



**Written Statement
of the
Children's Defense Fund**

**Hearing on
Tax Relief to Support Workers and Families
During the COVID-19 Recession**

**Before the
Subcommittee on Select Revenue Measures
of the
Committee on Ways and Means
U.S. House of Representatives
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On behalf of the Children’s Defense Fund (CDF), we write to offer testimony on the need to support children and families with direct cash payments and expanded refundable tax credits throughout the COVID-19 pandemic and the attendant economic downturn. CDF appreciates the opportunity to submit testimony on behalf of children in the United States, especially low-income children, young children, children of color, children with disabilities, immigrant children, and children and youth involved in the child welfare or juvenile justice systems. CDF has been advocating for children for 47 years and seeking strong support for families through passage of laws and implementation of rules, programs, and services in their best interest. CDF’s Leave No Child Behind® mission is to ensure every child has a Healthy Start, a Head Start, a Fair Start, a Safe Start, and a Moral Start in life and successful passage to adulthood with the help of caring families and communities.

The COVID-19 pandemic has hit families with children particularly hard.

According to the U.S. Census Bureau’s Household Pulse Survey, 55 percent of households with a child under the age of 18 had at least one adult lose employment income since the start of the COVID-19 pandemic.¹ One in eight households with children reported not having enough to eat during one week in June; for Black families that rate was one in five.² More than one fifth of renter households with children did not pay their rent in June and could face eviction³; more than one third of the same household have little or no confidence that they will be able to pay the rent in July.⁴

These rates are even more acute for Black and Latinx families who are experiencing higher levels of job and income loss, economic inequality, and health insecurity. The Department of Labor’s May jobs report showed a slight improvement in the unemployment rate overall, but the unemployment rate rose to 16.8 percent for Black workers, compared to 12.4 percent for white workers.⁵ And although unemployment went slightly down for Latinx workers in May, it is still stubbornly high at 17.6 percent.⁶

Families with children need direct cash assistance during the pandemic.

As so many families with children have lost income, the cost of raising children has remained high. Federal estimates show the monthly cost of raising a child—including housing, food, clothing, health care, child care and education, among other things—ranges between \$1,000 and \$2,000 a month.⁷ Unsurprisingly, nearly two-thirds of families with children that received cash assistance through the CARES Act have used or plan to use that money on basic expenses like food and housing.⁸

The CARES Act provided one-time direct cash payments of up to \$1,200 per adult and \$500 per

¹ U.S. Census Bureau Household Pulse Survey, Week 7. Employment Table 1.

² U.S. Census Bureau Household Pulse Survey, Week 7. Food Table 3b.

³ U.S. Census Bureau Household Pulse Survey, Week 7. Housing Table 1b.

⁴ U.S. Census Bureau Household Pulse Survey, Week 7. Housing Table 2b.

⁵ Casselman, Ben. “What to Make of the Rebound in the U.S. Jobs Report.” *New York Times*. June 5, 2020. <https://www.nytimes.com/2020/06/05/business/economy/jobs-report.html>

⁶ *Id.*

⁷ Lino, Mark, Kevin Kuczynski, Nestor Rodriguez, TusaRebeca Schap. “Expenditures on Children by Families, 2015.” U.S. Department of Agriculture. 2017. https://fns-prod.azureedge.net/sites/default/files/crc2015_March2017_0.pdf

⁸ U.S. Census Bureau Household Pulse Survey, Week 7. Stimulus Table 1.

child to households meeting certain income and citizenship requirements. This one-time payment helped lift many families out of poverty throughout the spring of 2020⁹, but millions more families received no cash assistance and were left behind. Researchers at Columbia University have estimated that only 63 percent of Americans live in households that received a direct cash payment because they were excluded from eligibility¹⁰, and as many as 35 million people eligible for the payments have not yet received them due mostly to administrative hurdles.¹¹ Those who were excluded from the payments are disproportionately people of color, immigrants, and young adults; 10 million teens and young adults aged 17 to 24 were excluded from the cash payments and in families who are more likely to be living in poverty.¹²

The HEROES Act, as passed by the House of Representatives, would provide a great deal of additional help for children. The bill provides for a second round of direct cash assistance payments of \$1,200 for each adult and dependent (up to three dependents).¹³ In addition, individuals who file tax returns using either an ITIN or an SSN would be eligible to receive payments. It also modifies the CARES Act retroactively to expand eligibility to many groups who were excluded from the initial round of payments. These retroactive improvements would go a long way towards increasing assistance to families supporting older children and immigrant families who were left behind by the CARES Act. The Institute for Taxation and Economic Policy estimates that more than 4.3 million adults and 3.5 million children would benefit from the retroactive expansion of eligibility for the CARES Act payment as well as the additional round of payments.¹⁴

The HEROES Act Economic Impact Payments (EIPs) are a step in the right direction, but CDF believes that a truly adequate cash assistance program must:

- Provide \$2,000 per month for adults and children with no caps on the number of dependents;
- Be paid out monthly until the economic crisis subsides;
- Go to everyone in need, especially low-income families, underbanked communities, and those who did not qualify for the first round of payments.

⁹ Parolin, Zachary, Megan A. Curran, and Christopher Wimer. "The CARES Act and Poverty in the COVID-19 Crisis: Promises and Pitfalls of the Recovery Rebates and Expanded Unemployment Benefits." Center on Poverty and Social Policy at Columbia University. 2020. <https://static1.squarespace.com/static/5743308460b5e922a25a6dc7/t/5eefa3463153d0544b7f08b4/1592763209062/Forecasting-Poverty-Estimates-COVID19-CARES-Act-CPSP-2020.pdf>

¹⁰ *Id.*

¹¹ "Economic Impact Payments Issued to Date" House Committee on Ways & Means. 2020. <https://waysandmeans.house.gov/sites/democrats.waysandmeans.house.gov/files/documents/2020.06.04%20EIPs%20Issued%20as%20of%20June%204%20FINAL.pdf>

¹² Curran, Megan A. and Sophie Collyer. "Teenage and Young Adult Dependents Left Out of Cash Payments in the COVID-19 Crisis." Center on Poverty and Social Policy at Columbia University. 2020. <https://static1.squarespace.com/static/5743308460b5e922a25a6dc7/t/5ed5264a0e59687e73ee827a/1591027279060/Dependents-CARESAct-COVID19-CPSP-2020.pdf>

¹³ Text of HEROES Act, <https://appropriations.house.gov/sites/democrats.appropriations.house.gov/files/documents/Heroes%20Act%20Bill%20Text.pdf>

¹⁴ Wiehe, Meg and Lisa Christian Gee. "Analysis: How the HEROES Act Would Reach ITIN Filers." Institute on Taxation and Economic Policy. 2020. <https://itep.org/analysis-how-the-heroes-act-would-reach-itin-filers/>

Improvements to refundable tax credits are also need to provide additional support to families with children as the economic crisis continues.

The Child Tax Credit (CTC) and the Earned Income Tax Credit (EITC) are two of the most effective anti-poverty programs currently in existence. According to the Supplemental Poverty Measure (SPM), the CTC lifted approximately 4.3 million people out of poverty in 2018, including about 2.3 million children.¹⁵ The EITC lifted more than 3 million children out of poverty in 2018, nearly three in four of whom were children of color.¹⁶ These refundable tax credits are proven to improve health and educational outcomes for children, with the greatest benefits accruing to the youngest and poorest children.¹⁷

With the country poised to enter a prolonged economic downturn, Congress should ensure the full potential of the CTC and the EITC to lift more families out of poverty. At the height of the Great Recession in 2009, Congress provided relief to families with children by expanding the refundable portion of the CTC in the American Recovery and Reinvestment Act (AARA).¹⁸ The HEROES Act would make several crucial improvements to the CTC and the EITC that would provide an additional boost at tax time in early 2021, when unemployment is still likely to be high and the economy stagnant. Given that refundable tax credits primarily benefit low- and moderate-income households, and that families with children and families of color are overrepresented among such households, these expansions of refundable tax credits would also be well-targeted to those most in need and promote racial equity.

The CTC must be increased and made fully refundable to help families weather this crisis.

The CTC, enacted in 1997 and updated several times since, helps families cover the costs of raising children by providing a tax credit of up to \$2,000 per child under the age of 17 and up to \$500 for other dependents. The CTC is not only one of the largest federal expenditures for children, but also a powerful poverty reduction program. In 2018, the Child Tax Credit lifted 2.3 million children out of poverty entirely and reduced poverty for 5.8 million more.¹⁹ However, many children and families in need miss out on these effects due to a few key flaws in the current CTC.

In 2017, through the Tax Cuts and Jobs Act, Congress increased the maximum credit up to \$2,000, but left out low-income children and families.²⁰ In total, 26 million low- and moderate-income families were left out of the \$1,000 increase, while families earning up to \$400,000 per

¹⁵ Fox, Liana. "The Supplemental Poverty Measure: 2018." U.S. Census Bureau. 2019. <https://www.census.gov/content/dam/Census/library/publications/2019/demo/p60-268.pdf>

¹⁶ "Policy Basics: The Earned Income Tax Credit." Center on Budget and Policy Priorities. 2019. <https://www.cbpp.org/research/federal-tax/policy-basics-the-earned-income-tax-credit>

¹⁷ Sherman, Arloc and Tazra Mitchell. "Economic Security Programs Help Low-Income Children Succeed Over Long Term, Many Studies Find." Center on Budget & Policy Priorities. 2017. <https://www.cbpp.org/research/poverty-and-inequality/economic-security-programs-help-low-income-children-succeed-over>.

¹⁸ "Making the EITC and CTC Expansions Permanent Would Benefit 13 Million Working Families." Citizens for Tax Justice. 2015. <https://www.ctj.org/making-the-eitc-and-ctc-expansions-permanent-would-benefit-13-million-working-families/>

¹⁹ "Policy Basics: The Child Tax Credit." Center on Budget and Policy Priorities. 2019. <https://www.cbpp.org/research/federal-tax/policy-basics-the-child-tax-credit>

²⁰ LaJoie, Taylor. "The Child Tax Credit: Primer." Tax Foundation. 2020. <https://taxfoundation.org/child-tax-credit/>

year are *still* eligible for the full \$2,000 CTC.²¹ In other words, a program meant to benefit needy children leaves out our nation’s lowest-income families while benefiting wealthier families much more. On average, low-income families receive \$1,700 less from the CTC than middle-income families.²²

Under current law, the lowest income families do not qualify for the full CTC because they make too little. Families earning less than \$2,500 are ineligible for the CTC and those earning between \$2,500 and \$30,000 are eligible for only partial credits due to the flawed phase-in rate.²³ In addition, many low-income families are subjected to a harsh cap on the refundable portion of the credit at \$1,400, which effectively reduces the value of the credit for families who are eligible for a CTC that exceeds their federal income tax liability.²⁴

Due to these shortcomings in the current law, more than one-third of American children—23 million in total—miss out on the full value of the CTC, mostly because their families do not make enough money to qualify under current eligibility.²⁵ Children of color are more likely to miss out on the full benefit; more than 50 percent of Black and Hispanic children are ineligible for the full CTC, compared with only 23 percent of white children. Shamefully, almost one in five Black children receives nothing at all through the CTC.²⁶ In addition, the 2017 tax law requires a Social Security Number (SSN) for children claimed for the CTC. This prevents about one million children from receiving the credit.

The HEROES Act would correct these flaws for tax year 2020 by making the full credit available to children in families with very low income or even no income at all. In addition, the HEROES Act would increase the amount of the CTC to \$3,600 per child under age 6 and \$3,000 per child up to age 18. Estimates show that the HEROES Act expansions would dramatically reduce the child poverty rate, especially for Black children.²⁷ The HEROES Act would also direct the Treasury Department to design a program under which the Child Tax Credit could be paid in advance, which would provide families with children with additional resources before the spring of 2021 and the HEROES Act would expand the CTC for families in Puerto Rico and other territories.

An expanded CTC will reduce child poverty and racial disparities and bolster our economy during this crisis and beyond. Any future relief package from Congress must include these changes to the Child Tax Credit and make them permanent:

²¹ “2017 Tax Law’s Child Credit: A Token or Less-Than-Full Increase for 26 Million Kids in Working Families.” Center on Budget and Policy Priorities. 2018. <https://www.cbpp.org/research/federal-tax/2017-tax-laws-child-credit-a-token-or-less-than-full-increase-for-26-million>

²² “Briefing Book: Can Poor Families Benefit from the Child Tax Credit.” Tax Policy Center. 2020. <https://www.taxpolicycenter.org/briefing-book/can-poor-families-benefit-child-tax-credit>

²³ Briefing Book: What is the Child Tax Credit.” Tax Policy Center. 2020. <https://www.taxpolicycenter.org/briefing-book/what-child-tax-credit>

²⁴ *Id.*

²⁵ Collyer, Sophie, David Harris, and Christopher Wimer. “Left Behind: The One-Third of Children in Families Who Earn Too Little to Get the Full Child Tax Credit.” Center on Poverty and Social Policy and Children’s Research and Education Institute. 2019. https://static1.squarespace.com/static/5743308460b5e922a25a6dc7/t/5cda0024be4e5b0001c6bdc7/1557790757313/Poverty+%26+Social+Policy+Brief_Who+Is+Left+Behind+in+the+Federal+CTC.pdf

²⁶ *Id.*

²⁷ Marr, Chuck, Katie Hingtgen, Arloc Sherman, and Katie Windham. “Temporarily Expanding Child Tax Credit and Earned Income Tax Credit Would Deliver Effective Stimulus, Help Avert Poverty Spike.” Center on Budget and Policy Priorities. 2020. https://www.cbpp.org/research/federal-tax/temporarily-expanding-child-tax-credit-and-earned-income-tax-credit-would#_ftn2.

- Effectively transform the CTC into a child allowance by making the credit fully refundable so eligibility would no longer be tied to earnings and so all families with children would qualify;
- Increase the value of the credit up to at least \$3,000 for all children with an additional young child tax credit of up to \$3,600 for children under six;
- Eliminate the refundability cap of \$1,400;
- Eliminate the requirement that children have a Social Security Number (SSN) to qualify;
- Allow advanced monthly payments for all children and families; and
- Index the credit to inflation and include a lookback provision during economic downturns.

The EITC must be expanded to include adults without dependent children and improved for workers with children.

The EITC is one of our nation’s most effective tools for reducing child poverty in working families, keeping about 3 million children out of poverty in 2018.²⁸ The EITC is available to working adults beginning with the first dollar earned and its value increases with earnings up to the maximum credit value. Decades of research confirm it encourages work, boosts earnings, and improves the lives of children, their families and their communities. It is linked to children’s improved school performance as well as higher college attendance rates.

Unfortunately, under current law working people with very low incomes who do not have children, whose children are not eligible to be claimed for the EITC, or whose children do not live with them are only eligible for an extremely small EITC. As a result, many workers without eligible dependent children are actually taxed into poverty. Many working youth, former foster youth, and homeless youth are also excluded from the EITC due to the current minimum age requirement of 24.

The HEROES Act would correct these problems for tax year 2020 by increasing the value of the EITC for workers without eligible dependent children and lowering the minimum age of eligibility from 24 to 19. In addition, the HEROES Act would allow households to elect to use their 2019 income to calculate the EITC for tax year 2020, if their 2020 income is lower, which would provide targeted economic relief by allowing families with significant drops in income due to the pandemic. It would also expand the EITC to Puerto Rico and other territories.

Any future COVID-19 relief package should include the improvements to the EITC included in the HEROES Act.

Conclusion

Congress must support families with children throughout the duration of this crisis and economic downturn to ensure that our children do not face the harms associated with poverty, hunger, and housing insecurity. Furthermore, once the COVID-19 pandemic and economic fallout passes, Congress should adopt permanent measures to ensure children and families are always supported. A fully refundable and expanded Child Tax Credit and Earned Income Tax Credit, coupled with increases to basic needs programs like the Supplemental Nutrition Assistance Program and housing vouchers would lift millions of children out of poverty and strengthen our nation’s economic future.

²⁸ “Policy Basics: The Earned Income Tax Credit.” Center on Budget and Policy Priorities. 2019. <https://www.cbpp.org/research/federal-tax/policy-basics-the-earned-income-tax-credit>