

July 20, 2015

The Honorable Orrin G. Hatch
Chairman
Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Ron Wyden
Ranking Member
Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Paul Ryan
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Sander Levin
Ranking Member
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Hatch, Ranking Member Wyden, Chairman Ryan and Ranking Member Levin:

On behalf of First Focus Campaign for Children, a bipartisan organization advocating to make kids a federal priority, we write to urge you to extend the expiring provisions of the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC) in upcoming tax legislation. Together, these two credits represent the most effective government programs in mitigating childhood poverty. We also urge you to strengthen the Child and Dependent Care Tax Credit (CDCTC) to accomplish the dual purpose of promoting employment for working parents and fostering safe care and early learning opportunities for millions of children.

According to the Census Bureau, one-fifth of the children in our nation live in families whose incomes fall below the Federal Poverty Level, with 6.5 million children, or approximately 40 percent of them, living in extreme poverty. Very young children experience the brunt of poverty, with nearly one-half of children under the age of 3 living in poor or low-income households. For children of color, the poverty rate is even more alarming with 33 percent of Hispanic children, 38 percent of African American children, and 36.8 percent of American Indian and Native Alaskan children falling into this category.

These staggering figures compel the need to extend and strengthen the EITC to benefit low-to-moderate income earners and help combat poverty. The Census Bureau has stated that this refundable tax credit has cut the poverty rate by 3 percent in 2013 amounting to 9.4 million workers, particularly single mothers. It is also an incentive for nonworking people to become part of the workforce, lessening the burden on the safety net and yielding government savings. In addition to the economic benefits, the EITC is responsible for improvements in health and education outcomes for children, including reductions in the incidence of low birth weight and higher test scores among children. During the economic recession, the EITC benefit was bolstered as part of the American Recovery and Reinvestment Act of 2009 (ARRA) for married people and families with three or more children. These expansions expire in 2017. Coupled with the CTC, almost 1.8 million people (of the 9.4 million) benefited from these improvements in the tax code.

The CTC is also one of the most powerful and effective weapons against poverty. In 2013, it protected approximately 3.1 million people from poverty, including about 1.7 million children, and reduced the severity of poverty for 6.8 million children. Increasing incomes of working families yields other important benefits. Research shows that boosting working families' incomes improves school performance. In addition, lifting low-income families' income when a child is young not only tends to improve a child's immediate well-being, but is associated with better health, more schooling, more hours worked, and higher earnings in adulthood.

Finally, because childcare is essential to working families' ability to secure and sustain stable employment, we urge you to take this opportunity to improve the CDCTC to provide greater assistance to working families to afford safe childcare, which often exceeds the cost of housing, college tuition, transportation or food for families. The burden is even greater for low-income working families, who on average pay 40 percent of their earnings on childcare. Childcare assistance also furthers the goal of providing young children with a nurturing environment that fosters their cognitive development, increasing the likelihood that they will enter school ready to learn and thrive. We recommend that the Committee triple the CDCTC for families with children under 5 years of age, increasing it to \$3,000. Such an improvement would increase childcare assistance for more working families, allowing them to claim the credit for up to \$6,000 of expenses per child under 5 – covering up to half the cost of child care for preschool age children. In addition, we recommend that Congress make the CDCTC refundable to allow families without any tax liability the opportunity to realize the tax benefit.

Thank you for taking our recommendations around these key economic policies into consideration. We look forward to working with you as you devise tax legislation that impacts our American marketplace and hope you will include these provisions that will benefit our children and families.

Sincerely,



Bruce Lesley
President
First Focus Campaign for Children