

21st Century Worker Tax Cut Act

Our workforce has changed a lot over the last few decades. So as we work to build an economy that works for all families, not just the wealthiest few—we need to focus on making sure our tax code is rewarding work and expanding opportunity for working families

The 21st Century Worker Tax Cut Act would complement critical reforms like raising the minimum wage and expanding the Earned Income Tax Credit for childless adults by updating our tax code to provide targeted tax cuts designed for today's workforce.

The problem:

Thirty years ago, the majority of families with children had only one parent working outside the home. But now, roughly two-thirds of married couples with children rely on the earnings from two workers to make ends meet.

However, because of way that the tax code treats married couples – along with income phase-outs for the Earned Income Tax Credit (EITC) and direct spending programs, as well as additional costs incurred with both spouses at work (e.g., child care, transportation) – dual-earning married couples with children can end up with implicit marginal tax rates higher than what many of the wealthiest Americans pay. In the worst of cases, these realities can discourage a potential second earner, like a mother considering re-entering the workforce, from returning to her professional career.

The solution: 21st Century Tax Cut Act

The 21st Century Worker Tax Cut Act would make work pay for low- to middle-income families by allowing a 10 percent credit on up to \$10,000 of the secondary earner's income. In other words, qualifying families can directly reduce their income tax bill by up to \$1,000.

In order to qualify, both spouses must earn income during the year and the couple must have at least one child under the age of 12. Due to child care costs, young working families like these often face some of the highest implicit marginal tax rates on second earners' income, and this credit will help offset that.

Importantly, this new credit also reduces earned income for purposes of calculating the EITC. This feature is critical to ensuring that low-income, two-earner families who do not owe income tax—because their combined income is too low—and who otherwise would not benefit from the credit, instead benefit through an enhanced refundable EITC.

Last year, the Joint Committee on Taxation (JCT) estimated that a similar proposal would benefit 7.3 million two-earner families.

This legislation would not only help struggling workers and families—it would also support broad-based economic growth. By making work pay for the households who are most likely to spend additional income, the 21st Century Worker Tax Cut Act would boost demand in communities across the country.

We should increase our outdated minimum wage to give millions of workers a raise, and then Democrats and Republicans need to come together to update our tax code to give today's struggling workers the boost they deserve. The 21st Century Tax Cut Act would be a strong step toward an economy that works for all families, not just the wealthiest few.