



American Bridge

Trump Policy Brief: Ivanka Trump's Child Care Tax Deduction Plan

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IVANKA TRUMP'S CHILD CARE TAX DEDUCTION PLAN

- ✓ Ivanka Trump met with members of the House and Senate to urge them to consider an income tax deduction for the costs of child care expenses for individuals earning up to \$250,000 per year and couples earning up to \$500,000 per year.
- ✓ The benefits of tax deductions increase with income, and Ivanka's proposed limit of \$500,000 per couple was nearly nine times the national median household income.
- ✓ The plan would disproportionately benefit wealthy, two-parent families who use paid child care. As Ryan Cooper writing in The Week magazine put it, "Ivanka Trump wants to help the wealthy pay their au pairs."
- ✓ The Tax Policy Center found that 70 percent of the benefits from Ivanka Trump's child care tax credit plan would go to households making over \$100,000 per year
- ✓ Families would receive benefits in the form of a larger earned income tax credit; a person must have a job to qualify for EITC.
- ✓ The Tax Foundation, a right-leaning research organization, estimated the tax deduction would cost the federal government \$500 billion over the next ten years in lost revenue.

Ivanka Trump Proposed A Child Care Expense Tax Deduction That Would Disproportionately Help Wealthy Families

IVANKA TRUMP MET WITH MEMBERS OF THE HOUSE AND SENATE TO URGE THEM TO INCLUDE A DEDUCTION FOR CHILD CARE EXPENSES IN A FORTHCOMING TAX REFORM BILL

February 2017: Ivanka Trump Met With Members Of The House And Senate To Urge Them To Include A Deduction For Child Care Expenses In A Forthcoming Tax Reform Bill. According to Bloomberg, "Ivanka Trump has urged lawmakers writing a tax overhaul to include a deduction for child care expenses, but with a price tag of as much as \$500 billion over a decade she may have trouble finding support in Congress. Members of the House and Senate met with the president's eldest daughter in the Roosevelt Room at the White House last week to discuss her proposed child care tax benefit, according to a person with knowledge of the meeting. President Donald Trump said earlier this month that he would soon propose a comprehensive tax overhaul, without offering any details." [Bloomberg, [2/23/17](#)]

- **Ivanka's Proposal Would Allow Individuals Earning Less Than \$250,000 Per Year Or Couples Earning Less Than \$500,000 Per Year To Deduct The Costs Of Child Care From Their Income Taxes.** According to Bloomberg, "The plan Ivanka Trump is pushing is broadly similar to the outline Trump released in September, with his daughter at his side. It would allow individuals earning less than \$250,000 a year, or couples earning less than \$500,000, to deduct the cost of child care expenses from their income taxes. Lower-income families without tax liability would get a rebate for their expenses in the form of a larger earned income tax credit." [Bloomberg, [2/23/17](#)]

THE BENEFITS OF TAX DEDUCTIONS INCREASE WITH INCOME, AND IVANKA'S PROPOSAL CAPPED INCOME ELIGIBILITY AT NEARLY NINE TIMES THE NATIONAL HOUSEHOLD MEDIAN

The Week: The Benefits Of Tax Deductions Increase With Income, And The \$500,000 Cap For Couples Is “Nearly Nine Times The Median Household Income.” According to Ryan Cooper writing in The Week, “Tax deductions reduce your taxable income, so the actual benefit will depend on your tax rate (as opposed to tax credits, which reduce your taxes owed directly). Kevin Drum does a quick sketch of what that would look like with a \$5,000 deduction here. Essentially, the more you make, the more you benefit, up to the income cap. But that cap is *extremely* high — \$500,000 is nearly nine times the median household income, so the number of super-rich families who wouldn't get at least a piece of it would be very small.” [The Week – Ryan Cooper, [2/24/17](#)]

- **For A Hypothetical Deduction Allowance Of \$5,000, Couples Earning \$500,000 Would Be Eligible To Save Nearly \$2,000, Couples Earning \$70,000 Would Save \$750, And Couples Earning \$25,000 Would Save \$0.** According to Mother Jones, “As for the regressiveness, here's a quick stylized example for a plan that allows, say, a deduction of up to \$5,000 for child care expenses: - Income of \$500,000, tax bracket = 39.6 percent, total value of deduction = \$1,980 - Income of \$70,000, tax bracket = 15 percent, total value of deduction = \$750 - Income of \$25,000, tax bracket doesn't matter because you're not paying any income taxes, total value of deduction = \$0.” [Mother Jones, [2/23/17](#)]

The Main Beneficiaries Of The Tax Deduction Would Be Wealthy, Two-Parent Families Who Use Paid Child Care

Bloomberg: “A Deduction For Child Care Expenses Is Both Costly And Regressive Because It Would Favor Wealthier Families With Two Working Parents.” According to Bloomberg, “It's not clear whether Ivanka Trump is finding much appetite on Capitol Hill for her proposal. A deduction for child care expenses is both costly and regressive because it would favor wealthier families with two working parents.” [Bloomberg, [2/23/17](#)]

Alan Cole Of The Tax Foundation: “The Largest Benefits” Of Ivanka's Proposal “Will Go To Relatively Affluent Dual-Income Families Using Paid Child Care.” According to Bloomberg, “The child care proposal is generous and broad; almost everyone with young children will get some benefit from it. However, the largest benefits will go to relatively affluent dual-income families using paid child care,” said Alan Cole, an economist with the Tax Foundation.” [Bloomberg, [2/23/17](#)]

The Week Headline: “Ivanka Trump Wants To Hep The Wealthy Pay Their Au Pairs” [The Week – Ryan Cooper, [2/24/17](#)]

The Tax Policy Center found That 70 Percent Of Benefits Under Ivanka's Plan Would Benefit Households Making \$100,000 Per Year Or More

According To The Tax Policy Center, 70 Percent Of The Benefits Offered Under Ivanka Trump's Child Care Tax Credit Plan Would Go To Households Making \$100,000 Or More. According to CNBC, “Meanwhile, Ivanka Trump's proposal has gotten pushback from several corners. Her plan would allow families to deduct child-care expenses from their taxable income. [...] An analysis by the Tax Policy Center found that 70 percent of the benefits would go toward households making \$100,000 or more.” [CNBC, [3/6/17](#)]

The Tax Policy Center Found That Families Making Less Than \$40,000 Per Year Would Only See A \$20 Increase In After-Tax Income Under Ivanka Trump's Child Care Tax Credit Plan. According to CNBC, “Meanwhile, Ivanka Trump's proposal has gotten pushback from several corners. Her plan would allow families to deduct child-care expenses from their taxable income. [...] The estimated after-tax income of families making less than \$40,000 would increase by just \$20, the report found. Households earning \$100,000 to \$200,000 would enjoy a \$360 boost.” [CNBC, [3/6/17](#)]

- **Families Earning \$100,000 And \$200,000 Per Year Would See An After-Tax Income Increase Of \$360 Under Ivanka Trump's Plan.** According to CNBC, “Meanwhile, Ivanka Trump's proposal has gotten pushback from several corners. Her plan would allow families to deduct child-care expenses from their taxable income. [...] The estimated after-tax income of families making less than \$40,000 would increase by just \$20, the report found. Households earning \$100,000 to \$200,000 would enjoy a \$360 boost.” [CNBC, [3/6/17](#)]

Families Would Receive Benefits In The Form Of A Larger Earned Income Tax Credit, But A Person Must Have A Job To Qualify For EITC

Under Ivanka's Plan, Lower-Income Families Would Get A Rebate In The Form Of A Larger Earned Income Tax Credit. According to Time, “Lower-income families, who would see less benefit from such a tax change because they have less tax liability, would receive a rebate for their expenses—up to \$1,200 a year through the earned-income tax credit, Trump's proposal states.” [Time, [2/27/17](#)]

To Qualify For EITC, “You Must Have Earned Income From Working For Someone Or From Running Or Owning A Business Or Farm.” According to the IRS website, “Do I Qualify for EITC? To qualify for EITC you must have earned income from working for someone or from running or owning a business or farm and meet basic rules.” [IRS.gov, accessed [2/27/17](#)]

Lower-Income Families Spend A Higher Percentage Of Their Incomes On Child Care

Families With Children Under The Age Of 5 Spend An Average Of 11 Percent Of Their Incomes On Child Care, While Families With Incomes Below \$50,000 Spend An Average Of 22 Percent. According to an opinion by New York University senior fellow Ajay Chaudry and American University assistant professor Taryn Morrissey for CNBC, “Families with children under five spend an average 11 percent of their incomes on child care, and those with incomes below \$50,000 spend 22 percent.” [Ajay Chaudry and Taryn Morrissey – CNBC, [3/6/17](#)]

THE TAX FOUNDATION, A RIGHT-LEANING RESEARCH GROUP, ESTIMATED THE DEDUCTION WOULD COST THE FEDERAL GOVERNMENT \$500 BILLION OVER THE NEXT TEN YEARS

The Right-Leaning Tax Foundation Estimated Ivanka's Deduction Would Cost The Federal Government \$500 Billion In Revenue Over A Decade. According to Bloomberg, “The deduction would cost the federal government \$500 billion in revenue over a decade, according to an estimate by the Tax Foundation, a politically conservative, nonprofit research group.” [Bloomberg, [2/23/17](#)]