

Macro Roundup Article

Headline: [Per-Child Benefit in Wyden-Smith Child Tax Credit Bill Would Discourage Full-Time Work for Families with Multiple Children](#)

Article Link: <https://www.aei.org/center-on-opportunity-and-social-mobility/per-child-benefit-in-wyden-smith-child-tax-credit-bill-would-discourage-full-time-work-for-families-with-multiple-children/>

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Summary: A striking aspect of Figure 1 is a large disincentive for substantially increasing earnings. For example, consider a parent currently working 20 hours per week for \$20 per hour (within a few dollars of the minimum wage in an increasing number of areas). Her annual earnings would total \$20,000. By moving into full-time work at the same \$20 hourly wage, her earnings would rise to \$40,000. Under the proposed law, her total income would rise by only \$3,400 as a result of earning \$20,000 more, an effective tax rate of 83 percent. Under existing law, her total income would rise by \$6,200, for an effective tax rate of 69%. A 14pp increase in the effective tax on moving from part-time to full-time work for some parents could ultimately stunt upward mobility. The effective tax on increasing earnings could even exceed 100% for other earnings changes, or when accounting for other means-tested benefits such as housing assistance.

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Primary Topic: Government Spending

Topics: Fiscal Policy, Government Spending, Op-Ed/Blog Post, Unemployment/Participation, Workforce

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