



U.S. SENATE COMMITTEE ON

# Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Statement Prepared for Floor Delivery  
on the Low-Income Families Benefit from Working Families Tax Relief Act of 2004  
Thursday, Sept. 23, 2004

Mr. President, let me take some time here to correct what have been very unfair, inaccurate and incomplete statements about the Working Families Tax Relief Act. This bill provides enormous benefits to working families and especially to low-income families.

Let me remind my colleagues of where we have been on this bill. The Senate passed legislation in 2003 that called for accelerating the refundability of the child credit from 10% to 15%, providing for a uniform definition of a child, and including combat pay for purposes of calculating the child tax credit. That was what the Senate passed in 2003. At the same time, the other body passed legislation that also accelerated the refundability but the other body did not include the uniform definition of a child and did not include the combat pay provisions as it relates to the child tax credit.

We then went to conference and thanks to President Bush's leadership we have been successful in reaching an agreement.

What does our conference bill do in regards to the Senate passed legislation affecting low-income families? The conference report agrees with every single one of them. Let me repeat that, the conference report accepted every single provision in the Senate passed-bill that was directed to helping low-income families.

The conference made the uniform definition of a child permanent. This is an extremely important simplification effort that creates a uniform definition of a child for the dependency exemption, child credit, the Earned Income Credit, the dependent care credit, and head-of-household filing status. This long-overdue simplification makes many more taxpayers – especially low-income taxpayers – eligible for a child-related benefit. This is at a cost of over \$1.5 billion over ten years and is the only substantive tax provision in this bill that is made permanent.

The conference agreed to accelerate refundability and also the combat pay provisions in the Senate-passed legislation. These two provisions provide over \$2 billion in benefits.

So again, as we hear people wring their hands, let's remember that the conference agreed to every single tax provision in the Senate-passed bill targeted for low-income families. In fact, the only provision in the Senate bill that was targeted to help working families making over \$100,000, the end of the marriage penalty for the child tax credit, was dropped in conference.

But the Conference did not stop with just accepting all the Senate provisions that help low-income families. The Conference ADDED to the provisions that will help low-income families.

First, the Conference provided expanded benefits for our men and women in uniform receiving combat pay. They will now also be able to get expanded benefits under the Earned Income Credit. While combat pay is excluded for income purposes, our soldiers, sailors and airmen can elect to include combat pay if it will assist them in getting an increase in the Earned Income Credit. This is a NEW provision that helps low-income military families. It was NOT included in the Senate proposal. This, combined with other provisions in the bill means that targeted relief for low-income military families receiving combat pay will go from \$34 million in the Senate bill to \$199 million in the Conference report. That's right the Senate proposed \$34 million in targeted relief for military families with a member receiving combat pay and now we are providing \$199 million.

Turning to the other items that assist low-income families: Second, the Conference extends the child credit to \$1000 through 2010. This will benefit low and middle-income families.

Third, we extend the lowest tax-bracket, the 10% tax bracket, which at its core benefits low-income families.

Fourth, we extend marriage penalty relief which helps low-income taxpayers along with all taxpayers.

There is over \$23 billion dollars in outlays contained in this bill – that reflects primarily the extension of the child credit, the lowering of the rates and refundability portions. Thus, of a \$145 billion dollar tax cut, over \$23 billion dollars of it is targeted to low-income families who have little to no federal income tax liability.

So let's put this to rest. The conference report is better than what the Senate proposed for low-income families and better than what the Senate proposed to help military families. It seems unfortunately, that no matter how much we meet and exceed what the Senate's position was on low-income families, there will always be those who want to make political hay by creating a new issue.

Now, let me turn to another chestnut that has been put out. That chestnut is that the tax laws will harm 4 million low-income families. This is a bait and switch focusing on one issue and ignores the overall tax code and all the tax legislation contained in this bill.

The threshold for the refundable child tax credit – included in the 2001 bill – is that for those who do not pay federal income taxes should still benefit from the child tax credit beginning at \$10,000 in income – and that was indexed for inflation. This was agreed to by the supporters of this provision in 2001 and eliminating the index was not included in the Senate proposal last year.

Mr. President, unfortunately we are now hearing from those who want to forget these facts.

I am saddened by those who want to distort matters and muddy all the tremendous work we've accomplished for working families in this bill. To argue that we are raising taxes on those making less than \$11,000 or less is completely and utterly wrong. First, it is current law that requires indexing, there is nothing in this bill that requires indexing. Second, these are families who do not

have a federal income tax liability. They pay no taxes. So it is wrong to say that they are having an increase in taxes.

Third, the naysayers, completely ignore the benefits being provided in this bill when they pull numbers from thin air. For example, the indexing of the \$10,000 next year provided in the 2001 bill will mean that a family making \$18,000 with a child will lose approximately \$40 in child credit benefits, but that same family – because of this bill – will see their child credit benefit INCREASE by \$300 because of the accelerated refundability and making the child credit \$1000. The naysayers want to just pick and choose the provisions and not look at the whole package. When you look at the overall package the vast majority of the families they talk about being harmed by the 2001 agreement to index the refundable credit will actually be benefiting from the overall package.

And finally for those families -- far, far fewer than the number of 4 million thrown around – that may see no child credit because of indexing, we must bear in mind the EIC benefits that are also indexed. Indexing of the refundable child tax credit must be understood in conjunction with the EIC benefit, and cannot be looked at in a vacuum.

For example, in 2001 a single parent making \$10,500 and with two children had no federal income tax liability and received the maximum earned income credit of \$4008. In 2003, that same parent, still making \$10,500, will now receive a nearly \$200 increase in her Earned Income Credit and receive a check for \$4,204. It is accurate that because of indexing the family will not receive the \$50 previously provided under the refundable child credit, but it is important to understand it in the context of the overall benefits provided in the tax code.

I recognize that for a low-income family even \$50 is important and that is why in conference I supported an amendment to end indexing inflation of the refundable portion. But I encourage Senators to keep their feet on the ground when discussing this and avoid demagoging the issue and instead reflect on the enormous benefits this bill provides to low-income families who do not have a federal income tax liability – nearly \$24 billion – and to also keep in mind the other very beneficial provisions that are in the tax code already that assist low income families.

Mr. President, we have done very right by low-income families and especially military families in this bill and in the overall tax code. I think that actually makes some people around here mad, who would rather have issues than solutions. So now we see folks grasping at straws, any straw to cloud the issue as much as possible. But I know as Senators and the American people examine this matter closely they will see the enormous good that is in this bill and not be swayed by the naysayers.

This bill will provide great benefit to low-income families and military families and that is a credit to President Bush, and it is why we will see this legislation receive overwhelmingly support here in the Senate.