



Rubio has a point about the child tax credit

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The Trump administration and Senate and House leaders have revealed a framework for tax legislation that proposes tax cuts for business, a reduction in tax brackets, and the elimination of several tax breaks.

What the plan means for Americans remains to be determined. But Sen. Marco Rubio, R-Miami, recently said that the amount of tax relief working families receive under the plan is entirely dependent on one thing: what happens to the child tax credit.

"The child tax credit, if we don't do it, there will be no tax relief for working families," Rubio said on WFLA-Ch. 8 on Oct. 15. "How much tax relief working families get under tax reform is entirely dependent on whether or not we put in place an increase to the child tax credit."

We wondered whether increasing the child tax credit will be the only way that working families can gain under the framework. What we found is that the child tax credit is indeed central in the current tax proposal. However, the plan is so tentative that it's premature to say that will be the only way "working families" will see relief.

Rubio's team sought to back up his assertion with a press release that included two charts. Both charts relayed the same message: In order to help working families, a tax plan must increase the child tax credit and make the credit refundable.

So in Rubio's mind, expanding — not just increasing — the child tax credit is key in seeing working families prosper. The Trump-backed tax framework proposes increasing the credit from the current amount of \$1,000 and raising the current income threshold at which the credit phases out.

Experts agreed that expanding the child tax credit is one of the central provisions that will shape the impact that middle-income households will experience under the framework.

Scott Greenberg, a senior analyst at the Tax Foundation, said the existing, \$1,000 child tax credit is already quite large.

Parents with children under the age of 17 are eligible for a tax credit of up to \$1,000 per child. If they owe more than \$1,000 in taxes, then the credit lowers their tax liability, or the total amount of tax left on their income. If parents owe less than \$1,000 in taxes then the tax liability is reduced to zero. In its current form this tax credit is nonrefundable.

Greenberg said that under current law, a married household with two children making \$60,000 would owe about \$3,733 in individual income taxes before taking the child credit into account. After taking the child credit into account, the household's individual income tax burden would

fall to about \$1,733. (His math assumes that the household takes the standard deduction and does not claim any other major credits, exclusions, or other provisions.)

Still, it's not just about increasing the credit. Transforming it into a refundable credit is also important.

In 2015, Rubio and Mike Lee, R-Utah, released a tax plan that connected the child tax credit to the payroll tax, which would have increased the refundability rate. At the time, experts were unsure whether this would have benefitted low-income families because it didn't include an expansion for them.

Another reason why expanding the child tax credit is important is because the current framework eliminates the personal exemption — that is, the untaxed income pegged to the number of dependents on the taxpayer's return.

This provision disproportionately benefits households with children. To compensate for eliminating it, the plan proposes increasing the child tax credit.

"It looks like they'll pay more under the current framework, but that's where the child tax credit comes into play," said Elaine Maag, a senior research associate at the Urban Institute. "It does its magic and wipes away that tax liability."

It's worth emphasizing that the details of the child tax credit are a work in progress. Right now, the plan does not specify how much the credit would increase or which income levels would qualify. More broadly, little is known about the thresholds of new income tax brackets, which could greatly affect the distribution of benefits.

"From the sketchy details we have of the basic (framework), it's pretty fair to say the child tax credit is key," said Edward McCaffrey, a tax law professor at the University of Southern California.

As a result, the credit has emerged as one of few options available to policymakers looking to change the tax burden on middle-income households.

Chris Edwards, the director of tax policy studies at the libertarian Cato Institute, bemoaned the focus on a specific tax break such as the child credit, favoring instead overall tax simplification. In that context, Edwards said, policymakers have lots of ways to cut taxes on moderate-income Americans.

We rate this claim Mostly True.