

## Ways and Means chairman sees path forward on expanded child tax credit, affordable housing incentives

The new chairman of the House Ways and Means Committee this week reiterated that he supports expanding the child tax credit and expressed optimism about the opportunity to reach a bipartisan agreement during this Congress on both that incentive and on legislation to provide tax credits for affordable housing.

### Expanded child tax credit—with a work requirement

Speaking to reporters March 20 during the House Republicans' retreat in Orlando, Ways and Means Chairman Jason Smith, R-Mo., said—as he has before—that he backs a revival of an expanded child tax credit, but he also will insist that it be paired with a work requirement for recipients.

Smith said it is not clear what a bipartisan agreement might look like, but the expanded credit that was enacted in the American Rescue Plan Act of 2021 (ARPA, P.L. 117-2) and expired at the end of 2021 raised the maximum amount of the credit to \$3,000 for each child 6 to 17 years old and to \$3,600 for each child 5 and under, made the credit fully refundable, and made the benefit available to recipients in advanceable monthly installments. (The Biden administration included a proposal in its budget request for fiscal year 2024 to extend the bulk of the American Rescue Plan's enhancements to the credit through 2026 and make the credit fully refundable on a permanent basis. For details on the administration's budget blueprint, see *Tax News & Views*, Vol. 24, No. 9, Mar. 10, 2023.)

[URL: https://www.congress.gov/117/plaws/publ2/PLAW-117publ2.pdf](https://www.congress.gov/117/plaws/publ2/PLAW-117publ2.pdf)

[URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/TNV/230310\\_1.html](https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/TNV/230310_1.html)

"I feel very confident that we can find common ground with the child tax credit, [and I'm] getting some very good feedback from folks on the other side of the building, but also on our side of the building," Smith said. "What that final product looks like, I think that's pretty tough to predict, but at least there's open grounds of communication right now."

Smith emphasized that he is intent on adding work requirements, however.

"We saw the disaster of eliminating work requirements [with] what had happened back in 2021," he said, noting that when the work requirement was eliminated under the ARPA, only 1.6 million workers returned to the labor force that year, compared with January and February of 2022, when he said 1.7 million people were back on the job after the expanded credit expired and the work requirement was restored.

Democrats were unable to secure the support of all 50 senators in their caucus in the last Congress to include an extension of the ARPA's enhanced incentive in their party-line reconciliation bills, with at least one member—Sen. Joe Manchin of West Virginia—siding with Republicans in backing a work requirement. Manchin also has floated the idea of lowering the income phase-out thresholds for households to be eligible for the credit. The current credit begins phasing out at modified adjusted gross income (MAGI) levels above

\$200,000 for single filers and \$400,000 for joint filers. The expanded 2021 credit phased out at MAGI of \$75,000 for single filers, \$112,500 for heads of household, and \$150,000 for joint filers.

There was a push by some Democrats in the final months of 2022 to include the expanded version of the credit as part of the post-election lame duck tax package, with many making clear that they would not back several business-related tax priorities unless they were paired with a more generous child tax credit. However, negotiations among taxwriters to develop a deal that included both the business and family provisions did not get off the starting block, and none were incorporated into the year-end package. (The three business provisions in the mix called for repealing or delaying the move from full expensing of research and development costs to mandatory amortization, the phase-down of the bonus depreciation percentage, and the shift from EBITDA to EBIT in calculating the limits to the deductibility of net business interest expenses.)

Sen. Michael Bennett, D-Colo., a Senate Finance Committee member, was one of those Democrats pushing for the revival of the credit late last year, and he remains hopeful that lawmakers can reach a deal in the new Congress.

“I think there’s common ground ahead,” he told MarketWatch in early March. “Those of us that have been advocates for this I think need to own the fact that we didn’t make it permanent—and we’ve got to figure out how to do our job better. But the more that we can connect this to the real lives of American citizens, I think the more likely it is that we’re going to be able to get bipartisan agreement.”

House Democratic taxwriter Don Beyer of Virginia also appeared willing to negotiate on an expanded credit.

“I don’t like work requirements,” he told reporters this week, “but you don’t go broke taking the profit—take the win.”

During a March 16 Finance Committee hearing on the administration’s budget proposal, Sen. Steve Daines, R-Mont., suggested that the cost of permanently expanding the child tax credit could be offset by eliminating the current-law state and local tax (SALT) deduction. The SALT deduction, which was capped at \$10,000 (through 2025) in the Tax Cuts and Jobs Act of 2017 (P.L. 115-97), is a hot-button issue for lawmakers from both sides of the aisle who represent jurisdictions with high income and property taxes, however, and such a deal likely would face an uphill battle.

**URL:** <https://www.congress.gov/115/plaws/publ97/PLAW-115publ97.pdf>

## **Housing boom?**

Smith also told reporters March 20 that he believes he can “find some common ground” with Finance Committee Chairman Ron Wyden, D-Ore., on tax credits to expand the availability of affordable housing.

Wyden has indicated that addressing the shortage of affordable housing and the challenges that even middle-class households are facing in the real estate market is a key priority of his in this Congress and the issue

appeared to enjoy bipartisan support during a recent Senate Finance Committee hearing. (For prior coverage, see *Tax News & Views*, Vol. 24, No. 9, Mar. 10, 2023.)

[URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/TNV/230310\\_3.html](https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/TNV/230310_3.html)

The administration's fiscal year 2024 budget blueprint includes several affordable housing incentives, such as a new Neighborhood Homes Credit and an expanded and enhanced low-income housing tax credit, that are similar to those being floated by Senate taxwriters.

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