

# Progressive Tax Credit Proposals

## for Addressing U.S. Poverty in the Upcoming 2020 Elections

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Stagnant wages, persistent child poverty, and high housing costs are just a few of the economic challenges that politicians are looking to tackle in the upcoming election cycle; and as the stage for the 2020 election is assembling, proposals that take on these issues are entering the policy arena. Some that have received the most attention include proposals to expand the Earned Income Tax Credit (EITC), reform the Child Tax Credit (CTC), or provide tax relief to low-income renters. While the details of these proposals vary, they all come from a similar position – a belief that government should be doing more to address the fact that over 40 million Americans live below the poverty line and do not have enough to cover their basic needs like food, shelter, and utilities. As work with the Supplemental Poverty Measure (SPM) demonstrates, existing government policies move many Americans out of poverty, and each of these proposals would bolster existing anti-poverty efforts. Reducing poverty and inequality is developing into a central issue for the 2020 presidential election. This brief contributes to this conversation by simulating the potential impacts of various policy proposals put forward by 2020 candidates, including estimated costs, anti-poverty effects, and distributional implications of proposed plans. All of the proposals that we simulate here involve new or expanded benefits administered through the federal tax system. Future briefs will examine other types of proposals, such as jobs programs and the minimum wage. A description of each of the five proposals simulated here is provided below.

### Key findings:

- These proposals would reduce poverty by 15 to 22 percent, and deep poverty by 10 to 17 percent.
- Per dollar spent, the **American Family Act** (AFA) provides the most poverty reduction for children, and the renter's credit proposals, **Rent Relief Act** (RRA) and **Housing, Opportunity, Mobility, and Equity Act** (HOME), provide the most poverty reduction among childless adults.
- The two EITC reforms, **Grow American Incomes Now** (GAIN) and **Livable Incomes for Families Today** (LIFT), target at least 45 percent of funds to families above 1.5 times the poverty threshold, though LIFT also spends more on families below 1.5 times the threshold given its larger overall proposed spending.
- AFA is the only proposal that reduces the average poverty gap (the amount of money needed to bring a family's income up to the poverty threshold) by more than it reduces the poverty rate.
- The total costs of these programs vary widely, from \$91 billion to \$247 billion.



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## **The Policy Proposals Analyzed in This Brief**

For this brief, we simulated five policy proposals. We briefly summarize each proposal below in order of their estimated costs. The technical appendix at the end of this brief provides a more detailed description of the methods used to simulate each of the proposals.<sup>1</sup>

### **(1) American Family Act (AFA), \$91b**

*Sponsors: Sen. Michael Bennet, Sen. Sherrod Brown, Rep. Rosa DeLauro, Rep. Suzan DelBene*

The American Family Act of 2019 increases the maximum value of the CTC and eliminates the CTC's earnings requirement and phase in. If the act were to become law, the maximum credit value would increase from \$2,000 per child to \$3,600 for younger children and \$3,000 for older children, and many low-income families who currently do not receive a CTC or receive a partial CTC would qualify for a full credit. The CTC under the AFA begins to phase out at \$130,000 in adjusted gross income for single filers (including heads of household) and \$180,000 for joint filers.

### **(2) Rent Relief Act (RRA), \$93b**

*Sponsor: Sen. Kamala Harris*

The Rent Relief Act of 2018 provides a refundable tax credit to renters with high rent burdens. Tax filers would be eligible for the credit if they pay more than 30 percent of gross income toward rent and have gross income of up to \$100,000 (up to \$125,000 in certain areas with high housing costs). The credit would equal a share of the gap between 30 percent of income and annual rent paid (capped at 1.5 times "fair market rent" by metropolitan area or rural county); the share ranges from 25 percent for higher-income households to 100 percent for low-income households.

### **(3) Grow American Incomes Now (GAIN) Act, \$111b**

*Sponsors: Sen. Sherrod Brown, Rep. Ro Khanna*

The Grow American Incomes Now Act of 2017 expands the generosity of the EITC by increasing the maximum credit amounts from \$510 to \$3,000 for tax filers without children and nearly doubles the maximum credit for filers with children. Compared to the existing EITC, the revised EITC under the GAIN Act would phase in faster with each dollar earned and would begin phasing out for all tax filers at incomes of \$18,340. The benefit is completely phased out at \$37,113 for filers without children and extends up to \$75,942 for filers with 3 or more children.

### **(4) Housing, Opportunity, Mobility, and Equity (HOME) Act, \$134b**

*Sponsors: Sen. Corey Booker*

The Housing, Opportunity, Mobility, and Equity Act of 2018 provides a refundable tax credit to cost-burdened renters, with eligibility defined as tax filers paying more than 30 percent of adjusted gross income toward rent. The credit would equal the total gap between 30 percent of adjusted gross income and annual rent paid, with the amount of rent paid capped at the fair market rent by zip code. Residents of subsidized housing would be eligible for a credit if they meet the same rent gap criteria.

### **(5) LIFT (Livable Incomes for Families Today) the Middle Class Act, \$247b**

*Sponsor: Sen. Kamala Harris*

The LIFT (Livable Incomes for Families Today) the Middle Class Act of 2018 would provide additional EITC benefits on top of the current tax credit schedule, and the value would vary by tax filer status (individual, head of household, or married). Individuals and heads of household would receive a maximum of \$3,000 in additional credit, and married couples an additional \$6,000. The extra benefits phase-in dollar-for-dollar up to the maximum credit, and are completely phased out at \$50,000 in earnings for individuals, or \$100,000 for heads of household or married couples.

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<sup>1</sup> In particular, Appendix Figure A1 provides a comparison for earnings-based credit schedules for the AFA expansion of the CTC and the GAIN and LIFT expansions of the EITC. The benefits shown are the new benefits added to the existing tax credit schedule, and the comparison focuses on a stylized measure of earnings below \$100,000.

### Poverty Impacts

For each of the proposals outlined above, we simulate the potential effect on poverty based on the latest available data from the 2018 survey of the Annual Social and Economic Supplement of the Current Population Survey, which corresponds to income in 2017. We simulate SPM poverty rates before and after proposed reforms and provide results separately for the total population, children under age 18, and childless adults. As mentioned earlier, the technical appendix at the end of this brief provides more detail on the proposals’ specifics and our implementation of each policy simulation.

Figure 1 shows our topline results, the simulated impact of each of the five proposals on poverty and deep poverty (defined as income below half the poverty line). The baseline poverty rate of 13.5% in 2017 reflects a simulated poverty rate that incorporates tax law as written in the Tax Cuts and Jobs Act, which is important as a first step since the TCJA included an expansion of the Child Tax Credit that will be in effect going forward. We see that all proposals would reduce poverty by 2 to 3 percentage points. Harris’ LIFT proposal and Booker’s renter’s credit, HOME, would each reduce poverty by roughly 3 percentage points, while Brown-Khanna’s GAIN proposal would reduce poverty by about 2 percentage points. For deep poverty, the Bennet-Brown-DeLauro-DelBene AFA proposal matches the deep poverty effects of the two most expensive proposals, likely because it is explicitly focused on providing support to the lowest-income Americans with children. Harris’ renter’s credit proposal, RRA, offers less poverty reduction than the similar HOME proposal, yet it does so at a lower cost. Note that the simulated costs vary dramatically, from \$91 billion dollars to \$247 billion dollars, a point to which we return later in the brief.

Figure 1. Proposal Effects on SPM Poverty and Deep Poverty

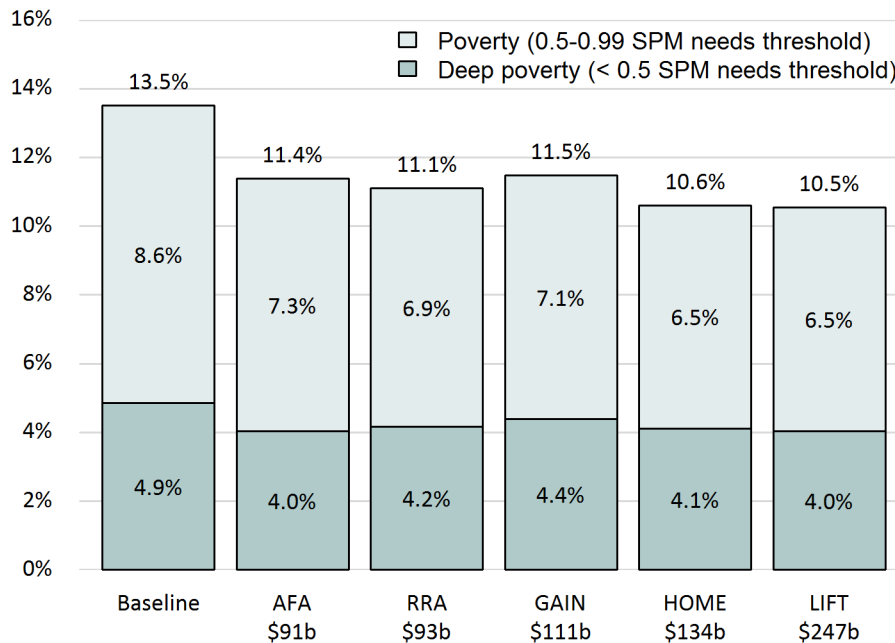
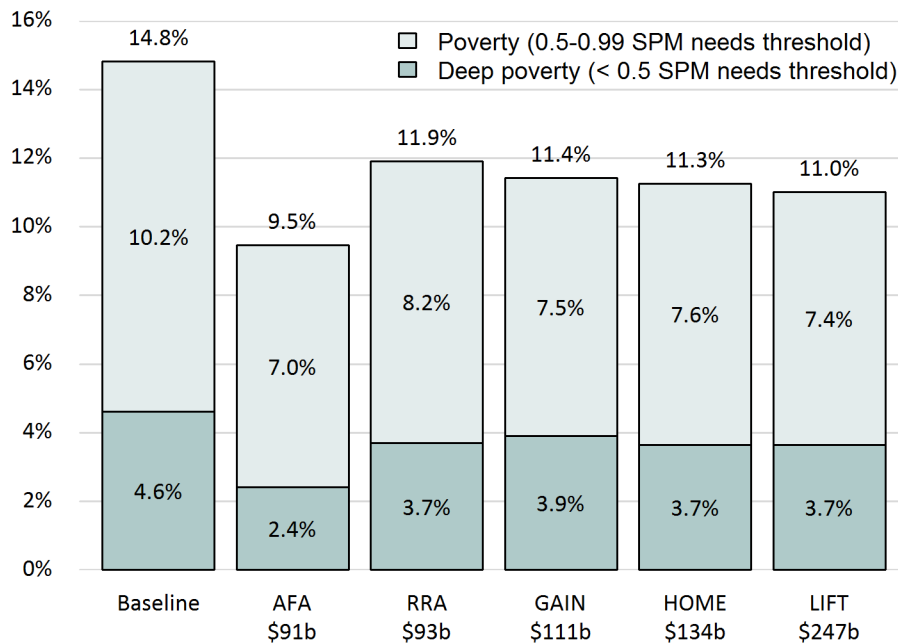


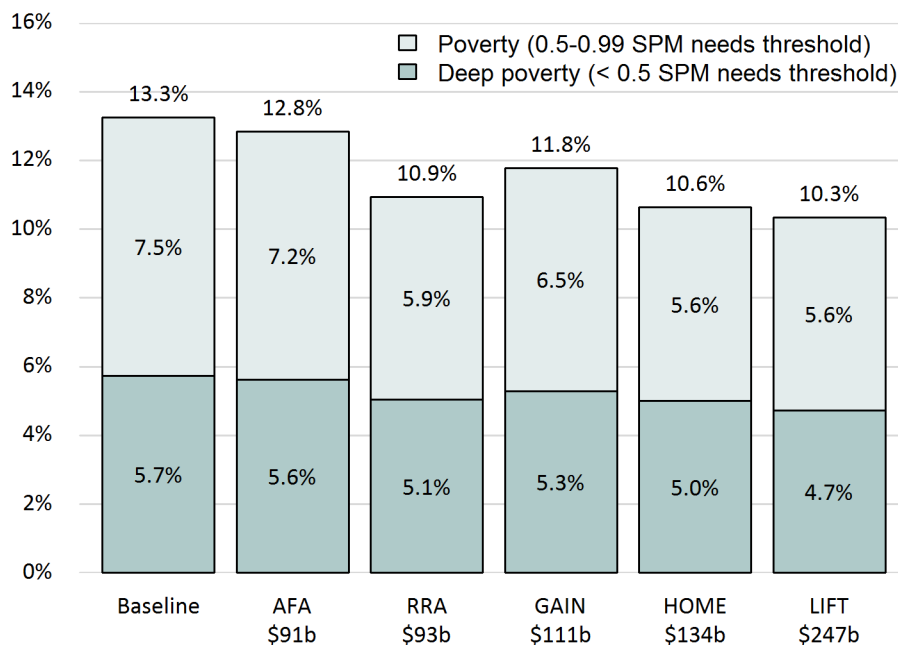
Figure 2 repeats the analyses from Figure 1 but for child poverty and deep child poverty among those under age 18. All the proposals reduce child poverty by at least 2.9 percentage points, but the AFA does noticeably better than the other proposals in reducing child poverty, as their proposal is explicitly focused on expanding benefits to children through a fully-refundable CTC. Their proposal would cut child poverty by a third and deep child poverty nearly in half. But each of the other proposals would also reduce child poverty and deep child poverty substantially.

Figure 2. Effects on Child Poverty and Deep Poverty



The AFA is focused on children, while some of the other proposals are less so. Figure 3 thus looks at the poverty and deep poverty effects of the five proposals for childless adults. Childless adults are famously left out of the major tax credits available to low-income Americans, both the CTC and to a lesser extent the EITC. While the AFA’s CTC expansion is not targeted toward childless adults, the rest of the proposals would reduce poverty among this group by between 1.5 and 3 percentage points. Harris’ LIFT proposal and the two renter’s credit proposals would move both poverty and deep poverty among childless adults the most.

Figure 3. Effects on Childless-Adult Poverty and Deep Poverty



As noted above, these five proposals vary widely in reach and cost. In an attempt to adjust for this fact, we present results in Table 1 that show the benefits and poverty reductions for those actually receiving new resources from the proposed plans. Notably, we consider anyone in a family of someone who receives more resources a “recipient”. Thus, for example, if a child receives an expanded CTC under the AFA, their mother, father, siblings, and other family unit members would all be considered recipients. Table 1 shows that the number of recipients benefiting varies widely from a low of 54 million recipients under Booker’s HOME Act to a high of 155 million recipients under Harris’ LIFT Act. Though Booker’s HOME Act reaches the smallest number of people, the benefit it would deliver would be the highest per recipient, at \$5,500 per family (compared to the lowest at \$2,900 per family under Brown-Khanna’s GAIN Act). Note also that the poverty rates among recipients of the renter’s credits through the RRA and HOME Acts are roughly twice as high as those among recipients of credits under other proposals, which speaks to the targeting of these credits. We will discuss this further in the coming section. In relative terms, all five proposals would reduce poverty and deep poverty by over 30 percent among their targeted populations. Booker’s very targeted HOME Act would reduce both poverty and deep poverty among its recipients by just over half.

*Table 1. Poverty Impacts by Recipient Population After Reform*

	AFA	RRA	GAIN	HOME	LIFT
Number of recipients (millions)	135.4	57.0	117.1	53.7	154.7
Average benefit per recipient	\$700	\$1,600	\$900	\$2,500	\$1,600
Average benefit per family	\$3,000	\$3,500	\$2,900	\$5,500	\$4,100
Baseline recipient poverty	15.1	33.6	18.6	34.4	16.5
Post-reform recipient poverty	10.0	19.9	13.0	16.9	10.3
Change in poverty	-5.1	-13.6	-5.6	-17.4	-6.2
Percent change in poverty	-33.8	-40.6	-30.1	-50.7	-37.4
Baseline deep poverty	4.4	8.2	4.2	8.5	4.1
Post-reform deep poverty	2.5	4.3	2.9	4.0	2.4
Change in deep poverty	-2.0	-3.9	-1.3	-4.5	-1.7
Percent change in deep poverty	-44.2	-48.1	-31.0	-52.7	-42.4

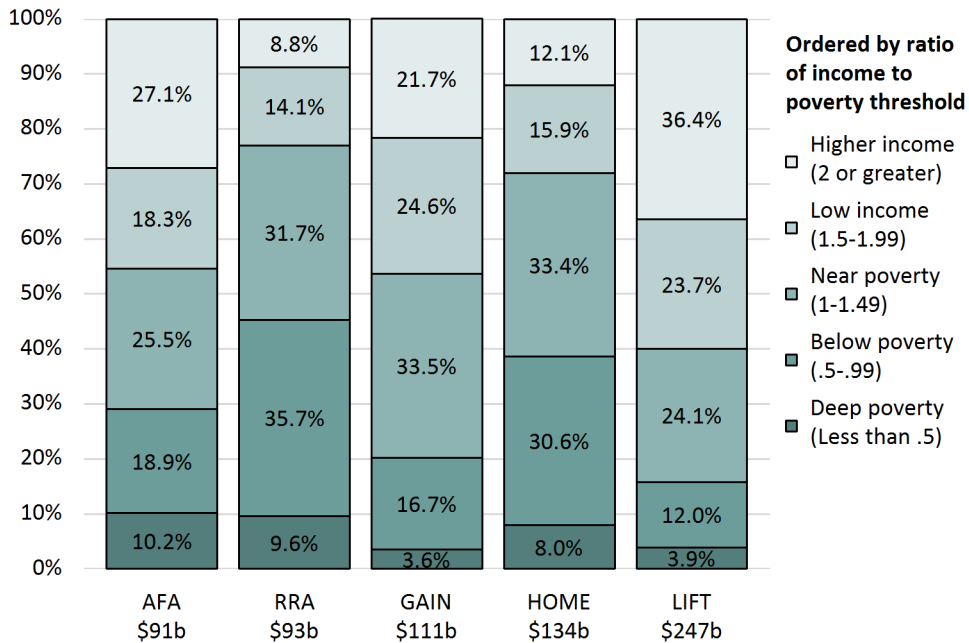
Note: Estimates shown above represent the additional proposed benefits with numbers rounded to the nearest 100,000 for recipients, nearest 100 for average benefit, and nearest tenth for percentages. The total cost for the AFA proposal includes the \$100 billion in additional benefits for recipients as shown above (average benefit times number of recipients), as well as an offsetting reduction in benefits for higher-income families above the new, lower phase-out thresholds such that the total net cost is \$91 billion.

### **Targeting benefits across the income distribution**

Each of these tax proposals spend different amounts of money and are focused on different target populations. Another way of comparing the poverty impact is to show how much of the proposed benefits go toward people across different levels of income. Instead of asking how many people are lifted out of poverty by a given policy, this analysis asks how much of the total spending is targeted toward those in poverty and how many in poverty are made better off.

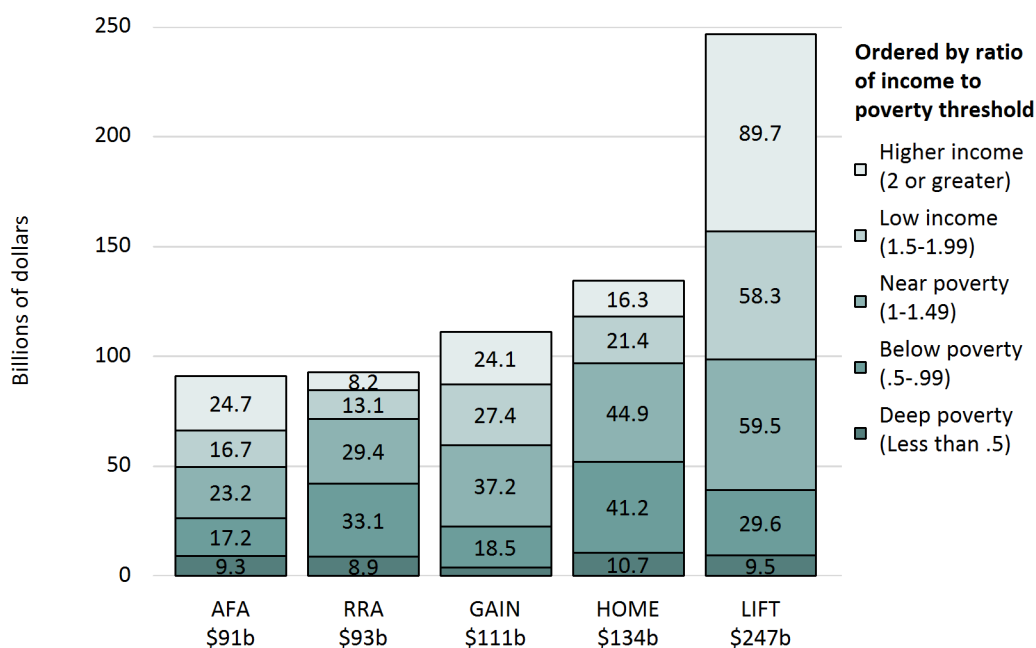
Figure 4 shows the percent of total spending that each proposal would target to families across the income distribution. With this approach, it is easier to compare how much each proposal benefits families in poverty or near poverty. While the AFA spends the smallest amount of dollars in total, it targets a higher percentage of those benefits, about one tenth, to families in deep poverty than the other plans. Both renter’s credits, Harris’ RRA and Booker’s HOME, do the best at targeting families in poverty, largely because renters are on average far poorer than homeowners. The proposals least targeted toward poor families are the two EITC reforms, GAIN and LIFT. These expansions of tax credits for working families are designed to benefit the middle class, which is especially evident in the most expensive plan, the “LIFT the Middle Class” Act.

Figure 4. Targeting of Proposed Benefits by Poverty Status



While Figure 4 shows the percent of benefits going to each group by poverty status, Figure 5 shows the dollar amounts that would be distributed to each group. The renter’s credits distribute the most dollars to families in poverty, again reflecting the fact that a larger share of their recipients are in poverty at baseline. Even though the LIFT Act is not specifically targeted toward families in poverty or deep poverty, it would still distribute more benefits to those in poverty than the AFA given higher total spending. LIFT would also provide the most total benefit to families with income less than the near-poverty cutoff at 150 percent of the SPM poverty threshold. (See Appendix Figure A2 for the distribution of benefits by income percentiles.)

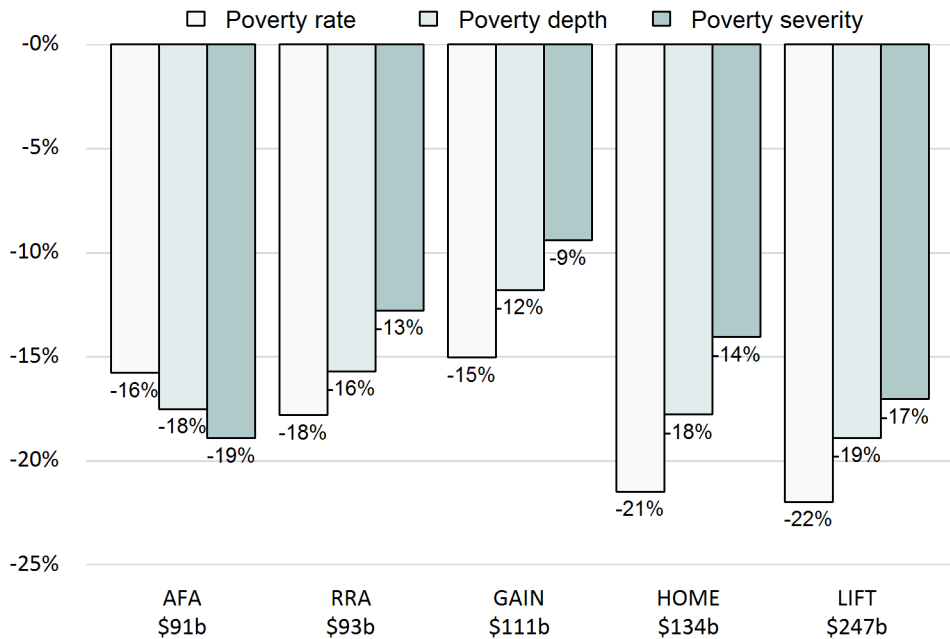
Figure 5. Distribution of Proposed Benefits by Poverty Status



So far, we have compared the poverty impacts of each proposal and shown how much the benefits are targeted to those in poverty relative to the rest of the population. It is also possible to compare how these policies might affect the depth and severity of poverty in addition to the rate of poverty. That is, the poverty rate describes how many people are below a given needs threshold, yet we may also be interested in how large the average gap is between poor families’ incomes and the poverty threshold. The total poverty gap in 2017 was about 170 billion dollars for about 44 million people (using our tax-simulation-adjusted baseline). Using a set of poverty measures proposed by Foster, Greer, and Thorbecke, we show how much each policy would change the rate of poverty (proportion of the population in poverty), depth of poverty (average poverty gap index), and severity of poverty (squared poverty gap index) in Figure 6.<sup>2</sup> Whereas the average poverty gap describes the depth of poverty as the difference between income and needs, the squared poverty gap emphasizes the severity of poverty by placing more weight on families with the largest poverty gaps. That is, a policy that provides larger benefits to those in deep poverty than those just below poverty would reduce the severity measure more than a policy that gave an equal amount to all poor recipients. Note that the percent changes in poverty rates shown in Figure 6 correspond directly to the changes shown in Figure 1. The AFA proposal does the best job of reducing the severity of poverty while spending the least money, and it is the only policy that does better at reducing the depth and severity of poverty compared to the rate.

<sup>2</sup> These indices represent average measures of the poverty gap as a share of the poverty needs threshold over the population, where the ratio is exponentiated to the power of 0 for the poverty rate, 1 for the average poverty gap, and 2 for the average poverty gap squared. The baseline poverty rate is 0.135. The baseline depth of poverty index is 0.058, which means that the average poverty gap is about 5.8 percent of the poverty threshold across the population (or, about 43 percent of the poverty threshold among those in poverty:  $0.058/0.135 \approx 0.430$ ). The baseline severity index of poverty, the squared poverty gap, is 0.040, which is similar to measuring depth of poverty with more weight placed on families with larger poverty gaps. For more on these poverty measures, see Foster, J., Greer, J., and Thorbecke, E. (1984), [“A class of decomposable poverty measures”](#), *Econometrica*, 52, 761-776.

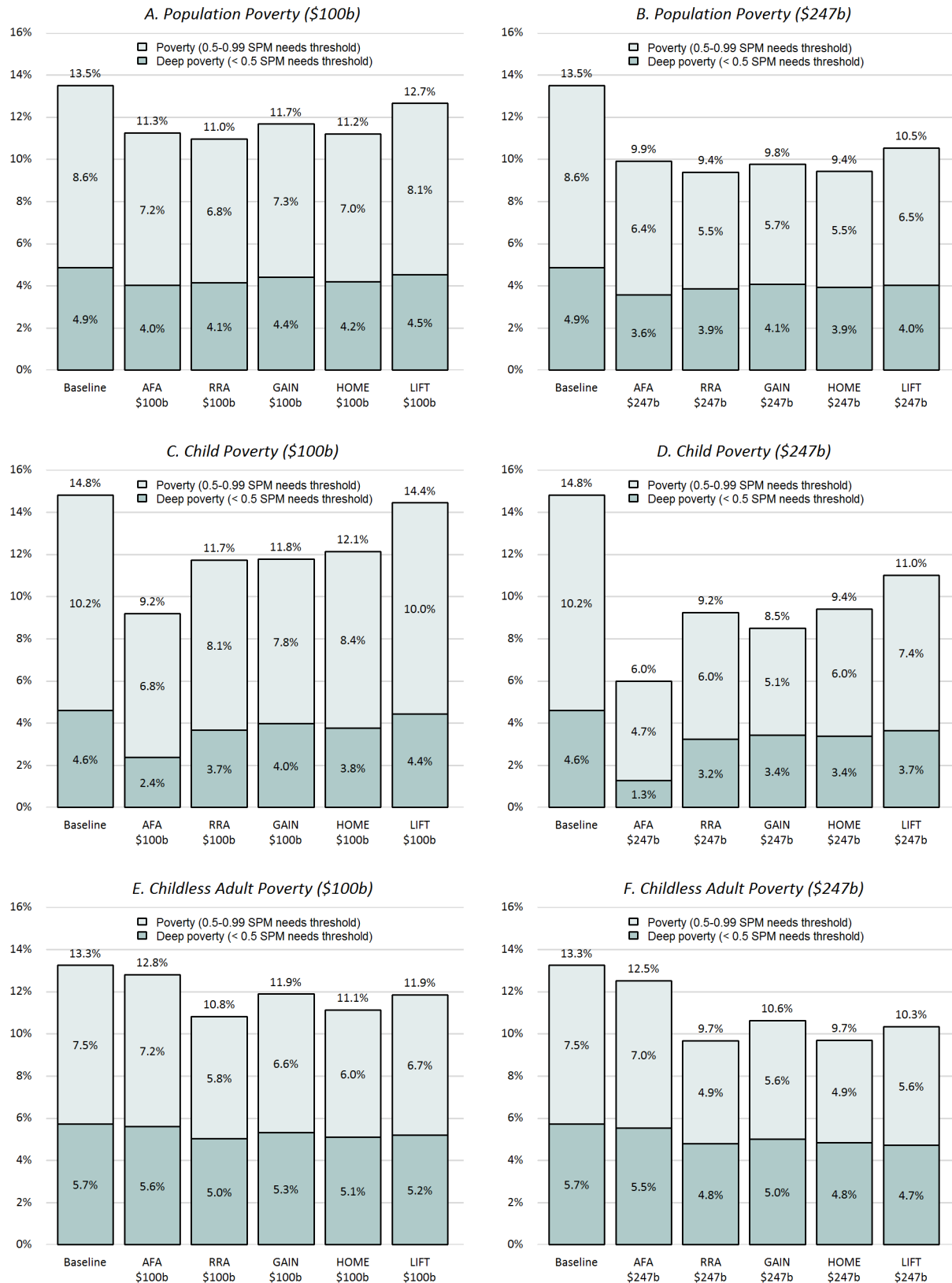
Figure 6. Percent Change in the Rate, Depth, and Severity of Poverty



Another way of comparing the poverty impacts across programs would be to ask how much would each proposal reduce poverty if they spent the same amount of money. Figure 7 shows the poverty, child poverty, and childless-adult poverty effects of each proposal under the assumption that each program cost either 100 billion dollars or, at the cost of the most expensive program, 247 billion dollars. For example, if LIFT were to cost 100 billion dollars, similar to the lower-cost proposals, then the poverty rate would only fall by about 0.8 percentage points (Figure 7, panel A) as opposed to falling by 3 percentage points at its full cost (shown in panel B). If the AFA spent as much as Harris’ LIFT Act, then it would reduce child poverty by about 60 percent while bringing deep poverty for children to a rate almost as low as 1 percent (panel D).



Figure 7. Cost-Equivalent Policy Impacts on Poverty and Deep Poverty



## **Conclusion**

Each of these tax credits has the potential to lift millions of people out of poverty. A caveat to this analysis is that we do not address any potential behavioral responses to policy reform. For example, income transfers could reduce labor supply or raise housing rents, resulting in smaller poverty effects than estimated here. On the other hand, income transfers could also help families afford better investments in their children, provide for their physical or mental health care, or help with work-related costs of childcare. These benefits to families could have the effect of reducing poverty even further in both the short and long term.

It is early in the campaign season for the 2020 presidential election, yet many candidates have been active in pushing forward ambitious policy proposals that would address poverty, inequality, and economic insecurity. This brief has shown poverty impacts for a selection of proposed tax credits, but these are only a subset of several proposals up for debate, with more surely on the way. Given that there were about 44 million people in poverty in 2017 (and a total of 140 million people with incomes below 2 times the poverty line), these results offer a way to compare policies by how much the benefits are targeted toward families in need, and the number of people lifted out of poverty and deep poverty as a result.

## **Technical Appendix: Methodology**

To analyze the effects of various proposals assessed in this brief, we use the Annual Social and Economic Supplement (ASEC) to the Current Population Survey (CPS), the national household dataset used to calculate annual poverty statistics. We use the Supplemental Poverty Measure (SPM), as this measure counts benefits from the tax system and other non-cash sources, making it a more comprehensive measure of income poverty. We use data from the recent 2018 survey, which calculates poverty for calendar year 2017. Importantly, 2018 filers were subject to tax law before the recent Tax Cuts and Jobs Act, so we first begin by using the National Bureau of Economic Research's TAXSIM 27 tax calculator to simulate the poverty rate if TCJA had been in effect for 2018 filers filing taxes with regard to their 2017 income.<sup>3</sup> For this reason, our baseline poverty estimates differ from published sources somewhat.

Each of the proposal simulations are described in detail below. Figure A1 provides a comparison of the additional benefit schedule for tax credit proposals that vary by earned income, which addresses the Child Tax Credit (CTC) and Earned Income Tax Credit (EITC). Figure A2 shows additional evidence for the distributional targeting of each proposal relative to percentiles of family income. Lastly, Figure A3 shows the geographic variation in simulated policy reform benefits by state.

### ***Senators Michael Bennet and Sherrod Brown's American Family Act (AFA), §91b***

Senators Michael Bennet and Sherrod Brown's American Family Act of 2019 increases the maximum value of the CTC and eliminates the CTC's earnings requirement and phase in. If the act were to become law, the maximum credit value would increase from \$2,000 per child to \$3,600 for younger children and \$3,000 for older children, and many low-income families who currently do not receive a CTC or receive a partial CTC would qualify for a full credit.

To simulate the AFA, we first identified all individuals in the ASEC with dependents under the age of 17 and then calculated the value of the CTC they would qualify for according to the following parameters outlined in the AFA.<sup>4</sup>

- The maximum credit for young children (under 6 years old) is \$3,600, and the maximum credit for older children (ages 6 to 16) is \$3,000.
- The credit phases out for joint filers with an adjusted gross income (AGI) above \$180 thousand dollars and for single filers with an AGI above \$130 thousand dollars.<sup>5</sup>
- Individuals with AGIs below the phase-out thresholds qualify for the full credit outlined in the proposal; this includes individuals with qualifying dependents who did not file taxes because they had very low or no earnings.

We calculated the total value of the CTC received by individuals with dependents according to the number of qualifying dependents that they claim, as reported in the ASEC, as well as their AGI, which is calculated using reported income values in the ASEC and the TAXSIM estimates. To estimate the poverty impacts of the proposal, we replaced the current CTC values that were included in the tabulation of household resources used to determine poverty status with the CTC values we calculated according to the parameters outlined in the AFA. We then determined each household's poverty status with the new credit.

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<sup>3</sup> We calculated taxes under TCJA using the National Bureau of Economic Research's TAXSIM 27. For details, see <https://www.nber.org/taxsim/>, or Feenberg, D.R., and Coutts, E. (1993), "[An Introduction to the TAXSIM Model](#)", *Journal of Policy Analysis and Management*, 12(1), 189-194.

<sup>4</sup> In the American Family Act that will be introduced in the House, credits will also be provided for children over the age of 16.

<sup>5</sup> For each \$1,000 of earnings above the phase out, a filer's CTC is reduced according to the following formula: Total CTC/(20\*Number of Qualifying Dependents).

***Senator Kamala Harris’ Rent Relief Act (RRA), §93b***

Senator Kamala Harris’s Rent Relief Act of 2018 provides a refundable tax credit to renters who pay more than 30 percent of gross income toward rent and have gross income of up to \$100,000 (up to \$125,000 in certain areas with high housing costs). The credit would equal a share of the gap between 30 percent of income and annual rent paid, with the amount of rent paid capped at 1.5 times the Fair Market Rent (FMR) as determined by the U.S. Department of Housing and Urban Development (HUD). The credit would equal the full “rent gap” for filers with incomes up to \$25,000, 75 percent of the gap with incomes between \$25,000 and \$50,000, 50 percent of the gap with incomes between \$50,000 and \$75,000, and 25 percent of the gap with incomes between \$75,000 and \$100,000 (or \$125,000 in qualifying areas). Residents of subsidized housing would be eligible for a credit equal to one month of the tenant contribution toward rent (with the tenant contribution generally equal to 30 percent of household income).

To simulate the Harris renter’s credit proposal, we first identify all households in the ASEC that are paying cash rent, living in public housing, or report government-subsidized rent. For each household, we identify the FMR and Small Area Fair Market Rent (SAFMR) for housing units of 0 to 4 bedrooms based on the lowest level of geography available in the ASEC data.<sup>6</sup>

Calculating the amount of the credit requires the annual gross rent paid by the tax filer, which is not reported in the ASEC. Thus we impute gross rent paid for each renter household in the ASEC using data from the American Community Survey (ACS), using a three-year national sample for 2015 to 2017 comprised of all households paying cash rent (with amounts inflation-adjusted to 2017 dollars).<sup>7</sup> First we identify the HUD FMRs and SAFMRs applicable to the geographic location of each household in the ACS sample, following the method we use for the ASEC data. We then estimate a linear regression model to predict annual rent paid in the ACS data.<sup>8</sup> The ACS regression coefficients are then applied to the ASEC sample using identical covariates to assign rent paid by household, with imputed rents then capped at total household income. Rent paid for households living in public housing or reporting government-subsidized rent is then assigned as 30 percent of gross household income.

Rent paid for purposes of the RRA renter’s credit is capped at 1.5 times the FMR. Identifying the applicable FMR for the cap depends on the geographic location as well as the number of bedrooms for the housing unit. We assign the FMR cap based on household size under a formula similar to that used by HUD in determining allowed unit size for households in the Housing Choice Voucher program. Thus we assume that up to two children under age 6 can share a bedroom, a married tax filer shares a bedroom with her or his spouse, and all other household members are allocated separate bedrooms, while capping the total number of bedrooms at four.<sup>9</sup> We assume that the renter’s credit can only be claimed by one individual per household

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<sup>6</sup> SAFMRs are published at the level of zip codes, while FMRs are published at the level of counties. A zip code crosswalk from the Missouri Census Data Center (MABLE Geocorr) was used to match ASEC and ACS data to applicable SAFMRs. The ASEC data were merged with 2017 HUD data for FMRs and SAFMRs. We used the average or weighted-average SAFMRs and FMRs by county, metro area, metro versus nonmetro status within a state, or state alone where necessary.

<sup>7</sup> Note that SPM status is not available in the ACS data, so it is not possible to estimate national SPM poverty effects using ACS data, necessitating the use of CPS ASEC data and imputed rent paid for this analysis.

<sup>8</sup> Covariates include the SAFMR for a two-bedroom apartment based on geographic location of the household (or FMR in cases where the SAFMR cannot be identified); log of household income; number of adults; any young adults; any elderly adults; number of children; race of household head; any foreign born household members; highest educational attainment in the household; any household member receiving TANF, SNAP, SSI or Social Security; state; and survey year. Predicted values in this model are not sensitive to modified estimates of “fair market” rent, using unadjusted household income, or controlling for metro versus nonmetro status.

<sup>9</sup> HUD HCV rules (under 24 CFR 982.401) allow older children of the same sex to share bedrooms, and allow living rooms to serve as sleeping rooms, but we assume these additional criteria would not be applied given the limitations of data reported on tax forms.

(the “leaseholder”), designated as the tax filer with the highest total gross income. The tax filer’s “rent gap” is then calculated as the difference between 30 percent of the tax filer’s total gross income and annual household rent paid capped at 1.5 times the assigned FMR. We assume the “rent gap” for purposes of the credit cannot exceed total rent paid or total gross income.

We then calculate the amount of the credit based on the tax filer’s total gross income, with the credit equal to the full rent gap for filers with incomes up to \$25,000, and equal to a declining share of the rent gap as incomes increase up to \$100,000. A higher \$125,000 income eligibility threshold is allowed for tax filers identifiable as residing in areas designated by HUD in November 2016 as required to apply SAFMRs instead of FMRs in the Housing Choice Voucher program. For tax filers living in public housing or with government-subsidized rent, the credit is calculated as one month of the tenant contribution toward rent (calculated earlier as 30 percent of household income), again with one tax filer per household (the filer with the highest gross income) assumed eligible to claim the credit. After calculating the renter’s credit for each tax filer, this amount is added to the filer’s family income for estimating the new poverty status post-reform.

***Sen. Sherrod Brown and Rep. Ro Khanna’s Grow American Incomes Now (GAIN) Act, §111b***

Senator Sherrod Brown and Representative Ro Khanna propose to expand the EITC through the Grow American Incomes Now Act of 2017. The proposed reform would both increase the benefit generosity of the current EITC schedule as well as increase the earnings level at which benefits completely phase out, which extends benefits upward to more middle-class families. The maximum benefit amounts under the GAIN expansion are nearly double the current EITC limits for families with children, and the reform considerably expands benefits to families/individuals without children from a maximum benefit of \$510 under EITC to \$3,000 under GAIN. The proposal would also increase the rate (again, by almost double) at which benefits increase with earnings during the phase-in from the first dollar earned.

*Table 2. Comparisons of Earned Income Tax Credit Parameters under EITC (2017) and the GAIN Act*

	Phase-in rate (percent)		Maximum credit amount		Phase-out range: beginning income		Phase-out range: ending income	
	EITC	GAIN	EITC	GAIN	EITC	GAIN	EITC	GAIN
0 children	7.65%	30.00%	510	3,000	8,340	18,340	15,007	37,113
1 child	34.00%	65.28%	3,400	6,528	18,340	18,340	39,617	59,191
2 children	40.00%	76.80%	5,616	10,783	18,340	18,340	45,007	69,541
3+ children	45.00%	86.40%	6,318	12,131	18,340	18,340	48,340	75,942

To estimate the baseline EITC, we use simulation estimates from TAXSIM, which provides a common comparison point for the effects of both GAIN and LIFT, reforms specific to the EITC. The simulated benefits under the GAIN Act are constructed using microdata on tax units in the ASEC based on a constructed measure of taxable earnings and the TAXSIM estimate of AGI.

The simulated GAIN benefit increases with taxable earnings according to a family’s phase-in rate by number of dependent children under age 19 (or under age 24 while enrolled in college full-time, or child dependents of any age with disabilities). Benefits are capped at maximum credit amounts that again vary by number of dependent children, from \$3,000 for families with no children to \$12,131 for those with 3 or more

children. When either taxable income or AGI reach \$18,340, the benefit amounts begin to phase out. While the beginning income threshold for the phase-out region is the same for all families, the phase-out rates may differ by number of children, and the cutoff income thresholds range from \$37,113 with no children to \$75,942 with 3 or more.

We estimate the poverty impacts of GAIN relative to the status quo benefit levels of the EITC. Given the proposed policy changes, any family that received EITC would be better off under GAIN, and around 30 million additional families would become newly eligible for a reformed EITC under the GAIN rules. The GAIN benefit value is the difference between the revised EITC benefit after gain and the previous EITC benefit estimated via TAXSIM. New poverty status estimates are constructed under the GAIN version of the EITC rules.

### ***Senator Corey Booker's Housing, Opportunity, Mobility, and Equity (HOME), \$134b***

Senator Corey Booker's Housing, Opportunity, Mobility, and Equity Act of 2018 provides a refundable renter's tax credit to tax filers that pay more than 30 percent of AGI toward rent. The credit would equal the gap between 30 percent of AGI and annual rent paid, with the amount of rent paid capped at the SAFMR as determined by HUD. Residents of subsidized housing would be eligible for a credit if they meet the same rent gap criteria. The HOME Act would also require that local jurisdictions implement policies to spur the creation of more affordable housing supply, but we do not model the potential effects of those provisions.

To simulate the HOME renter's credit proposal, we identify all households in the ASEC that are paying cash rent, living in public housing, or report government-subsidized rent. We identify the SAFMRs for housing units of 0 to 4 bedrooms according to the household's geographic location. The SAFMR is based on the lowest level of geography identified for each household in the ASEC data merged with the 2017 SAFMRs published by HUD, as described above in the methods for the Rent Relief Act. Calculating the amount of the credit requires the annual gross rent paid by the tax filer, which we impute based on a regression model estimated, again, as described above in the methods for the Rent Relief Act.

Rent paid for purposes of the Booker renter's credit is capped at the SAFMR. Identifying the applicable SAFMR for the cap depends on the geographic location as well as the number of bedrooms for the housing unit. We assign the SAFMR cap based on household size under a formula similar to that used by HUD in determining allowed unit size for households in the Housing Choice Voucher program as before. We assume that the renter's credit can only be claimed by one individual per household (the "leaseholder"), designated as the tax filer with the highest total AGI, with AGI calculated using reported income values in the ASEC and the TAXSIM estimates, as described above in the methods for the AFA proposal.

The tax filer's "rent gap" is calculated as the difference between 30 percent of the tax filer's AGI and annual household rent paid capped at the assigned SAFMR. We assume the "rent gap" for purposes of the credit cannot exceed total rent paid or total AGI. The credit amount is then equal to the rent gap. To estimate the poverty impacts of the proposal, we add the renter's credit amounts to household resources, then determine the poverty status of all households with the new credit included.

### ***Sen. Kamala Harris' LIFT (Livable Incomes for Families Today) the Middle Class Act, \$247b***

Senator Kamala Harris has proposed a large expansion to EITC benefit levels and eligibility in her LIFT (Livable Incomes for Families Today) the Middle Class Act of 2018. Instead of revising the current EITC program parameters, the LIFT Act would add an additional benefit on top of the current EITC schedule, where the additional amount would also have a phase-in region where benefits increase with earnings, a maximum benefit, and a phase-out region where benefits decline toward zero at higher income. The proposed expansion is limited to adults aged 18 and over with household income no greater than \$100,000. Instead of varying benefit schedules by number of children, the additional benefits from LIFT would vary by tax unit filing status: individuals, heads of household, and married.

New benefits from the LIFT Act would phase-in dollar-for-dollar with earned income, regardless of filing status.<sup>10</sup> The maximum benefit is capped at \$3,000 for individuals and heads of household, or \$6,000 for married tax filers. Benefit values phase out over different income ranges for each filing status: \$30,000 to \$50,000 for individuals, \$60,000 to \$100,000 for married couples, and \$80,000 to \$100,000 for heads of household. About 50 million new families would become eligible for LIFT given the larger expansion of phase-out thresholds into higher income ranges of the middle class. The simulated benefits from LIFT are added on top of the EITC amounts and new poverty estimates are constructed.

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<sup>10</sup> In this plan, taxable earnings include wages, business/farm income, disability income, as well as educational grant income, such as Pell Grants.

Figure A1. Additional Proposed Tax Credits by Household Earnings (up to \$100,000)

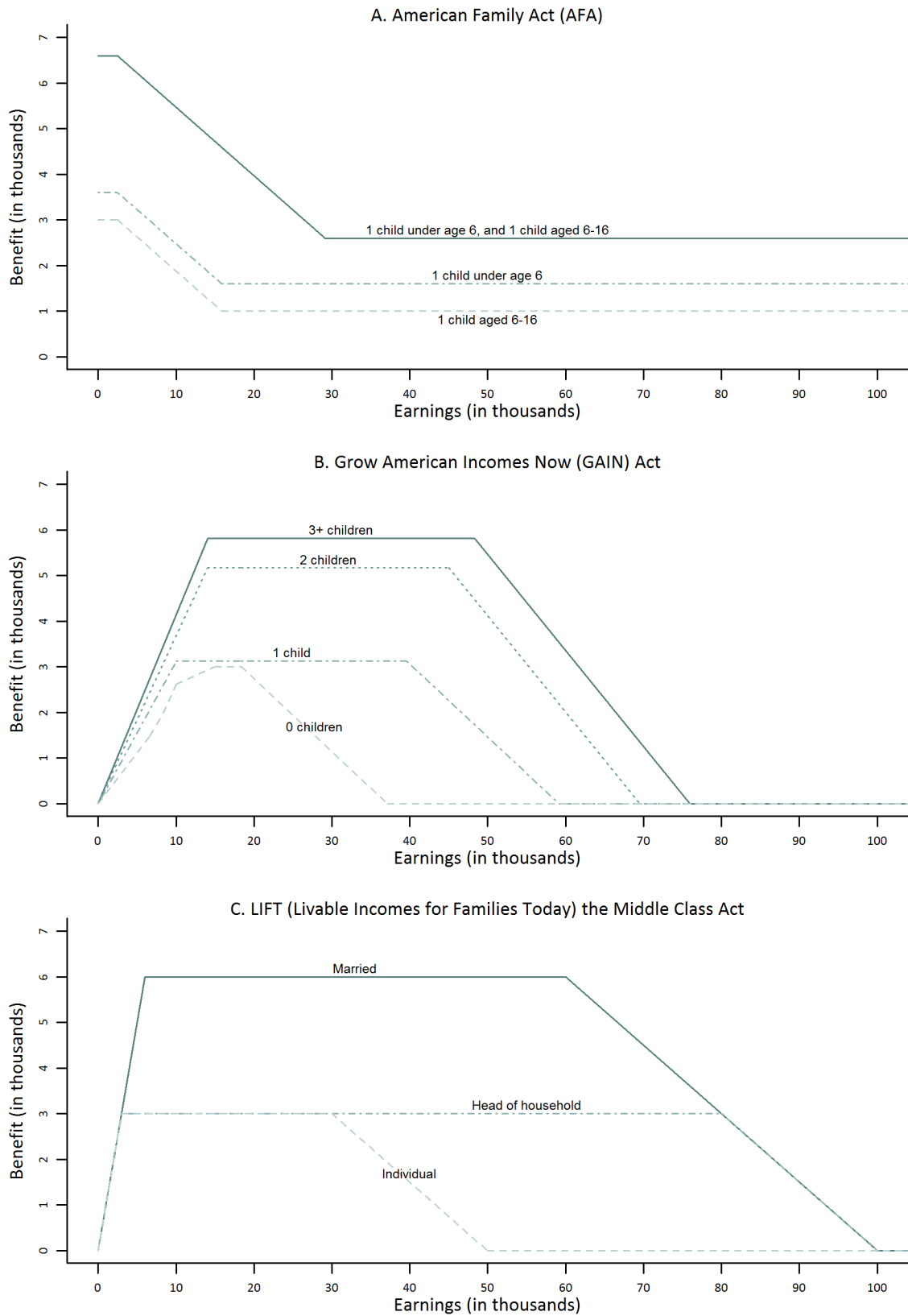




Figure A2. Distribution of Proposed Benefits by Percentile of Family Income

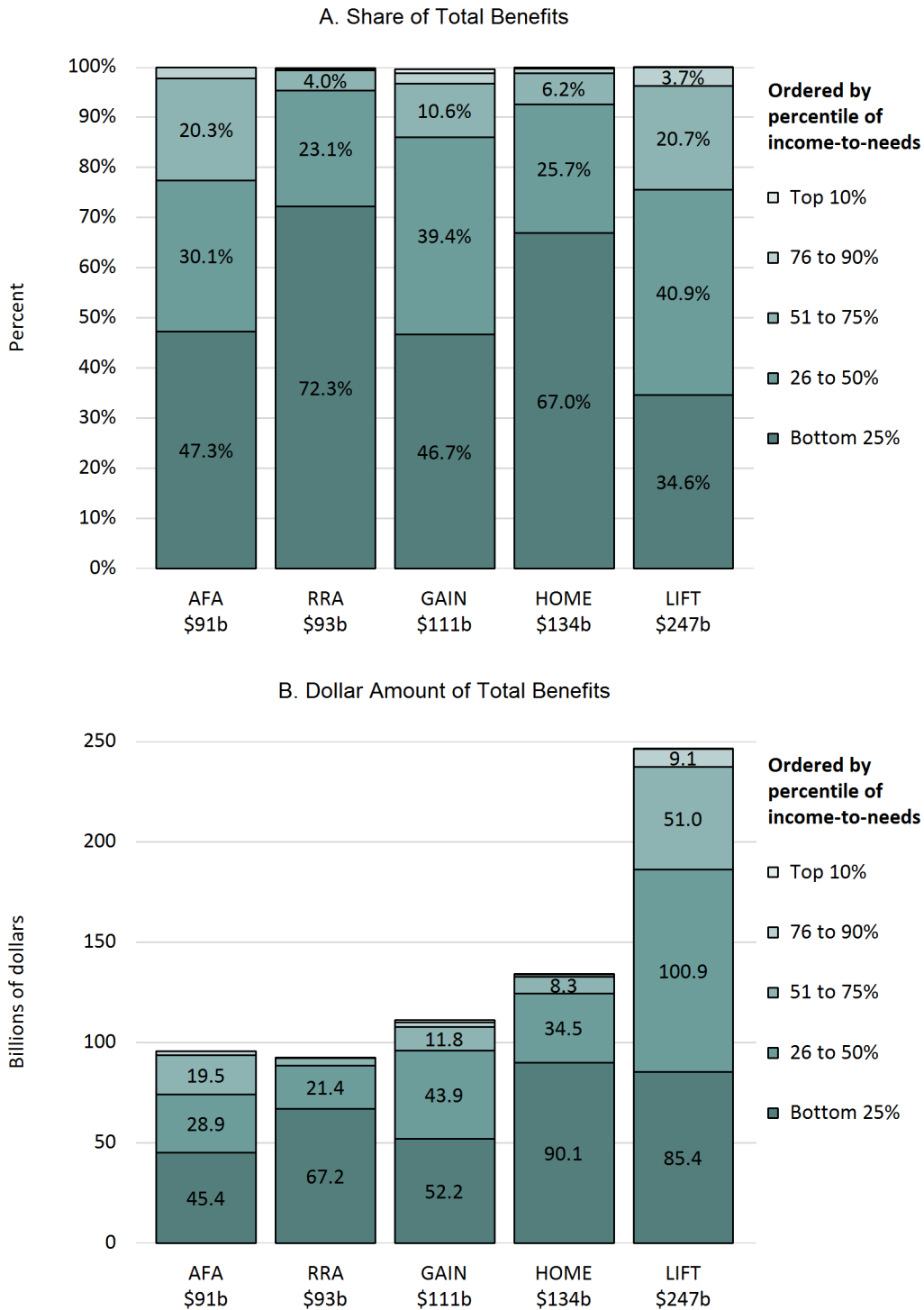


Figure A3. Average Family Income and Proposed Benefits by State

