

WASHINGTON, D.C. - Last Friday, April 11, 2003, Representative Xavier Becerra (CA - 31), the only congressional member from Southern California who is on the House Ways and Means Committee, introduced H.R. 1782, a bill to amend the Internal Revenue Code of 1986 to change the calculation and simplify the administration of the earned income tax credit (EITC).

Under current law, there are three categories of EITC recipients: those with no children, those with one child, and those with two or more children. One does not necessarily need to owe taxes at tax time in order to benefit - the EITC benefit amount may exceed tax liability and be received in the form of a payment from the U.S. Treasury after the tax year's end.

H.R. 1782 will create a new EITC benefit level for families with three or more children to provide a higher benefit than what they currently receive under the "two or more children" category. The bill would also double the credit percentage for workers with no qualifying children from 7.65 percent to 15.3 percent. This change recognizes the fact that there is virtually no safety net for people in this category, who face high federal tax burdens. The 15.3 credit percentage is the amount needed to fully offset the amount of the payroll tax, including the employer's share.

In addition, the bill will increase EITC benefits for all family categories by raising the maximum creditable earnings used to calculate the credit. For all eligible individuals with children, this amount for the year 2002 will be \$10,710 - the annual wages of a full-time worker earning the minimum wage. For childless workers, the maximum creditable earnings will rise to \$6,000, approximately 60 percent of those wages.

On "Tax Day 2003," Rep. Becerra issued the following statement:

"The earned income tax credit provides cash assistance to lower income working parents and individuals through the tax system, and continues to be an important part of the federal safety net of programs for impoverished Americans.

"While the EITC has been tremendously successful and has lifted more children out of poverty than has any other government program, I believe that our efforts to use this important tax credit to fight poverty can be further improved. Recent studies have shown that 29 percent of all children in families having three or more children subsist at incomes below the poverty level. This is more than double the poverty rate among children in smaller families. Nearly three of every five poor children in this country live in families with three or more children.

"The creation of the additional EITC category involving three or more children will benefit approximately 3.2 million households and further reduce poverty among these larger families. The economic stimulus function of my bill cannot be overlooked, as it will benefit the U.S. economy by providing additional incentives for more people, especially low-income women, to join the work force.

## **Rep. Becerra Introduces Bill To Expand The Earned Income Tax Credit**

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"At a time when our country is facing so many economic challenges, we must not forget that our low-income families continue to remain at the margins of our economy and are the first to suffer the effects of an economic downturn."

Seventeen members of Congress have already agreed to co-sponsor H.R. 1782, including Rep. Charles Rangel (NY - 15), the ranking member of the House Committee on Ways and Means.

The bill is awaiting action by the Ways and Means Committee. If signed into law this year, the expanded EITC would go into effect on all taxable years after December 31, 2003.