October 14, 2024

The Honorable Brian Fitzpatrick
Chair, Working Families Tax Team
Committee on Ways & Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Nicole Malliotakis
Vice Chair, Working Families Tax Team
Committee on Ways & Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Darin LaHood
Chair, American Workforce Tax Team
Committee on Ways & Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Mike Carey
Vice Chair, American Workforce Team
Committee on Ways & Means
U.S. House of Representatives
Washington, DC 20515

Dear Chair Fitzpatrick, Vice Chair Malliotakis, Chair LaHood, Vice Chair Carey, and all Members of the Working Families Tax Team and the American Workforce Tax Team:

We write to urge the House Ways and Means Committee and Members of Congress to pass tax reforms that will benefit individuals and families with incomes under $400,000 in annual income, and to allow harmful provisions to expire on schedule from the 2017 Tax Cuts and Jobs Act that largely benefitted the very wealthy with incomes over $400,000 and corporations. These harmful policies have exacerbated the racial wealth gap in our nation[1] and have dramatically added to our nation's deficit.[2] Lawmakers should prioritize policies that reduce child poverty, boost incomes for workers in jobs that pay low to moderate incomes, and that make our tax code more fair and equitable. Increased revenue from these policies, including from a higher tax on the wealthy and corporations, should be invested in critical infrastructure and community programs like affordable child care and a national, comprehensive paid family and medical leave policy.

The Center for Law and Social Policy (CLASP) is a national, nonpartisan, nonprofit organization whose mission is advocating for policies that advance economic and racial justice. Founded more than fifty years ago, CLASP works to develop and implement federal, state, and local policies that reduce poverty, improve the lives of people with low incomes, tear down barriers arising from systemic racism, and create pathways to economic security.

[1] Meg Wiehe, "Race, Wealth and Taxes: How the Tax Cuts and Jobs Act Supercharges the Racial Wealth Divide," Institute on Taxation and Economic Policy, October 2018, https://itep.org/race-wealth-and-taxes-how-the-tax-cuts-and-jobs-act-supercharges-the-racial-wealth-divide/.
[2] Ashley Burnside, "Let's Promote – Not Reduce – Equity in Our Tax Code," Center for Law and Social Policy, July 2024, https://www.clasp.org/publications/report/brief/lets-promote-not-reduce-equity-in-our-tax-code/.

The 2017 Tax Cuts and Jobs Act was Skewed Toward the Wealthy and Corporations, Exacerbated the Racial Wealth Gap, and Inflated our Nation's Deficit

The Tax Cuts and Jobs Act (TCJA) disproportionately benefitted the wealthy and corporations.[3] The law furthered the wealth gap in our nation and exacerbated the racial wealth gap.[4] White households received about 80 percent of the tax cuts provided to individuals through the TCJA, while white households represent only 67 percent of American taxpayers. Black taxpayers only received 5 percent of the tax cuts provided to individuals through the TCJA, while Black households represent 10 percent of all American taxpayers.[5] The TCJA also exacerbated the wealth gap with the law benefitting billionaires disproportionately. The wealth of billionaires has nearly doubled since the TCJA was enacted.[6]

The TCJA increased our nation's deficit by about $1.9 trillion over ten years, according to the Congressional Budget Office (CBO).[7] The CBO has estimated that if the TCJA were extended, this would increase the deficit by $4.6 trillion over ten years.[8] And nearly half of the benefits from extending the law would go to households with incomes of $450,000 or more annually in 2027.[9] Lawmakers have the opportunity to raise over $6 trillion in new revenue over the next decade by implementing certain tax reforms, including a special tax on billionaires among others, that could be used to support essential tax credits for families making under $400,000 per year in income.[10]

Congress Should Expand Tax Credits that Support Families and Workers

Congress Should Implement a Fully Refundable, Monthly, Expanded Child Tax Credit

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[3] Chuck Marr, Samantha Jacoby, and George Fenton, "The 2017 Trump Tax Law Was Skewed to the Rich, Expensive, and Failed to Deliver on Its Promises," Center on Budget and Policy Priorities, updated June 2024, https://www.cbpp.org/research/federal-tax/the-2017-trump-tax-law-was-skewed-to-the-rich-expensive-and-failed-to-deliver.

[4] Meg Wiehe, "Race, Wealth and Taxes: How the Tax Cuts and Jobs Act Supercharges the Racial Wealth Divide," Institute on Taxation and Economic Policy, October 2018, https://itep.org/race-wealth-and-taxes-how-the-tax-cuts-and-jobs-act-supercharges-the-racial-wealth-divide/.

[5] *Ibid*.

[6] Americans for Tax Fairness, "As Tax Day Approaches, New Study Finds U.S. Billionaires Now Worth a Record $5.8 Trillion," April 2024, https://americansfortaxfairness.org/tax-day-approaches-new-study-finds-u-s-billionaires-now-worth-record-5-8-trillion/.

[7] Congressional Budget Office, "The Budget and Economic Outlook: 2018 to 2028," April 2018, https://www.cbo.gov/publication/53651.

[8] Peter G. Peterson Foundation, "How Much Would It Cost To Make The TCJA Permanent?" June 2024, https://www.pgpf.org/blog/2024/06/how-much-would-it-cost-to-make-the-tcja-permanent.

[9] Howard Gleckman, "Those Making $450,000 And Up Would Get Nearly Half The Benefit Of Extending the TCJA," Urban Institute & Brookings Institution Tax Policy Center, July 2024, https://taxpolicycenter.org/taxvox/those-making-450000-and-would-get-nearly-half-benefit-extending-tcja.

[10] Americans for Tax Fairness, "Ten New Major Revenue Raisers for 2025," August 2024, https://americansfortaxfairness.org/ten-new-major-revenue-raisers-2025/.

When lawmakers temporarily expanded the Child Tax Credit (CTC) under the American Rescue Plan Act in 2021, it dramatically reduced child poverty. Child poverty declined by nearly half in the one year that the expansions were in place, and the benefits were pronounced for Black and Hispanic/Latino children.[11] Child poverty rates declined by 8.8 percentage points for Black children, and by 6.3 percentage points for Hispanic/Latino children from 2020 to 2021.[12]

One of the main drivers of this dramatic reduction in child poverty was the temporary full refundability of the CTC. Under current law, nearly 19 million children – representing more than 1 in 4 of our nation's children under age 17 – do not get the full CTC because their families' incomes are too small.[13] As a result, the CTC does not reach the families who would benefit the most from the investment. Due to discrimination in hiring and wages and other systemic factors, Black and Hispanic/Latino children are likelier to not get the full CTC due to their families earning too little. About 45 percent of Black children, 39 percent of Hispanic/Latino children, 38 percent of American Indian and Alaska Native children, 17 percent of white children, and 16 percent of Asian children do not get the full CTC because their families have too low of incomes.[14] The American Rescue Plan Act of 2021 temporarily made the CTC fully refundable and available to families with little to no earnings for the first time. This change helped to dramatically reduce child poverty and helped more families afford monthly essentials. **Congress should make the CTC fully refundable and available to families with little to no earnings on a permanent basis.**

Families used the expanded, monthly CTC payments to afford monthly essentials, including bills, food and groceries, and rent and mortgage payments, among other costs.[15] CLASP and Ipsos conducted a nationally representative survey of over 1,000 parents to ask about parents' experiences with the expanded CTC payments in 2021. Our survey concluded that parents used their payments for monthly costs and that receipt of the monthly payments reduced financial stress among parents.[16] Congress should make the CTC available to parents as a monthly payment permanently, and provide parents with an increased amount per child, like was done in 2021.

The TCJA also restricted access to the CTC for children with Individual Taxpayer Identification Numbers (ITINs.) This resulted in an estimated one million children not being able to access the

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[11] Ashley Burnside and Cara Brumfield, "The Child Tax Credit: What's at Stake?" Center for Law and Social Policy, July 2024, https://www.clasp.org/publications/report/brief/the-child-tax-credit-whats-at-stake/.
[12] *Ibid*.
[13] Chuck Marr, Kris Cox, Sarah Calame, and Stephanie Hingtgen *et al*., "Year-End Tax Policy Priority: Expand the Child Tax Credit for the 19 Million Children Who Receive Less Than the Full Credit," Center on Budget and Policy Priorities, updated December 2022, https://www.cbpp.org/research/federal-tax/year-end-tax-policy-priority-expand-the-child-tax-credit-for-the-19-million.
[14] *Ibid*.
[15] Ashley Burnside, "The Expanded Child Tax Credit is Helping Families, But National Survey Shows Continued Outreach Remains Essential," Center for Law and Social Policy, April 2022, https://www.clasp.org/publications/report/brief/the-expanded-child-tax-credit-is-helping-families-but-national-survey-shows-continued-outreach-remains-essential/.
[16] *Ibid*.

CTC.[17] All children should be able to access the CTC, regardless of whether they have a social security number. Research from the Institute on Taxation and Economic Policy concluded that undocumented immigrants paid $96.7 billion in federal, state, and local taxes in 2022, with $59.4 billion of that going toward federal taxes.[18] In 2022, undocumented immigrants paid $8,889 in federal, state and local taxes per person.[19] It is not fair that families are left out of the CTC despite their contributions to the tax code via the sales tax, property taxes, and federal income taxes, among other taxes. Lawmakers should let this provision expire and provide access to the CTC for children regardless of whether they have a social security number.

Below are policy recommendations that CLASP recommends Congress make to expand the CTC to allow it to reduce child poverty and invest in all children:

- **Lawmakers should make the CTC fully refundable on a permanent basis**, ensuring that children in eligible families with little to no earnings can access the full credit.
- **Lawmakers should provide an increased credit for young children ages 0-5, including a baby bonus for babies during the first year of life.** The American Rescue Plan Act of 2021 increased the credit for this age group to $3,600 per child per year. Lawmakers should increase the credit to at least this amount and should provide an additional baby bonus for newborn infants. Both amounts should be tied to annual inflation adjustments. The baby bonus should be structured like the 2023 American Family Act to ensure that all babies receive the same investment regardless of what month they are born in.[20] Research has concluded that living in poverty during the earliest stages of childhood development is particularly harmful for children.[21]
- **Lawmakers should provide an increase to the credit available for children ages 6-17 and extend eligibility for the credit to seventeen-year-olds.** The American Rescue Plan Act increased the credit available to children ages 6 through 17 to $3,000 per child per year. Lawmakers should increase the credit for this age group to at least this amount and add an annual inflation adjustment.
- **Lawmakers should provide the option for families to receive the CTC payments monthly.** Allowing families to choose whether to receive the credit monthly or as an annual lump-sum gives recipients the agency to decide what payment frequency is best for their

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[17] Children Thrive Action Network, "Child Tax Credit State Fact Sheets," July 2023, https://childrenthriveaction.org/2023/07/child-tax-credit-state-factsheets/.
[18] Carl Davis, Marco Guzman, and Emma Sifre, "Tax Payments by Undocumented Immigrants," Institute on Taxation and Economic Policy, July 2024, https://itep.org/undocumented-immigrants-taxes-2024/.
[19] *Ibid*.
[20] Megan A. Curran, David B. Harris, and Christopher Wimer, "Equalizing the Child Tax Credit for Babies: How the 2023 American Family Act Treats Infants," Center on Poverty & Social Policy at Columbia University, August 2024, https://scholars.org/contribution/equalizing-child-tax-credit-babies-how-2023.
[21] Greg J. Duncan and Katherine Magnuson, "The Long Reach of Early Childhood Poverty," Stanford Center on Poverty and Inequality, 2011, https://inequality.stanford.edu/sites/default/files/PathwaysWinter11_Duncan.pdf.

family. In addition, there should be a safe harbor in place to protect families with low to moderate incomes to ensure they are not penalized for any changes to their income or the number of qualifying children in the household that may require them to owe money back.

- **Lawmakers should make children who have ITINs eligible to receive the CTC.** All children, regardless of whether they have a social security number, should be able to receive the CTC.
- **Lawmakers should allow the CTC to be equally available to families in all U.S. territories.**

One important consideration for lawmakers to keep in mind is that a fully expanded CTC, while important for parents and families, is not a replacement of needed investments in critical infrastructure like child care. Parents need both investments through an expanded CTC to help meet essential costs like food and diapers, and a fully funded, comprehensive and affordable child care system. Lawmakers should pass policies that promote more revenue from the tax code to invest in child care, a national paid and family medical leave policy and in other important areas.

Congress Should Pass an Expanded Earning Income Tax Credit for Workers without Dependent Children

The Earned Income Tax Credit (EITC) is a tax credit that supports workers who are paid low to moderate incomes. The EITC lifted 5.6 million people over the poverty line in 2018 and reduced the severity of poverty experienced for 16.5 million people.[22] The EITC has traditionally received strong bipartisan support throughout its history.[23] The EITC also helps families afford necessary expenses, helps to reduce evictions, and benefits local economies.[24]

Unfortunately, under current law, workers without dependent children in the household do not benefit from this critical credit as substantially as workers with children do. The American Rescue Plan Act of 2021 temporarily expanded the EITC available for this population of workers without dependent children. If lawmakers had made this EITC expansion permanent, an estimated 14 million workers who are paid low incomes would have benefitted from the policy change in tax year 2024.[25] This would have included about 7.9 million white workers, 2.5 million Hispanic/Latino

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[22] Teon Dolby, Ashley Burnside, and Whitney Bunts, "EITC for Childless Workers: What's at Stake for Young Workers," Center for Law and Social Policy, June 2022, https://www.clasp.org/publications/report/brief/eitc-childless-workers-2022/.
[23] Chuck Marr, "A Clear Policy Choice: Repeat Success by Expanding the EITC for Adults Without Children," Center on Budget and Policy Priorities, October 2023, https://www.cbpp.org/blog/a-clear-policy-choice-repeat-success-by-expanding-the-eitc-for-adults-without-children.
[24] Ashley Burnside, "10 Reasons to Love the EITC," Center for Law and Social Policy, April 2020, https://www.clasp.org/blog/10-reasons-love-eitc/.
[25] Kiran Rachamallu, "About 14 Million Low-Income Adults Not Raising Children at Home Would Benefit From Permanently Expanded EITC," Center on Budget and Policy Priorities, September 2024, https://www.cbpp.org/blog/about-14-million-low-income-adults-not-raising-children-at-home-would-benefit-from-permanently.

workers, 2.3 million Black workers, 637,000 Asian workers, and 304,000 American Indian and Alaska Native workers who would have benefited.[26] The EITC should be available and substantial for eligible workers regardless of whether they have children living in their home.

Lawmakers should make the following expansions to the EITC on a permanent basis:

- **Allow the EITC to reach all workers without dependent children, regardless of their age.** Under current law, workers without dependent children are ineligible for the EITC entirely if they are under age 25 or 65 and older. Young workers are often paid lower wages when they begin their careers and may experience poverty as a result, so it is especially important for this population to have access to the EITC.[27] Older workers should also have access to the credit. Lawmakers should make these workers eligible for the EITC beginning at age 19 at minimum, with exceptions for 18-year-olds who are former foster youth and/or experiencing homelessness. Lawmakers should also make older workers without dependent children in the household eligible for the EITC.
- **Increase the EITC credit available to workers without dependent children to help boost wages and reduce poverty.** Under current law, workers without dependent children are only eligible for a low credit, meaning that some workers are taxed further into poverty because their tax liability is greater than the EITC they are eligible to receive. Under the American Rescue Plan Act of 2021, lawmakers temporarily increased the credit available to this population of workers, nearly tripling the credit for this group. Lawmakers should permanently increase the credit available to this population and adjust it to inflation annually.
- **Expand the income limit for workers without dependent children to qualify for the EITC**. Under current law, workers without dependent children are not eligible for the EITC if they have modest earnings due to the narrow income requirements. Single filers without dependent children who make more than $18,600 and married couples who make more than $25,500 are ineligible for the EITC.[28] Lawmakers should expand the income limit to be eligible for the credit. This income limit should also be adjusted to inflation annually.

Congress Should Establish a Temporary Renters Tax Credit to Support Renters with the Rising Costs of Housing

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[26] *Ibid*.
[27] Teon Dolby, Ashley Burnside, and Whitney Bunts, "EITC for Childless Workers: What's at Stake for Young Workers," Center for Law and Social Policy, June 2022, https://www.clasp.org/publications/report/brief/eitc-childless-workers-2022/.
[28] Kiran Rachamallu, "About 14 Million Low-Income Adults Not Raising Children at Home Would Benefit From Permanently Expanded EITC," Center on Budget and Policy Priorities, September 2024, https://www.cbpp.org/blog/about-14-million-low-income-adults-not-raising-children-at-home-would-benefit-from-permanently.

Rent costs have increased dramatically in recent decades, while wages have not kept up. As a result, renting is many peoples' biggest expense. About 75 percent of renters with very low incomes, or 8 million households, spend 50 percent or more of their incomes on housing and utilities.[29] High housing costs put a dire strain on renter's budgets, forcing millions of parents to decide between feeding their children, keeping the electricity on, or falling behind on rent.[30] In 2022, renters earning less than $30,000 annually had a median of $310 leftover after paying rent and utilities.[31] There are currently many provisions of our tax code that benefit homeowners, including the mortgage interest deduction and first-time homebuyer credits, but not the same level of support for renters.[32] **Congress should establish a temporary, refundable renter's tax credit targeting people who have an annual income less than 15 percent of the area median income (AMI).** Depending on available revenue, the credit could be further scaled down based on the percentage of income spent on rent, such as people making less than 15 percent AMI who spend 70 percent or more of their income on rent.[33]

Congress Should Allow Costly, Inequitable Provisions from the 2017 Tax Cuts and Jobs Act to Expire

In addition to making important investments in tax credits for individuals and families, Congress should also allow provisions from the TCJA to expire that benefitted individuals making over $400,000 per year and corporations. This would make the tax code more fair and promote more revenue to invest in critical needs for our communities.

- **Lawmakers Should Increase the Top Tax Rate for Households with the Highest Incomes.** The TCJA reduced the top individual tax rate from 39.6 percent to 37 percent. In the first year of the TCJA being implemented, this provision cost our nation about $35 billion.[34] The very wealthiest individuals should pay their fair share to invest in critical public goods.

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[29] National Low Income Housing Coalition, "About the Gap Report," https://nlihc.org/gap/about.
[30] RESULTS, "Renter Tax Credit Policy Brief," February 2024, https://results.org/wp-content/uploads/Renter-Tax-Credit-Policy-Deep-Dive_Feb2024.pdf.
[31] Joint Center for Housing Studies of Harvard University, "America's Rental Housing," 2024, https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_Americas_Rental_Housing_2024.pdf.
[32] Carolina Reid, "A Renter's Tax Credit: Improving Affordability Through the Tax Code," Terner Center for Housing Innovation at University of California Berkeley, September 2024, https://ternercenter.berkeley.edu/blog/a-renters-tax-credit-improving-affordability-through-the-tax-code/.
[33] Sara Kimberlin and Elizabeth Kneebone, "Options for Addressing Rent Burdens Through the Tax Code: Considerations for Designing a Renter's Tax Credit," Terner Center for Housing Innovation at University of California Berkeley, September 2024, https://ternercenter.berkeley.edu/research-and-policy/options-for-addressing-rent-burdens-through-the-tax-code-considerations-for-designing-a-renters-tax-credit/.
[34] Internal Revenue Service, "Statistics of Income – 2018 Individual Income Tax Returns," https://www.irs.gov/pub/irs-prior/p1304--2020.pdf#page=33.

- **Lawmakers Should Strengthen the Estate Tax to Ensure Wealth is Taxed as it is Transferred Across Generations.** The TCJA dramatically weakened the estate tax, protecting large amounts of wealth from being taxed and expanding the wealth gap that is perpetuated by our tax code. Couples can transfer over $27 million without any estate tax being paid by their heirs in 2024, representing a very wealthy population of households that are protected from such a tax.[35] Congress should let the estate tax return to its pre-2017 TCJA levels at a minimum or pass even stronger estate tax provisions.
- **Lawmakers Should End the Pass-Through Section 199A Loophole.** The pass-through deduction is skewed to the wealthy and is expensive.[36] According to the Joint Committee on Taxation, over half of the benefits from this provision in 2024 will go to households with more than $1 million in income.[37] It would cost an estimated $770 billion over ten years to extend this policy past its scheduled expiration date in 2025.[38] Lawmakers should let this provision expire in 2025.

Congress Should Increase the Corporate Tax Rate and Tax Wealth

The TCJA also permanently reduced the corporate tax rate from 35 percent to 21 percent, which dramatically added to our nation's deficit and reduced equity in our tax code and erased key opportunities to raise revenue for public goods. This provision cost an estimated $1.3 trillion over ten years.[39] **Congress should revisit this and raise the corporate tax rate to at least 28 percent** to gain critical revenue and promote more fairness in our tax code.

In addition, Congress should consider implementing a separate tax on billionaires, like the Billionaires Income Tax.[40] The Billionaires Income Tax would only apply to about 700 taxpayers who have over $1 billion in assets or more than $100 million in annual income over three consecutive years.[41] The very wealthiest individuals should not be paying a lower tax rate than teachers in the

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[35] Americans for Tax Fairness, "Trump-GOP Tax Law Closeup: Strengthen Rather Than Weaken the Estate Tax to Curb Dynastic Wealth," June 2024, https://americansfortaxfairness.org/trump-gop-tax-law-closeup-strengthen-rather-weaken-estate-tax-curb-dynastic-wealth/.
[36] Chuck Marr, Samantha Jacoby, and George Fenton, "The Pass-Through Deduction is Skewed to the Rich, Costly, and Failed to Deliver on its Promises," Center on Budget and Policy Priorities, June 2024, https://www.cbpp.org/research/federal-tax/the-pass-through-deduction-is-skewed-to-the-rich-costly-and-failed-to-deliver.
[37] *Ibid*.
[38] *Ibid*.
[39] Joint Committee on Taxation, "Estimated Budget Effects of the Conference Agreement for H.R. 1, The 'Tax Cuts and Jobs Act,' Fiscal Years 2018 – 2027," December 2017, https://americansfortaxfairness.org/wp-content/uploads/Senate-Passed-TCJA-67-2017.pdf.
[40] United States Senate Committee on Finance, "Wyden Unveils Billionaires Income Tax," October 2021, https://www.finance.senate.gov/chairmans-news/wyden-unveils-billionaires-income-tax.
[41] United States Senate Committee on Finance, "Billionaires Income Tax," October 2021, https://www.finance.senate.gov/imo/media/doc/Billionaires%20Income%20Tax%20-%20One%20Pager.pdf.

United States.[42] Congress should pass such policies to make the tax code more fair and to raise more revenue for critical infrastructure.

Conclusion

In 2025, Congress will have a critical opportunity to evaluate our tax code, and to implement policies to make it more equitable. Lawmakers should expand tax credits, including the CTC and EITC, that invest in children, families, and workers; and test temporary programs that could provide relief to people struggling with high housing costs. Lawmakers should also allow provisions from the TCJA to expire that disproportionately benefit the ultra-wealthy and corporations, that make our tax code less equitable, and that add significant money to our nation's deficit. Finally, lawmakers should pass additional policies to more fairly tax the rich and corporations and to generate needed revenue for our nation.

We appreciate the opportunity to submit a comment about this important topic, and we thank the United States House of Representatives Ways and Means Committee members for considering these issues. If you have any questions, please contact Ashley Burnside, Senior Policy Analyst with the Public Benefits Justice team at CLASP at aburnside@clasp.org.

[42] Ashley Burnside, "Let's Promote – Not Reduce – Equity in our Tax Code," Center for Law and Social Policy, July 2024, **https://www.clasp.org/publications/report/brief/lets-promote-not-reduce-equity-in-our-tax-code/**.