

T20-0079
2019 Work and Child Credit Proposals
Baseline: Current Law
Impact on Tax Revenue, \$ billions, 2019-28¹

	Fiscal Year										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-28
American Family Act²	-10.2	-104.3	-108.0	-112.1	-116.8	-121.6	-124.7	-187.6	-199.1	-204.9	-1,289.3
Cost-of-Living Refund³	-14.2	-146.5	-152.1	-158.8	-164.7	-169.5	-172.4	-175.5	-178.7	-181.9	-1,514.3
Livable Incomes for Families Today (LIFT) the Middle Class Act⁴	-52.6	-290.6	-298.4	-280.2	-287.9	-295.5	-301.0	-304.9	-306.7	-310.5	-2,728.3
Working Families Tax Relief Act⁵	-20.2	-85.7	-85.1	-89.0	-93.3	-97.8	-102.0	-130.0	-193.2	-198.6	-1,095.0

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0319-2).

(1) Revenue estimates are for fiscal years and use a 10-90 split for AFA and CLR; 25-75 in 2019 and 30-70 thereafter for WFTRA; and 20-80 in 2019, 30-70 in 2020, and 60-40 thereafter for LIFT. Proposals are effective 01/01/2019. Baseline is current law as of 01/01/2020. Depending on the enactment date for the credit and the beginning date of advance payments, the pattern of receipts could differ.

(2) Proposal would (a) make the child tax credit fully refundable regardless of income, (b) increase the maximum credit to \$3,000 per child and \$3,600 per child under 6, (c) lower the phase-out thresholds to \$180,000 for married taxpayers filing jointly, \$90,000 for married taxpayers filing separately, and \$130,000 for all other taxpayers through 2025, (d) phase the credit out at a rate of \$20 per CTC-eligible dependents per \$1000 of income over the threshold, and (e) index the maximum credit amount to the chain-weighted consumer price index. Assumes that 60 percent of eligible non-filers would file to claim the expanded credit in 2019. Participation by non-filers is assumed to rise by 2 percentage points each year until reaching 70 percent in 2024.

(3) Proposal would (a) increase the maximum EITC to \$3,111 for filers with no custodial children, \$6,770 for filers with one child, \$11,190 for filers with two children, and \$12,588 for filers with three or more children, (b) increase the phase in rate to 30%, 65.28% and 76.8% and 86.40%, respectively, and (c) increase the minimum and maximum income levels to receive the maximum credit and phase the credit out at a rate of 15.98% for filers with no custodial children. Assumes that 50% of current-law non-filing childless earners (increasing to 60% by 2024) would begin filing to take the expanded credit.

(4) The LIFT Act would enact a fully refundable credit equal to the lesser of \$3,000 or earned income (\$6,000 for married couples filing jointly). Credit would phase out rateably between adjusted gross income (AGI), or earned income if greater, of \$30,000 and \$50,000 for singles; \$60,000 and \$100,000 for married couples filing jointly; and \$60,000 and \$80,000 for heads of household (based on a preliminary version of the bill, earlier TPC estimates assumed the head of household phase-out began at \$80,000). All dollar amounts would be indexed for inflation after 2019 using the chain-weighted consumer price index. Earned income would include any amounts received by the taxpayer as a Federal Pell Grant. 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). The investment income limit for purposes of the EITC would apply to the LIFT credit.

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 household: 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); fraction of current law non-filers who file to claim the LIFT credit and then also claim the EITC and/or refundable CTC: 0.75 (0.80). Also assumes that some tax units would report additional self-employment income to claim the credit.

(5) Proposal would (a) expand the EITC for childless workers by increasing the phase-in rate to 20%, the phase-out rate to 15.98%, the maximum credit to \$2,036, and the start of the phase-out to \$11,380; (b) increase the EITC phase-in rate to 42.5%, 50%, and 52.5% for families with 1, 2, and 3+ children, respectively; (c) extend the qualifying age range for the childless EITC from 19 to 67 but exclude childless independent students from the credit; (d) extend the \$2,000 Child Tax Credit (CTC) beyond 2025; (e) make the CTC fully refundable and allow families to qualify for the full credit without earnings; (f) increase the CTC to \$3,000 per child under 6; (g) index the \$2,000 and \$3,000 child tax credit amounts starting in 2019, and (h) lower the phase-out thresholds for the child tax credit to \$150,000 for single and head-of-household filers, \$200,000 for married filing jointly, and \$100,000 for married filing single. We assume that 50% of current law nonfiling childless earners would begin filing to take the expanded EITC.

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	Calendar Year										
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American Family Act²	-101.5	-104.6	-108.4	-112.6	-117.3	-122.1	-125.0	-194.6	-199.6	-205.5	-1,391.1
Cost-of-Living Refund³	-142.0	-147.0	-152.7	-159.5	-165.3	-169.9	-172.7	-175.8	-179.0	-182.3	-1,646.2
Livable Incomes for Families Today (LIFT) the Middle Class Act⁴	-262.9	-267.8	-277.4	-284.3	-293.3	-298.7	-304.3	-306.0	-307.8	-314.4	-2,917.0
Working Families Tax Relief Act⁵	-80.6	-84.0	-87.7	-92.1	-96.3	-101.4	-103.5	-191.7	-196.7	-203.2	-1,237.2

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0319-2).

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