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October 28, 2019

The Honorable Richard Neal
Chairman
Committee on Ways and Means
United States House of Representatives
Washington, DC. 20515

Dear Chairman Neal:

As national advocacy organizations committed to improving the well-being of our nation's children and the economic security of women and working families, we write to thank you for your leadership in crafting and shepherding through committee the Economic Mobility Act of 2019 (H.R. 3300), and the Child Care Quality and Access Act of 2019 (H.R. 3298). The much-needed tax and child care assistance in these provisions are critical investments for low-income workers, women and children. In the coming months, Congress likely will consider legislation to extend a suite of temporary tax breaks for businesses and/or make corrections to the 2017 tax law, and we urge you to stand firm on the inclusion of tax-credit improvements and policy changes benefitting working families and children, such as those in H.R. 3300 and H.R. 3298, in any year-end legislative package. These policies will build momentum for additional, permanent reform of the tax code that supports parent's participation in the labor force, and helps struggling families afford basic necessities, make ends meet, and strengthen their children's healthy development.

Despite some general economic gains and low unemployment rates, child poverty and food insecurity remain stubbornly high. Children continue to disproportionately experience deep poverty, which has negative consequences for their healthy development, academic performance, and financial outcomes in adulthood. On top of this, children of color continue to experience poverty at greater rates than white children due to our country's long history of systemic racism and discrimination. According to the Census Bureau's Official Poverty Measure, more than 29 percent of Black children and 23.7 percent of Hispanic children were living in poverty in 2018 compared to 8.9 percent of white children.¹ This past February, the National Academies of Sciences, Engineering and Medicine (NASEM) released a landmark study, *A Roadmap to Reducing Child Poverty*, that identifies evidence-based programs and policies with the goal of reducing the number of children living in poverty by half within the next decade.² The

¹ U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, "Age and Sex of All People, Family Members and Unrelated Individuals Iterated by Income-to-Poverty Ratio and Race" October, 14, 2019, <https://www.census.gov/data/tables/time-series/demo/income-poverty/cps-pov/pov-01.html>

² National Academies of Sciences, Engineering, and Medicine 2019. *A Roadmap to Reducing Child Poverty*, The National Academies Press, 2019, <https://doi.org/10.17226/25246>.

report points to modifications in our tax code as key policy changes necessary to achieve that goal. We already know that the Earned Income Tax Credit (EITC) and the refundable portion of the Child Tax Credit (CTC) are among the most successful existing policies to help reduce poverty, yet unacceptably, the 2017 tax law widens income and racial disparities and fails to strengthen tax assistance for our country's low-income working families and children. H.R. 3300 serves as a temporary, but pivotal next step to alter that course.

We strongly support the CTC expansion provisions in H.R. 3300. These policy changes would go a long way in capturing the 29 million children in low- and moderate-income working families who did not receive the full CTC increase in the 2017 tax overhaul and include other vulnerable children left out of the current credit entirely because their families earn too little in income.³ We enthusiastically back both the expansion of the CTC to make it fully refundable up to \$2,000 regardless of earned income or amount of Social Security taxes paid and the creation of a Young Child Tax Credit that would increase the CTC to \$3,000 per child per year for qualifying children under age four. Notably, the NASEM study acknowledges that a \$3,000 per year child allowance, thought of as an extension of the CTC, would yield the largest reduction in child poverty -- 5.3 percentage points over 10 years -- and meet the goal of reducing deep child poverty by half.

In addition, we applaud efforts to further build on improvements in the committee-passed H.R. 3300, such as lowering the eligibility age for the EITC and expanding eligibility to foster and homeless youth at age 18 and even if they are full-time students. We also support the provisions that would permanently provide matching funds for the EITC and CTC in Puerto Rico and other U.S. Territories. Unfortunately, the 2017 tax bill also requires a social security number (SSN) for all children in order to receive the CTC. That SSN requirement for children sunsets in 2025, but we urge that any future legislation that expands the CTC would remove this language -- allowing children with Individual Taxpayer Identification Numbers to once again receive the valuable benefits of this credit.

Furthermore, we strongly support the significant and comprehensive improvements to the Child and Dependent Care Tax Credit (CDCTC) included in H.R. 3300. The bill would expand the CDCTC to make it fully refundable, increase the maximum credit rate to 50 percent, adjust the phaseout threshold to begin at \$120,000 rather than \$15,000, double the amount of child and dependent care expenses that are eligible for the credit, and index the credit for inflation. The NASEM study concludes that converting the CDCTC into a fully refundable tax credit, thus concentrating its benefits on families with the lowest income and with children under the age of five, supports parents in the workforce and helps reduce child poverty by 9.2% over 10 years.

During the June 20, 2019 mark-up, we were pleased to see the passage of the Child Care Quality and Access Act of 2019, which is an essential and complementary program to the CDCTC. This bill would increase mandatory child care funding by \$1 billion, helping more families afford the child care they need in order to go to work. Child care funding is a necessity for both families and our economy, as it allows families to work and go to school and provides employers with a reliable

³ Maag, Elaine, "Who Benefits from the Child Tax Credit Now?," Tax Policy Center, Urban Institute, February 15, 2018 https://www.taxpolicycenter.org/sites/default/files/publication/152986/who_benefits_from_the_child_tax_credit_now_0.pdf

workforce. Increased funding for child care also supports the child care workforce itself, which is currently underpaid and under-supported. Furthermore, this funding helps provide children with the high-quality early learning settings they need in order to succeed in school and later in life. In fact, the NASEM study found that guaranteeing assistance from the Child Care and Development Fund (CCDF) for all eligible families with incomes below 150 percent of the poverty line would help reduce childhood poverty by 0.6 percentage points and would increase labor force participation, especially for low-income mothers.

These policy improvements for low-and moderate-income families represent critical poverty-reducing measures benefitting some of the most vulnerable families and children in all 50 states, D.C., Puerto Rico and other U.S. territories. They follow some of the major policy changes identified in the NASEM report that would expand critical benefits to the working families and children who need them the most. We thank you for your leadership in advancing these improvements and illustrating the kind of federal commitment necessary to help create positive outcomes for child well-being, address intergenerational poverty, and promote economic mobility for struggling families across the nation. We look forward to working with you to enact these tax provisions and help build a tax code that is fairer and more equitable toward low- and moderate- income families, women, and children.

Sincerely,

First Focus Campaign for Children

Children's Defense Fund

Child Welfare League of America

The Children's Health Fund

Every Child Matters

MomsRising

National Diaper Bank Network

National Network for Youth

National WIC Association

National Women's Law Center

Prosperity Now

Public Advocacy for Kids

Save the Children Action Network

SchoolHouse Connection

Zero To Three

cc: Ways and Means Committee Members