

## **FACT SHEET: Different Priorities for California: The President's Tax Policies Support Middle-Class Economics while the Republicans' Proposals Slash Taxes for the Wealthiest at the Expense of Middle-Class and Working Families**

In February, the President released a Budget built on the progress we have made – 12.1 million new jobs over 61 straight months of job growth – through middle-class economics, the simple idea that our economy works best when it's working for everyone. In recent weeks, Republicans in Congress have put out their budget resolutions and subsequent tax proposals that would return our economy to the same trickle-down economics that has failed us before.

Today's report from the White House and Treasury adds new details on the impact that many of these tax policies would have on working and middle-class families in each state, and this state-based fact sheet shows how these policies would affect California.

Budgets are about priorities, and the tax proposals for individuals and families in the President's Budget highlight how different his priorities are from those embodied in the Republican agenda. While the President's proposals build on his six years of delivering for the middle class and working families, the Republican proposals slash taxes for the most fortunate Americans at the expense of the middle class.

The Republican proposals stand in stark contrast to the President's FY 2016 Budget, which would bring middle-class economics into the 21st Century. The contrast in economic visions couldn't be clearer:

**The President's Priorities:** The President's Budget provides significant benefits for a wide range of middle-class and working families, from a boost for low-wage workers from expanding the Earned Income Tax Credit (EITC) to substantial tax cuts for middle-income parents with children in daycare or in college.

**Congressional Republican Priorities:** Republicans in Congress have taken a very different approach by including huge tax giveaways to the wealthy and well-connected at the expense of the middle class and those struggling to get into the middle class.

### **How the President's Tax Proposals Support Middle Class and Working Families**

The President's proposals would benefit:

- **5.1 million** families who would get an average of **\$900** more to help pay for **child care** as a result of tripling the maximum child care tax credit for young children to \$3,000 per child, allowing more middle-income families to claim the full credit, and other reforms;

- **8.5 million** families and students who would get an average of **\$750** more to help pay for **college**, while filing would be simplified for **more than 25 million** students and families who claim education tax benefits;
- **30 million** more workers who would gain access to **retirement** savings opportunities at work;
- **24 million two-earner families** who would benefit from a new tax credit for families in which both spouses work; and
- **13.2 million low-wage workers** who would get a larger Earned Income Tax Credit.
- In total, **44 million working and middle-class families** would get tax cuts averaging nearly **\$600** through the President's proposals.

### **What the President's Policies Mean for California Families**

- The President's expansions to the Earned Income Tax Credit and the Child Tax Credit that he initially signed into law as part of the Recovery Act in 2009 and were subsequently extended through 2017 are benefiting **2 million California families** in 2015 – delivering a total of **\$1.8 billion** in tax relief.
- President Obama's proposal to expand the Earned Income Tax Credit for workers who do not have children living at home would benefit **1.5 million California workers**.
- The President's second earner credit for two-earner families would give a tax cut of up to **\$500** to **2,475,000 working families in California**.
- And in **California**, where the average annual cost of center-based child care for two children was **\$19,727** in 2013, the President's proposal to triple the maximum child care tax credit for young children to **\$3,000** per child is sorely needed.

**Building on a Strong Record for Middle-Class and Working Families:** The President's new policies build on his leadership over the last six years. During his first term in office, the President **cut taxes by \$3,600** for a typical middle-class family, helping families weather the Great Recession and getting the economy back on track. He created the American Opportunity Tax Credit (AOTC), providing college students with **up to \$10,000** of assistance over four years, and he strengthened the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC), helping **16 million** working families with children make ends meet. Finally, as part of the "fiscal cliff" agreement at the end of 2012, the President pushed to end expensive tax cuts for the wealthiest Americans,

reducing the deficit by almost \$800 billion over the next 10 years. At the same time, he pushed to continue tax cuts for middle-class families. As a result, middle-class taxes are at historically low levels, with the typical middle-income family paying lower federal income taxes than in almost any other period in the last 60 years.

### How the Republicans' Tax Proposals Affect Middle Class and Working Families

Republicans in Congress have taken a very different approach by including huge tax giveaways to the wealthy and well-connected at the expense of the middle class and those struggling to get into the middle class. The Republican budgets and subsequent proposals include:

- **Huge Tax Cuts for the Top:** The proposals specified in the House Republican budget would cut taxes for millionaires by an average of **more than \$50,000**, even before adding their proposed cuts to tax rates.
- **Another Huge Tax Cut for the Wealthy on Top of their Budget:** In addition to the tax cuts for millionaires in their budget, House Republicans added yet another tax break for the wealthiest Americans to their agenda before the ink in their budget had dried, proposing to eliminate the estate tax on the largest estates. This tax cut would **cost \$270 billion** over the next ten years and apply only to estates valued at over about \$5.5 million (or \$11 million for a couple) in 2016, so it would only benefit a small fraction of the top one percent of estates.
  - In 2016, Republicans' tax break for large estates would benefit only 970 of the wealthiest households in California.
- **A Tax Hike for Middle-Class and Working Families:** The Republican budgets do nothing to prevent a tax increase on millions of working families and students. And in the past, they have made clear they would let this tax increase happen - raising taxes by an average of **\$1,000** for some **25 million families** struggling to make ends meet or pay for college.

### The Bottom Line:

The House Republicans' plan to cut taxes on the largest estates would benefit only 970 of the wealthiest households in California. In California, the President's proposals would:

- protect the Recovery Act tax cuts for **2,000 times** that many working families with children,

- cut taxes for **1,600 times** that many workers who do not have children living at home,
- and cut taxes for **2,600 times** that many two-earner families.

House Republicans want to increase deficits by \$270 billion to cut taxes for just the 5,400 wealthiest households nationwide each year. That's nearly the entire cost of the President's middle-class tax agenda, which would cut taxes for 44 million working and middle-class families.

**Here's another way to look at the choices:**

The wealthiest households in America would get, on average, more than **\$3 million** of tax giveaways from House Republicans' plan to scrap the tax on the largest estates – including **only 970** estates that would reap the rewards of that policy in **California**.

- **What could that \$3 million get you instead?** Instead of giving **more than \$3 million** apiece in tax breaks to each of the largest estates – including **only 970 California** households – each \$3 million tax cut could fund:
  - **Tax cuts to help cover the cost of child care for more than 3,500 families.** Beneficiaries of the President's child care tax reforms would get a \$900 average tax cut, on average.
  - **Tax cuts to help make college affordable for more than 4,000 families and students.** Beneficiaries of the President's education tax reforms would get a \$750 tax cut, on average.
  - **A new second earner tax credit for more than 8,500 two-earner families,** providing up to \$500 to families where both spouses work.
  - **An improved tax credit for more than 6,500 low-wage workers** who would benefit from the President's proposal to modify the Earned Income Tax Credit to better reward work.