

House Child and Working Family Credit Proposal

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House Child Credit Proposal

- \$500 maximum earned income credit
- \$1,275 per child credit, with no cap on the number of eligible children
- Earned income and child credit phased out jointly, with one phaseout threshold (\$36,000 Married Joint / \$28,000 Single)
- Modeling from the Center on Poverty and Social Policy at Columbia University estimates House bill will reduce child poverty by 26.2% (compared to 14.4% in Senate bill)

Other House Changes

- Credit allowed for taxpayers who file with an individual taxpayer identification number (ITIN)—in Senate bill as well.
- Credit allowed for childless filers who are 18 or 65+.
- Permissive language allowing advance payment of credits.

Credit Amounts

		Current Law		House Proposal	
Filing Status	Children	Earned Income Eligible	Credit Rate	Earned Income Eligible	Credit Rate
Married Joint	0	\$16,520	3.90%	\$12,500	4.0%
Married Joint	1	\$32,430	9.35%	\$12,500	4.0%
Married Joint	2	\$37,230	11%	\$12,500	4.0%
Married Joint	3+	\$37,570	12.50%	\$12,500	4.0%
Single/HOH	0	\$37,570	12.50%	\$12,500	4.0%
Single/HOH	1	\$9,900	3.90%	\$12,500	4.0%
Single/HOH	2	\$25,810	9.35%	\$12,500	4.0%
Single/HOH	3+	\$30,610	11.00%	\$12,500	4.0%

Maximum Credit

Filing Status	Children	Current Law WFC	House Proposal
Married Joint	0	\$316	\$500
Married Joint	1	\$1,267	\$1,775
Married Joint	2	\$2,444	\$3,050
Married Joint	3	\$2,834	\$4,325
Married Joint	4	\$2,834	\$5,215
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Single/HOH	2	\$2,444	\$3,050
Single/HOH	3	\$2,834	\$4,325
Single/HOH	4	\$2,834	\$5,215

Change in Phaseout Thresholds

Filing Status	Number of Children	Current Law WFC	House Omnibus Bill
Married Joint	0	\$16,520	\$36,000
Married Joint	1	\$32,430	\$36,000
Married Joint	2	\$37,230	\$36,000
Married Joint	3+	\$37,570	\$36,000
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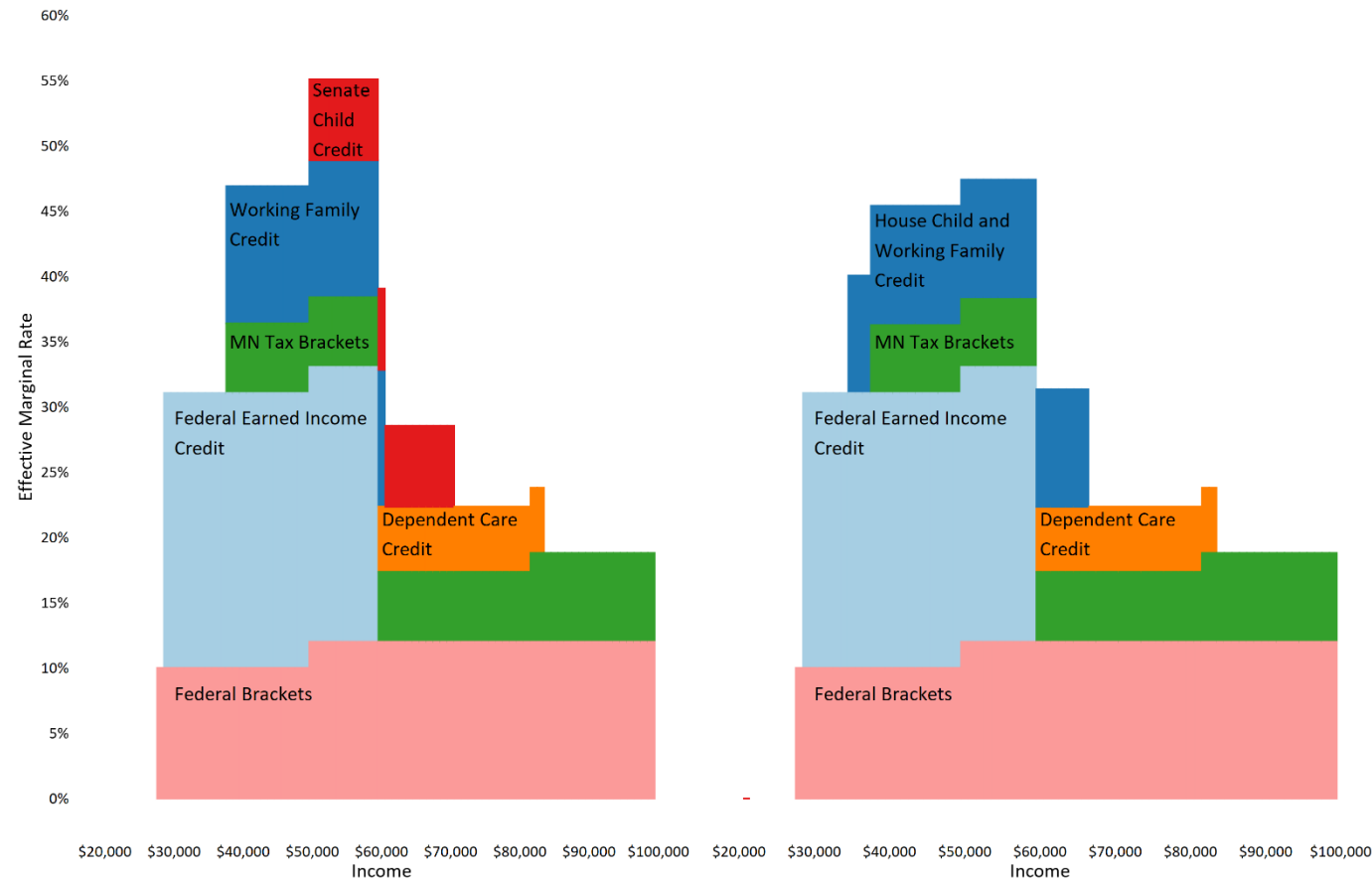
Change in Phaseout Rates

Filing Status	Number of Children	Current Law WFC	House Omnibus Bill
Married Joint	0	2.0%	9.0%
Married Joint	1	6.0%	9.0%
Married Joint	2	10.5%	9.0%
Married Joint	3+	10.5%	9.0%
Single/HOH	0	10.5%	9.0%
Single/HOH	1	2.0%	9.0%
Single/HOH	2	6.0%	9.0%
Single/HOH	3+	10.5%	9.0%

Effective Marginal Tax Rates

- **Effective marginal tax rates:**
 - Measure change in tax paid/reduction in credits received for each “additional” \$1 of income. How does \$1 of income affect your total financial situation.
 - Credit recipients likely have negative **average tax rates** (they receive more credits than they pay in tax, meaning taxes as a percentage of income is negative).
- Tax credit phaseouts are mathematically equivalent to taxes. E.g. House child credit is phased out at 9.0%, meaning a \$1,000 increase in income during the phaseout reduces credits by \$90. This is the same as a 9.0% tax on the same income.

Comparison of total state and federal effective marginal rates



Graphic by House Research

- For married joint filer with 2 kids, highest effective marginal rate in House bill is 47.4%
- Senate bill adds additional 6.2% phaseout, results in effective rates as high as 55.11%

Questions?



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