

Please sign on to the Child Tax Credit letter by **COB Monday, July 14<sup>th</sup>**.

The Child Tax Credit (CTC) provides a tax credit of up to \$1,000 per child for families who have children under the age of 17. However, the CTC is available only to a limited extent for working poor families with little or no federal income tax liability. Families earning less than a certain amount -- \$12,050 in 2008 -- are ineligible to receive any part of the CTC as a refund. And, millions of families with incomes modestly above that level receive only a partial credit because the value of the credit is based on the amount of earnings above the \$12,050 eligibility threshold. In addition, under current law the minimum earnings required to qualify for the CTC rises every year with inflation, denying the help to more families simply because they are too poor.

The CTC is an effective way to help families with children meet their living expenses. But the CTC could be a much more powerful tool for reducing poverty if it did not exclude families with earnings below the \$12,050 threshold, and if the threshold did not get higher every year.

**Legislative Update:** On May 21, the House passed H.R. 6049, which lowers the minimum CTC threshold from the current \$12,050 to \$8,500 in 2008. In the Senate, Senator Baucus (D-MT) (Chairman, Senate Finance Committee) has proposed a substitute bill, S. 3125, which lowers the income threshold to \$10,000 in 2008. Under the Baucus proposal, families of 1.5 million children would receive either no credit or a smaller benefit amount than proposed in the House bill.

**Take Action: National, state and community-based organizations are urged to support the expansion of the Child Tax Credit by signing on to an organizational letter by COB Monday, July 14<sup>th</sup>.** [Click here to see and sign on to the letter.](#)

**Background:** The CTC income threshold was originally set at \$10,000, but has increased to \$12,050 because the amount is indexed to inflation. In this case indexing is bad—as the amount goes up more families with earnings below the level are left out—they are too poor to receive the credit. Lowering the threshold to \$8,500 would grant CTC access to 3 million children and increase the CTC for 10 million children and their families.

Families benefiting from an expansion of the credit overwhelmingly include workers in low-wage jobs who are employed at least 30 hours a week for 50 weeks per year. These workers are employed in professions such as health care, child care, food services, labor, or cleaning. Parents who work hard in minimum wage jobs need this money to make ends meet for their families. Additionally, poorer families spend a high percentage of their income on basic needs such as groceries and gas, so the money refunded is put right back into the economy!

If you have any questions, please contact Ellen Teller, [eteller@frac.org](mailto:eteller@frac.org) or Etienne Melcher, [emelcher@frac.org](mailto:emelcher@frac.org).