

Board of Directors Meeting

January 11, 2018

Legislative Report

Item VI.A.

Recommended Action: Information Only

Strategic Plan

Key Result Area: Collaboration and Partnerships for Community Impact

Federal

2018 Tax Reform Bill

The bill makes significant changes that will take effect during the 2018 tax year. The Center for Budget and Policy Priorities (CBPP) has analyzed two tax credit provisions intended to benefit low income working families:

Child Tax Credit (CTC)

Under current law, the CTC provides a maximum tax credit of \$1,000 per eligible child under age 17. The credit is “partially refundable,” meaning that is not entirely available to families with incomes below certain levels. The refundable portion of the CTC is limited to 15 percent of a family’s earnings over \$3,000.

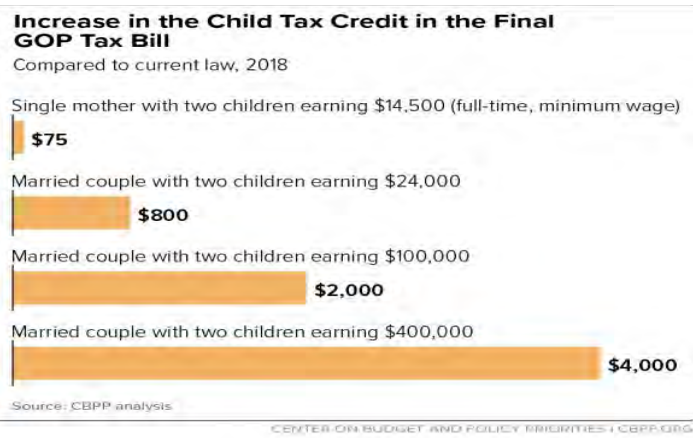
The Senate bill would have increased the maximum CTC from \$1,000 to \$2,000 per child and made the credit newly available to children aged 17, but it only slightly increased the refundability of the existing credit, which would be limited to 15 percent of earnings over \$2,500 (as opposed to \$3,000 under current law).

The final tax bill includes a \$2,000 per child credit available to families making up to \$400,000. It makes more of the tax credit refundable, meaning lower income working families, who do not owe federal income taxes, will get a larger refund up to \$1,400 an increase from \$1,100 under current law.

Impact of the increased tax credit on lower income families:

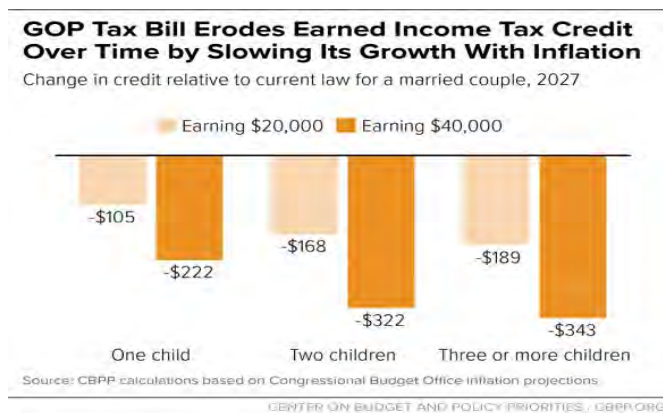
- 10 million children, under age 17, in lowest-income working families, who already receive partial CTC, or no credit at all, will see a minimal increase of \$1 to \$75.
- 14 million children in low and modest income working families would get a CTC increase of more than \$75 but less than the full \$1,000 per child increase.

The graph on page two depicts various family size and income levels, and the corresponding child tax credit:



Earned Income Tax Credit (EITC)

The CBPP analysis identifies that the tax reform bill did not expand EITC, which has enjoyed bi-partisan support, and it permanently erodes the EITC’s value over time by adopting a different measure for adjusting tax brackets and certain tax provisions each year to account for inflation (known as the *chained* Consumer Price Index or CPI). The adoption of the chained CPI means that the maximum EITC will rise more slowly over time than under current law, eroding the credit’s value for millions of working-class people. As the chart below shows, a married couple making \$40,000 with two children would see their EITC shrink by \$322 in 2027 (from \$4,974 to \$4,652).



The final tax plan keeps intact student loan or medical expense deductions as well as graduate student tuition waivers. The House bill would have removed these deductions. There is no change to tax-free amounts for 401(k) plans, IRAs, and Roth IRAs. The Johnson Amendment, that prohibits religious and nonprofit organizations from endorsing candidates in elections, remains in place. The House bill included repealing this amendment, however the Senate Parliamentarian determined that including a repeal in the tax bill did not comply with the rules of the Senate.

Supplemental Nutrition Assistance Program (SNAP)

In late November 2017, Brandon Lipps, the United States Department of Agriculture (USDA) Food and Nutrition Services Administrator sent a [letter](#) to state SNAP directors regarding the USDA’s plans to give states new flexibility in SNAP programs.

Mr. Lipps' letter promises increased federal cooperation with states to reduce fraud, promote employment, and improve customer service for food stamp recipients. He refers to states as the *laboratories of innovation* and invites ideas on how to improve the nutrition program so long as proposed changes "do not increase costs to taxpayers or our various partners on the ground".

Nutrition advocates are concerned this may be a prelude to block granting SNAP that could result in less people being eligible. President Trump supports tightening eligibility rules and requiring states match federal SNAP dollars. Other states are offering legislation to limit eligibility of recipients, or items eligible for purchase with SNAP benefits.

Wisconsin wants to drug test SNAP applicants and make employment a condition for parents of school-age children to receive benefits. In 2014, a federal court struck down Florida's law requiring drug tests for cash welfare recipients, ruling that it violated the Fourth Amendment. In 2016, ThinkProgress identified 13 states that spent \$1.3 million drug testing TANF recipients and turned up positive results for 369 recipients, less than two percent of those tested.

Over the past two Sessions, Florida has filed legislation that would have made the purchase of unhealthy foods ineligible for food stamp benefits including birthday cake, soda, potato chips, and ice cream. [HB 847](#), filed for the 2018 legislative session, is a House Memorial urging Congress to prohibit the purchase of soft drinks. [HB 47](#) was a bill that requires the Department of Children and Families to request a waiver to prohibit the purchase of soft drinks with SNAP benefits. This bill was withdrawn in late October 2017, prior to introduction. This could be an indication that Florida is already negotiating for block grant status, possibly as a demonstration project.

The Food and Research & Action Center (FRAC) is calling on Congress to protect and strengthen SNAP as part of the 2018 Farm Bill. Their [infographic](#) sites the efficiency and local economic benefit both to retailers and low wage workers, as well as the nutritional enhancement for children, seniors, and people with disabilities.

The lessons learned from Hurricanes Irma and Maria, identified that many Florida families are living on the edge, even at current SNAP benefits. So much so, that Florida requested permission to relax the federal rules around purchasing hot foods, and funding SNAP accounts early at the maximum level, to ensure that families were able to access food. The increased eligibility levels were 100 percent federal funding. In a block grant scenario, the funding formula could involve more state funds.

Children's Health Insurance Program (CHIP)

Federal funding for the CHIP program expired in September 2017, and while both the House and Senate have offered legislation to restore it, a final deal has not emerged from Congress. The Georgetown University Health Policy Institute Center for Children and Families released an [analysis](#) that shows 25 states, including Florida, are projected to run out of money in January 2018. The funding shortfall does not impact the two million children in Florida's Medicaid program, but does affect children whose families are just above the poverty line. There are nine states that will experience a shortfall in February 2018. This will force states to send disenrollment letters to families 30 days in advance. This will affect approximately 375,000 children in Florida.

There are concerns that, even with long-standing bipartisan support, the delay of the CHIP reauthorization into 2018 could be used as leverage for another attempt at an Affordable Care Act repeal or replace bill.

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