



United States Representative

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The American Rescue Plan vs. the Wyden-Smith Tax Deal

The recently announced tax deal fails on equity, providing a massive tax cut to big corporations without offering middle- and working-class families true economic security, as was achieved with the expanded, monthly Child Tax Credit (CTC) under the American Rescue Plan. Below is a side-by-side comparison of how the two policies differ, and how the tax deal falls far short of comparing to the gains made under the American Rescue Plan.

American Rescue Plan

Families Reached

Under the American Rescue Plan, all but the highest earnings families receive the full credit, even if they have low or no income. Families making over 150k were ineligible for the full credit. This benefit was only in effect for tax year 2021.

This expanded, monthly credit reached 61 million children.

Wyden-Smith Tax Deal

Families Reached

Unfortunately, the Wyden-Smith tax proposal doesn't restore the ARP's approach of ensuring all but the highest-earning families get the full CTC.

Under current law, families with little to no-income are left behind from the full Child Tax Credit, while allowing a single parent making \$200,000 or a married couple making \$400,000 to receive the full \$2,000 credit.

A family with several children often receives a smaller credit per child than a family with the same earnings but only one child. The tax deal would phase in the credit for each child separately, ensuring families at the same income level get roughly the same credit per child.

The tax deal includes a "lookback rule" allowing families to use their earnings from the prior year to calculate their credit if they exceed the family's earnings in the current year. The lookback rule does not take effect until tax year 2024.

	<p>14.1 million children** may be reached under this tax deal. But even under this proposal, 17.5 million children would receive a reduced credit or no credit at all.</p> <p>**There is no additional benefit to children in families already eligible for the full Child Tax Credit.</p>
<p>Child Tax Credit Value</p> <p>In 2021, the American Rescue Plan increased the Child Tax Credit from \$2,000 per child to \$3,000 per child for children over the age of six and from \$2,000 to \$3,600 for children under the age of six, and raised the age limit from 16 to 17. This was the first time 17-year-olds were eligible for the Child Tax Credit.</p>	<p>Child Tax Credit Value</p> <p>Under the tax proposal does not restore the 3k per child, and 3600 for young children. Here's what it does:</p> <p>Children in families with \$0 to \$2,500 in earnings will get nothing and families with low earnings will continue to get only a partial credit,</p> <p>Under current law, beginning at earnings of \$2,500 the Child Tax Credit begins to phase in just 15 cents on the dollar. The phase-in then stops when the CTC reaches \$1,600 for a child if they have any tax liability.</p> <p>Under the deal, the amounts would increase from \$1,800 in 2023, to \$1,900 in 2024 and the full credit in 2025. The value of the full credit is indexed for 2025. The Joint Committee on Taxation has estimated that the value would be \$2,100 in that year.</p> <p>The value of the Child Tax Credit reverts to \$1,000 in 2026 when TCJA expires.</p>
<p>Child Poverty</p> <p>Because of full refundability and the increased credit, the ARP CTC cut child poverty was cut in half, lifting 3.8 million children out of poverty in 2021. There were no children left behind, meaning families with no or low earnings received the same full</p>	<p>Child Poverty</p> <p>Under the tax deal, it is estimated that up to 400,000 kids may be lifted out of poverty. 93% of kids in the lowest quintile (the poorest 1/5th of children in the country) will continue to be left behind – meaning they will not receive the full credit.</p>

Child Tax Credit that higher earnings families received.

Monthly CTC

For the first time, the American Rescue Plan allowed families to receive the Child Tax Credit in monthly payments. For every child 6-17 years old, families got \$250 per month, and for every child under 6 years old, families got \$300 per month.

Monthly CTC

The tax deal does not provide families with monthly Child Tax Credit payments.

Tax Cuts for Big Corporations

The American Rescue Plan did not include any tax breaks for large corporations.

Tax Cuts for Big Corporations

Jason Smith has said this tax deal locks in \$600 billion in tax cuts for businesses. This is the cost of making the corporate tax credits permanent.

If these tax breaks are ultimately made permanent, as the Republicans aim, the three-year cost is actually four-times higher, than the Child Tax Credit. This is not parity.

The tax deal makes the Research & Development tax credit retroactive to 2022 and 2023 under the guise of incentivizing R&D. However, it is virtually impossible to incentivize action for anything retroactively.

While the CTC phases-in, corporations will get their tax cuts on the first dollar. Families will not be getting any additional Child Tax Credit retroactively to 2022, like the corporations are.