



Tax Reform That Works for All Families

INTRODUCTION

The American tax code must work for all families, particularly low- and middle-income earners and their children. With nearly 25 years of experience working with children and families, Jumpstart has seen how the availability of tax credits and other policies that support families can disrupt the cycle of poverty. Congress should take this latest opportunity to reform our tax system to alleviate poverty rather than exacerbate inequality.

POLICIES THAT WORK

Refundable taxes for low income families

The lowest paid Americans, living near or below poverty, are often in the deepest need of tax credits from the federal government. However, since these individuals and families incur little or no tax burden, they are ineligible for dozens of nonrefundable tax credits, such as the Child and Dependent Care Tax Credit (CDCTC). Nonrefundable tax credits return money only in the event that the taxpayer owes federal tax. They do not give a refund to those who owe nothing and only refund up to the level of an individual's tax burden in the case of a small tax burden. Several pieces of legislation pending in Congress would reverse this policy, allowing the CDCTC to work for families that need it most, including the *Promoting Affordable Childcare for Everyone (PACE) Act* (S.208/H.R.3632) and the *Right Start Child Care and Education Act* (S.25/H.R.2140).

Increase tax credit rates and index to inflation

As cost of living skyrockets in communities around the country, our tax code has not kept up. The rates for several of the most important tax credits for low- and middle-income families, including the CDCTC and the Child Tax Credit (CTC), remain stagnant year after year even as the costs of raising a family go through the roof. However, one time fixes are not the solution. Increasing the credit rates as well as indexing them to inflation rates will ensure that they remain useful in perpetuity. Several pieces of legislation would make these important changes, including the *Working Families Tax Relief Act* (S.1371) and the *PACE Act* (S.208/H.R.3632).

Make Segal Education Awards tax-free

AmeriCorps members who successfully complete a term of service are eligible to receive a Segal AmeriCorps Education Award, which must be used to pay for post-secondary education costs or repay student loans. Current law taxes these awards as income, which lessens their value and makes higher education less affordable for millions of public servants. The bipartisan *Segal AmeriCorps Education Award Enhancement Act* (S.1042/H.R.1602) would ensure that AmeriCorps alumni receive the full value of their education award by removing this unfair tax.

POLICIES THAT DON'T

The administration's tax proposal does not help working families and would widen economic inequality in the United States. The plan slashes taxes for the top 1% of earners while ignoring Americans most in need and the millions of children living in poverty in our country today. Senator Marco Rubio (R-FL) and Ivanka Trump's child tax credit proposal would not be made fully refundable, rendering it useless to low-income households who often owe little or no federal taxes and thus would receive little benefit from this tax credit. Additionally, the administration has proposed to deny the CTC to immigrant families, needlessly hurting millions of children. Jumpstart strongly opposes these tax proposals and supports proposals that address and alleviate, rather than reinforce, poverty.

