September 27, 2021

Policy Brief: House Build Back Better Legislation Advances Racial Equity

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The Build Back Better legislation approved by various House committees would help drive a more equitable recovery by making investments in children, workers, and health care that will enable more people to reach their full potential and share in the nation's growth.[2] Achieving these goals requires dismantling our nation's long-standing racial disparities, deeply rooted in racism and discrimination, that have driven starkly unequal opportunities and outcomes in education, employment, health, and housing and have fueled substantial racial income and wealth gaps. The House legislation takes important steps in advancing racial equity, not only by making key investments in programs that can promote opportunity but also by funding these investments with revenues raised through progressive policies from the wealthy and profitable corporations.

The Build Back Better legislation relies on programs and policies that have a substantial track record and a strong base of evidence in the United States and abroad that demonstrate the significant benefits these investments would deliver.[3] Children of color, who are more likely to experience economic insecurity and lower-quality schooling, would especially benefit from many of these investments.

The legislation would:

- **Cut child poverty, narrow long-standing racial disparities in child poverty rates, and help more children reach their full potential**, by, among other provisions, extending the expansion of the Child Tax Credit in the American Rescue Plan, which is estimated to reduce child poverty by more than 40 percent, with the sharpest reductions in the poverty rates for

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[2] The full version of this report is available at https://www.cbpp.org/research/poverty-and-inequality/house-build-back-better-legislation-advances-racial-equity.

[3] Arloc Sherman *et al.*, "Recovery Proposals Adopt Proven Approaches to Reducing Poverty, Increasing Social Mobility," CBPP, August 5, 2021, https://www.cbpp.org/research/poverty-and-inequality/recovery-proposals-adopt-proven-approaches-to-reducing-poverty.

Black and Latino children; and making child nutrition enhancements aimed at addressing long-standing high rates of food hardship disproportionately experienced by children of color.

- **Reduce homelessness and housing instability**, particularly through a substantial investment in Housing Choice Vouchers, which bridge the gap between households' incomes and the cost of housing. The bill's expansion of this highly effective program would reduce homelessness and other hardship for people who struggle most to afford a home, with more than two-thirds (71 percent) of those assisted being people of color.

- **Make meaningful, lasting progress toward providing universal health coverage**, by closing the Medicaid coverage gap, which would provide a pathway to coverage for more than 2 million people with incomes below the poverty line — 60 percent of whom are people of color — in states that haven't adopted the Affordable Care Act's (ACA) Medicaid expansion. The bill would also permanently increase premium tax credits to make marketplace coverage more affordable and help more uninsured people to enroll.

- **Create a broad-based, comprehensive, and progressive paid family and medical leave program**, addressing a major gap in the nation's caregiving infrastructure, particularly for workers of color, who are less likely to have access to any family and medical leave, paid or unpaid.

- **Guarantee access to voluntary, free preschool programs for all 3- and 4-year-olds in participating states and make child care affordable for parents with children up to age 5,** advancing equity and opportunity for children, while also making it easier for parents to work.

- **Make higher education more affordable** across a range of institutions by increasing the maximum Pell Grant, eliminating community college tuition and fees in participating states, and supporting institutions dedicated to serving Black, Hispanic, and American Indian students. These policies can lift individuals' long-term earnings and help close racial gaps in income and wealth.

The House Build Back Better legislation pairs these investments aimed at broadening opportunity with more revenues from high-income and high-wealth households and profitable corporations that too often pay low or no taxes and with strengthened tax compliance efforts so taxpayers pay more of what they owe. These tax policies would generate revenue from the most well-off in the country, who are disproportionately white, and would make the tax code more equitable and adequate without undermining economic growth. Indeed, the investments funded by these revenues will strengthen the economy and broaden opportunity over the long run.

Despite the strength of the legislation, it could be improved by including additional investments that address racial disparities. In particular, Congress should add reforms to modernize unemployment insurance (UI) and Supplemental Security Income (SSI). Now that temporary programs instituted during the pandemic have expired, the nation's unemployment system will once again feature narrow eligibility rules and low benefits; prior to the pandemic, the unemployment insurance system denied assistance to over two-thirds of those unemployed and covered less than half of lost wages for those who qualified. These weaknesses are particularly acute for workers of color, who face disproportionately higher unemployment rates but who are more likely than other workers to be left out of jobless benefits, leaving them even more vulnerable to significant hardship when they lose employment.

Similarly, SSI is woefully out of date, with key program features that haven't been updated in decades. Strengthening the program would improve the circumstances of low-income elders and people with disabilities, and would help close gaps in hardship and poverty by race or ethnicity, as a disproportionate share of the population that SSI aims to serve are people of color due to persistent racial disparities in health care and economic opportunity.

In addition, the revenue provisions could be strengthened in two important ways. First, policymakers should tax more of the income of high-wealth households that currently goes untaxed. They can do this by including a Biden Administration proposal to eliminate the "stepped-up basis" loophole. This loophole allows very wealthy individuals to avoid tax on a large amount of income that has accrued over their lifetime, by wiping out this income tax liability when they die so that neither they nor their heirs owe tax on this income. Similarly, policymakers should tax the benefits shareholders receive when companies buy back stock (rather than issuing dividends) and raise the value of the stock people continue to hold. Eliminating the stepped-up basis loophole and taxing the gains shareholders receive through stock buybacks would lower wealth inequality and provide resources to finance equity-enhancing investments.

The package should also include a Biden Administration proposal to require financial institutions to report certain information to the Internal Revenue Service (IRS), as part of a broader effort to bolster IRS tax enforcement to ensure that more of the taxes that are owed are indeed collected. The information reporting requirements are particularly important for helping the IRS to identify high-income tax cheats who are not accurately reporting their income on their tax return and to better focus its auditing on those at the top of the income spectrum. This would help reverse current audit trends, where some of the highest audit rates in the country are in rural counties in the Deep South with large Black populations. These provisions would reduce racial disparities on their own, and would raise additional revenue that could be used to fund further equity-enhancing investments.

To the extent possible, this report provides data for white, Black, Latino, Asian, American Indian and Alaska Native (AIAN), and Native Hawaiian and Pacific Islander (NHPI) populations. The limited size of some surveys complicates the task of drawing reliable conclusions about smaller populations, including the Asian, AIAN, and NHPI populations. Nonetheless, available data make clear that poverty rates are extremely high for the AIAN population, similar to the Black population.[4] In addition, while Asian poverty rates overall are lower than for other groups, inequality is very high within the Asian population.[5] As a 2015 report by Asian Americans Advancing Justice notes, "lower poverty rates among Asian Americans as a racial group cause many to overlook higher poverty rates among Southeast Asian Americans as distinct ethnic groups."[6]

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[4] According to the U.S. Census Bureau's 2019 American Community Survey public use microdata sample, the poverty rate for people who identify as American Indian and Alaska Native alone or in combination, regardless of Latino ethnicity, was 20.4 percent. By comparison, the poverty rate for people who identify as Black only and not Latino was 21.1 percent.

[5] Rakesh Kochhar and Anthony Cilluffo, "Income Inequality in the U.S. Is Rising Most Rapidly Among Asians," Pew Research Center, July 12, 2018, https://www.pewresearch.org/social-trends/2018/07/12/income-inequality-in-the-u-s-is-rising-most-rapidly-among-asians/; AAPI Data, "Poverty by Detailed Group (National)," http://aapidata.com/stats/national/national-poverty-aa-aj/.

[6] Asian Americans Advancing Justice, "A Community of Contrasts: Asian Americans, Native Hawaiians and Pacific Islanders in the West," 2015, https://advancingjustice-aajc.org/sites/default/files/2016-09/AAAJ_Western_Dem_2015.pdf.