

Table T19-0001
Expand the Child Tax Credit (CTC) and Replace the Earned Income Tax Credit (EITC) with Economic Security Project's Cost-of-Living Refund (CLR) Proposal

Baseline: Current Law
Impact on Tax Revenue (\$ billions), 2019-28¹

	Year										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-28
Fiscal Year Estimate											
Cost-of-Living Refund (CLR) ^{2,3}	-62.3	-344.3	-415.2	-327.6	-334.4	-340.6	-346.4	-349.9	-353.0	-356.9	-3,230.7
Earned Income Tax Credit (EITC)	-7.0	-69.7	-70.7	-72.0	-73.6	-75.3	-76.7	-78.2	-79.5	-80.8	-683.5
Expand the Child Tax Credit ^{4,5}	-9.7	-97.0	-99.7	-102.6	-105.2	-109.2	-111.9	-120.9	-178.5	-182.4	-1,116.9
Net Cost of Proposal (CLR replaces EITC)	-55.4	-274.6	-344.5	-255.6	-260.8	-265.3	-269.7	-271.7	-273.5	-276.1	-2,547.2
Net Cost of Proposal (CLR replaces EITC and CTC Expansion)	-65.1	-371.7	-444.1	-358.1	-366.0	-374.5	-381.6	-392.6	-452.0	-458.5	-3,664.2
Memo:											
Calendar Year Estimate: Cost-of-Living Refund (CLR)	-311.7	-316.5	-322.7	-330.9	-336.8	-343.2	-348.6	-350.8	-354.5	-358.4	-3,374.1
Calendar Year Estimate: Earned Income Tax Credit (EITC)	-69.6	-70.6	-71.9	-73.4	-75.1	-76.6	-78.0	-79.4	-80.7	-81.9	-757.2
Calendar Year Estimate: Expand the Child Tax Credit	-96.8	-99.4	-102.3	-104.7	-108.9	-111.6	-114.5	-178.1	-182.1	-185.4	-1,283.8
Calendar Year Estimate: Net Cost of Proposal (CLR replaces EITC)	-242.1	-246.0	-250.8	-257.5	-261.6	-266.6	-270.6	-271.4	-273.9	-276.5	-2,616.8
Calendar Year Estimate: Net Cost of Proposal (CLR replaces EITC and CTC Expansion)	-338.9	-345.3	-353.1	-362.2	-370.6	-378.2	-385.1	-449.5	-455.9	-461.9	-3,900.7

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0718-1).

(1) Baseline is the law in place for each year as of March 13, 2018.

(2) Proposal would: replace the EITC with a fully refundable credit equal to the lesser of \$4,000 or earned income (\$8,000 for married couples filing a joint return). Credit would phase out rateably between adjusted gross income (AGI), or earned income if greater, of \$30,000 and \$50,000 for singles; \$50,000 and \$90,000 for married couples filing jointly. All dollar amounts would be indexed to the chain-weighted consumer price index after 2019. Eligible individuals must not be able to be claimed as a dependent. They are not subject to the phase-in if they are students who receive the Pell Grant or meet a two-factor Pell approximation test, or if they are a caregiver for a child under the age of 6. The investment income limitation for purposes of the EITC would also apply to the CLR. Proposal would be effective 01/01/2019. Assumes the following take-up rates for 2019 (2023 and thereafter); take-up rates are assumed to rise between 2019 and 2023. Current law non-filing married couples: 70.0 (80.0); current law non-filing singles and heads of household: 60.0 (70.0); non-filing tax units with Pell Grants (additional 10.0 percentage points); filers eligible for EITC under current who do not claim EITC: 50.0 (60.0); filers ineligible for current-law EITC: singles 92.5 (95.0) and married couples 95.0 (97.5); assumes all recipients of the EITC would file to receive this credit. Also assumes that some tax units would report additional self-employment income to claim the credit. For more information on TPC's baseline definitions, see <https://www.taxpolicycenter.org/resources/tpcs-methodology-model-revenue-estimates>

(3) Estimate includes the effect of microdynamic responses and assumes, for the revenue saved by the EITC, a fiscal split of 10-90 (fiscal year revenue is estimated to be 90 percent of revenue from the previous calendar year and 10 percent of revenue from the current calendar year) for every year. For the introduction of the Cost-of-Living Refund, the estimate assumes a fiscal split of 20-80 for 2019; 30-70 for 2020; and 60-40 thereafter. This assumes advance payments begin July 2020. Depending on enactment date for the credit and the beginning date of advance payments, the pattern of receipts could differ.

(4) Child credit changes follow those proposed in the American Family Act and would (a) make the child tax credit fully refundable regardless of income, (b) increase the maximum credit to \$3,000 per child and \$3,600 per child under age 6, (c) lower the phase-out thresholds to \$180,000 for married taxpayers filing jointly and \$130,000 for all other taxpayers through 2025, and (d) index the maximum credit amount to the chain-weighted consumer price index. Assumes that 60 percent of eligible non-filers would file to claim the expanded credit in 2019. Participation by nonfilers is assumed to rise by 2 percentage points a year until reaching 70 percent in 2024.

(5) Estimate includes the effect of microdynamic responses and assumes a fiscal split of 10-90 (fiscal year revenue is estimated to be 90 percent of revenue from the previous calendar year and 10 percent of revenue from the current calendar year) for every year. Depending on enactment date for the credit and the beginning date of advance payments, the pattern of receipts could differ.