

## **The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010: A Win for African American Families**

The agreement announced by the President not only secures vital tax relief and investments in our workers that will create jobs and accelerate economic growth, it contains specific policies that provide targeted support for African Americans. In addition to extending unemployment insurance for 13 months, the bill builds off the gains made in the Recovery Act. The agreement will extend key provisions such as the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC) that disproportionately help African American families and children.

- **An estimated 2.2 million African American families will benefit from the expansion in the EITC and CTC that are extended in this agreement.** These credits help roughly 4.7 million African American children or almost half (44%) of all African American children.
- **The extension of Unemployment Insurance will benefit 1.1 million African Americans.** That is why the National Congress of Black Women praised the President for giving the unemployed a “new lease on life” and a “survival line” through the next 13 months.

*Illustrative Example: Working African American mother with three children making \$20,000. This family will:*

- *Receive a tax cut of more than \$2,100 from extending recent expansions in the EITC and Child Tax Credit as part of this agreement.*
- *Receive a \$400 tax cut from the new payroll tax cut.*
- *Compared to the Republican alternative, this family will receive a total tax benefit of \$2,500 next year.*

### **HIGH IMPACT, JOB CREATING TAX CUTS FOR AFRICAN AMERICAN FAMILIES**

Economic studies consistently find that lower-income households are the most likely to spend additional money, creating jobs and helping overall growth. That’s why the Congressional Budget Office has concluded that “policies aimed at lower-income households tend to have greater stimulative effects.”

Beginning in the Recovery Act, the President has demonstrated his commitment to extend benefits and tax cuts to struggling families as the right thing to do for family security and our economy. According to a study released last year by the Center on Budget and Policy Priorities, seven policies included in the Recovery Act have kept 1.4 million African-Americans above the poverty line.<sup>1</sup>

<sup>1</sup> Sherman, Arloc “Stimulus Keeping 6 Million Americans Out of Poverty in 2009, Estimates Show.” *Center on Budget and Policy Priorities*, September 2009.

Three of these policies are continued in the current bill, including Unemployment Insurance, the EITC and the Child Tax Credit.

### **Earned Income Tax Credit**

*The EITC in the Recovery Act:*

The Earned Income Tax Credit (EITC) supplements the wages of low income workers, lifting more children out of poverty than any other single program or category of programs.

Under the Recovery Act, the EITC was expanded to reduce the marriage penalty and to create a “third tier” of the EITC for families with three or more children. This means larger families now receive up to \$1,040 more than they would have under the old system.

*By extending the EITC in the agreement:*

- About 4.1 million African American children will benefit from an expanded EITC tax credit. Without this agreement, their families could lose up to \$1,040.

### **Child Tax Credit**

*The Child Tax Credit in the Recovery Act:*

The Child Tax Credit helps low-and moderate-income families with children. The credit allows families to reduce their federal income tax by a certain amount for each qualifying child under the age of 17 in a household. In 2001, the Child Tax Credit was expanded to \$1,000 per child, but was unavailable to millions of low income families because the minimum amount of earned income used to calculate the credit was set at about \$12,500 in today’s dollars.

In the Recovery Act, the Administration and Congress secured an important expansion in the Child Tax Credit for lower income families by lowering the minimum amount from about \$12,500 to \$3,000.

*By extending the CTC with the \$3,000 minimum threshold in the agreement:*

- 2.7 African American children will benefit from a larger CTC.
- For many families, extending the minimum threshold in the CTC will result in thousands of dollars in additional tax benefits that would have otherwise been lost. For example:
  - A married couple with three children making \$23,000 will receive \$3,000 in child tax credits compared to about \$1,540 if only the 2001/2003 tax cuts were extended – an increase of about \$1,460.

- A single mother with two children making \$17,000 will receive \$2,000 in child tax credits compared to about \$640 if only the 2001/2003 tax cuts were extended – an increase of about \$1,360.

### **American Opportunity Tax Credit**

*The American Opportunity Tax Credit in the Recovery Act:*

- The Recovery Act expanded the AOTC so that it now provides up to three times more relief than was previously available under the Hope Credit and Lifetime Learning Credit and is refundable for low-income students for the first time.
- The AOTC gives working families and students a \$2,500 per year partially refundable tax credit to help students and their families cover the cost of college tuition.

*The American Opportunity Tax Credit in the agreement:*

- This deal fully extends AOTC for two years, ensuring that more than 8 million students will continue to receive this tax benefit to help them afford college.

### **Unemployment Insurance**

Extension of Unemployment Insurance is especially helpful for African Americans

- The unemployment rate among African Americans was 16% in November 2010. It has increased 7 percentage points since the beginning of the recession in December 2007.
- Young African Americans face extremely high rates on unemployment, with 28% of those ages 16-24 in unemployment in November 2010.
- African Americans also face longer durations of unemployment. For example, 47% of unemployed African Americans have been unemployed for 27 weeks or more, compared to 43.8% for all unemployed (not seasonally adjusted). The median African American unemployed worker has been unemployed for almost a month longer than the median unemployed worker.

The agreement secures an extension of unemployment insurance for an additional 13 months. Without this extension, 330,600 African Americans looking for work would have lost their benefits this month alone, and through the end of next year over 1.1 million unemployed African Americans would have lost their benefits.

- Extending unemployment benefits provides crucial economic security to American families. A recent report by the Council of Economic Advisers found that while 14 million people received federally supported unemployment insurance benefits through

October 2010, an additional 26 million people living in their households benefitted indirectly.

- About 42 percent of these recipients have, or live with, children. As of October, 2010 10.5 million children had benefitted from this provision.