



August 13, 2018

The Honorable Cory Booker
United States Senate
359 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Heidi Heitkamp
United States Senate
516 Hart Senate Office Building
Washington, DC 20510

The Honorable Tom Cotton
United States Senate
124 Russell Senate Office Building
Washington, DC 20510

The Honorable Todd Young
United States Senate
400 Russell Senate Office Building
Washington, DC 20510

Dear Senators Booker, Cotton, Heitkamp and Todd:

I am writing on behalf of First Focus Campaign for Children, a bipartisan, children's advocacy organization dedicated to making children and families the priority in federal policy and budget decisions, to applaud you for introducing the Refund to Rainy Day Savings Act (S.3220). The tax code can be a powerful tool to help improve the financial outlook for low-income families and combat child poverty. Your leadership on this bipartisan legislation builds on the successes of the Earned Income Tax Credit and would boost savings for millions of Americans.

Studies show that even a modest amount of savings helps to improve a family's outlook for their children's future. Over 1.3 million American children – and more than half of minority children – are born into families with negligible savings to invest in their futures.¹ Children make up 23 percent of the U.S. population, yet they account for 33 percent of the population living in poverty -- in 2016, nearly 1 in 5 children were living in poverty.² Poverty is a particularly serious problem for children because they suffer harmful effects for the rest of their lives after living in poverty for even a short time. Children in poor families were four times more likely to be in fair or poor health, nine times more likely to experience food insecurity and twice as likely to repeat a grade and drop out of high school.³ S.3220 would help to change that by capitalizing on tax season to help families plan for the future and cope with financial shocks.

¹ Shapiro, Thomas, M., *Toxic Inequality: How America's Wealth Gap Destroys Mobility, Deepens the Racial Divide, and Threatens Our Future*, Basic Books, 2017.

² Baldari, Cara and Rachel Merker, A Snapshot of Children Living in Poverty: 2016, September 20, 2017, data analyzed from the U.S. Census Bureau Current Population Survey, Annual Social and Economic Supplements, Current Population Reports, Income and Poverty in the United States: 2016, available at: <https://firstfocus.org/wp-content/uploads/2017/09/Snapshot-of-Children-in-Poverty-2016-100517.pdf>.

³ Chaudry, Ajay and Wimer, Christopher, "Poverty is Not Just an Indicator: The Relationship Between Income, Poverty and Child Well-Being, Child Poverty-Destruction of the Nation's Human Capital, Academic Pediatrics," Volume 16, Number 35, April 2016, available at: [https://www.academicpedsjnl.net/article/S1876-2859\(15\)00383-6/pdf](https://www.academicpedsjnl.net/article/S1876-2859(15)00383-6/pdf).



The Refund to Rainy Day Savings Act would take advantage of the unique moment in the year when a significant number of Americans receive a tax refund. S.3220 would allow tax filers to defer 20% of their tax refund in a “Rainy Day Fund” set up by the Secretary of Treasury where it would accumulate interest before being deposited directly into the filer’s direct deposit account six months later. The bill also would modernize the Assets for Independence (AFI) grant program and establish innovative pilot projects to give greater flexibility to our communities to assess and develop matched deferred tax refunds for lower-income filers, thereby creating a stronger incentive for using one’s tax credit to plan ahead and meet emergency or unanticipated expenses or reductions in household income. In addition, the bill authorizes the Secretary of Health and Human Services, through the Director of Community Services, to establish a matched savings account pilot program linked to the Refund to Rainy Day Savings Program to further encourage savings and help address our communities’ needs for economic independence.

Undeniably, the tax code benefits children – four federal tax policies account for nearly 40 percent of federal investments in children.⁴ S.3220 targets low-income families to benefit from emergency savings mechanisms that could be used to meet economic misfortune or cover basic family needs. We appreciate your leadership to use the tax code to help make children, youth and families a policy priority, and we look forward to working with you to pursue these improvements and discuss opportunities to expand the program for low-income families with children.

Sincerely,

Bruce Lesley

Bruce Lesley
President

⁴ “Family Tax Policy: A Path Forward to Lifting Children out of Poverty,” A report by the U.S. Child Poverty Action Group, March 14, 2017, available at:

<https://static1.squarespace.com/static/5783bb3f46c3c42c527e1a41/t/58c73c58197aeab451423a2e/1489452123008/family+tax+policy+report+2017.pdf>.