

Wyden plugs child tax credit expansion at Finance Committee hearing

Senate Finance Committee Chairman Ron Wyden, D-Ore., this week used a hearing focused on federal child care programs to tout the enhancements to the child tax credit included in the bipartisan tax relief package he negotiated with House Ways and Means Committee Chairman Jason Smith, R-Mo., which passed the House in January but remains stalled in the Senate due to GOP opposition.

American Rescue Plan enhancements

Although a significant portion of the July 9 hearing focused on federal spending programs—for example, the Child Care Entitlement to States and the Child Care and Development Block Grant—that are designed to expand the availability of affordable child care, Wyden homed in on the child tax credit as another critical source of support for working families.

“In 2021 we expanded the child tax credit and cut child poverty in half,” Wyden said, referring to Democrats’ pandemic-era American Rescue Plan (P.L. 117-2), which increased the credit from \$2,000 per child to \$3,600 per child (\$3,000 for children aged 6 through 17), made it fully refundable, and allowed taxpayers to elect to receive the benefits as advanceable monthly payments rather than waiting to claim them when filing a tax return in the following year. Those expansions only applied for tax year 2021, however.

URL: <https://www.congress.gov/117/plaws/publ2/PLAW-117publ2.pdf>

The American Rescue Plan “was a game changer for tens of millions of families,” Wyden continued. “But that ended when the expanded [child tax credit] expired and Republicans blocked its renewal.”

Indeed, a number of congressional Democrats as well as President Biden in his annual budget blueprints have proposed to reinstate the American Rescue Plan’s child tax credit expansion. However, with a price tag north of \$100 billion per year, those proposals have been consistently batted away by Republicans.

Wyden: Bipartisan deal would benefit 16 million children

That political reality was a major reason that Wyden sought—and ultimately secured—a far more modest set of child tax credit enhancements as part of his bipartisan tax negotiations with Ways and Means Chairman Smith earlier this year.

The Wyden-Smith deal—dubbed the Tax Relief for American Families and Workers Act (H.R. 7024)—would expand the current-law credit by permitting the refundable portion to be calculated on a per-child basis, gradually increasing the overall limit on refundability, allowing parents to use prior-year income to qualify for the credit, and indexing the maximum credit amount for inflation.

URL: <https://www.congress.gov/118/bills/hr7024/BILLS-118hr7024eh.pdf>

“My bill with Chairman Smith . . . would help the families of 16 million low-income kids,” Wyden said during the hearing. “It’s more modest than the 2021 expansion, but it’d be a big help, particularly for larger families of modest means. Republicans have blocked that bill for five months. . . .”

Additionally, the legislation would expand the low-income housing tax credit, relieve double-taxation burdens on Taiwanese companies operating in the US, and temporarily reverse certain business-unfriendly tax provisions related to the treatment of research expenditures, bonus depreciation, and the deduction for business interest expenses that were included in the Tax Cuts and Jobs Act of 2017 (TCJA, P.L. 115-97) but did not take effect until several years after that measure was enacted.

URL: <https://www.congress.gov/115/plaws/publ97/PLAW-115publ97.pdf>

Senate GOP opposition to bipartisan deal persists

Although the Wyden-Smith package cleared the House by a substantial bipartisan majority earlier this year, the bill remains stalled in the Senate due to opposition from a bloc of Senate Republicans led by Finance Committee ranking Republican Mike Crapo of Idaho.

Crapo has been a strident critic of a lookback provision in the expanded child tax credit proposal that would allow individuals to claim the credit (for tax years 2024 and 2025) based on their prior-year income, arguing that the provision would disconnect the incentive from work.

Crapo and other GOP senators also have expressed reservations about the bill’s inclusion of a revenue offset—that is, an accelerated deadline for filing claims under the pandemic-era Employee Retention Tax Credit (ERTC) and expanded authority for the Internal Revenue Service to address potentially fraudulent ERTC claims—on the grounds that paying for extensions of current law would set a risky precedent when lawmakers confront the multi-trillion dollar expiration of large swaths of the TCJA at the end of 2025.

Wyden and Crapo have said they want to reach a deal on a tax bill that can pass this year, but any negotiations between the two tax leaders reportedly have broken down. Without an agreement, Senate Majority Leader Charles Schumer, D-N.Y., could bring the bill directly to the Senate floor, but to date he has not done so, given the general consensus that it would not garner enough GOP support to secure the 60 votes he would need to clear procedural hurdles in the chamber. (For the latest on the political dynamics surrounding the Wyden-Smith compromise, see *Tax News & Views*, Vol. 25, No. 22, June 21, 2023.)

URL: https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/240621_4.html

The debate will continue

Adding another wrinkle to the debate around the child tax credit is fact that, pursuant to the TCJA, the maximum per-child credit about is set to revert from \$2,000 to \$1,000 (that is, its pre-2018 level) after 2025, at the same time that nearly all of that law’s other changes to the individual side of the tax code—such as reduced income tax rates, the section 199A deduction for passthrough business income, and an increased estate tax exemption amounts—are also set to lapse.

Wyden alluded to this approaching tax cliff while knocking arguments advanced by many Republicans—including former President Donald Trump, the presumptive 2024 GOP presidential nominee—that the TCJA should be extended in full. (A draft Republican Party platform for 2024 released this week by the Republican National Committee calls for a permanent extension of the expiring Trump-era tax cuts. See separate coverage in this issue for details.)

URL: <https://cdn.nucleusfiles.com/be/beb1a388-1d88-4389-a67d-c1e2d7f8bedf/2024-gop-platform-july-7-final.pdf>

“Republicans are already drawing up plans to double down on Donald Trump’s tax giveaway to the wealthy and multinational corporations in 2025,” Wyden said, and those plans, if enacted into law, would “run up the deficit and national debt so high, it would be impossible for Congress to do anything about child care or address any other issue driving up the cost of living.”

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