

Partisan split over tax policy approach to paid-leave issues at Ways and Means hearing

Democrats and Republicans on the House Ways and Means Committee disagreed on the role tax policy can play in encouraging employers to offer paid medical and family leave as they discussed paid-leave and child care issues and their impact on women in the workforce at an April 21 committee hearing.

Witnesses included working mothers and an analyst from the Bipartisan Policy Center.

The hearing came as the Biden administration prepares to release a set of proposals – which officials have referred to as the American Families Plan – that are aimed at strengthening the nation’s “human infrastructure.”

Democrats back national program

Democratic taxwriters generally called for a national approach to paid medical and family leave as proposed in the Family and Medical Insurance Leave (FAMILY) Act (H.R. 804). That measure, sponsored by Rep. Rosa DeLauro, D-Conn., would provide up to 12 weeks of partial wage replacement to workers who need to take time off from their jobs to address certain specified personal or family health or care-giving issues. The leave program would be funded through a 0.4 percent payroll tax on wages that would be split evenly between employees and employers.

URL: <https://www.congress.gov/bill/117th-congress/house-bill/804/text?q=%7B%22>

Democrats were particularly interested in talking to witness Molly Moon Neitzel, a small-business owner from Seattle, about her company’s experience with the leave program put in place by Washington state as part of its paid-leave mandate. (The program is broadly similar to the one proposed in FAMILY Act in terms of funding and benefits.)

In an exchange with Rep. Earl Blumenauer, D-Ore., Neitzel said that the program provided an efficient, predictable way for her company to budget for the cost of paid leave for her employees. She also noted that the total annual cost to her company under the state program was less than what she paid in premiums for one employee’s maternity leave several years ago when she funded her own paid-leave program through a private insurer.

Responding to a question from Rep. Suzan DelBene, D-Wash., Neitzel said the Washington state program leveled the playing field and allowed her to compete more effectively with larger businesses.

When Rep. Brendan Boyle, D-Pa., asked about tangible benefits to her company as a result of offering paid leave, Neitzel replied that the pay-off came in the form of increased employee loyalty.

“When you can provide pay and benefits that help people live their lives and have a quality of life outside work,” she explained, “they are going to give you so much more as workers.” She added that other small-

business owners she knew who did not offer paid-leave benefits before the state's mandate took effect were "constantly dealing with turnover and workers who couldn't focus on their jobs because they had problems at home that weren't being supported."

Republicans want flexibility

Republicans on the panel were skeptical of one-size-fits-all approaches to paid leave generally, and they specifically rejected the notion of any programs financed with tax increases on businesses or individuals. They instead argued that Congress should find ways to encourage private sector employers to offer their own programs.

Ways and Means Committee ranking member Kevin Brady, R-Texas, contended in his opening statement that paying for a leave program through tax hikes could be counterproductive since a likely result would be employers eliminating jobs because of the increased operating costs.

In a letter submitted to Ways and Means Committee Chairman Richard Neal, D-Mass., ahead of the hearing, Brady of Texas and GOP Rep. Jackie Walorski of Indiana (the ranking member of the Worker and Family Support Subcommittee) noted that as part of 2017's Tax Cuts and Jobs Act (P.L. 115-97), Republicans created the Family and Medical Leave Tax Credit, a temporary incentive under section 45S that reimburses businesses up to 25 percent of the cost of providing paid leave to their employees. The temporary credit was extended through 2025 under the Consolidated Appropriations Act, 2021 (P.L. 116-260), the omnibus tax-and-spending package that was enacted late last year.

URL: <https://gop-waysandmeans.house.gov/wp-content/uploads/2021/04/Letter-to-Majority-WFS-PL-042121-FINAL.pdf>

Brady and Walorski stated in their letter that Ways and Means Republicans would support legislation that would make the section 45S paid-leave credit permanent, as well as provisions aimed at "making it easier for small businesses to offer formal paid leave benefits by increasing access to private insurance options or making it easier to pool together to defray costs." They also urged the government to focus specifically on making paid leave available to "low-income families, particularly families in at-risk communities where paid leave can contribute to better health for new mothers and their babies."

Child care

There was a similar partisan divide as taxwriters discussed how to increase the availability of affordable child care with Democrats backing comprehensive federal action and Republicans calling for a more targeted approach.

Both sides largely stopped short of offering specific tax-focused proposals, although Republican Jackie Walorski touted legislation she recently introduced that would increase the amount employees may contribute to an employer-sponsored dependent care flexible spending account (FSA) and allow employees to roll over unused FSA funds at the end of the year. The proposal also would expand eligible expenses for a dependent care FSA to include adoption, tutoring, sports activities, and art and music programs.

URL: <https://walorski.house.gov/wp-content/uploads/2021/04/HR2714-Working-Families-Child-Care.pdf>

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