DEPARTMENT OF THE TREASURY

Vision

Almost half of young children in the United States live in poverty or near poverty. Poverty and related social determinants of health can lead to adverse health outcomes in childhood and across the life course, negatively affecting physical health, social-emotional development, and educational achievement. As the leading agency that implements anti-poverty tax policies, the Department of the Treasury and its Internal Revenue Service (IRS) have a large influence on combatting child poverty in the United States. Key decisions made by the department can more effectively mediate the effects of child poverty by determining which families qualify for credits through the Affordable Care Act (ACA), the Earned Income Tax Credit (EITC), the Child Tax Credit (CTC), and the child and dependent care tax credits. The next administration should continue to build on the tremendous success of the EITC and CTC at reducing child poverty, and providing families with the direct support needed to raise healthy and productive children. Particular attention should be paid to very poor families with young children who currently can receive little or no CTC.

Recommended Administrative Actions

Provide direct benefits to lift families out of poverty. The EITC and the CTC are critical aids to low-income families. The EITC plays a critical role in reducing poverty by incentivizing employment and supplementing income for low-wage workers. The CTC provides tax refunds to low-income working families with children who pay payroll taxes but who might not owe federal income tax. These working-family tax credits lifted 9.4 million people out of poverty in 2013, including five million children, and made 22 million other people less poor. And by encouraging work, the EITC and the CTC have an additional anti-poverty effect that is not counted in these figures. Children whose families receive more income from refundable tax credits do better in school, are more likely to attend college, and earn more as adults. And, research also suggests that these children are also more likely to avoid the early onset of disabilities and other illnesses associated with child poverty, which further enhances their earning ability as adults. The next administration should support and expand the EITC and the CTC in order to increase family income and oppose attempts to reduce access to these tax policies, especially for immigrant families.

Support two-generation approaches to address poverty. The nation should expand efforts to support two-generation strategies that focus on helping children, parents, and grandparents simultaneously. This includes promoting the coordination and alignment of adult- and child-focused programs, policies, and systems.

Fix the ACA “kid glitch.” The administration should revisit the decision to disallow tax credits to cover the cost of insurance for those caught in the “kid glitch” or “family glitch” of the ACA. This “glitch” has been read to disallow certain individuals from qualifying for exchange subsidies for family coverage even if the individual’s employer fails to offer employees affordable family health insurance.

Support comprehensive health benefits with tax credits. The next administration should ensure that tax credits help support affordable dental insurance coverage for children whose parents buy insurance for them in a health care exchange. In particular, the next administration should finalize regulations that clarify and confirm tax credits are available for cost-sharing and premium tax credits to defray the cost of any pediatric dental benefit.

Recommended Congressional Actions

Improve health care affordability. Congress should pass legislation to improve affordability for ACA plans. Children need access to affordable medically necessary services and plans in the Children’s Health Insurance Program (CHIP) can cost 10 times less than exchange plans.1 For exchange plans to appropriately meet the needs of families they need to address the high costs of premiums and cost-sharing compared those in the CHIP program.

Empower families to purchase child health insurance. CHIP provides better insurance for children than policies available through the health care exchanges, because it includes more robust benefits and pediatric subspecialty networks. Congress should pass legislation to empower families to use ACA tax credits to purchase CHIP coverage in the exchanges.

Expand direct benefits to families. Congress should build on the tremendous success of the EITC and the CTC in reducing child poverty. Congress should support and expand the EITC and the CTC in order to increase family income. In particular, Congress should extend the CTC to very poor families with young children and ensure that these children can receive the full tax credit. Congress should also oppose attempts to reduce access to these tax credits, especially for immigrant families.
References


About this Document

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