

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010: Win for Women, Mothers and Working Families

The agreement announced by the President not only secures vital tax relief and investments in our workers that will create jobs and accelerate economic growth, it contains specific policies that provide targeted support for working families, particularly women and mothers. Building off the gains made in the Recovery Act, the agreement will extend key provisions including the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC) that disproportionately benefit women and working families. In summary:

- **Women represent about 60 percent of the parents benefitting from the EITC and CTC expansions in the agreement.** An estimated 12 million women will benefit from the expansion in the EITC and CTC that are extended in this agreement.
- **One out of every three families gaining from the extension of these credits is headed by a single mother.** Families headed by single mothers are among the most economically at risk in our fragile recovery. This extension of the EITC and CTC would direct substantial resources to these families, with an estimated 4 million of the families gaining being headed by single mothers.

Illustrative Example: Working mother with three children making \$20,000. This family will:

- *Receive a tax cut of more than \$2,100 from extending recent expansions in the EITC and Child Tax Credit as part of this agreement.*
- *Receive a \$400 tax cut from the new payroll tax cut.*
- *Compared to the Republican alternative, this family will receive a total tax benefit of \$2,500 next year.*

HIGH IMPACT, JOB CREATING TAX CUTS FOR WORKING FAMILIES

Economic studies consistently find that lower-income households are the most likely to spend additional money, creating jobs and helping overall growth. That's why the Congressional Budget Office has concluded that "policies aimed at lower-income households tend to have greater stimulative effects."

Beginning in the Recovery Act, the President has demonstrated his commitment to extend benefits and tax cuts to struggling families as the right thing to do for family security and our economy. According to a study released last year by the Center on Budget and Policy Priorities, seven policies included in the Recovery Act have kept 3.3 million women and girls above the poverty line.¹

¹ Sherman, Arloc "Stimulus Keeping 6 Million Americans Out of Poverty in 2009, Estimates Show." *Center on Budget and Policy Priorities*, September 2009.

Three of these policies are continued in the current agreement, including Unemployment Insurance, the EITC and the Child Tax Credit.

Not only do these provisions help strengthen the economy by promoting work and putting money into the pockets of working families who eventually put it back into the economy through consumption, they are also effective at improving the health of families. A study by the National Bureau of Economic Research recently found that the expansion of the EITC increased the mental and physical health of low-income mothers with two or more children.²

Earned Income Tax Credit

The EITC in the Recovery Act:

The Earned Income Tax Credit (EITC) supplements the wages of low income workers, and especially working mothers, lifting more children out of poverty than any other single program or category of programs.

Under the Recovery Act, the EITC was expanded to reduce the marriage penalty and to create a “third tier” of the EITC for families with three or more children. This means larger families now receive up to \$1,040 more than they would have under the old system.

By extending the EITC in the agreement:

- About 6 million women will receive an expanded EITC tax credit. Without this agreement, these women could lose up to \$1,040.
- About 1 million families headed by single mothers will receive an expanded EITC tax credit.

Child Tax Credit

The Child Tax Credit in the Recovery Act:

The Child Tax Credit helps low-and moderate-income families with children. The credit allows families to reduce their federal income tax by a certain amount for each qualifying child under the age of 17 in a household. In 2001, the Child Tax Credit was expanded to \$1,000 per child, but was unavailable to millions of low income families because the minimum amount of earned income used to calculate the credit was set at about \$12,500 in today’s dollars.

These seven policies are: Making Work Pay Tax Credit, improved Child Tax Credit, improved EITC, additional \$25 per week in unemployment benefits, additional weeks of unemployment assistance (Emergency Unemployment Compensation) for long-term jobless workers, increased benefit level in the Supplemental Nutrition Assistance Program, \$250 one-time Economic Recovery Payments for recipients of Social Security, veterans disability compensation, Railroad Retirement, and SSI for the elderly and people with disabilities.

The CBPP report highlights the number of people kept above the poverty line (using a comprehensive poverty measure recommended by the National Academy of Sciences and favored by many analysts) and additional, unpublished estimates from their model show that, of the 6.2 million, 3.3 million are female.

² William N. Evans and Craig L. Garthwaite, “Giving Mom a Break: The Impact of Higher EITV Payments on Maternal Health,” *National Bureau of Economic Research*, August 2010

In the Recovery Act, the Administration and Congress secured an important expansion in the Child Tax Credit for lower income families by lowering the minimum amount from about \$12,500 to \$3,000.

By extending the CTC with the \$3,000 minimum threshold in the agreement:

- Eight million women and 6 million families headed by a single mother will benefit from a larger CTC.
- For many of these families, extending the minimum threshold in the CTC will result in thousands of dollars in additional tax benefits that would have otherwise been lost. For example:
 - A married couple with three children making \$23,000 will receive \$3,000 in child tax credits compared to about \$1,540 if only the 2001/2003 tax cuts were extended – an increase of about \$1,460.
 - A single mother with two children making \$17,000 will receive \$2,000 in child tax credits compared to about \$640 if only the 2001/2003 tax cuts were extended – an increase of about \$1,360.

American Opportunity Tax Credit

The American Opportunity Tax Credit in the Recovery Act:

- The Recovery Act expanded the AOTC so that it now provides up to three times more relief than was previously available under the Hope Credit and Lifetime Learning Credit and is refundable for low-income students for the first time.
- The AOTC gives working families and students a \$2,500 per year partially refundable tax credit to help students and their families cover the cost of college tuition.

The American Opportunity Tax Credit in the agreement:

- This deal fully extends AOTC for two years, ensuring that more than 8 million students will continue to receive this tax benefit to help them afford college.

Unemployment Insurance

The agreement secures an extension of unemployment insurance for an additional 13 months. Without this extension, 2 million people looking for work would have lost their benefits this month alone, and through the end of next year 7 million people would have lost their benefits.

- Extending unemployment benefits provides crucial economic security to American families. A recent report by the Council of Economic Advisers found that while 14

million people received federally supported unemployment insurance benefits through October 2010, an additional 26 million people living in their households benefitted indirectly.

- About 42 percent of these recipients have, or live with, children. As of October, 2010 10.5 million children had benefitted from this provision.