

McConnell Tax Plan Would Leave 30% of Single Mothers Behind, Deny Working Families \$11.6 Billion in Tax Credits

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Congress will soon decide which federal income tax provisions that expire at the end of this year should be renewed and which should be allowed to expire. These include tax cuts enacted in 2001 and 2003 and improvements to the Child Tax Credit (CTC) and Earned Income Tax Credit (EITC) that were included in the American Recovery and Reinvestment Act of 2009 (ARRA) to help low- and moderate-income working families.

A bill introduced by Senate Minority Leader Mitch McConnell, S. 3773, would permanently renew all of the provisions of the Bush-era tax cuts, including provisions that benefit only individuals with incomes above \$200,000 and couples with incomes above \$250,000. It also would permanently reduce the estate tax on the very wealthiest estates. However, the bill would *not* extend the improvements in the CTC and EITC.

Under the McConnell bill, millions of struggling families would lose \$11.6 billion in tax credits next year.¹

- **12.9 million taxpayers would lose nearly \$8.4 billion** from excluding the CTC improvement, and 98 percent of this loss would be to families with low to moderate incomes (in the lowest two-fifths of income nationwide).²
- **11.7 million taxpayers would lose nearly \$3.2 billion** from excluding the EITC improvements, and 91 percent of this loss would be to families with low to moderate incomes (in the lowest two-fifths of income nationwide).³
- **Over 30 percent of single mothers would get nothing.**⁴

In contrast, under the McConnell bill, households with incomes exceeding \$1 million would receive an average tax break of nearly \$104,000 -- not including the added benefits for heirs of multimillion dollar estates from the estate tax cut included in the McConnell bill.⁵

President Obama's plan would extend the CTC and EITC improvements and Bush-era tax cuts for individuals with incomes below \$200,000 and couples with incomes below \$250,000, while allowing tax cuts that benefit wealthier households -- the top two percent -- to expire. Under the Obama plan, millionaires would still receive an average tax cut of \$6,349 from extending the "middle-class" tax cuts -- far more, in dollar terms, than middle-class families would receive.⁶

Women and their families depend on the improved Child Tax Credit.

The CTC is a partially refundable federal income tax credit for families with children. Without the ARRA improvement, the first \$12,850 of a taxpayer's income would not count towards the credit in 2011. The ARRA improvement counts earnings above \$3,000, rewarding work and strengthening families. For example:

- Sarah, a single mom with three kids, makes \$14,450 per year working full time in a child care center. Under the McConnell bill, less than \$2,000 of Sarah's income would be counted towards the CTC and she would receive only \$240 from this credit – **\$1,478 less** than the \$1,718 credit she would receive under the Obama plan. If Sarah earns only \$12,500 because her hours are reduced, under the McConnell bill she would get nothing from the CTC.
- Jane and Eric, a married couple who both work full-time at minimum wage jobs, support their three children with their combined annual income of \$28,900. Under the McConnell bill, their CTC will drop from \$3,000 to \$2,408, **a loss of \$592**.

Women and their families depend on the Earned Income Tax Credit.

The EITC is a refundable federal income tax credit for workers with low to moderate incomes. ARRA increased the EITC to provide up to an additional \$629 per year for families with three or more children and reduced the “marriage penalty” the EITC can otherwise impose when two low-wage workers marry. Many low-wage workers depend on both the EITC and CTC improvements to support their families. For example:

- Sarah would see her EITC drop by **\$629** under the McConnell bill, in addition to her \$1,478 loss from the CTC, for a **combined loss of \$2,107** in tax credits.
- Jane and Eric would **lose \$1,059** under the McConnell bill, in addition to their \$592 loss from the CTC, for a **combined loss of \$1,651** in tax credits.

¹ NWLC calculations based on 2008 American Community Survey data and data retrieved from the Tax Policy Center, Table T10-0008 (Jan. 12, 2010), *available at* <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=2597>, and Table T10-0101 (March 9, 2010), *available at* <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=2696>.

² NWLC calculations based on 2008 American Community Survey data and data retrieved from the Tax Policy Center, Table T10-0008. Income adjusted for family size.

³ NWLC calculations based on 2008 American Community Survey data and data retrieved from the Tax Policy Center, Table T10-0101. Income adjusted for family size.

⁴ NWLC calculations based on 2008 American Community Survey data and data retrieved from the Tax Policy Center, Table T10-0204 (Aug. 12, 2010), *available at* <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=2792>.

⁵ Chuck Marr and Gillian Brunet, Ctr. on Budget and Policy Priorities, High-Income People Would Benefit Significantly from Extension of “Middle-Class” Tax Cuts (Aug. 13, 2010), *available at* <http://www.cbpp.org/cms/index.cfm?fa=view&id=3263>.

⁶ *Ibid.*