



To: Members of the House Committee on Ways and Means

From: National Taxpayers Union

Date: February 9, 2021

Subject: Taxpayer considerations and amendment proposals for the Committee's reconciliation bill

I. Introduction and Key Taxpayer Considerations for the Reconciliation Bill

National Taxpayers Union (NTU) is the nation's oldest taxpayer advocacy organization. Given the Committee's reconciliation bill includes proposals that would deeply impact taxpayers and the federal budget, we wish to share some of our topline considerations for taxpayers regarding this bill. They are:

- A [\\$940-billion topline cost](#) that appears to have no significant offsets; this is deeply concerning given the nation's current deficit and debt situations and given the trillions of dollars already appropriated to combatting the public health and economic impacts of COVID-19;
- Provisions that are designed to be temporary in this bill (i.e., the Child Tax Credit expansion and the Affordable Care Act Premium Tax Credit expansion) that may, in reality, be permanently extended in future legislation at significant additional cost to taxpayers;
- Direct \$1,400 payments that will [cost](#) \$422 billion over just two fiscal years but will go to many families that: a) have already received thousands of dollars in previous direct payments, b) are employed, and c) are [firmly](#) in the top 50 percent of income earners in the U.S.; and
- A multiemployer-pension bailout initiative that [predates](#) the COVID-19 crisis and [adds tens of billions of dollars](#) to the cost of this legislation.

Notwithstanding the concerns outlined above, there are provisions in this legislation worth supporting, either on their own or with minor modifications. They are:

- A [faster](#) income phase-out for direct payments than originally envisioned by policymakers;
- A one-year [increase](#) in the dependent care flexible spending arrangement (DCFSA) contribution limit from \$5,000 to \$10,500; and
- A six-month [extension](#) of the Employee Retention Tax Credit (ERTC), from the end of June 2021 to the end of December 2021.

II. Amendments That Could Improve the Committee's Reconciliation Bill

Though we believe that several proposals in this reconciliation bill should not be advanced by the Committee under any circumstances, we hope to offer constructive amendment ideas that would, on net, improve the bill. They are:

For direct payments:

- Reduce the rebate amount (any reduction is an improvement, but possibilities include \$1,200 (to match the CARES Act amount), \$1,000 (to match the plan from 10 Republican Senators), or \$600 (to match the December bill rebate amount));
- Reduce the rebate amount for dependents to \$600, matching the December bill's rebate amount for dependents; and
- Begin to phase out the direct payment threshold at income levels lower than \$75,000 for individuals and \$150,000 for married couples filing jointly (for example, a [plan](#) from 10 Republican Senators would provide \$1,000 checks to individuals making up to \$40,000 and married couples filing jointly making up to \$80,000; the direct payments would fully phase out at \$50,000 and \$100,000 income levels, respectively).

For the Child Tax Credit (CTC) expansion:

- Eliminate the provision allowing for 17-year-olds to be claimed as children for the CTC; and
- Accelerate the phase out for CTC expansion so that individuals making more than \$75,000 and married couples making more than \$150,000 receive a smaller CTC expansion benefit.

For the Child and Dependent Care Tax Credit (CDCTC) expansion:

- Reduce the increase in dollar limit on amount creditable to below \$8,000 for one child or \$16,000 for two or more children; these limits more than double the current-law limits and lower dollar limits would be more fiscally responsible;
- Eliminate the provision allowing households making up to \$125,000 per year to access the fully expanded CDCTC; the benefit should phase out as it does under current law (starting at \$15,000 per year and phasing to the minimum benefit at \$43,000) or at the very least should phase out for households [firmly](#) in the top half of income earners in the U.S.; and
- Accelerate the phaseout of the CDCTC expansion so that households making between \$125,000 and \$400,000 per year see a smaller benefit from the credit expansion.

For the Premium Tax Credit (PTC) expansion:

- Limit the expanded PTC to 2021, rather than 2021 and 2022;
- Prohibit households making 400 percent of the FPL or more (so, individuals making \$51,520 or a family of four making \$106,000) from accessing PTCs;
- Retain the 9.5-percent premium percentage for households making at least 300 percent of the FPL (rather than lowering to between six percent and 8.5 percent); and
- If households making 400 percent of the FPL or more are to receive PTCs, have their premium percentage equal the 9.5-percent maximum under current law (or even a higher 10.5-percent maximum) rather than the 8.5-percent maximum proposed.

For the Butch-Lewis pension legislation:

- Strike all of Section H; multiemployer pension issues (and this legislation in particular) predate the crisis and this language does not belong in a COVID-19 relief bill.

III. NTU's Thinking on the Combined Reconciliation Package

As the authorizing committees in Congress work on separate reconciliation bills, NTU wishes to inform Members and their staff that we have several significant concerns with the current framework of the overall, combined reconciliation effort. This proposed legislation would add \$1.9 trillion the national debt without meaningful offsets and includes several major initiatives that do not adhere to the narrow, targeted approach NTU has advocated for since the summer. Additional proposals may do active harm to the country's economic recovery efforts in the years ahead.

If the combined reconciliation bill came to the House or Senate floor today without significant improvements, we would advise Members to vote "NO" on the legislation. The bill would be **heavily weighted** in NTU's annual rating of Congress.

IV. Contact Information

Should you have any questions about the recommendations in this memo, please do not hesitate to reach out to Andrew Lautz at alautz@ntu.org.