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Parrott: House “Build Back Better” Legislation Would Advance Economic Justice and Racial Equity

CBPP today released a statement from Sharon Parrott, President, on the conclusion of House committee action on economic recovery legislation:

The “Build Back Better” legislation approved by House committees includes groundbreaking investments to address problems that have plagued our nation for generations. It would mark a major advance toward economic justice, racial equity, and broadly shared opportunity. The full Congress should make some necessary improvements and move this legislation forward expeditiously.

Importantly, the House bill reflects good fiscal stewardship. Unlike the large tax cuts enacted in 2001 and 2017, it would add little to the deficit because it pays for nearly all of its new investments, largely by requiring wealthy households and profitable corporations to pay a fairer amount of tax and reducing the cost that the government and consumers pay for prescription drugs. Policymakers should resist pressure to scale back either the investments or the revenue and health savings that finance them. Critics who make vague statements that the bill is too “big” should explain exactly which investment should be cut or which tax loophole for very wealthy people and corporations should be left open.

The House bill would:

- **Cut child poverty and narrow gaping racial disparities in child poverty rates.** It would do so by making the full Child Tax Credit permanently available to the lowest-income children and extending through 2025 the American Rescue Plan’s increase in the credit amount and its distribution on a monthly basis, which cuts child poverty by more than 40 percent. Prior to the Rescue Plan expansion, some 27 million children received only a partial credit or no credit at all because their families’ incomes were too low, including about half of Black and Latino children (and 20 percent of white children) and half of children in rural communities. The bill would also permanently increase the Earned Income Tax Credit for low-paid workers without children at home, largely ending the policy of taxing some 5.8 million adults into or deeper into poverty.
- **Reduce homelessness and housing instability, particularly through a historic investment in Housing Choice Vouchers,** which help bridge the gap between households’ incomes and the cost of housing. The rental assistance would be targeted on households experiencing or at risk of homelessness and on those with extremely low

incomes, including households with children, people with disabilities, and seniors. The majority of those assisted would be people of color; housing needs are heavily concentrated among people of color due to a long history of discrimination in housing, employment, and other areas.

- **Permanently close the Medicaid coverage gap, providing a pathway to affordable 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 Medicaid expansion. The bill would also permanently increase premium tax credits to make marketplace coverage more affordable so that more people enroll.
- **Help schoolchildren get the food they need to thrive** by providing summer grocery assistance to replace the school meals that children miss when school is out, simplifying school meal applications, and expanding access to school-wide free meals in schools with large numbers of low-income children.
- **Address a major gap in the nation's caregiving infrastructure by creating a permanent, broad-based, comprehensive, and progressive paid family and medical leave program.** The bill would also expand access to affordable child care, preschool, and higher education.
- **Provide a pathway to citizenship for 8 million immigrants in certain categories, including Dreamers, people with Temporary Protected Status, and certain essential workers such as certain farmworkers and health care workers.** While still leaving out many people without a documented status who are part of our communities and do important work, this is a step toward providing long-term stability and greater opportunity to immigrants who have deep ties to the United States and contribute to our country's economy and future.

To offset most of the cost of the package, the bill would make the federal tax system more equitable and adequate, though there remains more to be done to bolster the revenue provisions. Specifically, it would ensure that wealthy people pay a fairer amount of tax, stem the tide of profitable corporations shifting profits to overseas tax havens, and give the IRS new resources to tamp down on tax non-compliance, which costs the country some \$600 billion a year. And it would secure added savings from pharmaceutical companies by reducing drug prices.

Before finalizing this legislation, Congress should strengthen its set of investments by adding reforms to modernize unemployment insurance (UI) and Supplemental Security Income (SSI). Pandemic unemployment assistance has expired, leaving the nation with an outdated, overly restrictive UI system that excludes many workers, particularly people of color, women, and other low-paid workers, when they lose their jobs. And workers who do qualify often receive highly inadequate benefits. Our outdated UI system means that for many people, a temporary job loss creates an immediate financial crisis.

Similarly, Supplemental Security Income, intended as a lifeline for seniors and people with disabilities with low incomes, suffers from badly outdated benefit and eligibility rules, with asset limits and income exemptions that have been frozen for decades. Expanding and simplifying SSI would particularly benefit people of color, who make up a majority of SSI recipients.

Congress should strengthen the bill's tax proposals to raise more revenue and make the tax system fairer through additional measures targeting wealthy households. Even under the bill's current proposals, wealthy households — including extremely high-wealth people like Jeff Bezos — would still be able to shield large amounts of income from taxation and receive more favorable tax rates than people whose earnings come predominantly from work rather than capital. Also, the bill's international and corporate tax provisions should do more to raise revenues and reduce profit shifting overseas. Finally, the bill's tax compliance section lacks an important component: a new requirement that financial institutions report information on bank accounts' total inflows and outflows to help the IRS identify wealthy people who are underreporting their incomes. Tax experts, IRS commissioners, and former Treasury Secretaries have all said the IRS needs this information to significantly reduce the gap between the taxes wealthy people owe and the taxes they actually pay.

The United States entered the pandemic with large investment deficits that have perpetuated gaping racial and ethnic disparities, high levels of poverty, large numbers of people lacking health coverage, and widespread hardship. The House legislation would move the country toward a very different future: one where all children can reach their full potential, where everyone has access to affordable, quality health coverage, and where the benefits of economic growth are far more broadly shared.

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