
MEMORANDUM

TO: SENATE REPUBLICAN STAFF
FROM: SENATOR RUBIO STAFF
SUBJECT: MISINFORMATION ABOUT THE CHILD TAX CREDIT
DATE: AUGUST 6, 2021

Summary: The debate over expanding the Child Tax Credit suffers from misinformation spread by Democrats and the news media. After transforming the Child Tax Credit into a universal child benefit in the *American Rescue Plan*, the Biden Administration has insisted on still referring to the benefit as a “tax credit,” but that’s misleading: the handout goes to parents with zero tax liability, or who are simply not working at all.

Why intentionally confuse the debate? The answer lies in Democrats’ aim to permanently turn the historically popular Child Tax Credit into welfare for nonworking parents, with no connection to sustainable paths out of poverty, such as work or marriage. In other words, the Biden Administration’s new government child benefit is the precursor to a universal basic income.¹

Unfortunately, many in the media are complicit in characterizing the new cash payments as critical “tax relief” from the “expanded child tax credit.”² It is likely that the new government child allowance will become permanent, unless Republicans make the case against the program. That dynamic explains why some in the media are eager to paint Republicans as ambivalent or even supportive.³

Discussion: To help bring some needed clarity to this issue, staff discusses the following background.

- 1) **Republicans doubled the Child Tax Credit in the 2017 Tax Cuts and Jobs Act, while Democrats voted against it.** In the *2017 Tax Cuts and Jobs Act*, Republicans doubled the Child Tax Credit to \$2,000, with up to \$1,400 of credit refundable against a partial measure of payroll taxes. In other words, the Child Tax Credit was expanded to cover nearly all federal tax liability for low-to-moderate-income families. Democrats voted against this expansion of the Child Tax Credit.
- 2) **Democrats want to transform the Child Tax Credit into a welfare cash benefit with no connection to work.** In the *American Rescue Plan Act*, President Biden and the Democrats

¹ Robert Doar and Matt Weidinger, Democrats’ Stealth Plan to Enact Universal Basic Income, THE WALL STREET JOURNAL (March 2, 2021) <https://www.wsj.com/articles/democrats-stealth-plan-to-enact-universal-basic-income-11614727507>.

² Alyssa Fowers, Calculate how much you will get from the expanded child tax credit, THE WASHINGTON POST (July 13, 2021) <https://www.washingtonpost.com/business/interactive/2021/child-tax-credit-calculator/>.

³ Arthur Delaney and Tara Golshan, Republicans Have No Clear Message on Child Tax Credit Payments, THE HUFFINGTON POST (July 20, 2021) https://www.huffpost.com/entry/child-tax-credit-monthly-payment_n_60f709eee4b0ca689fa34278.

temporarily transformed the Child Tax Credit into a Government Child Allowance – a “no strings attached” welfare program. Before this law, parents had to have income in order to receive the Child Tax Credit. Under the year-long expansion of the program, parents who have no earned income whatsoever will receive up to \$3,000 per child and \$3,600 per child under age 6 annually. Parents don’t even have to file taxes to receive the credit, and may simply sign up online and start receiving checks.

- 3) **Senate Democrats voted against expanding the Child Tax Credit by even more than President Biden proposed.** In the debate over the *American Rescue Plan Act*, all Senate Democrats voted against an amendment by Senators Rubio and Lee to further expand the Child Tax Credit to \$3,300 per child and \$4,200 per child under age 6.⁴ All Republicans present supported this amendment.⁵ Other than having a more generous maximum benefit, the only other difference from the Democrats’ plan was that the Rubio-Lee amendment would have required that households receiving the benefit have at least one parent working. In other words, **Senate Democrats voted against *greater* support for most working families in order to transform the credit into a welfare benefit for the nonworking few.**
- 4) **Democrats support welfare without work, not pro-family, pro-work tax relief.** Pro-work, pro-marriage welfare reform used to be a bipartisan objective. Then-Senator Biden once expressed concern that the “welfare system ha[d] broken down” because “it only parcel[ed] out welfare checks and d[id] nothing to help the poor find productive jobs.”⁶ And, as president, Bill Clinton bragged that the welfare reform he negotiated with then-Speaker Newt Gingrich would “transform a broken system that traps too many people in a cycle of dependence to one that emphasizes work and independence.”

Democrats today have abandoned that consensus. In the current budget reconciliation bill, they propose to extend the transformation of the Child Tax Credit into welfare handouts for at least an additional 3 years. Their ultimate goal is to make this no-strings-attached welfare check permanent.

- It is not pro-family to provide cash payments without ensuring that at least one parent has a stable job or a path to getting one, because it makes the family reliant on those cash benefits.
- It is not pro-family to remove longstanding financial incentives for low-income single parents to marry.
- It is not pro-family to provide direct cash payments without ensuring parents with troubled histories, whether because of crime or substance abuse, are put on a path to recovery and stability.

⁴ U.S. Senate Roll Call Vote, S.Amdt. 1381 to S.Amdt. 891 to H.R. 1319 (American Rescue Plan Act of 2021) https://www.senate.gov/legislative/LIS/roll_call_lists/roll_call_vote_cfm.cfm?congress=117&session=1&vote=00101.

⁵ Id.

⁶ Joseph Zeballos-Roig, Joe Biden warned about ‘welfare mothers driving luxury cars’ in a 1988 column, BUSINESS INSIDER (Aug. 29, 2019) <https://www.businessinsider.com/biden-warned-welfare-mothers-driving-luxury-cars-1988-column-2019-8>.

- It is not pro-family to provide direct cash payments to single parents without ensuring child-support orders are established, and to do so will destroy the child-support enforcement system as we know it.

Republicans support greater financial support for families, while preserving the necessary connections to work and marriage in our welfare programs for low-income families that will help lift them out of poverty. It is work, not a Government Child Allowance or a Universal Basic Income, that creates inherent dignity and offers the most effective and sustainable anti-poverty “program” we have. Reducing work incentives encourages unsustainable public dependence and creates poverty traps with disastrous implications for families and communities.

For these reasons, Senators Rubio and Lee plan to offer an amendment to the forthcoming FY22 budget resolution creating a deficit-neutral reserve fund to expand the Child Tax Credit *while maintaining the essential connection between receiving the credit and working.*