of the cost of the child tax credit changes relates to elimination of the penalty on large families.
 - In contrast, the one-year lookback is the smallest change, accounting for less than five percent of the cost of the changes – just \$750 million per year.
- Pro-life organizations including Concerned Women for America, Susan B. Anthony, Eagle Forum, and National Association of Evangelicals, have come out in strong support of the pro-work, pro-family child tax credit in this tax package.