



Asset Funders Network

Webinar:

**Building Assets through the Tax Code –
Proposals for Reform**

Wednesday, May 21st, 2014
2:00 pm-3:00 pm EDT

Webinar Co-hosts

- Asset Funders Network
- EITC Funders Network
- Funders' Network for Smart Growth and Livable Communities
 - Grantmakers for Children, Youth and Families
 - Grantmakers Concerned with Immigrants and Refugees
 - Grantmakers Income Security Taskforce
 - Neighborhood Funders Group
 - Philanthropy New York
 - Workforce Matters

Webinar Control Panel Overview

Can't see the Slides?

- If you have problems viewing the slides, you can find a full PDF set here: <http://assetfunders.org/educate/tax-policy-reform-project/>

Can't Hear the Audio via your Computer?

- Dial the Access Number: 1.800.868.1837
- Enter your Participant Code: 9867357#

Questions for Presenters

- During presentations, audience will be on “listen only mode.” We encourage you to ask questions at anytime!
- How to ask a question:
 - Use the “chat function” on the left hand side of your screen. Type your questions and hit “enter.”

Heather McCulloch, webinar moderator, will select questions to ask the presenters during the Question and Answer Session.

Webinar Agenda

I. Welcome and Overview

- Heather McCulloch, Manager, AFN Tax Policy Project

II. Presenters

- Kilolo Kijakazi, Program Officer, The Ford Foundation and Co-Chair, AFN Tax Policy Project
- Justin King, Policy Director, Asset Building Program, New America Foundation
- Chye-Ching Huang, Senior Tax Policy Analyst, Center on Budget and Policy Priorities

III. Moderated Question and Answer Session

- *Please submit questions at any point during the presentation. Heather McCulloch, webinar moderator, will select questions to verbally ask the presenters during Q&A.*

IV. Closing Comments

- Kilolo Kijakazi, Program Officer, The Ford Foundation, Co-Chair, AFN Tax Policy Project

Framing: Why Tax Reform Matters

- The primary purpose of U.S. tax system is to generate revenue, but it also advances public policy goals.
- Tax incentives that encourage households to save and invest are highly regressive—they primarily benefit wealthier households.
- Discussions about comprehensive tax reform have been underway in Congress for more than a year.
- Advocates are calling for a more *inclusive, progressive and equitable* tax code—one that expands wealth-building opportunities for low-income households and households of color.

Presenters

Building Assets through the Tax Code – Proposals for Reform

Heather McCulloch
AFN/Moderator



Kilolo Kijakazi
The Ford Foundation



Justin King
New America
Foundation



Chye-Ching Huang
Center on Budget and
Policy Priorities



Asset Funders Network

- A community of national, regional, and community-based foundations and grantmakers that
- Serves as a catalyst for economic opportunity by bringing grantmakers together to learn, connect and reshape the discourse about what is possible.

Rationale for Focusing on Tax Policy

In 2012, the AFN Steering Committee decided to engage in the tax policy reform debate because:

1. Grantees identified the tax code as a key source of economic inequity.
 - Tax incentives to save and invest in long-term assets (e.g., homes, education, and retirement) are going primarily to upper-income communities and leaving out low-income communities and communities of color.
2. Grantees felt there was the potential for action on tax reform by Congress.
3. This was a window of opportunity for inclusive and progressive policy that could provide low-income communities and communities of color with economic upward mobility.
4. Efforts by grantees to coalesce around tax reform had not crystalized.

Benefits of a Collaborative Effort

- AFN's coordination of the work allows for:
 - A robust approach
 - A neutral space for economic security asset building and tax policy fields to discuss tax policy
 - An efficient use of resources

Tax Policy Project

- Assembled a Tax Policy Advisory Group (TPAG) of 35 members including experts in tax policy, asset building and economic security, and advocacy.
- Funded the Tax Policy Center to determine the impact of current tax policies and proposed reforms on asset accumulation by income groups.

TPP Progress

- TPAG established guiding principles.
 - to support tax policies that are inclusive, progressive, equitable and impactful
- Developed a policy agenda.
- Held a webinar for stakeholders, garnering over 800 registrants.

TPP Progress

- TPP Produced:
 - A literature review and analyses of tax subsidies for asset building
 - An analysis of homeownership tax incentives
 - Two forthcoming analyses on children's savings accounts and retirement security.

Relevance of TPP to Funders of Poverty and Inequality Work

- Tax incentives for asset building total \$384 Billion or 30% of all federal tax incentives.
- 70% of benefits of the two largest tax incentives—home mortgage interest and employer-based retirement plans—goes to the top income quintile; almost nothing goes to the bottom two quintiles.

Relevance of TPP to Funders of Poverty and Inequality Work

- Inequitable distribution of incentives to accumulate wealth have contributed to an overall wealth gap between high- and low-income communities.
- Moreover, research shows that the racial wealth gap is driven, in part, by the number of years of homeownership. Tax incentives for home ownership that flow primarily to the highest income quintile further increase the racial wealth gap.

Relevance of TPP to Funders of Poverty and Inequality Work

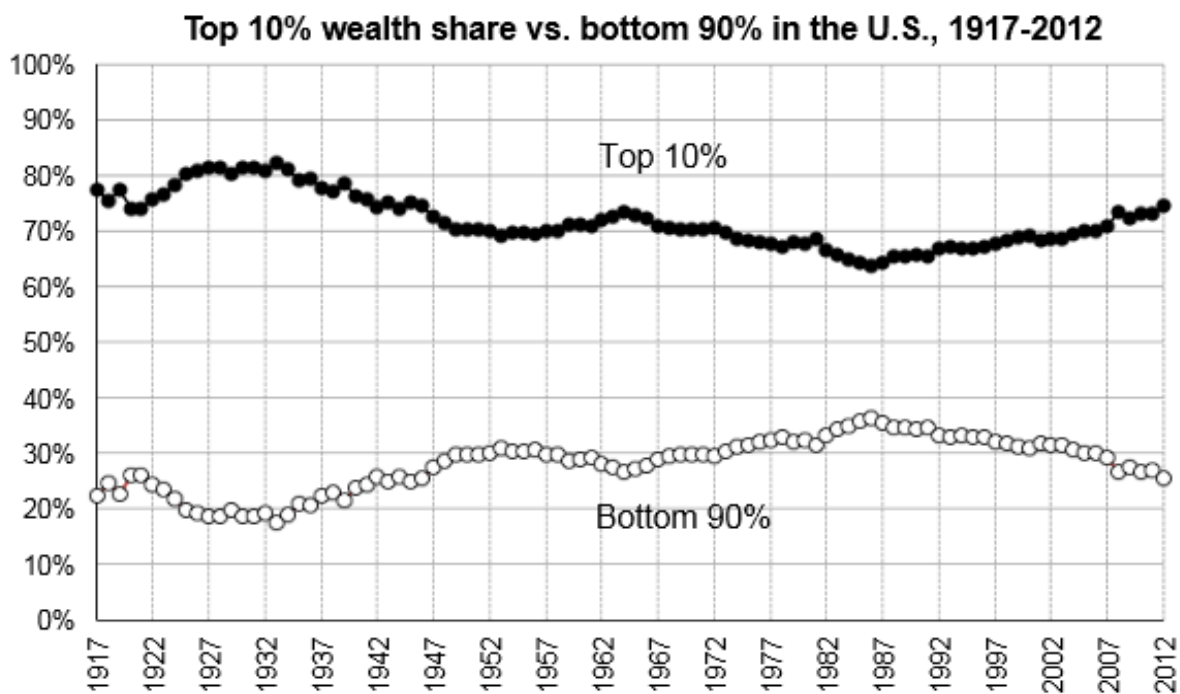
Tax reform that results in inclusive, progressive, equitable, and impactful policies can reduce poverty and inequality at scale

Tax Reform, Tax Expenditures and Asset Building

Justin King

Asset Building Program

The Wealth Gap is Enormous



Wealth=Opportunity

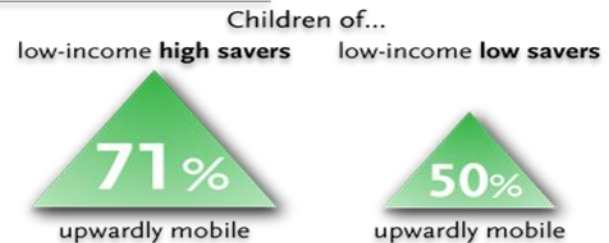
Savings increase mobility within one's own lifetime...

Among adults who were in the bottom income quartile from 1984-1989, **34 percent left the bottom** by 2003-2005 if their initial savings were low, compared with **55 percent who left the bottom** if their initial savings were high.



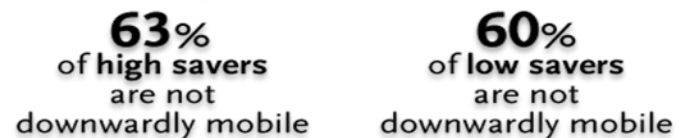
...And across generations.

Among children born into low-income families, those with high saving parents are **significantly more likely to be upwardly mobile** than those with low saving parents.



High-income families tend to stay put regardless of their level of savings.

Adults who started out with incomes in the top quartile were **equally likely to remain in the top income quartile** regardless of their level of savings.

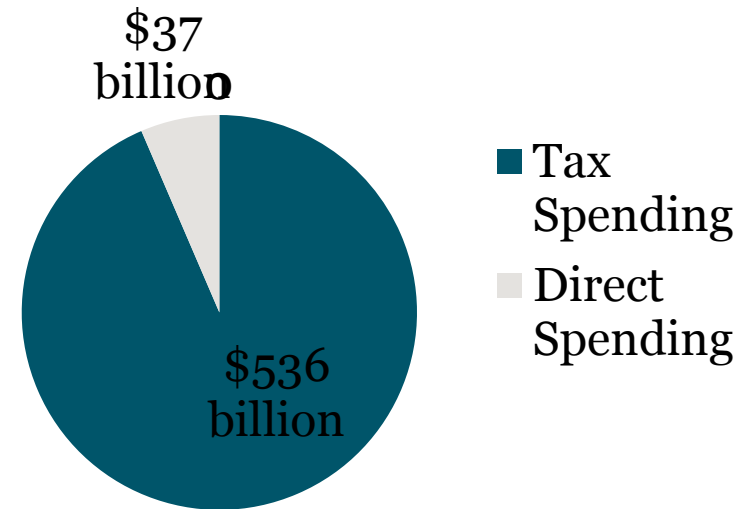


Source: Pew Economic Mobility Project

Tax Policy Supports Asset Building

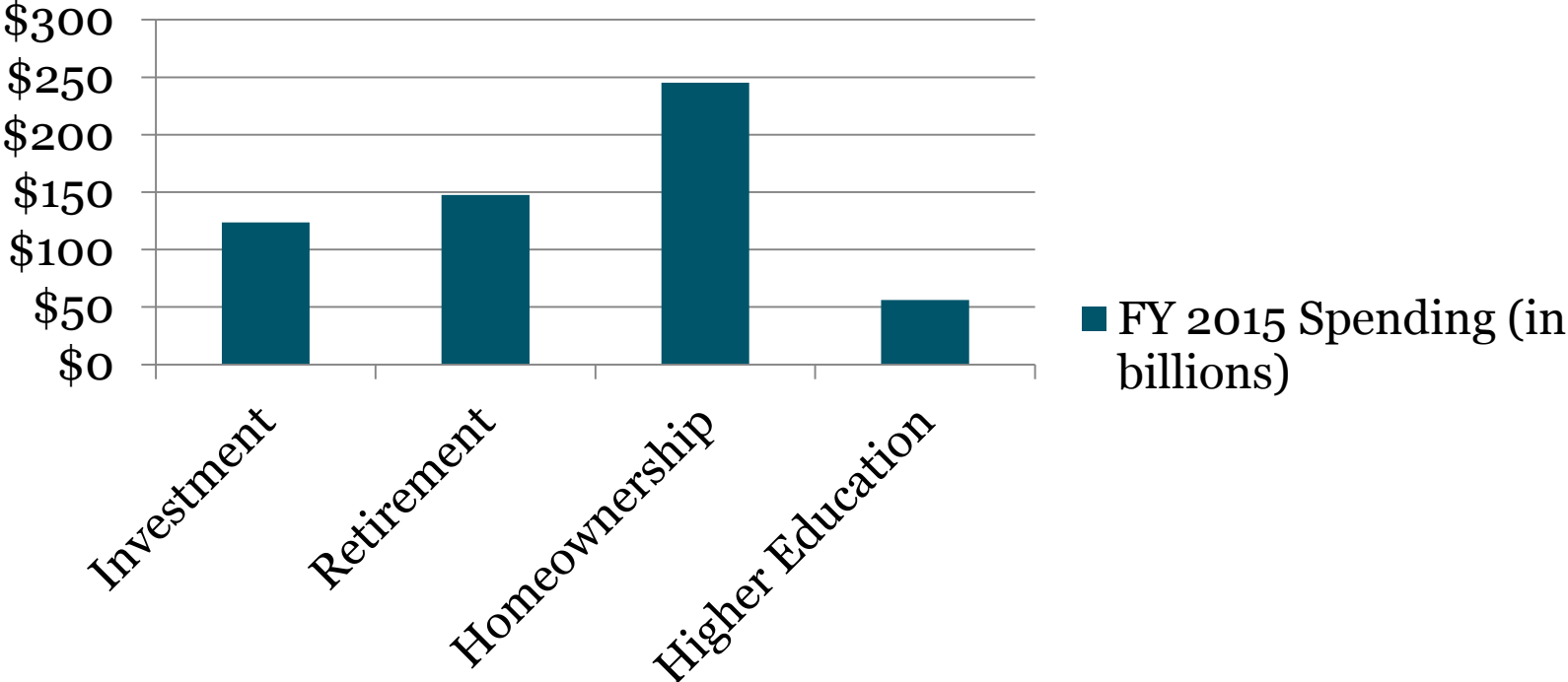
- \$573 billion projected for fiscal year 2015

FY 2015 Assets Budget



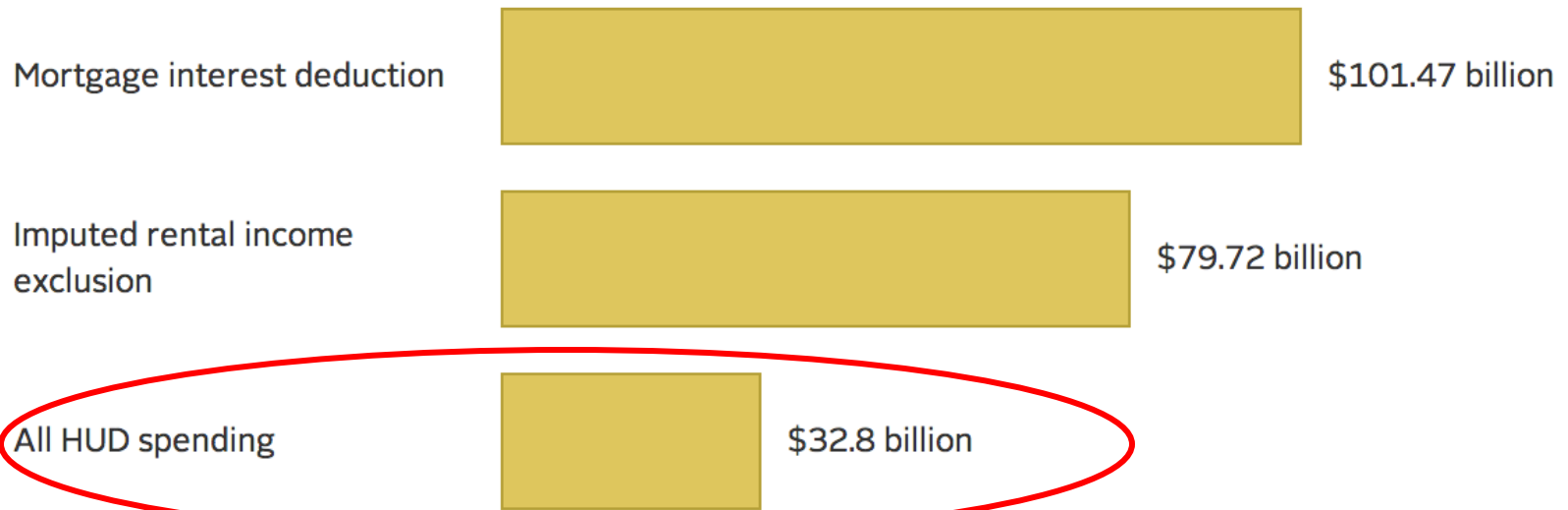
Where Does the Asset Building Budget Go?

FY 2015 Spending (in billions)



The Willie Sutton Principle

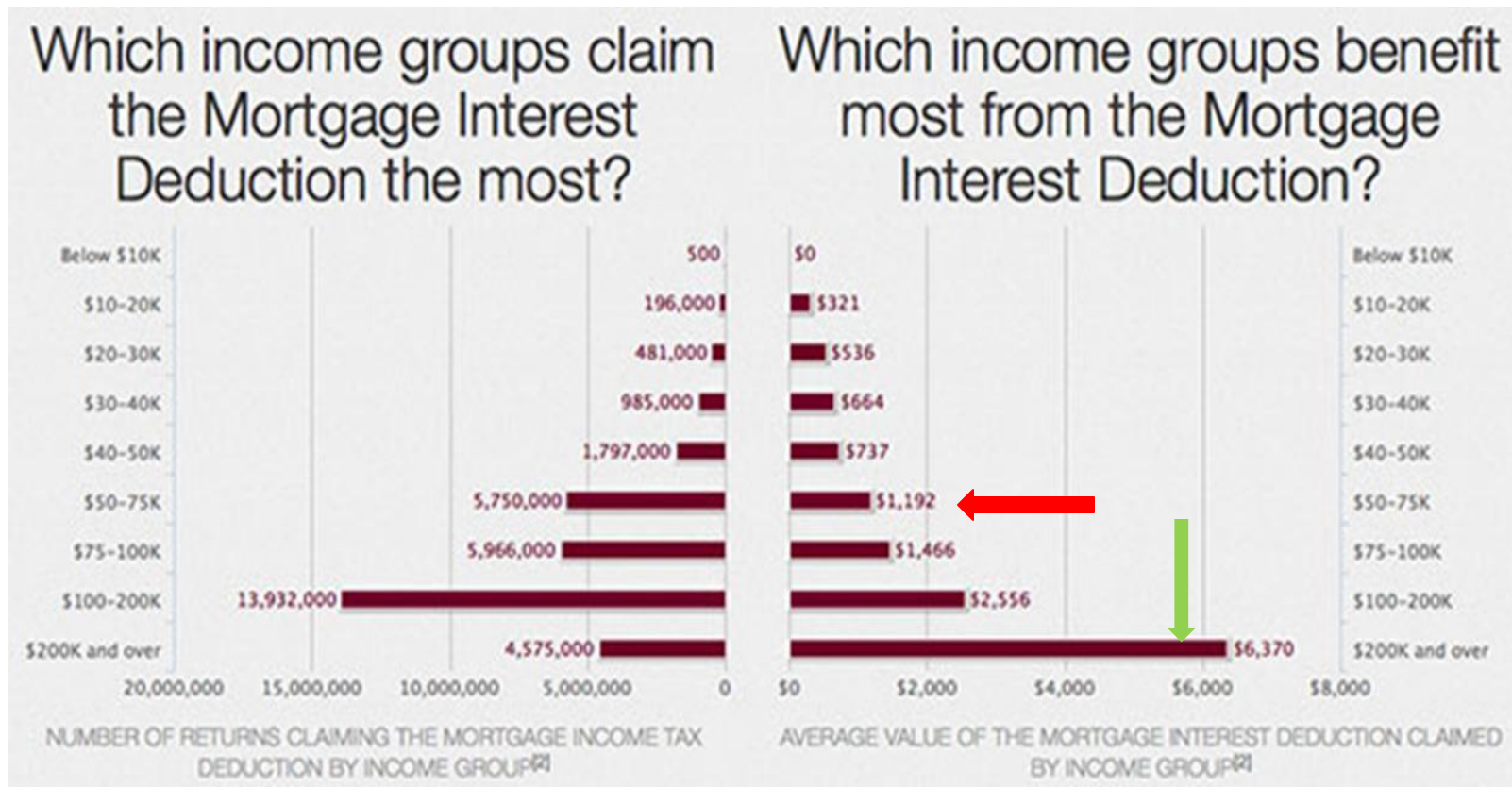
Cost of federal housing programs



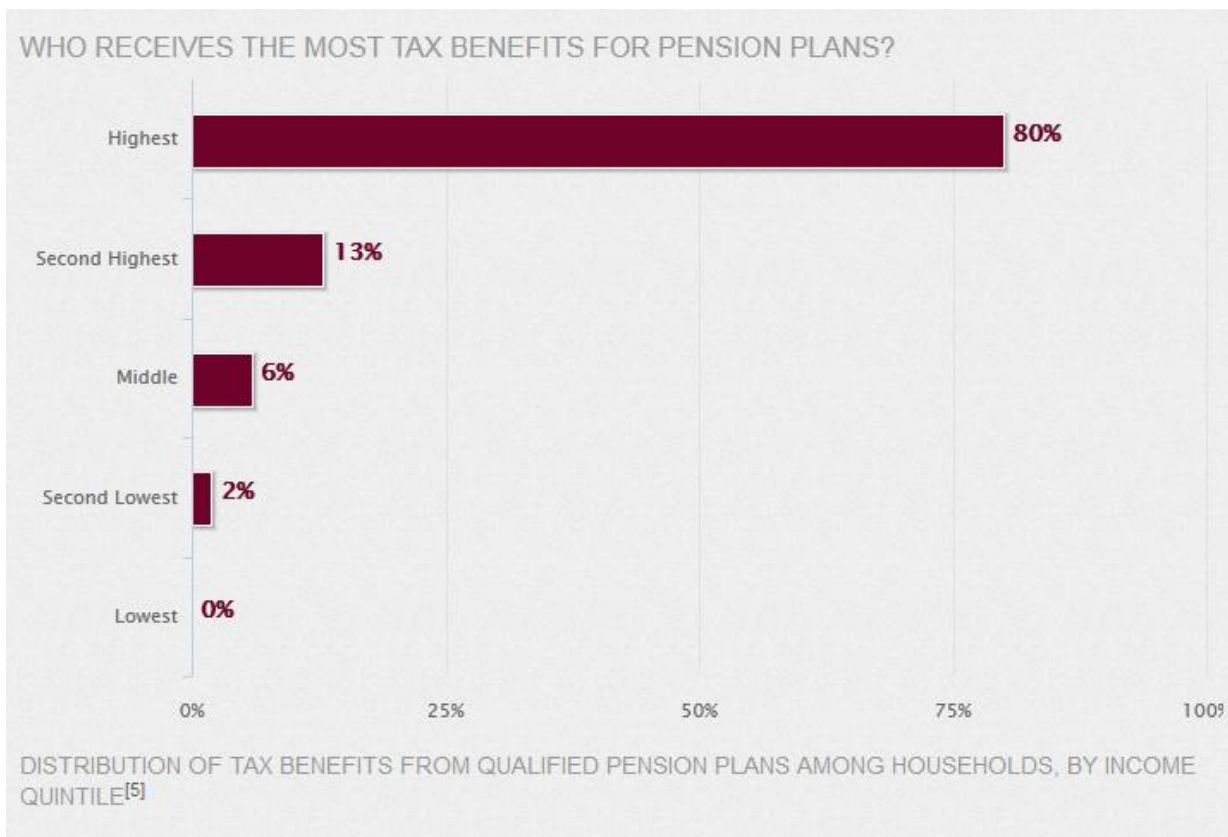
Source: OMB and House Appropriations Committee



Housing Support Exacerbates Inequality



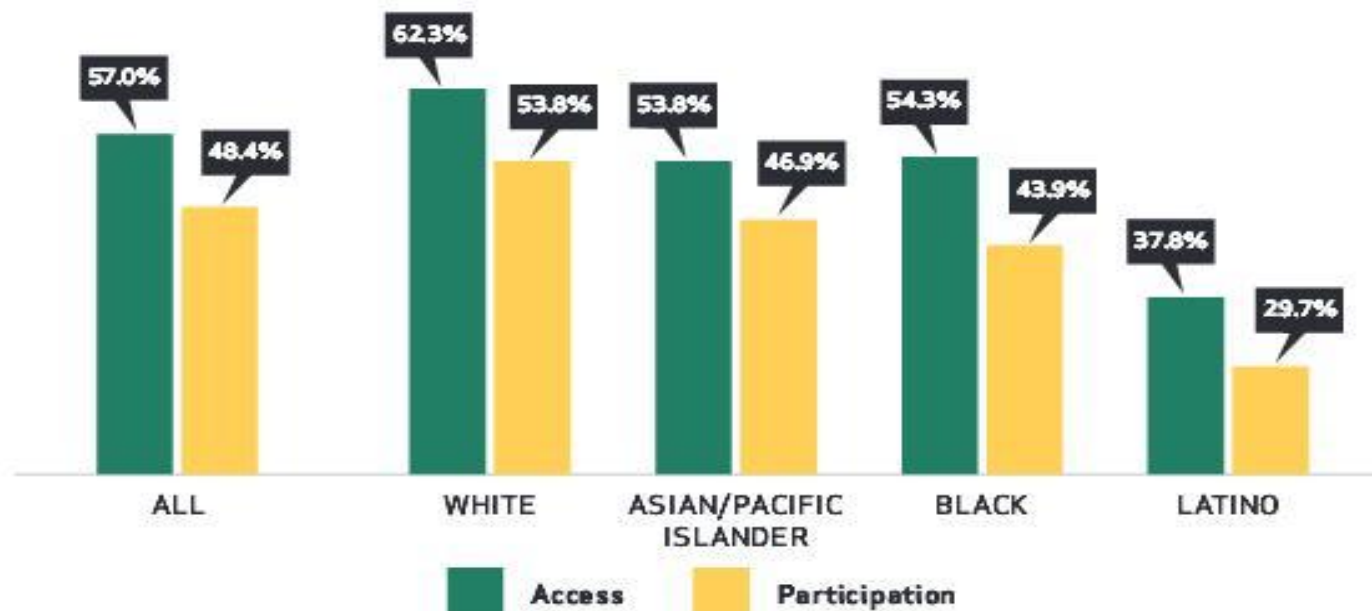
Retirement Policy Exacerbates Inequality



Racial Impacts are Disparate

Figure 1: **Employees of Color Are Significantly Less Likely to Have Access to Workplace Retirement Plans**

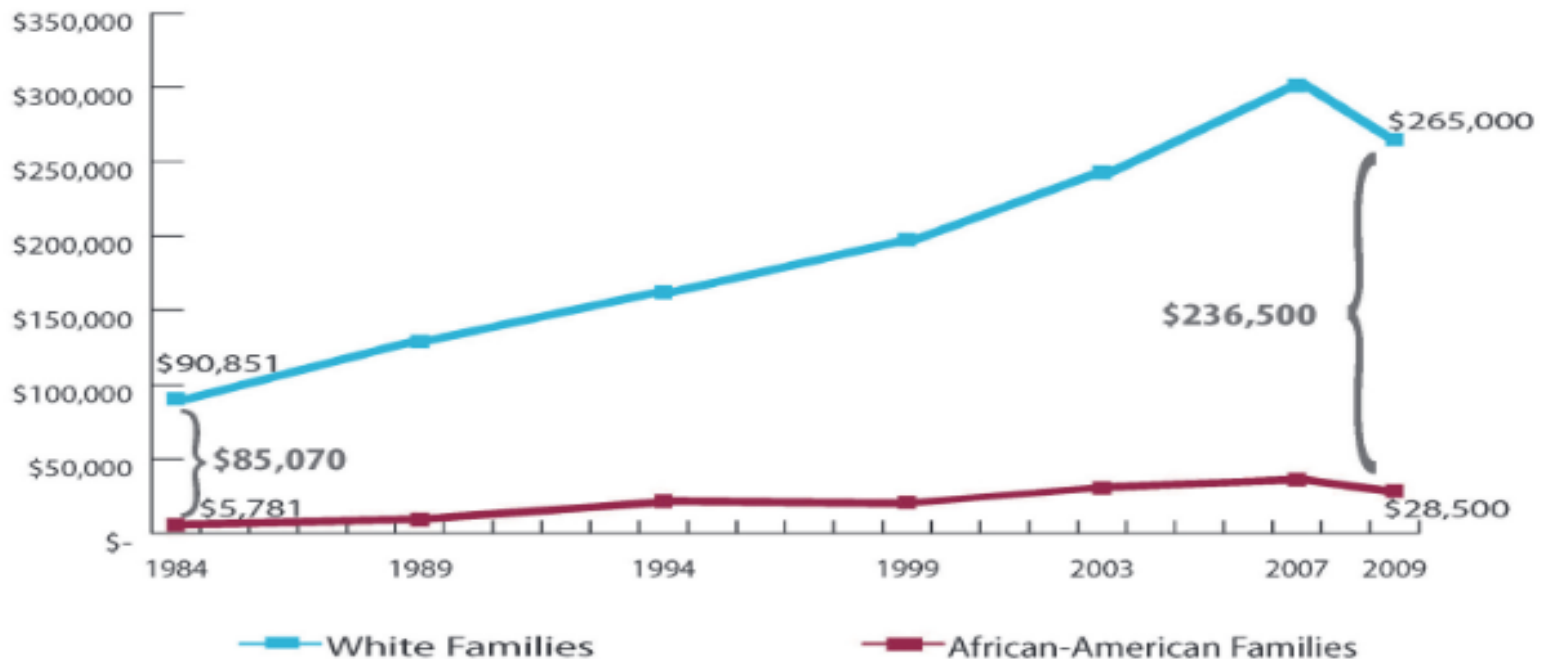
Employer-sponsored retirement plan coverage among wage and salary employees by race, 2012



Source: Author's analysis of CPS ASEC microdata from IPUMS. Universe is public and private wage and salary employees age 25-64. Racial categories are single-race.

Racial Wealth Gap is Vast and Growing

FIGURE 1. MEDIAN NET WORTH BY RACE, 1984-2009



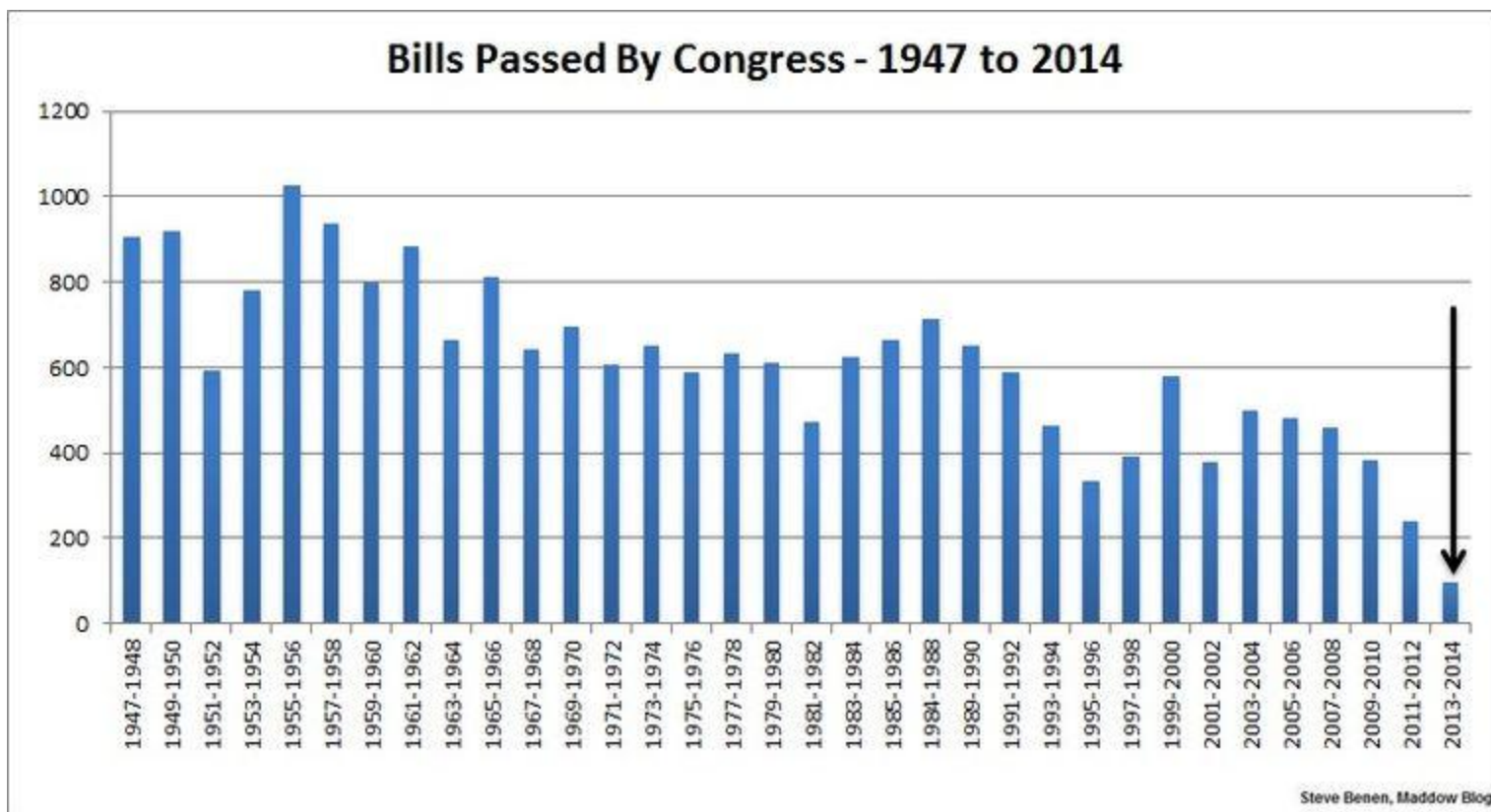
Momentum Toward Tax Reform

- House Ways and Means Chairman Dave Camp (R-MI) produced a comprehensive tax reform plan this year.
- Senate Finance Chairman Ron Wyden (D-OR) has produced comprehensive reform plans since 2010.
- There are obstacles...

Obstacles to Tax Reform

- Quiz:
 - *When asked about his position on Chairman Camp's tax proposal, House Speaker John Boehner did which of the following?*
 - A) *Laughed*
 - B) *Said, "Blah blah blah"*
 - C) *Said, "Ah, Jesus"*
 - D) *All of the Above*

This is the Least Productive Congress in History



Maneuvering for the Future

Chairman Wyden on tax extenders:

***“There will not be another
extenders bill on my watch.
This is it.”***

Inclusive, Progressive, Equitable Opportunities

- Child Savings Accounts
- Promote Savings and Financial Security
- Retirement Savings Reform

Child Savings Accounts

Our Vision/The ASPIRE Act—

- Accounts for all, opened at birth
- \$500 in every account, \$500 more in the accounts of the poorest
- Matching funds, up to \$500/year, to promote saving for children of lower income parents.
- Funds available to promote opportunity, post-secondary education, homeownership, retirement security

Financial Security Credit

Reform the existing Saver's Credit to:

- Create an accessible credit for low- and moderate-income families
- Create a dollar-for-dollar match, up to \$500/year per adult
- Any type of savings is eligible
- H.R. 2917, The Financial Security Credit

Systemic Retirement Reform

Reform the current system to make it:

- Universal
- Automatic
- Progressive
- Flexible



Chye-Ching Huang

**Tax Policy Analyst, Fiscal Policy Team
Center on Budget and Policy Priorities**



CTC and EITC's Health, Education, and Work Benefits Extend to Children – and Into Their Adulthood

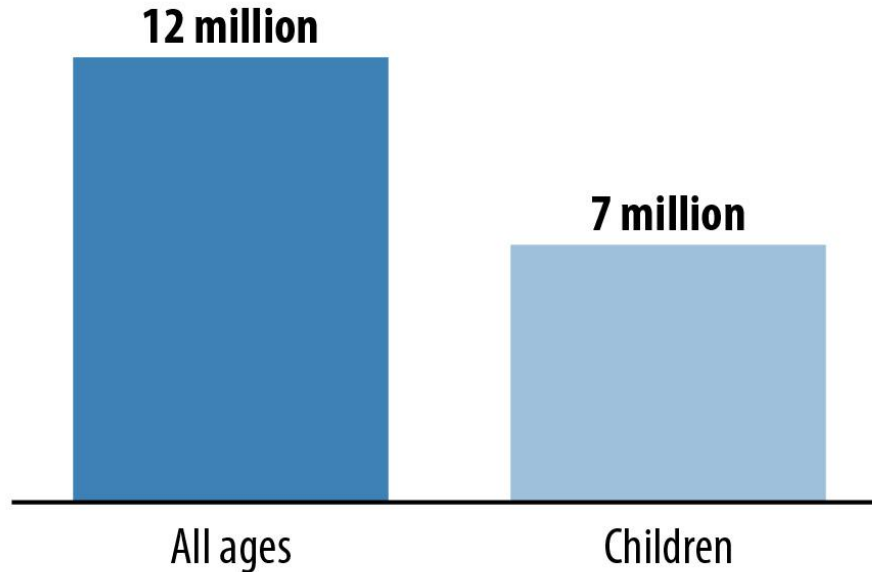
A growing body of research suggests:

- For families that receive the EITC, newborns are more likely experience improvements in a number of birth indicators, such as **reductions in low weight births and premature birth.**
- Additional income from the EITC and CTC leads to significant **increases in students' test scores.**
- Families' receipt of the EITC **boosts their children's college attendance rates** due to better school performance, and by helping them afford college.
- EITC income for poor children **increases their working hours and earnings later in life**



If Congress Fails to Make Key EITC and CTC Provisions Permanent:

People who would fall into or deeper into poverty*



EITC = Earned Income Tax Credit; CTC = Child Tax Credit. Improvements would expire at the end of 2017.

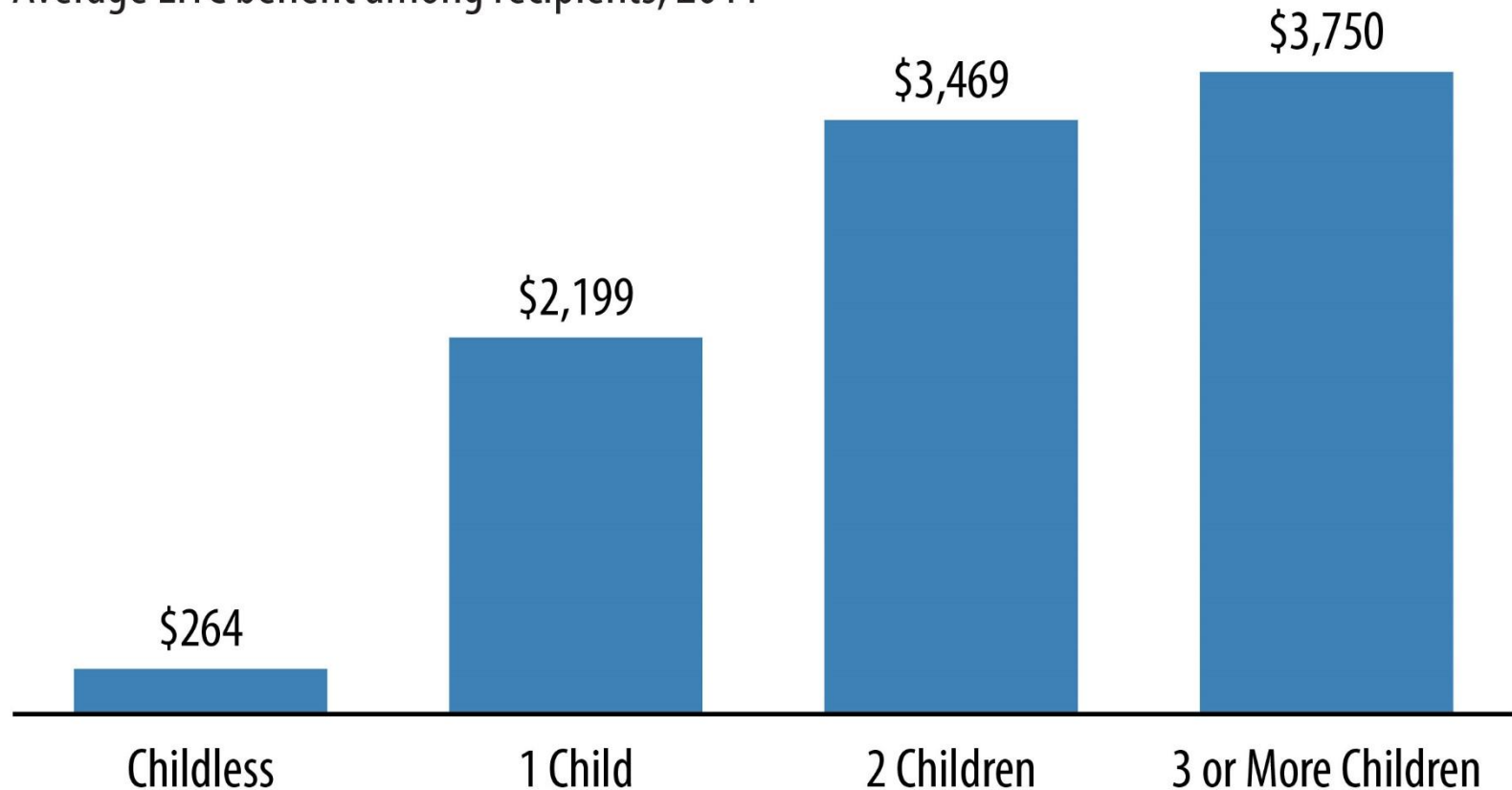
Estimates represent number of people affected each year, on average, over 2009 to 2012

Source: CBPP calculation using the 2009-2012 American Community Survey. Calculations use the official poverty measure, but count the EITC and Child Tax Credit that families receive as income. Calculations using the Supplemental Poverty Measure show similar results with a somewhat larger anti-poverty impact.



“Childless Workers” Receive Much Smaller Average EITC Benefit

Average EITC benefit among recipients, 2011

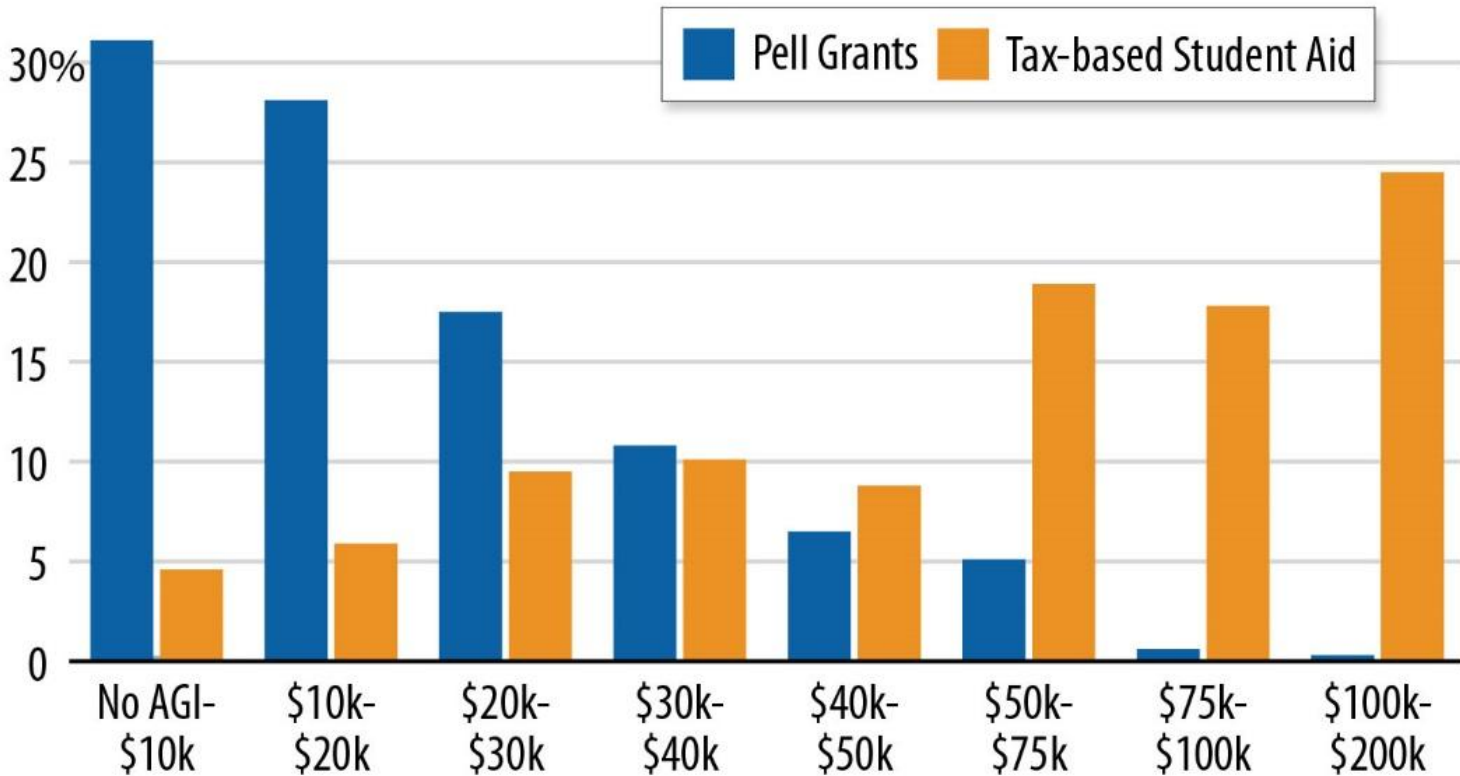


Source: IRS



Tax-Based Student Aid Poorly Targeted

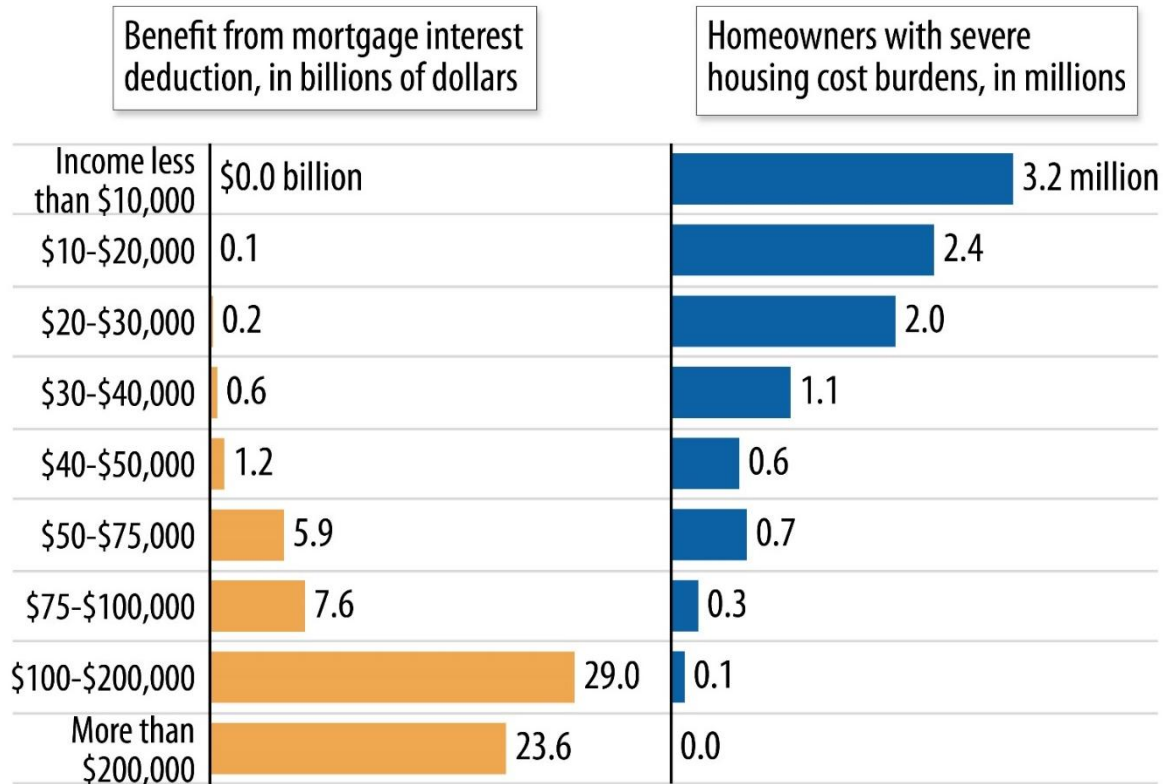
Percent distribution of student aid by type and income category in 2013



Source: Tax Policy Center Table T13-0090



Mortgage Interest Deduction Tilted Towards High-Income Taxpayers



Note: Households are considered severely cost burdened if they pay more than half of their income for housing. Incomes for mortgage interest deduction benefits are for tax filing units, and incomes for homeowners with severe housing cost burdens are for households

Source: Joint Committee on Taxation, Estimates of Federal Tax Expenditures for Fiscal Years 2012-2017 (data shown are for 2012), and CBPP tabulations of data from the American Housing Survey (data shown are for 2011).



Summary: opportunities to improve tax policies for low-income households and households of color

(1) The EITC and CTC. *A proven anti-poverty, pro-work success that improves opportunity for children in families who receive the credit.*

Reasons for action:

1. Key provisions are set to expire at the end of 2017 –important debates happening already.
2. Threats to the CTC for immigrant families
3. Bipartisan praise for the EITC; an opportunity to extend its pro-work, anti-poverty effects to “childless” adults.

(2) Higher education tax assistance. *Should be simplified, and better targeted to those who need the most help to attend college.*

Reasons for action:

1. The American Opportunity Tax Credit is set to expire at the end of 2017.
2. Bipartisan proposals to consolidate and better target the credits, either as part of tax reform or as a stand-alone education tax assistance package.

(3) Housing tax assistance. *Most low-income households and households of color are excluded because they don't own a home or itemize on their tax returns. Those who most need the help to own or rent homes get very little.*

Reasons for action:

1. Preparation for tax reform.
2. Many bipartisan proposals to reform the mortgage interest deduction to make it more effective and inclusive, and an opportunity to include a comparable credit for renters who can't afford a home.

Moderated Q&A

Building Assets through the Tax Code – Proposals for Reform

Heather McCulloch
AFN/Moderator



Kilolo Kijakazi
The Ford Foundation



Justin King
New America
Foundation



Chye-Ching Huang
Center on Budget and
Policy Priorities



Opportunities for New Funder Participation

Support for:

- Additional research
- Communications
- Grassroots/public education
- Education of policymakers & media
- Advocacy/base building



Asset Funders Network

Resources

- ❖ You will be receiving a follow-up email shortly with links to a recording of the webinar, resource materials and a brief survey.
- ❖ We would be grateful if you would complete the survey and send it back to us as soon as possible.

Thank you!



Asset Funders Network

Our webinar has concluded.

Thank you for attending.