

Tax Relief to Support Workers and Families During the COVID-19 Recession
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Chairman Thompson, Ranking Member Smith, and Members of the Subcommittee, thank you for the opportunity to submit this testimony. My name is Amy K. Matsui, and I am the Director of Income Security and Senior Counsel at the National Women’s Law Center.

For almost half a century, the National Women’s Law Center (“the Center”) has fought for gender justice in the courts, in public policy, and in our culture. Our work across the issues that are central to the lives of women and girls is vast and importantly, intentional, centering the experiences of those who are most burdened by injustice – including women of color, immigrant women, and LGBTQ+ communities. Against the backdrop of a national reckoning with racial injustice, paired with a global pandemic that has disproportionately devastated communities of color, the Center is lifting up what it means for women and girls – specifically Black women and girls – to live, learn, and work with safety and equity. It is critically important, now more than ever, to highlight the experiences of women of color, and embrace policy solutions that advance racial and gender equity.

The Economic Security of Women and Families Has Been Devastated by COVID-19

The COVID-19 crisis has laid bare the disastrous consequences of longstanding racial and gender inequities. Women in the U.S. who work full time, year round are typically paid only 82 cents for every dollar paid to their male counterparts, and wage gaps are even larger for Black women and Latinas.¹ Black and Hispanic households have only a fraction of the wealth owned by white households,² and single women of color likewise face a significant and persistent wealth gap compared to white men.³

¹ National Women’s Law Center, *The Wage Gap: The Who, How, Why, and What to Do* (September 2019), <https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2018/10/The-Wage-Gap-Who-How-Why-and-What-to-Do-2019.pdf>.

² See generally Angela Hanks, Danyelle Solomon & Christian Weller, *Systematic Inequality: How America’s Structural Racism Helped Create the Black-White Wealth Gap*, Ctr. For Am. Progress (2018), <https://www.americanprogress.org/issues/race/reports/2018/02/21/447051/systematic-inequality/>; Asset Building Policy Network, *The Racial Wealth Gap* (2019), available at https://prosperitynow.org/sites/default/files/resources/ABPN_The_Racial_Wealth_Gap_Infographic_FINAL.pdf; Anne Price, Insight Center & Roosevelt Institute, *Don’t Fixate on the Racial Wealth Gap: Focus on Undoing Its Root Causes* (February 2020), https://rooseveltinstitute.org/wp-content/uploads/2020/02/RI_DontFixateRWG_Report_202001.pdf.

³ See, e.g., Heather McCulloch, *Closing the Women’s Wealth Gap: What It Is, Why It Matters, and What Can Be Done About It* (2017), <https://womenswealthgap.org/wp-content/uploads/2017/06/Closing-the-Womens-Wealth-Gap-Report-Jan2017.pdf>.

Women are far more likely than men to work in part-time,⁴ low-paid,⁵ and/or tipped jobs in the service sector,⁶ meaning women faced a higher risk of losing their jobs as retail stores, restaurants, and other businesses were forced to lay off workers or close their doors entirely due to COVID-19. And women are overrepresented in the front-line workforce, making up the vast majority of workers risking their lives to provide health care, child care, and other essential services.⁷

As a result, the pandemic's economic consequences disproportionately impact women, and particularly women of color. For example, women make up the majority of laid-off workers since February and are more likely to be unemployed than men.⁸ In May, the unemployment rate for adult women over age 20 was 13.9 percent (compared to 11.6 percent for men).⁹ Unemployment rates are even higher for Black women (16.5 percent), Latinas (19 percent), and for younger women (24 percent for women between the ages of 20 and 24, with even higher rates for young Black women and Latinas).¹⁰ In addition, many women who *are* working are working reduced hours. In May, nearly three in ten women (29%) working part-time wanted full-time work, but were unable to obtain it for economic reasons, such as their employer not giving them full-time hours.¹¹ Women of color were even more likely to report involuntary part-time work.¹² Consistent with their higher unemployment rates, a greater share of people of color have reported loss of household income, compared to white people, since March 13.¹³

Many women already had difficulty making ends meet from paycheck to paycheck before COVID-19, but millions of families are facing full-fledged economic disaster in the wake of the pandemic. Food

⁴ Claire Ewing-Nelson, National Women's Law Center, Part-Time Workers Are Paid Less, Have Less Access to Benefits – and Most Are Women (Feb. 2020), <https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2020/02/Part-Time-Workers-Factsheet-2.26.20.pdf>.

⁵ Jasmine Tucker & Julie Vogtman, National Women's Law Center, When Hard Work Is Not Enough: Women In Low-Paid Jobs (Apr. 2020), https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2020/04/Women-in-Low-Paid-Jobs-report_pp04-FINAL-4.2.pdf.

⁶ National Women's Law Center, Women in Tipped Occupations, State by State (May 2019), <https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2019/06/Tipped-workers-state-by-state-2019.pdf>.

⁷ Hye Jin Rho, Hayley Brown, & Shawn Fremstad, Center on Economic and Policy Research, A Basic Demographic Profile of Workers in Frontline Industries (Apr. 2020), <https://cepr.net/wp-content/uploads/2020/04/2020-04-Frontline-Workers.pdf>. Under CEPR's definition, women are 64 percent of all workers in front-line industries, including 77% of all health care workers, and 85% of workers in child care and social services.

⁸ Claire Ewing-Nelson, National Women's Law Center, Despite Slight Gains in May, Women Have Still Been Hit Hardest by Pandemic- Related Job Losses (June 2020), <https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2020/06/May-Jobs-FS.pdf>.

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.*

¹³ National Women's Law Center calculations based on U.S. Census Bureau, Household Pulse Survey, Week 5, Employment Table 1*, available at <https://www.census.gov/programs-surveys/household-pulse-survey/data.html> (43.9% of white, non-Hispanic people compared to 48.9% of Asian, non-Hispanic, 53.9% of Black, non-Hispanic, and 63.3% of Latinx people). See also Jared Bernstein (Center on Budget & Policy Priorities) & Janelle Jones (Groundwork Collaborative), The Impact of the COVID-19 Recession on the Jobs and Incomes of Persons of Color, (May 13, 2020), https://groundworkcollaborative.org/wp-content/uploads/2020/05/Groundwork-Bernstein-Jones-paper_5.13.pdf (stating that the incomes of low-paid workers are expected to decline precipitously, with the incomes of Black workers falling more, and even faster).

insecurity, including among children, is rising.¹⁴ Almost one in nine people reported not having enough to eat in the past seven days, and over one in five people indicated that they had missed last month's rent or mortgage payment (and were not confident about making next month's).¹⁵ Academics and policy experts expect to see poverty rates increase.¹⁶ Predictably but unfortunately, the women and communities of color who experienced the greatest disadvantages before the pandemic have been hit the hardest by the health and economic crisis.¹⁷ The pandemic is expected to have devastating and long-term effects on the incomes, wealth, health and well-being, and overall economic security of women and families.

In light of this unprecedented level of need, the National Women's Law Center strongly supports direct cash payments and refundable tax credits as critical components of COVID-19 relief targeted to low- and moderate-income women and their families, most especially women of color.¹⁸ Such assistance will not only mitigate the impact of the recession and enable women to meet basic needs for themselves and their families, but will also stimulate the economy.

Direct Assistance and Refundable Tax Credits Put Resources in the Hands of People Who Need Them

¹⁴ See, e.g., Lauren Bauer, Brookings, The COVID-19 Crisis Has Already Left Too Many Children Hungry in America (May 6, 2020), <https://www.brookings.edu/blog/up-front/2020/05/06/the-covid-19-crisis-has-already-left-too-many-children-hungry-in-america/> (finding that "By the end of April, more than one in five households in the United States, and two in five households with mothers with children 12 and under, were food insecure.").

¹⁵ U.S. Census Bureau, Household Pulse Survey, Week 5, Interactive Data Tool, available at <https://www.census.gov/data-tools/demo/hhp/#/?measures=FIR>.

¹⁶ See, e.g., Zachary Parolin & Christopher Wimer, Center on Poverty and Social Policy at Columbia University, Forecasting Estimates of Poverty During the COVID-19 Crisis: Poverty Rates in the United States Could Reach Highest Levels in Over 50 Years (April 16, 2020), available at <https://static1.squarespace.com/static/5743308460b5e922a25a6dc7/t/5e9786f17c4b4e20ca02d16b/1586988788821/Forecasting-Poverty-Estimates-COVID19-CPSP-2020.pdf> (estimating that poverty rates using the Supplemental Poverty Measure framework could exceed 15 percent with unemployment rates at 10 percent, 16.8 percent with unemployment rates at 20 percent unemployment, and 18.9 percent at 30 percent unemployment).

¹⁷ See, e.g., Dominique Derbigny, Closing the Women's Wealth Gap, On the Margins: Economic Security for Women of Color through the Coronavirus Crisis and Beyond (April 28, 2020), https://womenswealthgap.org/wp-content/uploads/2020/04/OnTheMargins_April2020_CWWG.pdf; Danyelle Solomon (Center for American Progress) & Derrick Hamilton (Kirwan Institute), The Coronavirus Pandemic and the Racial Wealth Gap (March 19, 2020), <https://www.americanprogress.org/issues/race/news/2020/03/19/481962/coronavirus-pandemic-racial-wealth-gap/>; Guillermo Cantor & Lebaron Sims, Prosperity Now, The Unequal Impact of the COVID-19 Crisis on Households' Financial Stability (April 2020), <https://prosperitynow.org/resources/unequal-impact-covid-19-crisis-households-financial-stability>; PolicyLink, COVID-19 & Race: Commentary, <https://www.policylink.org/covid19-and-race/commentary>; Connor Maxwell, Center for American Progress, The Coronavirus Crisis Is Worsening Racial Inequality (June 10, 2020), <https://www.americanprogress.org/issues/race/news/2020/06/10/486095/coronavirus-crisis-worsening-racial-inequality/>; see also Harvard Law School, Petrie-Flom Center, Bill of Health, COVID-19 is a Perfect Storm of Hardship for US Immigrant Communities (May 4, 2020), <https://blog.petrieflom.law.harvard.edu/2020/05/04/immigrant-communities-us-covid19-coronavirus/>.

¹⁸ For a comprehensive summary of relief and recovery policies supported by the Center, please see <https://nwl.org/resources/a-recovery-that-works-for-all-of-us/>.

Even when the country is not in the midst of a recession, the boost in income provided by refundable federal income tax credits like the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) helps families make ends meet and reduces the harsh economic effects of gender and racial inequity.

For example, if counted in the official poverty measure, the EITC would have lifted the incomes of more than 4.5 million people above the federal poverty level in 2017. This includes more than 1.2 million women 18 and older, more than two in three of whom were women of color, and nearly 2.5 million children, nearly three in four of whom were children of color.¹⁹ Similarly, if counted in the official poverty measure, the CTC would have lifted approximately 4.3 million people out of poverty in 2018, including about 2.3 million children.²⁰ The boost in income provided by refundable tax credits like the EITC and CTC improves health and educational outcomes for women and their children.²¹ Research shows that the added income from tax credits makes the biggest difference to the youngest and poorest children.²² There is also some evidence that, at the same income level, gains from added income may be larger for children of color.²³ And because women of color make up a disproportionate share of poorly paid workers,²⁴ they especially benefit from the EITC and CTC.²⁵

During a recession, however, the income boost provided by direct assistance and refundable tax credits is even more acutely needed. These payments are critically important in order to relieve the financial distress experienced by families who have lost jobs, face reduced wages, and have heretofore been unable to accumulate savings that could help them weather income shocks.²⁶ During the Great Recession, Congress enacted or expanded a number of income supports as part of the American Recovery and Reinvestment Act (ARRA) of 2009, including direct payments, known as “Economic Recovery Payments,” and expansions to the EITC and CTC. Along with other benefits providing direct

¹⁹ Jasmine Tucker, Sarah Hassmer, Amy Matsui & Melissa Boteach, National Women’s Law Center, *By the Numbers: Data on Key Programs for the Well-Being of Women & Their Families* (December 2019), <https://nwlc.org/resources/by-the-numbers-data-on-key-programs-for-the-well-being-of-women-their-families/>.

²⁰ Center On Budget & Policy Priorities, *Policy Basics: The Child Tax Credit* (December 2019), <https://www.cbpp.org/research/federal-tax/policy-basics-the-child-tax-credit>.

²¹ Chuck Marr, Chye-Ching Huang, Arloc Sherman, and Brandon DeBot, Center On Budget & Policy Priorities, *EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children’s Development*, Research Finds (December 2015), <https://www.cbpp.org/sites/default/files/atoms/files/6-26-12tax.pdf>.

²² Elaine Maag, *How To Improve the Child Tax Credit for Very Low-Income Families*, *Forbes* (April 19, 2018), available at <https://www.forbes.com/sites/beltway/2018/04/19/how-to-improve-the-child-tax-credit-for-very-low-income-families/#7b4d8be42470>.

²³ Arloc Sherman & Tazra Mitchell, *Economic Security Programs Help Low-Income Children Succeed Over Long Term, Many Studies Find*, *Ctr. on Budget & Pol’y Priorities* 1, 7 (2017), <https://www.cbpp.org/research/poverty-and-inequality/economic-security-programs-help-low-income-children-succeed-over>.

²⁴ Jasmine Tucker & Julie Vogtman, National Women’s Law Center, *When Hard Work Is Not Enough: Women In Low-Paid Jobs* (Apr. 2020), https://nwlciiw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2020/04/Women-in-Low-Paid-Jobs-report_pp04-FINAL-4.2.pdf

²⁵ Chuck Marr & Yixuan Huang, Center on Budget & Policy Priorities, *Women of Color Especially Benefit from Working Family Tax Credits* (September 2019), <https://www.cbpp.org/research/federal-tax/women-of-color-especially-benefit-from-working-family-tax-credits>.

²⁶ *See, e.g.*, Board of Governors of the Federal Reserve System, *Report on the Economic Well-Being of U.S. Households in 2019, Featuring Supplemental Data from April 2020* (May 2020), available at <https://www.federalreserve.gov/publications/files/2019-report-economic-well-being-us-households-202005.pdf> (40 percent of American households did not have enough cash to meet a \$400 emergency expense in 2019).

assistance to families (such as unemployment insurance and food assistance), these income supports had a demonstrated positive impact on women and families. In particular, it has been estimated that, if counted in the official poverty measure, Economic Recovery Payments and the improvements to the EITC and CTC would have kept the incomes of 2.4 million people above the poverty line in 2009.²⁷

In addition, families in need who receive cash benefits tend to spend them quickly – because they need to pay bills or rent, or for other necessities.²⁸ Direct assistance and refundable tax credits thus enable an influx of spending into local economies, mitigating the effects of recessions and preventing job loss. Research examining stimulus payments made in 2001 and 2008 shows that “payments to individuals increase spending during a recession and help stabilize the economy.”²⁹ Overall, the Congressional Budget Office (CBO) estimated that ARRA’s expansions of the EITC and CTC and similar tax credits “generated between 60 cents and \$1.50 in economic activity per dollar of cost.”³⁰

Direct Assistance Provided Under the CARES Act

The Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), provides for one-time direct payments to individuals. These payments are structured as a refundable tax credit that will be claimed on tax returns for tax year 2020 but will be paid in advance, prior to December 2020. These payments, termed Economic Impact Payments (EIP) by the Internal Revenue Service (IRS), are worth a maximum of \$1,200 per person (\$2,400 for a married couple filing a joint tax return), with an additional \$500 per dependent child age 16 or under. The maximum payment amount is available to eligible individuals with 2019 adjusted gross income up to \$75,000 for single filers (\$112,500 for head of household filers and \$150,000 for married filing jointly). For filers with income above those amounts, the payment amount is reduced by 5% of the amount that adjusted gross income exceeds these thresholds. Single filers with income exceeding \$99,000 (\$136,500 for head of household filers and \$198,000 for joint filers with no children, are ineligible to receive payments).

An estimated 152 million people had received an EIP towards the end of May.³¹ In May, the IRS calculated that the average EIP received was about \$1,800.³² Preliminary research indicates that families

²⁷ Arloc Sherman, Center on Budget & Policy Priorities, *The 2009 Recovery Act — Even Better in Preventing Poverty Than We Thought* (October 13, 2011), <https://www.cbpp.org/blog/the-2009-recovery-act-even-better-in-preventing-poverty-than-we-thought>.

²⁸ See, e.g., JP Morgan Chase Institute, *Tax Time: How Families Manage Tax Refunds and Payments* (March 2019), available at <https://institute.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/institute/pdf/institute-tax-time-report-full.pdf> (showing that even when the economy is not in crisis, families (and especially families with lower incomes) receiving tax refunds increase their spending and reduce their credit card debt).

²⁹ Claudia Sahm, The Hamilton Project, *Direct Stimulus Payments to Individuals* (May 2019), available at https://www.hamiltonproject.org/assets/files/Sahm_web_20190506.pdf.

³⁰ Chuck Marr, Katie Hingtgen, Arloc Sherman & Katie Windham, Center on Budget & Policy Priorities, *Temporarily Expanding Child Tax Credit and Earned Income Tax Credit Would Deliver Effective Stimulus, Help Avert Poverty Spike* (May 13, 2020), https://www.cbpp.org/research/federal-tax/temporarily-expanding-child-tax-credit-and-earned-income-tax-credit-would#_ftn2.

³¹ Darla Mercado, *This Is the Average Coronavirus Stimulus Payment in Your State*, CNBC (May 22, 2020), available at <https://www.cnbc.com/2020/05/22/this-is-the-average-coronavirus-stimulus-payment-in-your-state.html>.

³² *Id.*

who received the payments spent funds on food, household goods, and bill payments, including rent.³³ In particular, researchers noted that people receiving EIPs, compared to people who received direct (“stimulus”) payments in previous recessions, appeared to be spending more on food.³⁴ The households surveyed for this research, whose average income was around \$30,000, spent the EIP funds relatively quickly – especially if they had low levels of cash on hand.³⁵

More Assistance Is Needed

While EIPs provided a welcome infusion of resources for many, some individuals and families suffering economic distress were left out of EIPs under the CARES Act, with no clear policy rationale. For example, families with dependent children 17 and older (such as college students or children with disabilities) were not eligible to receive the additional \$500 payment under the CARES Act. In addition, individuals claimed as dependents by someone else (such as older and disabled family members) were not only ineligible for the supplemental payments, but also ineligible to claim EIPs themselves. The Congressional Research Service estimates that 20.4 million dependents were ineligible to receive the \$500 additional payment because of the definition of dependent used in the CARES Act.³⁶

Most egregiously, with limited exceptions, an individual (and, if married, his or her spouse) must have a Social Security Number (SSN) to be eligible to receive an EIP under the CARES Act. In addition, otherwise eligible children must have SSNs in order for the family to receive the additional \$500 payment. This means that immigrant households who file tax returns using an Individual Tax Identification Number (ITIN) will not receive payments.

In addition, because most people must either file a tax return or complete an online form in order to receive an EIP, some individuals and families whose incomes are so low that they do not ordinarily file a tax return, who may not have access to the internet or to assistance, and who may not even have heard about the EIP, are likely to miss out on this sorely needed benefit. According to the Center on Budget and Policy Priorities, an estimated 12 million people risk missing out on EIPs because their incomes are so low that they generally do not file an income tax return; people of color are disproportionately represented within this group.³⁷

³³ Kellogg School of Management at Northwestern University, Kellogg Insight, Here’s How Americans Are Spending Their Stimulus Checks (May 5, 2020), <https://insight.kellogg.northwestern.edu/article/stimulus-checks-spending-data-2020-coronavirus-covid>.

³⁴ *Id.* See also Mercado, *supra* note 31; Heather Long, *The \$1,200 Stimulus Checks are Arriving. People Are Mostly Spending Them on Food*, Washington Post (April 14, 2020), available at <https://www.washingtonpost.com/business/2020/04/14/1200-relief-checks-have-begun-arriving-bank-accounts-people-are-mostly-spending-it-food/>.

³⁵ Kellogg School of Management, *supra* note 33.

³⁶ Congressional Research Service Insight, How Would the HEROES Act (H.R. 6800) Modify the Direct Payments Enacted in the CARES Act (P.L. 116-136)? (May 19, 2020), available at [https://crsreports.congress.gov/product/pdf/IN/IN11398#:~:text=116%2D136\).,provided%20in%20the%20CARES%20Act.&text=This%20would%20add%20to%20the,billion%20in%20the%20CARES%20Act](https://crsreports.congress.gov/product/pdf/IN/IN11398#:~:text=116%2D136).,provided%20in%20the%20CARES%20Act.&text=This%20would%20add%20to%20the,billion%20in%20the%20CARES%20Act).

³⁷ Chuck Marr, Kris Cox, Kathleen Bryant, Stacy Dean, Roxy Caines & Arloc Sherman, Center on Budget & Policy Priorities, Aggressive State Outreach Can Help Reach the 12 Million Non-Filers Eligible for Stimulus Payments (June 2020), <https://www.cbpp.org/research/federal-tax/aggressive-state-outreach-can-help-reach-the-12-million-non-filers-eligible-for/>.

In addition, research suggests that funds from EIPs were spent very quickly after they were received.³⁸ Yet families continue to need food and other necessities, and to pay bills and rent as they become due. We are in the midst of an unprecedented economic crisis, and every indication is that the current recession will persist for some time: for example, the Congressional Budget Office forecasts that the unemployment rate will average 10.1 percent in 2021.³⁹ Thus, even families who already received or will soon receive an EIP may need more help than this one-time payment provided, with even greater need for the families who were not eligible to receive EIPs under the CARES Act at all.

Direct Assistance and Improvements to Refundable Tax Credits Proposed Under the HEROES Act

H.R. 6800, the Health and Economic Recovery Omnibus Emergency Solutions Act (HEROES Act), passed by the House of Representatives last month, contains a number of proposals that address the deep economic pain that women and their families are currently experiencing as a result of the pandemic.

If enacted, the HEROES Act would make retroactive improvements to the Economic Impact Payments provided under the CARES Act. First, the HEROES Act would expand eligibility for the additional \$500 payment to all dependents. In addition, individuals who file tax returns using either an ITIN or an SSN would be eligible to receive an EIP.⁴⁰ These retroactive improvements would go a long way towards increasing assistance to families supporting older children, older family members, or family members with disabilities, and to immigrant families who were left out by the CARES Act.

In addition, the HEROES Act would provide for an additional direct payment of \$1,200 per individual or dependent (including up to three dependents, for a maximum payment of \$6,000 for a married couple filing a joint tax return and claiming three dependents). Households that file tax returns using either an ITIN or an SSN would be eligible for the payments. The Institute for Taxation and Economic Policy estimates that more than 4.3 million adults and 3.5 million children would benefit from the retroactive inclusion of ITIN filers in the CARES Act payment as well as the additional payment.⁴¹ Moreover, the HEROES Act directs the Department of the Treasury to coordinate with other agencies and stakeholders to conduct a “robust and comprehensive” campaign to ensure that eligible people who do not ordinarily file a tax return receive this direct payment. This additional payment would also be paid in advance this year, providing assistance to families who will likely continue to feel adverse impacts from the economic downturn.⁴²

³⁸ See Kellogg School of Management, *supra* note 33 (reporting that over one-third of funds received were spent within ten days of receipt); Mercado, *supra* note 31 (showing almost one-third of funds received in April were spent within five days).

³⁹ Phill Swagel, Congressional Budget Office, CBO’s Current Projections of Output, Employment, and Interest Rates and a Preliminary Look at Federal Deficits for 2020 and 2021 (April 24, 2020), <https://www.cbo.gov/publication/56335>.

⁴⁰ Additional retroactive improvements include that representatives of individuals receiving Supplemental Security Income, Social Security or Railroad Retirement Benefits, or certain veterans’ benefits would be able to receive EIPs on their behalf, and that EIPs under the CARES Act would not be reduced for overdue child support.

⁴¹ ITEP, Analysis: How the HEROES Act Would Reach ITIN Filers (May 2020), <https://itep.org/analysis-how-the-heroes-act-would-reach-itin-filers/>.

⁴² For a full description of the additional payments under the HEROES Act, see Congressional Research Service, Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act: Division B—Revenue Provisions (May 15, 2020), available at <https://crsreports.congress.gov/product/pdf/R/R46358>.

Further, the HEROES Act would make several critically important improvements to the EITC, the CTC, and the Child and Dependent Care Tax Credit (CDCTC) for tax year 2020. Refunds from these credits would be issued when families file their 2020 tax returns in early 2021, when unemployment is still likely to be high and the economy still sluggish. Even if the economy were improving at that point, women and people of color may lag in recovering from this recession, as they did after the Great Recession.⁴³ Given that refundable tax credits primarily benefit low- and moderate-income households, and that single women and women supporting families on their own and families of color are overrepresented among such households, these expansions of refundable tax credits would be both well-targeted and equitable.⁴⁴

First, the HEROES Act would make long-needed improvements to the EITC for workers not claiming children for the credit. Under current law, working people with very low incomes who do not have children, whose children are not eligible to be claimed for the EITC, or whose children do not live with them are only eligible to claim an extremely small EITC. For tax year 2019, the maximum EITC for these workers was just above \$500.⁴⁵ This means that the incomes of many workers are actually pushed below the poverty line by federal taxes.⁴⁶ In addition, working people under age 24 and over age 64 are ineligible to claim this credit under current law.

The HEROES Act would increase the amount and income thresholds for the EITC for workers not claiming children and change the ages of eligibility from 24-64 to 19-65.⁴⁷ These improvements would benefit a wide range of women workers, including women workers without children; young women who already experience a wage gap; working mothers without eligible children;⁴⁸ women workers caring for relatives who are seniors or people with disabilities; and older women who are approaching retirement. The HEROES Act improvements would be particularly important in light of the high rates of

⁴³ See, e.g., Chandra Childers & Gladys McLean, Institute for Women's Policy Research, *Black and Hispanic Women Lag in Recovering from the Recession* (August 2017), <https://iwpr.org/publications/black-hispanic-women-lag-recovering-recession/>.

⁴⁴ Melissa Boteach, Amy K. Matsui (National Women's Law Center), Indivar Dutta-Gupta, Kali Grant, Funke Aderonmu & Rachel Black (Georgetown Center on Poverty & Inequality, Economic Security and Opportunity Initiative), *A Tax Code for the Rest of Us: A Framework and Recommendations for Advancing Gender and Racial Equity through Tax Credits* (November 2019), <https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2019/11/NWLC-GCPI-Tax-Code-for-the-Rest-of-Us-Nov14.pdf>. See also, e.g., Chye-Ching Huang & Roderick Taylor, *How the Federal Tax Code Can Better Advance Racial Equity* (July 2019), <https://www.cbpp.org/research/federal-tax/how-the-federal-tax-code-can-better-advance-racial-equity>; Tax Policy Center, *Racial Disparities and the Income Tax System (EITC)* (Jan. 2020), <https://apps.urban.org/features/race-and-taxes/#earned-income-tax-credit>.

⁴⁵ Internal Revenue Service, *Earned Income Tax Credit & Other Refundable Tax Credits, Income Limits and Range of EITC* (2020), [https://www.eitc.irs.gov/eitc-central/about-eitc/income-limits-and-range-of-eitc/income-limits-and-range-of-eitc#:~:text=Tax%20Year%202019%20Income%20Limits,EITC%20No%20Child%20\\$15,570%20\\$21,370](https://www.eitc.irs.gov/eitc-central/about-eitc/income-limits-and-range-of-eitc/income-limits-and-range-of-eitc#:~:text=Tax%20Year%202019%20Income%20Limits,EITC%20No%20Child%20$15,570%20$21,370).

⁴⁶ Chuck Marr & Yixuan Huang, Center on Budget & Policy Priorities, *Childless Adults Are Lone Group Taxed into Poverty* (March 2, 2020), <https://www.cbpp.org/research/federal-tax/childless-adults-are-lone-group-taxed-into-poverty>.

⁴⁷ Workers 19-24 would be able to claim this credit only if they were not students. "Qualified foster youth and homeless youth aged 18-24 would be allowed to claim the credit even if they are students." Congressional Research Service, *supra* note 44.

⁴⁸ The HEROES Act would also allow tax filers to claim the EITC for workers without qualifying children if their children lack SSNs (and therefore cannot be claimed for the EITC for households with children).

unemployment in sectors of low-paid work where women of color are overrepresented, such as the leisure and hospitality sector (including restaurants and bars) and retail, and for younger women of color.⁴⁹

In addition, the HEROES Act would allow households to elect to use their 2019 income to calculate the EITC for tax year 2020, if their 2020 income is lower. This provision would provide targeted economic relief by allowing families with significant drops in income to maintain the level of the EITC they had been eligible to receive in the previous year.⁵⁰

Second, the HEROES Act would expand the CTC in ways that would particularly benefit families with low incomes. The 2017 tax law increased the CTC to \$2,000 per child but capped the refundable portion of the CTC (at \$1,400 in 2019), and precluded families from receiving a refund from the CTC unless they have at least \$2,500 in earned income. This left more than 26 million children in low- and moderate-income working families with less than the full \$1,000 per-child increase.⁵¹ Black and Hispanic children, and especially very young children are disproportionately likely to not receive the full credit amount.⁵² In addition, the 2017 tax law requires a Social Security Number (SSN) for children claimed for the CTC. This prevents about 1 million children, overwhelmingly “Dreamers,” from receiving the credit.⁵³

The HEROES Act would eliminate the cap on the amount of the CTC that can be received as a refund, as well as the earned income requirement. In addition, the HEROES Act would increase the amount of the CTC to \$3,600 per child under age 6, and \$3,000 per child aged 6 to 18. These improvements are particularly important because of the projected increase in poverty as a result of COVID-19: forthcoming estimates show that the HEROES Act expansions would dramatically reduce the child poverty rate, especially for Black children.⁵⁴ The HEROES Act would also direct the Treasury Department to design a program under which the Child Tax Credit could be paid in advance, which would provide families with children with additional resources before the spring of 2021.

In addition, the HEROES Act would expand the EITC and the CTC for families in Puerto Rico, American Samoa, and mirror-code territories. Under current law, Puerto Rican families with one or two children are ineligible for a CTC and Puerto Rican families that do receive the CTC often receive a far smaller

⁴⁹ Ewing-Nelson, *supra* note 8.

⁵⁰ Marr, Hingtgen, et al, *supra* note 30; *see also* Elaine Maag & Donald Marron, Tax Policy Center, Design Changes Can Strengthen the EITC During a Recession (May 18, 2020), https://www.taxpolicycenter.org/sites/default/files/publication/159301/design_changes_can_strengthen_the_eitc_during_recessions.pdf.

⁵¹ Marr, Hingtgen, et al., *supra*.

⁵² Sophie Collyer, David Harris & Chris Wimer, Columbia University, Center on Poverty and Social Policy (CPSP) & Children’s Research and Education Institute (CREI), Left Behind: The One-Third of Children in Families Who Earn Too Little to Get the Full Child Tax Credit (May 2019), *available at* <https://static1.squarespace.com/static/5743308460b5e922a25a6dc7/t/5cda0024be4e5b0001c6bdc7/1557790757313/Poverty+%26+Social+Policy+Brief+Who+Is+Left+Behind+in+the+Federal+CTC.pdf>.

⁵³ Jacob Leibenluft, Center on Budget & Policy Priorities, Tax Bill Ends Child Tax Credit for About 1 Million Children (December 18, 2017), <https://www.cbpp.org/blog/tax-bill-ends-child-tax-credit-for-about-1-million-children>.

⁵⁴ Letter from Columbia Center on Poverty & Social Policy to Sens. Bennet, Booker & Brown (June 15, 2020) (on file with National Women’s Law Center). *See also* Marr, Hingtgen, et al, *supra* note 30 (making the CTC fully refundable, even without increasing the amount of the credit, is estimated to lift the incomes of an estimated 3 million people above the poverty line).

amount than families with children on the mainland.⁵⁵ Furthermore, Puerto Rican families are ineligible for the federal EITC. Puerto Rico recently instituted its own Commonwealth-funded EITC, but the maximum value for a family with two children is currently \$1,500, compared to \$5,830 for the federal EITC.⁵⁶ The HEROES Act expansions would be particularly important for families in Puerto Rico, who faced high rates of economic insecurity and poverty even prior to the pandemic.

Third, the HEROES Act would expand the Child and Dependent Care Tax Credit (CDCTC). The CDCTC is a nonrefundable tax credit that reduces taxes owed by a percentage, based on income, of taxpayers' child or dependent care expenses. The CDCTC is theoretically worth a maximum of \$1,050 for one child or dependent and \$2,100 for two or more children or dependents, but the benefit amount families actually receive depends on their expenses, income level, and federal income tax liability. In practice, many otherwise eligible families with low incomes do not receive the credit because they do not have enough federal income tax liability against which to apply any CDCTC amounts.⁵⁷ Consequently, low-income families receive few, if any, benefits from the CDCTC. Indeed, a 2018 analysis from the Tax Policy Center showed that only 1 percent of the benefits from the CDCTC went to families with Adjusted Gross Income of \$30,000 or less.⁵⁸

The HEROES Act would make a number of improvements to the CDCTC, including, most importantly, making the credit refundable. Making the CDCTC fully refundable would ensure that tax benefits are equitably reaching low- and moderate-income families,⁵⁹ and this tax assistance would serve as an important complement to direct assistance through the Child Care and Development Fund (CCDF). Given the crisis that the child care system is facing as a result of COVID-19,⁶⁰ the Center has advocated for a significant additional investment in the Child Care and Development Block Grant (CCDBG) of at least \$50 billion to stabilize the child care system, support the child care workforce, and provide direct assistance to low-income working families.⁶¹

Conclusion

⁵⁵ Javier Balmaceda, Center on Budget & Policy Priorities, Working Families Tax Relief Act Would Help Puerto Rico Families (May 14, 2019), <https://www.cbpp.org/blog/working-families-tax-relief-act-would-help-puerto-rico-families>.

⁵⁶ *Id.*

⁵⁷ National Women's Law Center, Improving the Child and Dependent Care Tax Credit Would Help Working Families With the High Cost of Child Care (December 2018), <https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2018/12/Improving-the-CDCTC.pdf>.

⁵⁸ Tax Pol'y Ctr., Key Elements of the U.S. Tax System (2018), https://www.taxpolicycenter.org/sites/default/files/briefing-book/key_elements_of_the_us_tax_system_1.pdf.

⁵⁹ See, e.g., Jeffrey Rohaly, Tax Policy Center, Reforming the Child and Dependent Care Tax Credit (2007), available at <https://www.taxpolicycenter.org/publications/reforming-child-and-dependent-care-tax-credit/full> (noting that making the CDCTC refundable in 2007 would result in over a million additional households – almost all of whom had incomes under \$30,000 – would benefit from the credit); see also Boteach, Matsui, et al., *supra* note 45.

⁶⁰ See CLASP & National Women's Law Center, Child Care Is Key to Our Economic Recovery (April 2020), <https://nwlc.org/resources/full-brief-child-care-is-key-to-our-economic-recovery-what-it-will-take-to-stabilize-the-system-during-this-crisis/> (estimating that at least \$9.6 billion in new funding per month is needed to sustain the child care system).

⁶¹ See Child Care Coalition Letter (April 9, 2020), <https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2020/04/Child-care-4.0-pkg-coalition-letter-FINAL-House-and-Senate1.1.pdf>.

We have the opportunity to enact well-targeted policies that will increase economic security, advance racial and gender equity, and mitigate the effects of the recession. Women and their families are struggling in the economic crisis unleashed by COVID-19, with communities of color experiencing even greater impacts and commensurately greater hardship. We urge policymakers to provide assistance through improved and additional direct payments and expanded family tax credits, to improve the economy for all of us.