23-Dec-19 **PRELIMINARY RESULTS** http://taxpolicycenter.org

Economic Security Project's Cost-of-Living Refund with Patch
Credit expanded for caregivers
Baseline: Current Law
Expenditures, $ Billions, 2019-2028

	Fiscal year[1]										
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2019-2028**
Cost-of-Living Refund with Patch: without caregiver provisions[2]	-51.04	##########	##########	##########	##########	##########	##########	##########	##########	##########	-2,648.55
Cost-of-Living Refund with Patch: with caregiver provisions[3]	-54.65	##########	##########	##########	##########	##########	##########	##########	##########	##########	-2,825.82
Calendar Year estimates											
Cost-of-Living Refund with Patch: without caregiver provisions[2]	##	##	##	##	##	##	##	##	##	##	-2,765.48
Cost-of-Living Refund with Patch: with caregiver provisions[3]	##########	##########	##########	##########	##########	##########	##########	##########	##########	##########	-2,950.29

Source: Urban-Brookings Microsimulation Model (version 0319-1)

(1) Revenue estimates are for fiscal years and use a 20-80 fiscal split in 2019, 30-70 for 2020, and 60-40 thereafter. Proposals are effective 1/1/2019.

(2) The Cost-of-Living Refund would: replace the EITC with a fully refundable credit equal to the lesser of $4,000 or earned income ($8,000 for married couples filing a joint return). Credit would phase out ratably between adjusted gross income (AGI) or earned income if greater, of $30,000 and $50,000 for singles, $50,000 and $90,000 for married couples filing jointly. All dollar amounts would be indexed to the chain-weighted consumer price index after 2019. Eligible individuals must be at least 18 years of age (for married couples, at least one spouse must be at least 18 years of age), unless they are an eligible student who receives the Pell Grant or meets a two-factor test, or they are an eligible caregiver for a child under the age of 6 or their spouse. Eligible students and caregivers are not subject to the credit phase-in period. Individuals who can be claimed as a dependent are not eligible for the credit. The investment income limitation for purposes of the EITC would apply to the CLR. Assumes the following take-up rates for 2019 (2024 and thereafter), take-up rates are assumed to rise between 2019 and 2023. Current law non-filing married couples: 70.0 (80.0); current law non-filing singles and heads of households: 60.0 (70.0), non-filing tax units with Pell Grants (additional 10.0 percentage points); filers eligible for EITC under current law who do not claim EITC: 50.0 (60.0); filers ineligible for current law EITC: singles 92.5 (95.0) and married couples 95.0 (97.5), assumes all recipients of the EITC would file to receive this credit. Also assumes that some tax units would report additional self-employment income to claim the credit. The additional patch is available for all CLR-eligible tax units filing as single or as head of household that have at least two children eligible for the EITC. The patch is set equal to: 12.55% of earned income up to the first EITC kink point for tax units with two children, and 18.75% of earned income up to the first EITC kink point for tax units with three or more children. The patch phases out at a rate of 5% from the second EITC kink point for tax units with two and three or more children.

(3) Expanded CLR proposal would provide the maximum credit to caregivers (subject to the income phase-out range) who would qualify if they:

1) Have a child under 6, or
2) Have an adult dependent who is 25 years old or up (and is eligible for the $500 Other Dependent Credit), or
3) Are married and filing jointly, at least one of the two spouses aged 51 or up. We assume 20% of couples in this age range who are income-eligible for the credit would qualify as caregivers, and that all couples in this age range who reported additional self-employment income to receive the credit would receive the maximum credit, and an additional 5% of couples in this age range would report additional self-employment income to receive the credit.