

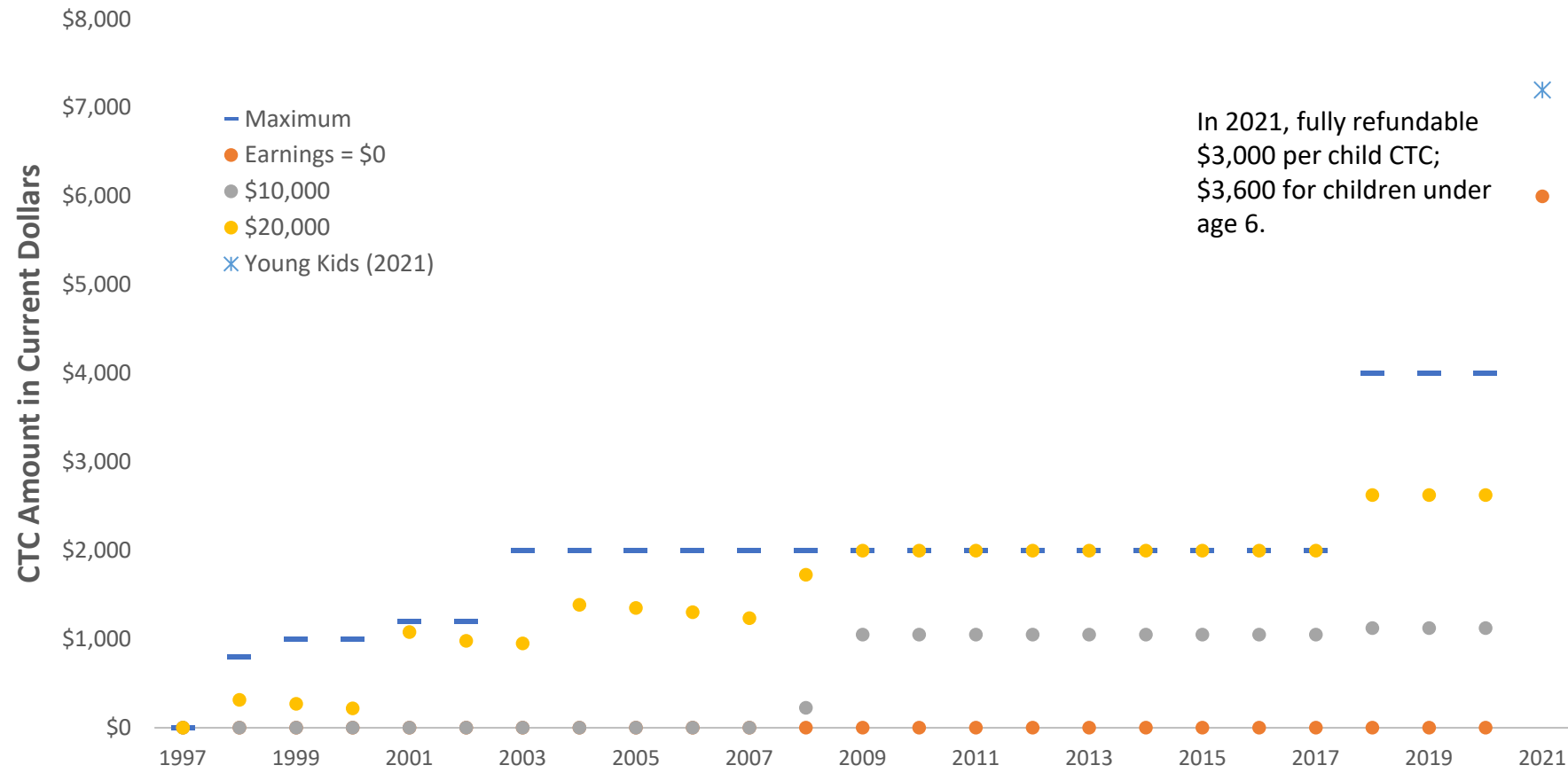
# The Virtues of Almost Universal Child Credits

Len Burman

**Tax Policy for Low-Income Americans**

27 August 2021

# Evolution of CTC from middle-class entitlement into near universal benefit, 1997-2021



Assumes all income is from earnings (wages and salaries and self-employment income) and household claims no other nonrefundable credits. Credit amount includes nonrefundable and refundable credits

# Advantages of fully refundable CTC

- Supporting children pays huge social returns over short and long run
- Most voters think families with children deserve support
- Tax expenditures more likely to garner bipartisan support than direct spending\*
- Universality builds public support

\* Christopher Ellis and Christopher Faricy, 2021, *The Other Side of the Coin: Public Opinion Toward Social Tax Expenditures*, New York: Russell Sage Foundation.

## EITC and CTC are great, but...

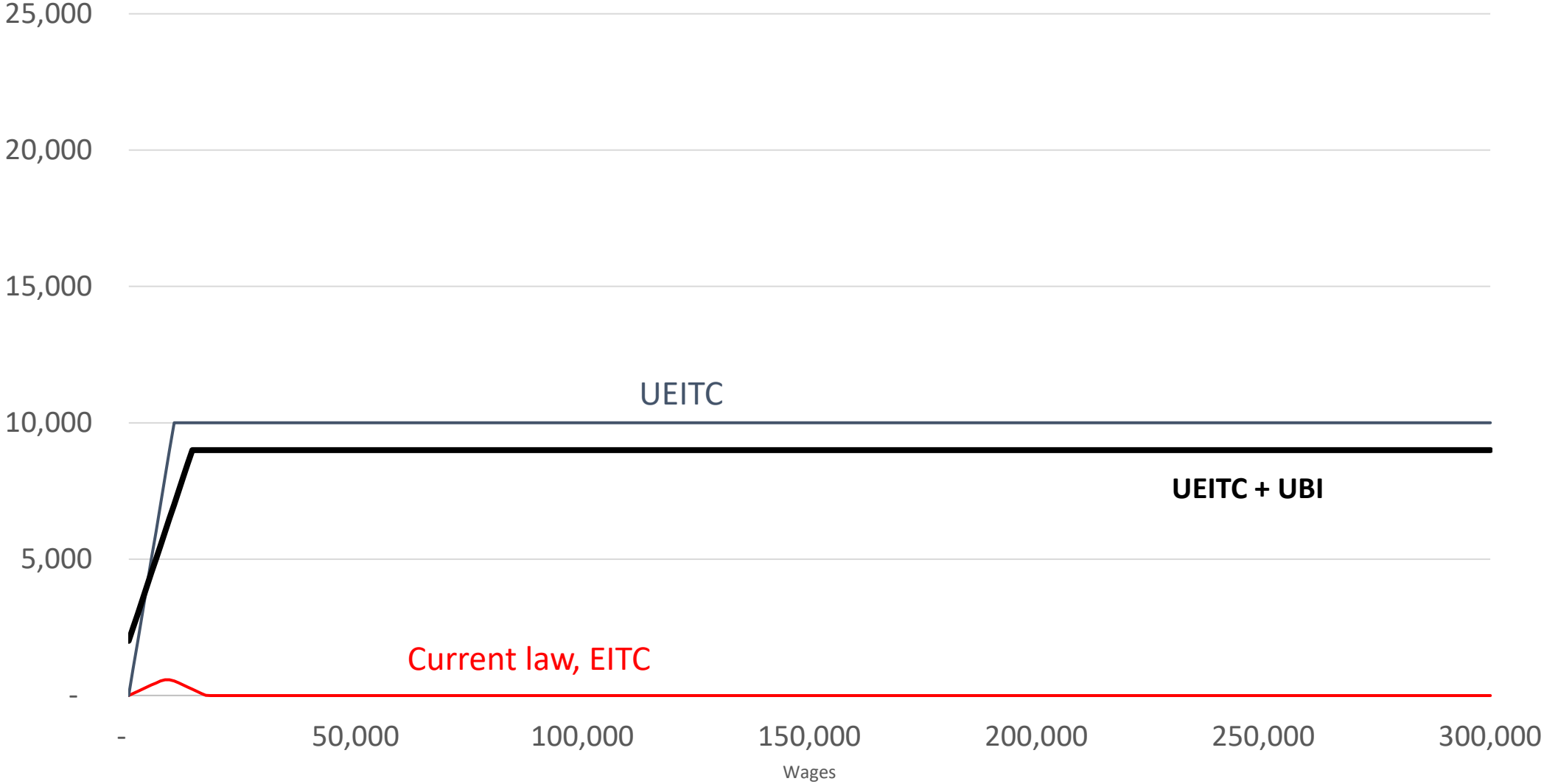
- EITC largely leaves out single men (and their noncustodial children)
- Work disincentives in phase-out range
- Income targeting makes EITC look like welfare, limits public support
  - Doesn't do much for median worker whose wages have stagnated for decades
- Marriage penalties
- Confounding work and children in eligibility and phase-ins and phase-outs add complexity

# Alternative: fully refundable wage subsidy for all workers plus fully refundable CTC

- E.g., UEITC + CTC
- UEITC = 100% wage credit on first \$10,000 of earnings, indexed to GDP/capita after 2023
- Financed by a VAT or income tax surtax
- The package is extremely progressive; would virtually end poverty for working families
- UEITC politically attractive because universal and working people are also generally viewed as deserving of support (except for financing, which is always a sticking point)

See: Len Burman, 2020, “A Universal EITC: Making Work Pay in the Age of Automation.” *National Tax Journal*, December, 73 (4), 1187–1218. <https://www.taxpolicycenter.org/publications/universal-eitc-making-work-pay-age-automation>

# Tax Credits, Single, No Children, 2023



# Tax Credits, Head of Household, 2 Kids. 2023

