

THE WHITE HOUSE

The Middle-Class Tax Cuts' Impact on AFRICAN-AMERICAN FAMILIES

President Obama is committed to growing our economy from the middle out by ensuring a strong, secure, and thriving middle-class. Now we face a deadline that requires action on jobs, taxes and deficits by the end of the year. While the President is committed to working with Congress to reduce our deficit in a balanced and responsible way, there is no reason to hold middle-class families hostage while we debate tax cuts for millionaires and billionaires.

MIDDLE-CLASS AFRICAN-AMERICAN FAMILIES CAN'T AFFORD TAX INCREASES

- A median-income African-American-headed family of four (earning around \$53,000) could see its income taxes rise by \$2,200.
- 99 percent of African-American families who make less than \$250,000 a year would not see an income tax increase under the President's plan.
 - In addition, roughly 2.0 million working African-American families and roughly 3.4 million African-American children would continue to benefit from the President's improvements to the Child Tax Credit and Earned Income Tax Credit (EITC).

AFRICAN-AMERICAN FAMILIES HELP DRIVE CONSUMER SPENDING, GROWTH, AND JOBS

The bulk of economic activity comes from American families buying basic necessities like clothing and healthcare; durable goods like cars and furniture; and the food and gifts that millions will enjoy over the holiday season.

- **Over the course of this year, American consumers are on pace to spend around \$5 trillion on retail sales.** And with the start of the holiday shopping season, which accounts for close to one-fifth of retail industry sales nationwide, retailers can't afford the threat of tax increases on middle-class families
- **The retail industry employs around 15 million Americans and has been a key part of the recovery.** In the 40 months since the recession ended in June 2009, the retail industry alone has been responsible for more than 9 percent of overall employment growth and has added 438,000 jobs in the past 32 months. About 1.7 million African-Americans are employed in the retail industry.

RAISING TAXES ON THE MIDDLE-CLASS WILL HURT AFRICAN-AMERICANS AND THE U.S. ECONOMY

The US economy can't afford that right now. New analysis by the President's Council of Economic Advisers (CEA) finds that:

- **Nationally, this sharp rise in middle-class taxes and the resulting decline in consumption could slow the growth of real GDP by 1.4 percentage points.**
- **Faced with tax hikes, CEA estimates that consumers nationwide will likely spend nearly \$200 billion less than they otherwise will in 2013.**

<p>EXAMPLES OF MIDDLE-CLASS FAMILIES THAT WILL SEE THEIR TAXES RISE IF THE MIDDLE-CLASS TAX CUTS ARE NOT EXTENDED</p>
--

- **Example 1: A typical middle-income African-American family of four: a married couple with two children with income between about \$50,000 and \$85,000 would see a \$2,200 tax increase.**
 - A tax increase of \$1,000 because the Child Tax Credit will fall from \$1,000 to \$500 per child.
 - A tax increase of about \$900 because of merging the 10 percent tax bracket into the 15 percent tax bracket.
 - A tax increase of about \$300 because of the expiration of marriage penalty relief that provides a larger standard deduction for married couples.

Total Tax Increase on this Family if Congress Fails to Act = \$2,200

- **Example 2: A single African-American mother with three young children, ages 11 months to 6 years, working full-time at minimum wage (\$14,500 annual income).**
 - A tax increase of \$1,725 because the Child Tax Credit will fall from \$1,000 to \$500 per child, while the threshold for refundability will be substantially more strict.
 - A tax increase of \$670 because of the expiration of the EITC expansion for larger families.

Total Tax Increase on this Family if Congress Fails to Act = Nearly \$2,400

- **Example 3: An upper-middle-income African-American married couple with a 15-year-old at home and a 19-year-old in her second year at a public university; the couple's income is \$120,000.**
 - A tax increase of \$700 because, instead of being able to claim the \$2,500 American Opportunity Tax Credit to help with college expenses, they will only be able to claim the Hope Credit worth \$1,800.
 - A tax increase of \$500 because the Child Tax Credit will fall from \$1,000 to \$500 per qualifying child.
 - A tax increase of about \$900 because of the disappearance of the 10 percent tax bracket.
 - A tax increase of \$2,400 because of the combination of higher marginal rates and the expiration of marriage penalty relief that provides a larger standard deduction.

Total Tax Increase on this Family if Congress Fails to Act = \$4,500