Congress of the United States
Washington, DC 20515

February 11, 2009

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
H-232 Capitol
Washington, DC 20515

The Honorable Steny Hoyer
Majority Leader
U.S. House of Representatives
H-107 Capitol
Washington, DC 20515

The Honorable Charles B. Rangel
Chairman
House Ways and Means Committee
1102 Longworth HOB
Washington, DC 20515

The Honorable John M. Spratt
Chairman
House Committee on the Budget
207 Cannon HOB
Washington, DC 20515

The Honorable David R. Obey
Chairman
House Committee on Appropriations
H-218 Capitol
Washington, DC 20515

Dear Speaker Pelosi, Majority Leader Hoyer, Chairman Rangel, Chairman Spratt, and Chairman Obey:

When you meet with your Senate counterparts to work out the differences between the House and Senate economic recovery bills, we strongly urge you to make more low-income families eligible for the refundable Child Tax Credit. In particular, we strongly urge you to maintain the House provision which calculates the refundable Child Tax Credit starting with the first dollar of earnings.

There is a strong case to be made for maintaining the first-dollar calculation for the Child Tax Credit. First, economists tell us that more spending by consumers will spur economic growth which will save and create jobs. Increasing spendable income for low-income families over the next two years is the outcome recommended by respected economists across the spectrum. Mark Zandi, of Moody's Economy.Com, has estimated that refundable tax credits provide $1.22 in GDP growth for every dollar provided. In contrast, a dollar spent on a corporate tax rate reduction produces only 30 cents in GDP growth; other business tax breaks have similarly low returns. To the extent that tax cuts are a part of the recovery package, we urge you to give priority to tax credits which would increase the purchasing power of low-income families in need. Making more low-income families eligible for the Child Tax Credit and making the amounts larger for such families is an excellent means to put needed income in the hands of low-income working families who will spend it quickly.

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Secondly, such a provision would reward work even for those working for the lowest wages to make ends meet. The Child Tax Credit now has a minimum earnings requirement of $8500. Poor families with earnings below that amount are excluded from receiving any of the Credit. Since poor families with earnings below that level are shut out from receiving any of the Credit, those working families with income of, for example, $8600 would receive a Credit of only $15 (15% of their earnings over $8500). By beginning with the first dollar of earnings, more struggling working families would qualify and the amount provided to these families would increase. A parent working full time at the minimum wage ($14,500) would receive $2,000 for two children under first-dollar calculations. At the current $8,500 earnings minimum, such a family would receive less than half that amount: $900.

Lastly, beginning Child Tax Credit calculations at the first dollar of family earnings would be of great benefit to our nation's children. Increased family income would be provided to 14 million more children than under the current $8,500 minimum. This will mean children will have better nutrition; their families will move less frequently; and they will be less likely to become ill or suffer from chronic conditions that threaten their development and cause them to fall behind in school. And staving off the ill effects of child poverty is not only morally right, but an investment in tomorrow's productive workforce.

Because so many parents are losing jobs or earnings, failure to improve the Child Tax Credit will mean families will receive far less help from the Child Tax Credit just when they need it most. Calculating the Credit starting with the first dollar of earnings will mean families whose earnings have declined will be protected from a precipitous drop in their Child Tax Credit.

Again, we strongly urge you to reward work for struggling families and help our nation's children in the economic recovery bill by holding fast and maintaining the House provision in H.R. 1 which makes the first dollar of a family's earnings eligible for the Child Tax Credit.

Thank you again for your consideration of this critical issue.

Sincerely,

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MEMBER OF CONGRESS

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