

**Table T19-0022**  
**Economic Security Project Proposal - Cost-of-Living Refund (CLR) with Patch**  
**Baseline: Current Law**  
**Impact on Tax Revenue (\$ billions), 2019-28 <sup>1</sup>**

	Year										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-28
<b>Fiscal Year Estimate</b>											
Cost-of-Living Refund (CLR)	-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
<b>Net Cost of Proposal (CLR replaces EITC)</b>	<b>-55.4</b>	<b>-274.6</b>	<b>-344.5</b>	<b>-255.6</b>	<b>-260.8</b>	<b>-265.3</b>	<b>-269.7</b>	<b>-271.7</b>	<b>-273.5</b>	<b>-276.1</b>	<b>-2,547.2</b>
Patch for Singles with Children <sup>4</sup>	-2.5	-13.9	-16.7	-13.1	-13.4	-13.7	-14.0	-14.3	-14.6	-14.8	-131.1
<b>TOTAL: CLR with Patch Replaces EITC</b>	<b>-57.9</b>	<b>-288.6</b>	<b>-361.2</b>	<b>-268.7</b>	<b>-274.3</b>	<b>-279.1</b>	<b>-283.7</b>	<b>-286.0</b>	<b>-288.0</b>	<b>-290.8</b>	<b>-2,678.3</b>
<b>Memo:</b>											
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	-3374.1
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
<b>Calendar Year Estimate: Net Cost of Proposal (CLR replaces EITC)</b>	<b>-242.1</b>	<b>-245.9</b>	<b>-250.8</b>	<b>-257.5</b>	<b>-261.6</b>	<b>-266.6</b>	<b>-270.6</b>	<b>-271.4</b>	<b>-273.8</b>	<b>-276.4</b>	<b>-2,616.7</b>
Patch for Singles with Children <sup>4</sup>	-12.6	-12.8	-13.0	-13.2	-13.6	-13.8	-14.1	-14.4	-14.6	-14.9	-137.0
<b>TOTAL: CLR with Patch Replaces EITC</b>	<b>-254.7</b>	<b>-258.7</b>	<b>-263.8</b>	<b>-270.7</b>	<b>-275.2</b>	<b>-280.4</b>	<b>-284.7</b>	<b>-285.8</b>	<b>-288.4</b>	<b>-291.3</b>	<b>-2,753.7</b>

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

(1) Baseline is the law in place for each year as of December 12, 2018. 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. For more information on TPC's baseline definitions, see <https://www.taxpolicycenter.org/resources/tpcs-methodology-model-revenue-estimates>

(2) 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.

(3) 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.

(4) The patch is available for all CLR-eligible tax units filing as single or as head of household that have at least two children eligible for the EITC. The patch is set equal to: 12.5% of earned income up to the first EITC kink point for tax units with two children, and 18.75% of earned income up to the first EITC kink point for tax units with three or more children. The patch phases out with earned income or AGI (whichever is greater), at a rate of 5% per dollar in excess of the second EITC kink point.