Tax Alliance for Economic Mobility: Asset Building Tax Policy Reform Proposals

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PROPOSAL	BACKGROUND	RESOURCES
Child Savings		
Universal savings accounts at birth	A system of child savings accounts, established at birth for all newborns in the U.S., has been a long-standing priority of the asset-building field. Federal legislation has been proposed in the form of the ASPIRE Act and other proposals in prior sessions of Congress. In 2014, support for child savings accounts included a proposal for USAccounts (Rep. Joseph Crowley, D/NY) in the House.	*Background on ASPIRE Act: http://assets.newamerica.net/the_aspire_act *Description of USAccount proposal: http://crowley.house.gov/press-release/congressman-crowley-announces-plan-create-savings-and-investment-program-american
Reform of federal 529 account structure to facilitate more inclusive plans	529 accounts were created through federal policy and the federal framework guides states' implementation. Common criticism of 529 policy is that the benefits accrue primarily to wealthier households. However, federal legislation could facilitate, encourage and subsidize more inclusive 529 plans in the states. 529 plans offer a universal platform to reach everyone (all states have at least one 529 plan) and many states are reaching out to lower-income populations to increase their participation. Some are offering matching savings; some are discussing universal 529 accounts beginning at birth.	*"The Basics of Progressive 529s," CSD & NAF. http://csd.wustl.edu/Publications/Documents/BasicsofProgressive529s.pdf. *"College Savings Match Programs: Design and Policy," CSD. http://csd.wustl.edu/Publications/Documents/RP11-28.pdf *GAO report: A Small Percentage of Families Save in 529 Plans, Dec. 2012. http://www.gao.gov/products/GAO-13-64.
Roth at Birth	A "Roth at Birth" account proposal was formally endorsed by the President's Advisory Council on Financial Capability (PACFC) in early 2013. The idea was to create a life-long, scalable, low-cost national children savings account product through simple modification of the "earned income requirement" applicable to existing Roth IRAs and use child's parents' earned income to determine allowable contribution levels. Accounts would be owned by the child, with contributions from the child, parents and others. The U.S. Treasury Department agreed to consider the proposal as part of a larger assessment of tax policy. In 2014, Representative Ruben Hinojosa (D-TX) introduced the Roth Accounts for Youths Savings, or RAYS Act, which would allow parents to contribute to Roth IRAs on behalf of their children.	*"The Roth at Birth -- Building Financial Capability and Putting the Time Value of Money to Work for Young Americans," http://www.stlouisfed.org/household-financial-stability/assets/TheRothAtBirth_December2011.pdf *PACFC Final Report, Jan. 2013. http://www.treasury.gov/resource-center/financial-education/Documents/PACFC%20final%20report%20revised%2022513%20(8)_R.pdf *Summary of proposed RAYS Act -2013, http://assets.newamerica.net/blogposts/2014/roth_accounts_for_youth_savings-104911

Tax Credits Supporting Economic Mobility and Security		
Earned Income Tax Credit (EITC) & Child Tax Credit (CTC) - Make 2009 Improvements Permanent and Expand Access for Childless Workers	In 2009, both the EITC and CTC had vital improvements made to them. Under the American Taxpayer Relief Act, enacted in January 2013, the improvements were extended, but only to the end of 2017. Low-income workers who are not raising children are only eligible for minimum benefits from the EITC. Making the EITC/CTC changes permenent and expanding the EITC to childless workers are measures that were included in the State of the Union and the President's FY 2016 budget. Relevant legislative proposals are moving forward in both the House and Senate.	*"Policy Basics: The Earned Income Tax Credit." Jan. 2015 http://www.cbpp.org/cms/?fa=view&id=2505 *"Proposed Expansion of EITC to Childless Workers Would Benefit 10.6 Million Individuals and Families," Citizens for Tax Justice, March 4, 2015, http://ctj.org/ctjreports/2015/03/proposed_senate_expansion_of_eitc_to_childless_workers_would_benefit_106_million_individuals_and_fam.php#.VPn67ykrfww
Financial Security Credit	First proposed by the New America Foundation, based on the SaveNYC pilot in New York City, the idea behind the Financial Security Credit is to incentivize low- and moderate-income households to save at tax time by allowing them to contribute a portion of their tax refund to any of a number of savings account options with federal matching funds deposited directly into a designated account. Families who don't have accounts would be able to open them right on their tax form. The Financial Security Credit Act of 2013 was introduced in the 113th Congress by Rep. Serrano (D/NY) allowing eligible families to apply for a credit on their federal income tax form, open an approved savings product and divert a portion of their refund into it or into an existing, approved product; 50% savings match, up to $1,000.	*Press release: http://serrano.house.gov/press-release/serrano-introduces-bill-encourage-savings. *"A Citizen's Guide to the Financial Security Credit." New America Foundation, October 2013, http://newamerica.net/publications/resources/2013/a_citizens_guide_to_the_financial_security_credit
Universal Savings Credit	In 2014, the Center for American Progress proposed simplify existing savings incentives by turning all deductions into one credit. Taxpayers would receive the credit as percentage of their contribution into a savings account, regardless of income or tax liability. Proposals include matched savings accounts for lower-income households with savings available for a wide range of purposes.	*"The Universal Savings Credit," Center for American Progress, July 19, 2013, http://www.americanprogress.org/issues/economy/report/2013/07/19/70058/the-universal-savings-credit/

Homeownership		
Asset-building alternatives to the home mortgage interest deduction	The home mortgage interest deduction (MID) allows mortgage holders who itemize to deduct the cost of interest paid on a mortgage of up to one million from individual tax returns, and up to $100,000 in a home equity loan. The value of the deduction depends on the taxpayer's tax bracket (the higher the bracket the greater the value of the deduction). Fewer than one third of tax payers itemize and just 22% claim the MID, according to the Joint Committee on Taxation. Economists with the Urban-Brookings Tax Policy Center have proposed three revenue-neutral reforms: a first-time homebuyer's credit, a refundable tax credit for property taxes paid, and an annual flat-amount tax credit for homeowners. Each would cap the MID at 15%, repeal the property tax deduction, and retain the existing tax treatment of capital gains on owner-occupied housing.	"New Perspectives on Homeownership Tax Incentives," *Tax Notes,* December 23, 2013, http://www.taxpolicycenter.org/UploadedPDF/1001710-TN-Homeownership-Tax-Incentives.pdf
Cap the mortgage interest deduction or convert it to a credit	Proposals to cap the mortgage interest deduction or convert it into a credit were included in the 2005 Bush tax reform panel, the National Commission on Fiscal Responsibility and Reform (Bowles-Simpson) and Dominici Rivlin/Bipartisan Policy Center plans in 2010, and other recent proposals. Numerous legislative proposals in the 113th Congress would have capped the MID or convert it into a credit.	*"Mortgage Interest Deduction Is Ripe for Reform: Conversion to Tax Credit Could Raise Revenue and Make Subsidy More Effective and Fairer." http://www.cbpp.org/cms/?fa=view&id=3948 *"Common Sense Housing Investment Act (H.R. 1213)" http://www.govtrack.us/congress/bills/113/hr1213/text *Summary of President's FY 2015 proposal, http://www.independentsector.org/presidents_budget *NLIHC campaign and reform proposal: http://nlihc.org/unitedforhomes+D16
Retirement Security		
Make the Saver's Credit Refundable	Congress passed the *Saver's Credit* in 2001 to encourage low- and moderate-income households to save for retirement in employer-sponsored retirement plans and IRAs. It offers a tax credit of up to 50% of the amount saved, up to $2000. The credit is claimed by only a small percentage of households with incomes low enough to qualify because it's not refundable; it only applies to certain types of retirement accounts which low-income filers may not know about/have access to; and it drops off rapidly as savers' income increases. "Savings for American Families' Future Act of 2013" (H.R. 837, Rep. Neal, D/MA) would have amended the Saver's Credit to make it refundable and allow for federal matching contributions.	For information on the Savings for American Families' Future Act, see http://www.gpo.gov/fdsys/pkg/BILLS-113hr837ih/pdf/BILLS-113hr837ih.pdf

Auto IRA	Variations of the *Automatic Individual Retirement Account (Auto IRA)* concept have been proposed and discussed in Congress since 1999. The basic idea is that it would require employers who do not offer a retirement plan to their employees to set up an IRA savings plan. Employees would be automatically enrolled in the plan unless they opt out. A percentage of their paychecks would be deducted and transferred into the IRA. Auto IRAs were included in President Obama's FY 2016 budget and in prior years' budgets.	*"Facing Up to the Retirement Savings Deficit", New America Foundation, Oct. 2011 http://newamerica.net/publications/policy/facing_up_to_the_retirement_savings_deficit *"In Brief: The Case for the Auto IRA," By Gary Koenig, AARP Public Policy Institute February 2012, http://www.aarp.org/content/dam/aarp/research/public_policy_institute/econ_sec/2012/Auto-IRA-In-Brief-AARP-ppi-econ-sec.pdf
myRA	In the 2014 State of the Union address, the President announced he would use his executive authority to direct the U.S. Treasury to create a "myRA". Features: Employers must volunteer to participate in pilot; employee contribution via payroll deduction to Roth IRA; savings invested in Treasury Bonds. All rules of Roth IRA apply including tax-free withdrawals at any time. Initial investments can be as low as $25 with contributions as low as $5 via payroll deduction. Savings eligible for Savers Credit. Portable; can be rolled into private-sector accounts at any time. Available to single workers earning up to $129K; couples up to $191K. Saving up to $15K then balance must be transferred into private Roth. The U.S. Department of the Treasury is moving forward on implementation.	*White House Fact Sheet: http://www.whitehouse.gov/the-press-office/2014/01/28/fact-sheet-opportunity-all-securing-dignified-retirement-all-americans. *Justin King/The Ladder Blog Post: "Who is myRA" http://assets.newamerica.net/blogposts/2014/who_is_myra-102558
Alternatives to Current Higher Education Tax Expenditures	TPAG members and allied groups have proposed changes to higher education tax expenditures to make them more accessible to lower-income households including expanding the refundability of the American Opportunity Tax Credit (AOTC) and the elimination of deductions for tuition, student loan interest and fees, which are highly regressive. These proposals were included in the President's 2016 State of the Union and FY 2016 budget.	*"Higher Education Tax Reform: A Shared Agenda for Ensuring College Affordability, Access and Success." http://www.clasp.org/resources-and-publications/publication-1/Nov2013RADD_TaxAid.pdf *"Aligning the Means and the Ends: How to Improve Federal Student Aid and Increase College Access and Success," TICAS, Feb. 2013. http://www.ticas.org/pub_view.php?idx=873
Entrepreneurship		
EITC/CTC Improvement and Expansion for Entrepreneurs	No existing tax credits explicitly target low-income entrepreneurs, but the EITC and CTC are important resources for them. Self-employment income counts as income for the EITC so self-employed micro-entrepreneurs are eligible. All of the recommended improvements to the EITC and CTC, described above, will benefit low-income entrepreneurs.	"Enhancing Support for Lower Income Entrepreneurs," CFED http://cfed.org/knowledge_center/resource_directory/search/enhancing_support_for_lower_income_entrepreneurs_through_major_public_systems

New Entrepreneur's Tax Credit	CFED and the Freelancer's Union have proposed a way to give tax relief to newly self-employed individuals and microbusiness owners through a *New Entrepreneur's Tax Credit*. The credit is intended to offset start-up costs and liabilities entrepreneurs face in their first year of business. The credit would be most impactful if refundable.	"Enhancing Support for Lower Income Entrepreneurs," CFED http://cfed.org/knowledge_center/resource_directory/search/enhancing_support_for_lower_income_entrepreneurs_through_major_public_systems
Retirement Bonds	A bipartisan proposal developed by Mark Iwry (then-Brookings) and David John (then-Heritage), Retirement Bonds (or R-Bonds) are meant to expand access to retirement savings for millions of workers, including the self-employed. The proposal would create a new type of savings bond, issued by the U.S. Treasury, paying a small amount of interest and having the same tax preferences as IRAs. The concept was the basis for myRA, but myRA excludes the self-employed, as it is only available through employers. (R-Bonds would have allowed self-employed individuals and microbusiness to purchase R-Bonds through their tax form.	See description of Retirement Bonds in "Enhancing Support for Lower Income Entrepreneurs," CFED http://cfed.org/knowledge_center/resource_directory/search/enhancing_support_for_lower_income_entrepreneurs_through_major_public_systems and information about myRA above.