

Senate taxwriters focus on child tax credit during hearing on anti-poverty, family support provisions in tax code

Democrats and Republicans on the Senate Finance Committee spent much of their time debating the structure of the child tax credit and the merits of strengthening work requirements to qualify for its benefits during a June 14 hearing on federal tax provisions aimed at supporting families and reducing poverty.

Democrats focus on American Rescue Plan credit expansions

Democrats on the panel focused on driving home the message that three provisions that were temporarily expanded as part of the pandemic-era American Rescue Plan Act of 2021 (P.L. 117-2)—that is, the child tax credit (CTC), earned income tax credit (EITC), and child and dependent care tax credit (CDCTC)—should be returned to their more generous parameters that were in place during 2021.

URL: <https://www.congress.gov/117/plaws/publ2/PLAW-117publ2.pdf>

2021 credit enhancements: The American Rescue Plan expanded the CTC for 2021 from \$2,000 per child to \$3,600 per child up to age 5, and to \$3,000 for children up to age 17. For that year only, the credit was also made fully refundable (rather than partially refundable, depending in part upon a taxpayer's income, as under current law); moreover, in many cases, taxpayers were eligible to receive CTC benefits in advanceable monthly installments rather than having to wait until they filed a tax return in the following year. All of the enhancements enacted under the American Rescue Plan are now expired. The CTC benefits that currently are in effect are scheduled to contract after 2025, when a number of changes to the credit made by the Tax Cuts and Jobs Act of 2017 (P.L. 115-97)—including an increase in the credit amount to \$2,000 (from \$1,000 under prior law)—are set to lapse.

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

The American Rescue Plan also expanded the EITC for individuals without qualifying dependents—which is comparatively small, capping out at only \$600 in 2023—and made the CDCTC more generous and refundable.

Additional details on the CTC, EITC, and CDCTC, both under present law and as they were constituted during 2021, are available in a report published by the Joint Committee on Taxation (JCT) in conjunction with the hearing.

URL: <https://www.jct.gov/publications/2023/jcx-33-23/>

Democrats cite long-term economic benefits: Senate Finance Committee Chairman Ron Wyden, D-Ore., argued in his opening statement at the hearing that the 2021 changes to the CTC were successful in cutting the number of children living in poverty—an outcome that, if sustained, would redound to their benefit as adults.

“According to researchers at Columbia University, expanding the CTC lifted 3.7 million American children out of poverty. Child hunger fell by nearly a quarter.” Wyden said. “And other research shows that when families escape poverty, kids are healthier, they do better in school, and their earnings are higher as adults.”

Sen. Sherrod Brown, D-Ohio, meanwhile, argued in favor of legislation—the Working Families Tax Relief Act—that he introduced on June 14 alongside fellow taxwriter Michael Bennet, D-Colo., and 39 other Senate Democrats that would make permanent the American Rescue Plan’s changes to both the CTC and the EITC. (Similar legislation was introduced June 7 in the House of Representatives by Ways and Means Committee Democrat Suzan DelBene of Washington.)

[URL: https://www.kaine.senate.gov/imo/media/doc/working_families_tax_relief_act.pdf](https://www.kaine.senate.gov/imo/media/doc/working_families_tax_relief_act.pdf)

[URL: https://delbene.house.gov/uploadedfiles/the_american_family_act.pdf](https://delbene.house.gov/uploadedfiles/the_american_family_act.pdf)

“I often tell people that March 6, 2021, was the best day of my career. That’s the day that we passed the expanded child tax credit,” Brown said. “By July of that year, the families of 60 million children were getting their tax cuts directly, every single month. We know what parents are facing today: the soaring cost of child care, health care, housing—everywhere it seems like they’re getting squeezed. This tax cut provided a little bit of relief.”

Sen. Bennet echoed that assessment. “The majority position is: This worked,” he told the panel. “We showed that America does not have to accept as a permanent state of our economy, or a permanent state of our democracy, this level of childhood poverty.”

Republicans emphasize work requirements, budgetary concerns

Finance Committee Republicans generally acknowledged their longstanding support for the child tax credit—which had its origins in then-Republican House Speaker Newt Gingrich’s “Contract With America,” a campaign policy document issued in the run-up to the 1994 congressional elections.

But they also argued that—as with the EITC and CDCTC under current law—receipt of the CTC should be more strongly conditioned on parents’ participation in the workforce.

Sen. Mike Crapo of Idaho, the top Republican on the panel, pointed to welfare reforms—including work requirements—that were signed into law by Democratic President Bill Clinton in 1996 as evidence that the concept has bipartisan history.

“In 1996, I joined a bipartisan group of colleagues, including some in this room today, in voting to pass the [Personal Responsibility and Work Opportunity Act].” Crapo said. “In the decades since, this landmark legislation’s reforms have led to undeniable intergenerational progress.”

“One of welfare reform’s key changes,” Crapo stated, “was to replace an ineffective cash-handout system with one focused on incentivizing work, job training, and self-sufficiency.”

Congressional Republicans scored a win on this front just weeks ago when the debt limit accord struck by President Biden and Speaker Kevin McCarthy, R-Calif., put in place stronger work requirements for some federal spending programs, including the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF). (For more detail on the debt limit deal, which was codified in the Fiscal Responsibility Act, see *Tax News & Views*, Vol. 24, No. 21, May 31, 2023.)

[URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/TNV/230531_1.html](https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/TNV/230531_1.html)

Finance Committee Republicans also took issue with the steep budgetary cost of permanently enacting the American Rescue Plan’s CTC changes—another factor that has consistently dogged bipartisan talks around pairing CTC reform with an extension of certain lapsed business provisions from the Tax Cuts and Jobs Act, most notably the ability to expense certain research-related expenses under tax code section 174 rather than amortizing them over five years (or 15 years, if the research is conducted abroad).

Democrats, especially more progressive members of the caucus, have consistently demanded that a CTC expansion accompany any business-focused provisions. But Republicans have countered that the budgetary costs of that policy trade are far too lopsided.

Ranking member Crapo advanced that argument at the Finance Committee hearing.

“. . . [I]n October 2022, the nonpartisan JCT evaluated Democrats’ partisan, temporary changes to the child tax credit and they reached two critical conclusions. First, they estimated a staggering cost to continue them: more than \$1.2 trillion in the budget window, to say nothing of the years beyond. Second, they confirmed that the provision disincentivizes work, with a ‘dynamic’ cost estimate factoring in work and growth that approached \$1.4 trillion.”

More debate likely

While the hearing demonstrated that a bipartisan breakthrough on these issues is not immediately at hand, it is expected that talks among lawmakers will continue in anticipation of potentially moving tax changes alongside other “must-pass” legislation later this year.

In the House, for example, Democrats on the Ways and Means Committee offered an amendment that would have paired an expanded child tax credit with more generous rules for the treatment of research expenditures, bonus depreciation, and deductibility of business interest expenses during a June 13 mark-up of an “economic growth” tax package put forward by Chairman Jason Smith, R-Mo., and the panel’s Republican members. (See separate coverage in this issue for details of the Ways and Means Committee mark-up.)

Although that effort by House Democratic taxwriters was unsuccessful, the issue of coupling a more generous CTC with tax code changes sought by the business community could re-emerge as the Ways and Means measure moves through the House and migrates to the Senate.

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