

In Alabama, Working Families Tax Relief Act Would Boost Incomes, Improve Children's Prospects, Reduce Poverty

The Working Families Tax Relief Act — introduced in the Senate by Sherrod Brown, Michael Bennet, Richard Durbin, and Ron Wyden (S. 1138) and in the House by Dan Kildee and Dwight Evans (H.R. 3157) — is one of several bills before Congress to strengthen the Earned Income Tax Credit (EITC) and Child Tax Credit. These credits put money back in workers' pockets, increase employment, and reduce poverty. Research also links income from the credits to gains for children — improvements in infant health, school performance, college enrollment, and earnings in adulthood. But these tax credits can do much more. The Working Families Tax Relief Act's EITC and Child Tax Credit expansions would strengthen the economic well-being of 114 million people in 46 million households nationwide — many of them in Alabama.

Other legislative proposals that would also expand the EITC or Child Tax Credit include the American Family Act from Rep. Rosa DeLauro and Senator Michael Bennet and the House Ways and Means-passed Economic Mobility Act.

Expansions Would Benefit 747,000 Alabama Families

Taking its EITC and Child Tax Credit expansions together, the Working Families Tax Relief Act would boost the incomes of an estimated 1,837,000 people in 747,000 Alabama households, including 422,000 white families, 30,000 Latino families, 288,000 Black families, and 7,600 Asian American families. It would benefit 55,600 veteran or active-duty households in Alabama. The bill:

- *Makes the \$2,000 Child Tax Credit fully refundable and creates a fully refundable Young Child Tax Credit that adds \$1,000 to a family's Child Tax Credit for children under age 6.* Both tax credits would be adjusted for inflation.
- *Boosts the EITC for workers not raising dependent children.* More than 5 million working people across the country are taxed into, or deeper into, poverty, mostly because the EITC largely excludes "childless" adults, including non-custodial parents. The Working Families Tax Relief Act would raise the maximum EITC for childless workers from roughly \$530 to \$2,100 and raise the income limit to qualify for the credit from about \$16,000 for a single individual to \$25,000. It would also expand the age range of workers eligible for the credit from 25-64 to 19-67. Some 311,100 childless workers would benefit.
- *Boosts the EITC for families by roughly 25 percent.* The maximum EITC would rise by about \$880 for families with one child, \$1,460 for families with two children, and \$1,100 for families with three or more children.

An estimated **1,837,000** people in **747,000** households in **Alabama** would benefit from the Working Families Tax Relief Act, including

- 422,000 white families
- 30,000 Latino families
- 288,000 Black families
- 7,600 Asian American families
- 311,100 childless workers

These examples illustrate the bill's impact:

- A mother of a 4-year-old and a 7-year-old works as a home health aide making \$20,000. The bill would raise her Child Tax Credit by \$2,210 and her EITC by about \$1,460, for a combined gain of about \$3,670.
- One partner in a married couple makes \$45,000 as an auto mechanic, while the other takes care of their two young children full time. The bill would increase their EITC by about \$1,460, and they'd receive an additional \$2,000 from the Young Child Tax Credit, for a combined gain of about \$3,460.
- A fast-food cook working full time at the federal minimum wage earns \$14,500 and must pay over \$1,250 in combined federal individual income and payroll taxes after receiving an EITC of just \$80, so the tax code actually pushes her below the poverty line. The bill would increase her EITC to \$1,610. She'd no longer be taxed into poverty.

Stagnant Working-Class Incomes Underscore Need to Strengthen Tax Credits

Workers doing important jobs such as serving store customers, making restaurant meals, delivering packages, building houses, and caring for the elderly often work for low pay. The median income for working-class households (that is, working-age households where nobody has a bachelor's degree) grew just 5 percent between 1979 and 2017, after accounting for inflation, taxes, and certain public benefits (such as SNAP and cash assistance). By contrast, households at the top enjoyed rapid income growth, while median incomes for households with a bachelor's degree rose 33 percent.

Low wages affect working-class workers of every race, but the problem is especially acute in communities of color, where many people face hiring discrimination or other barriers. About *half* of Black and Latino workers without a bachelor's

degree were in low-wage jobs in 2017, meaning their wages were too low for a full-time, full-year worker to keep a family of three above 125 percent of the poverty line.

An “all-of-the above” policy response is needed to boost struggling families’ incomes, including minimum wage increases, more vigorous anti-trust enforcement, and other ways to restore bargaining power to rank-and-file workers. The EITC and Child Tax Credit expansions like those in the Working Families Tax Relief Act would complement such efforts. The table below highlights the top occupations in Alabama that would benefit from the bill:

Top Occupations in Alabama Benefiting From the Working Families Tax Relief Act

Occupation	Filers or Spouses
Cashiers	36,200
Retail salespersons	22,900
Cooks	21,300
Driver/sales workers and truck drivers	19,600
Nursing, psychiatric, and home health aides	19,300
Waiters and waitresses	19,200
Janitors and building cleaners	18,800
Construction laborers	17,600
First-line supervisors/managers of retail sales workers	17,300
Laborers and freight, stock, and material movers	16,600
Stock clerks and order filers	16,200
Maids and housekeeping cleaners	15,500
Miscellaneous assemblers and fabricators	14,200
Elementary and middle school teachers	14,100
Registered nurses	14,000

Source: CBPP estimates based on 2015-2017 American Community Survey data and March 2018 Current Population Survey data.

Appendix Table:

Households in Each Congressional District in Alabama Benefiting From the Working Families Tax Relief Act

District	Households
AL-01	107,000
AL-02	112,000
AL-03	112,000
AL-04	105,000
AL-05	104,000
AL-06	91,000
AL-07	116,000

Source: CBPP estimates based on 2015-2017 American Community Survey data and March 2018 Current Population Survey data.