



**breadfortheworld**  
HAVE FAITH. END HUNGER.

## 2010 Offering of Letters United States

Progress against hunger requires broader efforts to reduce poverty. Food assistance to hungry people is vital, but it is not enough. This year, a series of tax cuts enacted in recent years will expire. Bread for the World asks Congress to protect and strengthen key tax credits that can make a big difference for low-income workers and their families. The Earned Income Tax Credit (EITC) is a refundable tax credit geared primarily toward families with children. The Child Tax Credit (CTC) is worth up to \$1,000 for each child under age 17 claimed on a worker's tax return. Bread for the World urges Congress to protect and strengthen the EITC and the CTC and seeks additional funding for Volunteer Income Tax Assistance (VITA) sites, which provide free tax preparation assistance and financial education to low-income people.

### **Hunger and Poverty in America**

- **Hunger:** *14.6% of households in the U.S. struggle to put food on the table.*<sup>i</sup>
  - *22.5% of children in the U.S. live in families that struggle to put food on the table, a 34% increase in just one year.*<sup>ii</sup>
- **Poverty:** *13.2% of people in the United States live below the poverty line, \$21,834 for a family of four in 2008.*<sup>iii</sup>
  - *19% of children in the United States live below the poverty line.*<sup>iv</sup>

### **How Tax Credits Help American Families**

#### **The EITC Provides Significant Assistance to Working Families**

- **22,367,979 U.S. households** claimed the EITC in 2006, averaging **\$1,952** per household, totaling **\$43,656,768,000** in EITC benefits throughout the country.<sup>v</sup>
  - The average credit for families with children is **\$2,488.**<sup>vi</sup>
- Most EITC recipients only receive the credit for one or two years.<sup>vii</sup>
- In 2009, it is estimated the **EITC lifted about 6.6 million people, including 3.3 million children, over the poverty line** (\$21,834 for a family of 4 in 2008).<sup>viii</sup>
  - The EITC reduced the poverty rate by 15% and the child poverty rate by 25%.<sup>ix</sup>
- The EITC expansions in ARRA assisted **7 million** low-income working individuals, lifting **3 million** over the poverty line.<sup>x</sup>
- 23 states have replicated the success of the federal EITC by establishing a state level EITC.<sup>xi</sup>

#### **The CTC Provides Significant Assistance to Working Families**

- **29,199,507 U.S. households** claimed the CTC in 2006, averaging **\$520** per household, totaling **\$15,197,427,264** in CTC benefits throughout the country.<sup>xii</sup>
- ARRA lowered the CTC income threshold, assisting **15.8 million children** in the U.S.<sup>xiii</sup>
- In 2009, it estimated the **CTC lifted about 2.3 million people, including 1.3 million children, above the poverty line.**<sup>xiv</sup>

## **Volunteer Income Tax Assistance (VITA) Sites Provide Free Tax Preparation Services, Saving Each Low-Income Working Family an Average of \$280 to Help in Preparation Fees.**

- Only 2.1%, or, 460,017, of EITC filers used a VITA site in 2006.<sup>xv</sup>
- In 2006, tax filers spent over **\$3 billion** for tax preparation services to claim the EITC.<sup>xvi</sup>
- In 2006, VITA sites saved **\$128.8 million** for EITC filers alone, assuming an average of \$280 saved in tax preparation fees and services per taxpayer.<sup>xvii</sup>

## **Combined, the EITC and CTC Provide Vital Support to Low-Income Working Families During the Recession**

- Americans lost 4.2 million jobs in 2009.<sup>xviii</sup> The EITC can assist those newly unemployed whose partial year earnings qualify them for the EITC.
- According to congressional testimony of Mark Zandi, Chief Economist of Moody's Economy.com, households spend their credit refunds immediately and locally, generating \$1.26 of economic growth in the communities where they are spent for every additional refundable credit dollar.<sup>xix</sup>
- In 2006, Americans claimed over **\$58.85 billion** in EITC and CTC benefits.<sup>xx</sup>
- In 2009, it is estimated **the EITC and CTC lifted 9.6 million people, including 5 million children, above the poverty line.**<sup>xxi</sup>
  - Combined, the EITC and CTC **reduce the poverty rate by 20% and the child poverty rate by 33.33%.**<sup>xxii</sup>

<sup>i</sup> Household Food Security in the United States, 2008, U.S. Department of Agriculture, Economic Research Service, 2009.

<sup>ii</sup> *Id.*

<sup>iii</sup> Income, Earnings, and Poverty data from the 2008 American Community Survey, U.S. Census Bureau, 2009.

<sup>iv</sup> *Id.*

<sup>v</sup> IRS data compiled by the Brookings Institution.

<sup>vi</sup> Policy Basics: The Earned Income Tax Credit, Center on Budget and Policy Priorities: <http://www.cbpp.org/cms/index.cfm?fa=view&id=2505>.

<sup>vii</sup> Center on Budget and Policy Priorities, 2009.

<sup>viii</sup> Policy Basics: The Earned Income Tax Credit, Center on Budget and Policy Priorities: <http://www.cbpp.org/cms/index.cfm?fa=view&id=2505>.

<sup>ix</sup> Center on Budget and Policy Priorities, 2009.

<sup>x</sup> Policy Basics: The Earned Income Tax Credit, Center on Budget and Policy Priorities: <http://www.cbpp.org/cms/index.cfm?fa=view&id=2505>.

<sup>xi</sup> Tax Credits Can Put Money Back in Families' Pockets, for Tax Year 2009, National Women's Law Center: [http://www.nwlc.org/pdf/Tax\\_Credits\\_FactsheetTCOCTY09.pdf](http://www.nwlc.org/pdf/Tax_Credits_FactsheetTCOCTY09.pdf).

<sup>xii</sup> IRS data compiled by the Brookings Institution. Refers to refundable portion of the CTC.

<sup>xiii</sup> Center on Budget and Policy Priorities, 2009.

<sup>xiv</sup> Policy Basics: The Child Tax Credit, Center on Budget and Policy Priorities: <http://www.cbpp.org/cms/index.cfm?fa=view&id=2989>.

<sup>xv</sup> IRS data compiled by the Brookings Institution. Includes VITAs, Military VITAs, and Tax Consulting for the Elderly sites.

<sup>xvi</sup> Internal Revenue Service SPEC Information Database, Tax Year 2006, calculated by Children's Defense Fund: <http://www.childrensdefense.org/child-research-data-publications/data/ral-report-2009.pdf>. Assumes \$280 spent on tax prep fees and services.

<sup>xvii</sup> IRS data compiled by the Brookings Institution. Includes VITAs, Military VITAs, and Tax Consulting for the Elderly sites.

<sup>xviii</sup> U.S. Department of Labor, Bureau of Labor Statistics: <http://www.bls.gov/web/ceshighlights.pdf>.

<sup>xix</sup> H. Comm. on Small Business, hearing on *Economic Stimulus for Small Business: A Look Back and Assessing Need for Additional Relief*, testimony of Mark Zandi, Chief Economist and Co-Founder, Moody's Economy.com (July 24, 2008): <http://www.house.gov/smbiz/hearings/hearing-07-24-08-stimulus/Zandi.pdf>.

<sup>xx</sup> IRS data compiled by the Brookings Institution. Refers to the refundable portions of the CTC and EITC.

<sup>xxi</sup> Center on Budget and Policy Priorities, 2009.

<sup>xxii</sup> *Id.*