The Half Sheet

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New Federal Proposal Would Give Needed Income Boost to Virginia's Veterans and Active-Duty Military

Many veteran and military families in Virginia struggle to make ends meet. To support these individuals and families, Congress should pass legislation to strengthen the federal Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) to put money back in the pockets of working Virginians, including many veteran and active-duty households.

A new federal proposal, which Sens. Warner and Kaine are co-sponsoring, offers a promising path forward. The Working Families Tax Relief Act would put more money back in the pockets of millions of families by strengthening the highly successful Earned Income Tax Credit (EITC) and Child Tax Credit (CTC). And recently, Reps. Kildee (Mich.) and Evans (Penn.) introduced companion legislation in the U.S. House of Representatives.

In Virginia, the proposal would provide significant help to 144,000 veteran and active-duty households, across the state and from varying racial and ethnic backgrounds.

The Working Families Tax Relief Act stands in stark contrast to the 2017 federal tax law, which provided most of its tax cuts to the nation's wealthiest households and most profitable corporations – not to families with low and moderate incomes. In fact, while the tax law provided average tax cuts of $60,440 a year for those with incomes above $644,000 in Virginia, it provided an average reduction of only $420 for those with incomes below $71,000. This included only a token CTC increase (from $1 to $75) for 516,000 children in low-income working families in the state.

The Working Families Tax Relief Act would begin to address this disparity by giving working veterans and active-duty military a needed boost. For example, a veteran who works full time as a fast-food cook at minimum wage and earns about $14,500, doesn't have enough money left after taxes to pay for basic needs like rent and groceries. The legislation would give that veteran an extra $1,530 back at tax time, boosting their income above the federal poverty line. And a veteran who is a single mother of two earning $20,000 a year would get a $3,670 increase in her income.

That would mean more money to cover basic necessities, make needed home repairs, maintain a car to get to work, or, in some cases, get additional education or training needed to secure a higher-paying job.

There are several proposals at the federal level that would help Virginia families by improving the EITC and CTC. Every member of Virginia's congressional delegation should consider supporting legislation to strengthen and improve refundable tax credits for Virginia families.

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ABOUT

The Commonwealth Institute for Fiscal Analysis provides credible, independent and accessible information and analyses of fiscal and economic issues with particular attention to the impacts on low- and moderate-income persons.