
***Updated* - Parrott: New Build Back Better Legislation a Historic Step Forward**

CBPP has updated this statement from Sharon Parrott, President, to reflect House legislative language released today based on the “Build Back Better” framework.

The new House Build Back Better legislation is a historic step forward that would broaden opportunity, reduce poverty substantially — particularly among children — and narrow the glaring racial disparities that continue to plague the nation due to generations of racism and other forms of discrimination. It would make transformational investments in children, families, workers, climate, and health coverage. Now it’s time for lawmakers to get this legislation across the finish line.

The framework is fiscally sound. Unlike the large tax cuts enacted in 2001 and 2017, its cost is fully offset, largely by shrinking tax breaks for wealthy households and profitable corporations and giving the IRS resources so it can do more to ensure that individuals and corporations pay what they legally owe. While the investments in the framework are robust and will deliver big impacts for the country, they amount to a tiny fraction of our economy.

The package currently includes important immigration provisions that would allow millions of people without a documented status who have lived in the U.S. for many years to register to become lawful permanent residents, enabling them to work and live without fear of deportation. These provisions would improve the lives of millions of our neighbors and community members.

To craft a package that can garner the necessary votes for enactment, policymakers omitted some important investments from the bill entirely — such as paid leave — and scaled back others. While a larger package would have produced more significant change in important areas, that should not take away from the tremendous gains that this legislation would deliver:

- **Reducing poverty, particularly among children**, by extending the increase in the Child Tax Credit amount in the American Rescue Plan through 2022 and permanently ensuring that the full Child Tax Credit is available to children in families with the lowest incomes, including the 27 million children who received a partial credit or no credit at all prior to the temporary expansion in the American Rescue Plan because their incomes were too low. Making the full credit available to children whose families have low incomes or no income in a year is particularly important for Black and Latino children and children in rural communities, about half of whom received a partial credit or no credit at all prior to the Rescue Plan expansion because their incomes were too low.

In 2022, when the increase in the Child Tax Credit amount is in place, the expansion is projected to reduce the number of children in poverty by more than 40 percent as compared to child poverty in the absence of the expansion, and to substantially narrow the racial gap in poverty rates among children. Making the full credit available to the lowest-income children *alone* reduces child poverty by 20 percent even without the increase in the credit *amount* to \$3,000 (and \$3,600 for young children) as compared to the pre-Rescue Plan level of \$2,000.

The bill would restore eligibility for the credit to children who aren't eligible for a Social Security number because of their immigration status but can be claimed as tax dependents by using an Individual Tax Identification Number (ITIN). This ensures that children with ITINs have access to the same credit as other children.

The final package will also extend through 2022 the American Rescue Plan's expansion of the Earned Income Tax Credit for low-paid workers not raising children at home to shore up workers' wages and prevent nearly 6 million workers from once again being taxed into, or deeper into, poverty.

- **Expanding affordable health coverage** by closing the Medicaid coverage gap through 2025 for more than 2 million people with incomes below the poverty line who don't have a pathway to coverage today. This group — 60 percent of whom are people of color — live in states that have refused, despite substantial financial incentives, to adopt the Affordable Care Act's Medicaid expansion. They would be able to enroll in marketplace plans without paying any premium. The package also extends the Rescue Plan's premium tax credit improvements through 2025 to make marketplace coverage more affordable, which will increase the number of people who enroll in coverage and reduce out-of-pocket health care costs for millions of people. Finally, the bill includes important improvements to the Medicaid program for pregnant people and children, which will help improve the continuity of coverage for these groups.
- **Reducing housing instability and homelessness** by providing \$24 billion in funding for new Housing Choice Vouchers to help hundreds of thousands of families and individuals who have extremely low incomes or a particularly urgent need for housing assistance, including more than \$7 billion for households experiencing or at risk of homelessness. Millions of families struggle to afford rent, many of whom face eviction. Yet currently only 1 in 4 households eligible for a voucher receive any type of federal rental assistance due to limited funding. Because of the nation's long history of racial discrimination in housing and employment, a majority of the families who would benefit from the new vouchers are people of color. This marks the first time, outside of emergency relief legislation, that the voucher program has received multi-year funding rather than funding through the annual appropriations process, which typically is limited by fiscal constraints that make larger policy advances very difficult to achieve. The level of rental assistance is well below the amount provided in the prior House bill, put together in September; more will need to be done to help the millions of households whose rent takes up too large a share of their income, but this package starts us down the road of tackling the problem.
- **Helping young children get a good start** by increasing access to affordable child care, which will ultimately ensure that children who need child care assistance get it and by phasing in a universal pre-K program for 3- and 4-year-olds. High-quality preschool and child care help children thrive and improve children's long-term outcomes, while making it easier for parents to work. Moreover, providing free or subsidized child care and universal preschool

reduces the financial strain on young families, freeing up resources for housing, utilities, transportation, food, and other investments in their children's well-being. These policies would sunset at the end of 2027, and policymakers will need to extend them to maintain these important advances for children.

- **Reducing child hunger** by extending through 2024 a summer grocery benefit to families with children who typically receive free or reduced-price school meals during the school year. (The benefit was first put in place in relief legislation last year and recently extended under the Rescue Plan.) The package also would expand the number of schools serving large numbers of low-income students that are able to offer free school meals to all students through the 2025-2026 school year.
- **Providing a mechanism for people meeting certain conditions who have lived in the U.S. for many years without a documented immigration status to register for lawful permanent resident status.** People meeting the registry criteria would be able to work lawfully and live without fear of deportation.
- **Improving access to higher education** by providing a \$550 increase in the maximum Pell Grant (except at for-profit institutions) and extending eligibility for Pell Grants to certain immigrants, including students with DACA status and with Temporary Protected Status. Pell Grants are the main source of federal financial aid for college students with low or moderate incomes. The package also expands support for Historically Black Colleges and Universities, Tribal Colleges and Universities, and other institutions defined as "Minority Serving Institutions."
- **Taking important steps to improve well-being in U.S. territories, including Puerto Rico.** The package ensures that people in Puerto Rico and other U.S. territories can continue to get the health care they need by providing significant increases in Medicaid funding to the territories, which unlike states receive capped federal funding for Medicaid that can run out. The package also addresses a long-standing inequity by permanently extending Supplemental Security Income (SSI) monthly benefits, which assist disabled or elderly people with little income and few assets, to U.S. citizen residents of U.S. territories, most of which have been excluded from SSI.

The investments rest on sound evidence and build on effective programs and policies, but many have been considered politically unattainable for years.

The package includes revenue increases and some savings from undoing a federal rule that would otherwise raise Medicare and Medicaid prescription drug costs. These measures would fully offset the cost of the package over the next ten years and would continue providing higher revenues and savings after the decade ends. The revenue increases mark a sharp reversal from tax policy over the past two decades, which was dominated by regressive tax cuts that have weakened revenues and shrunk our ambition for using public investments to meet pressing national needs. The revenue increases are appropriately focused on wealthy individuals and profitable corporations.

A major flaw in the tax code is that much of the income of the wealthy is not taxed, and much of what *is* taxed enjoys special rates. The package begins to address that flaw by imposing a broad surtax on filers with multi-million-dollar incomes, taxing stock buybacks (through an excise tax on the corporation) to effectively treat them more like dividends, and repealing a loophole that lets

high-income owners of “pass-through” businesses (like partnerships and S corporations) avoid the 3.8 percent Medicare tax imposed on other types of income.

The package ensures that large, profitable corporations pay at least a minimum amount of tax on profits they report to their shareholders. It also includes important international tax reforms, including raising the minimum tax rate on foreign profits to 15 percent in accordance with the recent U.S.-led agreement to set a global minimum tax. These changes will raise significant revenues and reduce subsidies that encourage companies to shift profits and investments offshore.

Finally, the package includes a much-needed investment of about \$80 billion over ten years to rebuild the depleted IRS. The funds will enable the agency to hire more auditors with expertise in the complex tax returns of high-income households and corporations and to upgrade its computer systems to strengthen tax enforcement. Unfortunately, a major component of the Biden Administration’s plan to close the nation’s large tax gap — improved requirements for information reporting — is not in the House legislation. Over half of certain types of income go unreported to the IRS, partly because little or no third-party information is available, making it easier for the income to go unreported and undetected. Banks are well placed to provide this information but, instead of accepting this modest civic responsibility, the banking industry pursued a misinformation campaign against the proposal, effectively siding with people who cheat on their taxes over honest taxpayers and business owners. It’s regrettable that this misinformation campaign appears to have succeeded.

To get to an agreement that could pass both the House and Senate, the House legislation released today scales back, and in some cases omits, important investments that were included in the reconciliation legislation that House committees crafted in September. One striking example is the omission of the paid leave program, leaving the United States as the single nation among similarly wealthy nations that lacks a national paid leave program, and leaving many workers — particularly low-paid workers, women, and workers of color — without any option to take paid time off from work to care for new child or an ill loved one or to attend to their own health issue. Paid leave is a critical support for workers that helps them stay connected to their jobs and the labor market and improves their financial security when they need time off.

In most cases, the new investments in the bill would not be permanent policies and to have a lasting impact, policymakers would need to extend them in the future. Given the strong evidence base that supports key policies in the package and the way the advances build on existing successful programs and policies, we are confident that these investments would pay large dividends for the country and prove themselves worthy of being continued.

Because the revenue-raising measures and the savings from the drug-related rule are permanent, they will improve the longer-run fiscal outlook, putting the nation in a stronger position to sustain important policy advances into the future. Moreover, there will be ample ways to raise additional revenues in the future. While the package raises substantial revenues, it doesn’t include many important measures that would do more to push against staggering levels of inequality in the country and provide resources for important investments.

Today’s framework would represent one of the most consequential pieces of legislation in a generation. While no bill will, by itself, end poverty or create equal opportunity, this framework would move the nation toward economic, racial, and health justice.

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