

News from U.S. Rep. John Spratt (D-SC)

Assistant to the Democratic Leader

Ranking Member, Committee on the Budget

US House of Representatives – Washington, DC

www.house.gov/spratt | www.house.gov/budget_democrats

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Contact: Chuck Fant, 202-225-5501

Spratt Says Low-Income Families Should Get Child Tax Credit Increase

WASHINGTON – U.S. Rep. John Spratt (D-SC) said today that low-income families should get a Child Tax Credit like all other families. Spratt criticized the tax bill signed by President Bush on May 28th for dropping the child tax credit increase for low-income working families.

“The child tax credit is supposed to lighten the load on working families with children. But this tax act denies the credit to the very families that need it the most,” said Spratt, the Assistant to the Democratic Leader and Ranking Member on the House Budget Committee.

The new tax law expands the current Child Tax Credit from \$600 to \$1,000 per child. But families that earn between \$10,500 and \$26,625 will receive NO increase.

When Congress made the credit refundable in 2001, it capped the amount low-income families could receive because their tax liability was already limited. At that time, families could receive a maximum refund of 10% of earnings over \$10,000 or \$600, whichever was lower.

Both parties proposed increases in the child tax credit this year. Democrats proposed to make the tax credit permanent and to raise the cap on refunds to \$1,000. President Bush and congressional Republicans raised the credit to \$1,000 for two years, but left in place the cap on low-income families. Now a family can receive a refund of 10% of earnings above \$10,500 (adjusted for inflation) or \$1,000, whichever is lower.

Thus, a family with two children earning \$20,000 a year would see no benefit from the expansion of the Republican Child Tax Credit. The amount of their credit is based on their earnings above \$10,500, or \$9,500, 10% of which is \$950. Therefore, the most such a family can receive in the Child Tax Credit is \$950 or \$475 per child. They receive no benefit from the increase to \$1,000 per child.

Spratt helped design the Democrats' tax-cut bill that raised the Child Tax Credit to 15% of all earnings above \$10,500. Under this proposal, a family with two children earning \$20,000 a year could receive a refundable tax credit of \$1,425 or \$712.50 per child. The Democratic proposal was not allowed a vote on the House floor.

U.S. Rep. Charles Rangel (D-NY) today offered a bill to expand the child tax credit as Democrats originally proposed in their package of tax cuts to stimulate the economy and create jobs. Rangel asked for immediate consideration of his bill, but the House Republican leadership has yet to indicate that it will allow the bill to come to the floor.

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