

THE AMERICAN FAMILIES PLAN

Today, President Biden announced the American Families Plan, an investment in our kids, our families, and our economic future.

In March, the President signed into law the American Rescue Plan, which continues to provide immediate relief to American families and communities. Approximately [161 million payments](#) of up to \$1,400 per person have gone out to households, schools are reopening, and 100 percent of Americans ages 16 and older are now eligible for a COVID-19 vaccine. The Rescue Plan is projected to lift more than five million children out of poverty this year, cutting child poverty by more than half. While too many Americans are still out of work, we are seeing encouraging signs in the labor market, as businesses begin to rehire and some of the hardest hit sectors begin to reopen.

But the President knows that we need to do more. It is not enough to restore where we were prior to the pandemic. We need to build a stronger economy that does not leave anyone behind – we need to build back better. President Biden knows a strong middle class is the backbone of America. He knows it should be easier for American families to break into the middle class, and easier to stay in the middle class. He knows that we need to continue to enable those who dropped out of the workforce – particularly the approximately two million women who left due to COVID – to rejoin and stay in the workforce. And, he knows that, unlike in past decades, policies to make life easier for American families must focus on bringing everyone along: inclusive of gender, race, or place of residence – urban, suburban, or rural.

The American Jobs Plan and the American Families Plan are once-in-a-generation investments in our nation’s future. The American Jobs Plan will create millions of good jobs, rebuild our country’s physical infrastructure and workforce, and spark innovation and manufacturing here at home. The American Families Plan is an investment in our children and our families—helping families cover the basic expenses that so many struggle with now, lowering health insurance premiums, and continuing the American Rescue Plan’s historic reductions in child poverty. Together, these plans reinvest in the future of the American economy and American workers, and will help us out-compete China and other countries around the world.

To grow the middle class, expand the benefits of economic growth to all Americans, and leave the United States more competitive, President Biden’s American Families Plan will:

- **Add at least four years of free education.** Investing in education is a down payment on the future of America. As access to high school became more widely available at the turn of the 20th Century, it made us the best-educated and best-prepared nation in the world. But everyone knows that 13 years is not enough today. The American Families Plan will make transformational investments from early childhood to postsecondary education so that all children and young people are able to grow, learn, and gain the skills they need to succeed. It will provide universal, high quality preschool to all three- and four- year-olds. It will provide Americans two years of free community college. It will invest in making college more affordable for low- and middle-income students, including students at Historically Black Colleges and Universities (HBCUs), Tribal Colleges and Universities

(TCUs), and institutions such as Hispanic-serving institutions, Asian American and Native American Pacific Islander-serving institutions, and other minority-serving institutions (MSIs). And, it will invest in our teachers as well as our students, improving teacher training and support so that our schools become engines of growth at every level.

- **Provide direct support to children and families.** Our nation is strongest when everyone has the opportunity to join the workforce and contribute to the economy. But many workers struggle to both hold a full-time job and care for themselves and their families. The American Families Plan will provide direct support to families to ensure that low- and middle-income families spend no more than seven percent of their income on child care, and that the child care they access is of high-quality. It will also provide direct support to workers and families by creating a national comprehensive paid family and medical leave program that will bring America in line with competitor nations that offer paid leave programs. The program will allow people to manage their health and the health of their families. And, it will provide critical nutrition assistance to families who need it most and expand access to healthy meals to our nation's students – dramatically reducing childhood hunger.
- **Extend tax cuts for families with children and American workers.** While the American Rescue Plan provided meaningful relief for hundreds of millions of Americans, too many families and workers feel the squeeze of too-low wages and the high costs of meeting their basic needs and their aspirations. At the same time, the wealthiest Americans continue to get further and further ahead. The American Families Plan will extend key tax cuts in the American Rescue Plan that benefit lower- and middle-income workers and families, including the Child Tax Credit, the Earned Income Tax Credit, and the Child and Dependent Care Tax Credit. In addition to making it easier for families to make ends meet, tax credits for working families have been shown to boost child academic and economic performance over time. The American Families Plan will also extend the expanded health insurance tax credits in the American Rescue Plan. These credits are providing premium relief that is lowering health insurance costs by an average of \$50 per person per month for nine million people, and will enable four million uninsured people to gain coverage.

Leading economic research has shown that the investments proposed in the American Families Plan will yield significant economic returns – boosting productivity and economic growth, producing a larger, more productive, and healthier workforce on a sustained basis, and generating savings to states and the federal government. [Evidence](#) shows that a dollar invested in high-quality early childhood programs for low-income children will result in up to \$7.30 in benefits, including increased wages, improved health, and reduced crime. Parental paid leave has been shown to keep mothers in the workforce, increasing labor force participation and boosting economic growth. And, sustained tax credits for families with children have been found to yield a lifetime of benefits, ranging from higher educational attainment to higher lifetime earnings

In all, the American Families Plan includes \$1.8 trillion in investments and tax credits for American families and children over ten years. It consists of about \$1 trillion in investments and \$800 billion in tax cuts for American families and workers. Alongside the American Families

Plan, the President will be proposing a set of measures to make sure that the wealthiest Americans pay their share in taxes, while ensuring that no one making \$400,000 per year or less will see their taxes go up. When combined with President Biden's American Jobs Plan, this legislation will be fully paid for over 15 years, and will reduce deficits over the long term.

ADD AT LEAST FOUR YEARS OF FREE PUBLIC EDUCATION, CLOSE EQUITY GAPS, AND MAKE COLLEGE MORE AFFORDABLE

Early in the 20th century, the expansion of access to free public high school in the United States set a new global standard. Direct public investment in our children's future propelled U.S. economic growth and enhanced our global competitiveness. Now, mounting evidence suggests that 13 years of school is no longer sufficient to prepare our students for success in today's economy. Research tells us that we must invest early to support our children's development and readiness for academic success; our transforming economy requires that we provide every student the opportunity to obtain a postsecondary degree or certificate.

That is why the American Families Plan calls for an additional four years of free, public education for our nation's children. Specifically, President Biden is calling for \$200 billion for free universal pre-school for all three- and four-year-olds and \$109 billion for two years of free community college so that every student has the ability to obtain a degree or certificate. In addition, he is calling for an approximately \$85 billion investment in Pell Grants, which would help students seeking a certificate or a two- or four-year degree. Recognizing that access to postsecondary education is not enough, the American Families Plan includes \$62 billion to invest in evidence-based strategies to strengthen completion and retention rates at community colleges and institutions that serve students from our most disadvantaged communities. This is alongside a \$46 billion investment in HBCUs, TCUs, and MSIs. President Biden is also calling for \$9 billion to train, equip and diversify American teachers in order to ensure that our high school graduates are ready for success. These investments, combined with those laid out in the President's American Jobs Plan, will boost earnings, expand employment opportunities, and enable the U.S. to win the 21st century.

UNIVERSAL PRE-SCHOOL FOR ALL THREE- AND FOUR-YEAR-OLDS

Preschool is critical to ensuring that children start kindergarten with the skills and supports that set them up for success in school. In fact, [research shows](#) that kids who attend universal pre-K are more likely to take honors classes and less likely to repeat a grade, and [another study](#) finds low-income children who attend universal programs do better in math and reading as late as eighth grade. Unfortunately, many children, but especially children of color and low-income children, [do not have access to](#) the full range of high-quality pre-school programs available to their more affluent peers. In addition to providing critical benefits for children, preschool has also been shown to [increase labor force participation](#) among parents – especially women -- boosting family earnings and driving economic growth. By some estimates, the benefits of a universal pre-K system to U.S. GDP are [more than three times greater than the investment](#) needed to provide this service.

- **President Biden is calling for a national partnership with states to offer free, high-quality, accessible, and inclusive preschool to all three- and four-year-olds, benefitting five million children and saving the average family \$13,000, when fully implemented.** This historic \$200 billion investment in America's future will first prioritize high-need areas and enable communities and families to choose the settings that work best for them. The President's plan will also ensure that all publicly-funded preschool is high-quality, with low student-to-teacher ratios, high-quality and developmentally appropriate curriculum, and supportive classroom environments that are inclusive for all students. The President's plan will leverage investments in tuition-free community college and teacher scholarships to support those who wish to earn a bachelor's degree or another credential that supports their work as an educator, or to become an early childhood educator. And, educators will receive job-embedded coaching, professional development, and wages that reflect the importance of their work. All employees in participating pre-K programs and Head Start will earn at least \$15 per hour, and those with comparable qualifications will receive compensation commensurate with that of kindergarten teachers. These investments will give American children a head start and pave the way for the best-educated generation in U.S. history.

FREE COMMUNITY COLLEGE AND OTHER POSTSECONDARY EDUCATION INVESTMENTS

For much of the 20th century, graduating from high school was a gateway to a stable job and a living wage. But over the last 40 years, we have seen the most growth in jobs requiring [higher levels of job preparation](#), including education and training. Today, [70 percent of jobs](#) are held by people with more than a high school degree. American workers need and deserve additional support to build their skills, increase their earnings, remain competitive, and share in the benefits of the new economy. President Biden's plan will expand access to affordable postsecondary education, laying the groundwork for innovation and inclusive economic growth for all Americans. Specifically, President Biden's plan will:

- **Offer two years of free community college to all Americans, including DREAMers.** The current crisis has led to a [steep college enrollment decline](#), particularly for low-income students and students of color. As of Fall 2020, high-minority and high-poverty high schools saw a [9.4 percent and 11.4 percent decline](#) in college enrollment, respectively. But even before the pandemic, cost remained a barrier to attending and graduating from community college for many Americans. President Biden's \$109 billion plan will ensure that first-time students and workers wanting to reskill can enroll in a community college to earn a degree or credential for free. Students can use the benefit over three years and, if circumstances warrant, up to four years, recognizing that many students' lives and other responsibilities can make full-time enrollment difficult. If all states, territories, and Tribes participate, about 5.5 million students would pay \$0 in tuition and fees.
- **Provide up to approximately \$1,400 in additional assistance to low-income students by increasing the Pell Grant award.** While [nearly 7 million students](#) depend on Pell

Grants, the grant has not kept up with the rising cost of college. [Over the last 50 years](#), the value of Pell Grants has plummeted. The maximum grant went from covering nearly 80 percent of the cost of a four-year college degree to under 30 percent -- leading millions of low-income students to take out debt to finance their education. One in three community college students receive Pell Grants to pay for their education. Among students of color, nearly 60 percent of Black, half of American Indian or Alaska Native, almost half of Latino, and over one-third of Native Hawaiian or Pacific Islander students rely on Pell Grants to pay for college. The American Families Plan will increase the maximum Pell Grant award by approximately \$1,400, a down payment on President Biden's commitment to double the maximum award. The plan also allows DREAMers to access Pell Grants.

- **Increase college retention and completion rates.** An [education beyond high school](#) can lead to higher pay, financial stability, social mobility, and better health outcomes. It also has public benefits such as a [reduction in crime rates](#) and higher civic engagement. However, far too many students enter college but do not graduate. [Research](#) shows that only approximately three out of five students finish any type of degree or certificate program within six years. To complete, students need additional support. The President is proposing a bold \$62 billion grant program to invest in completion and retention activities at colleges and universities that serve high numbers of low-income students, particularly community colleges. States, territories, and Tribes will receive grants to provide funding to colleges that adopt innovative, proven solutions for student success, including wraparound services ranging from child care and mental health services to faculty and peer mentoring; emergency basic needs grants; practices that recruit and retain diverse faculty; transfer agreements between colleges; and evidence-based remediation programs.
- **Provide two years of subsidized tuition and expand programs in high-demand fields at HBCUs, TCUs, and MSIs.** [Research](#) has found that HBCUs, TCUs, and MSIs are vital to helping underrepresented students move to the top of the income ladder. For example, [while HBCUs are only three percent of four-year universities](#), their graduates make up approximately 80 percent of Black judges, half of Black lawyers and doctors, and 25 percent of Black undergraduates earning STEM degrees. Yet, these institutions have [significantly less](#) resources than other top colleges and universities, undermining their ability to grow and support more students. President Biden is calling on Congress to make a historic investment in HBCU, TCU, and MSI affordability. Specifically, he is calling for a new \$39 billion program that provides two years of subsidized tuition for students from families earning less than \$125,000 enrolled in a four-year HBCU, TCU, or MSI. The President is also calling for \$5 billion to expand existing institutional aid grants to HBCUs, TCUs, and MSIs, which can be used by these institutions to strengthen their academic, administrative, and fiscal capabilities, including by creating or expanding educational programs in high-demand fields (e.g., STEM, computer sciences, nursing, and allied health), with an additional \$2 billion directed towards building a pipeline of skilled health care workers with graduate degrees. These investments, combined with the \$45 billion proposed in the American Jobs Plan targeted to these institutions, will enable

America's HBCUs, TCUs, and MSIs to tackle longstanding inequities in postsecondary education and make the U.S. more competitive on the global stage.

EDUCATION AND PREPARATION FOR TEACHERS

Few people can have a bigger impact on a child's life than a great teacher. Unfortunately, the U.S. faces a large and growing teacher shortage. Before the pandemic, schools across the nation needed [an estimated additional 100,000 certified teachers](#), resulting in key positions going unfilled. Shortages of certified teachers disproportionately impact schools with higher percentages of students of color, [which have a higher proportion of teachers that are uncertified and in their first or second year](#), exacerbating educational disparities. At the same time, [while teachers of color can have a particularly strong impact on students of color](#), around [one in five teachers](#) are people of color, compared to [more than half of K-12](#) public school students. President Biden is calling on Congress to invest \$9 billion in American teachers, addressing shortages, improving training and supports for teachers, and boosting teacher diversity.

These investments will improve the quality of new teachers entering the profession, increase retention rates and increase the number of teachers of color, all of which will improve student outcomes like [academic achievement](#) and [high school graduation rates, resulting in higher long-term earnings, job creation and a boost to the economy](#). In addition, as more teachers stay in the profession, a virtuous cycle is created, wherein districts [save money on recruiting and training new teachers](#) and can invest those funds back into programs that directly impact students.

Specifically, President Biden's plan will:

- **Address teacher shortages, improve teacher preparation, and strengthen pipelines for teachers of color.** President Biden is calling on Congress to double scholarships for future teachers from \$4,000 to \$8,000 per year while earning their degree, strengthening the program, and expanding it to early childhood educators. The President's plan also invests \$2.8 billion in Grow Your Own programs and year-long, paid teacher residency programs, which have a greater impact on student outcomes, teacher retention, and are more likely to enroll teacher candidates of color. His plan targets \$400 million for teacher preparation at HBCUs, TCUs, and MSIs and \$900 million for the development of special education teachers.
- **Help current teachers earn in-demand credentials.** Many teachers are eager to answer the call to get certified in areas their schools need, like special education, but are deterred due to the high cost of professional programs. President Biden is calling on Congress to invest \$1.6 billion to provide educators with opportunities to obtain additional certifications in high-demand areas like special education, bilingual education, and certifications that improve teacher performance. This funding will support over 100,000 educators, with priority for public school teachers with at least two years of experience at schools with a significant portion of low-income students or significant teacher shortages. All funds will be available immediately, flowing through the states, and available until

expended.

- **Invest in educator leadership.** Millions of teachers – and the students they educate – would stand to benefit from greater mentorship and leadership opportunities. President Biden is calling on Congress to invest \$2 billion to support programs that leverage teachers as leaders, such as high-quality mentorship programs for new teachers and teachers of color. These programs are proven tools to [improve both student outcomes and teacher retention by providing new teachers with the support they need](#). The President’s plan will also leverage teachers as leaders of other key priorities within their school buildings, and compensate teachers for this work, recognizing the incredible expertise of our veteran educators, and their value in supporting the next generation of great teachers.

PROVIDE DIRECT SUPPORT TO CHILDREN AND FAMILIES

The hope of a middle-class life has gotten further and further out of reach for too many American families, as the costs of raising children – from child care to taking paid leave time to care for a new child or when a child is ill – have grown. Middle-class families and those trying to break into the middle class increasingly feel the strain of these rising costs, while wage growth has failed to keep up. These rising costs impact our economy as a whole as well. In [part](#) due to the lack of family friendly policies, the United States has fallen behind its competitors in female labor force participation. One study found that a lack of child care options costs the United States economy [\\$57 billion](#) per year in lost earnings, productivity, and revenue. Another study found that lack of paid leave options cost workers [\\$22.5 billion](#) each year in lost wages.

CHILD CARE

The high cost of child care continues to make it hard for parents – especially women -- to work outside the home and provide for their families. Difficulty in finding high-quality, affordable child care [leads some parents](#) to drop out of the labor force entirely, some to reduce their work hours, and others to turn down a promotion. When a parent drops out of the workforce, reduces hours, or takes a lower-paying job early in their careers—even temporarily—there are [lifetime consequences](#) on earnings, savings, and retirement. These costs are especially significant for mothers and people of color, exacerbating inequality and harming the economic security of their families, as [91 percent](#) of the income gains experienced by middle-class families over the last forty years were driven by women’s earnings

High-quality early care and education lay a strong foundation so that children can take full advantage of education and training opportunities later in life. The evidence is clear: for early years, quality care is education. This especially important for children from low-income families, who too often start school without access to high-quality educational opportunities. [A study](#) by Nobel Laureate James Heckman found that every dollar invested in a high-quality, birth to five program for the most economically disadvantaged children resulted in \$7.30 in benefits as children grew up healthier, were more likely to graduate high school and college, and earned more as adults.

Building on the American Jobs Plan’s investments in school and child care infrastructure and workforce training, President Biden’s American Families Plan will ensure low and middle-income

families pay no more than 7 percent of their income on high-quality child care for children under 5-years-old, saving the average family \$14,800 per year on child care expenses, while also generating lifetime benefits for three million children, supporting hundreds of thousands of child care providers and workers, allowing roughly one million parents, primarily mothers, to enter the labor force, and significantly bolstering inclusive and equitable economic growth. Specifically, President Biden’s plan will invest \$225 billion to:

- **Make child care affordable.** Families will pay only a portion of their income based on a sliding scale. For the most hard-pressed working families, child care costs for their young children would be fully covered and families earning 1.5 times their state median income will pay no more than 7 percent of their income for all children under age five. The plan will also provide families with a range of inclusive and accessible options to choose from for their child, from child care centers to family child care providers to Early Head Start.
- **Invest in high-quality child care.** Child care providers will receive funding to cover the true cost of quality early childhood care and education—including a developmentally appropriate curriculum, small class sizes, and culturally and linguistically responsive environments that are inclusive of children with disabilities. These investments support positive interactions that promote children’s social-emotional and cognitive development.
- **Invest in the child care workforce.** More investment is needed to support early childhood care providers and educators, more than [nine in ten](#) of whom are women and more than [four in ten](#) of whom are women of color. They are [among the most underpaid](#) workers in the country and [nearly half](#) receive public income support programs. The typical child care worker earned \$[12.24](#) per hour in 2020—while receiving few, if any, benefits, leading to high turnover and lower quality of care. This investment will mean a \$15 minimum wage for early childhood staff and ensure that those with similar qualifications as kindergarten teachers receive comparable compensation and benefits. And, it will ensure child care workers receive job-embedded coaching and professional development, along with additional training opportunities funded by the American Jobs Plan and American Families Plan. These investments will lead to better quality care, while also enabling these workers to care for their own families, reducing government spending on income support programs and increasing tax revenues.

PAID LEAVE

The United States has fallen behind our economic competitors in the number of women participating in the labor force. The pandemic has exacerbated this problem, pushing millions of people—especially women—out of the workforce, eroding more than 30 years of progress in women’s labor force participation and resulting in a [\\$64 billion](#) loss in wages and economic activity per year. A lack of family-friendly policies, such as paid family and medical leave for when a worker need time to care for a new child, a seriously ill family member, or recover from their own serious illness, has been identified as a key reason for the U.S. decline in competitiveness. The United States is one of the only countries in the world that doesn’t guarantee paid leave. Nearly [one in four mothers](#) return to work within two weeks of giving birth and [one in five retirees](#) left or were forced to leave the workforce earlier than planned to care for

an ill family member. Further, today nearly [four of five private sector](#) workers have no access to paid leave. [95 percent of the lowest wage workers](#), mostly [women](#) and [workers of color](#), lack any access to paid family leave.

Paid family and medical leave supports workers and families and is a critical investment in the strength and equity of our economy. President Biden's American Families Plan will:

- **Create a national comprehensive paid family and medical leave program.** The program will ensure workers receive partial wage replacement to take time to bond with a new child, care for a seriously ill loved one, deal with a loved one's military deployment, find safety from sexual assault, stalking, or domestic violence, heal from their own serious illness, or take time to deal with the death of a loved one. It will guarantee twelve weeks of paid parental, family, and personal illness/safe leave by year 10 of the program, and also ensure workers get three days of bereavement leave per year starting in year one. The program will provide workers up to \$4,000 a month, with a minimum of two-thirds of average weekly wages replaced, rising to 80 percent for the lowest wage workers. We estimate this program will cost \$225 billion over a decade.

President Biden's paid leave plan has broad benefits for working families and the economy as a whole. [Studies](#) have shown that, under state paid leave laws, new mothers are 18 percentage points more likely to be working a year after the birth of their child. In addition, paid leave can [reduce racial disparities](#) in wage loss between workers of color and white workers, improve child health and well-being, support employers by improving employee retention and reducing turnover costs, and increase women's labor force participation.

Over [30 million](#) workers, including [67 percent](#) of low-wage workers, do not have access to a single paid sick day. Low-wage and part-time workers, a [majority of whom are women](#), are [less likely](#) to have access to paid sick days. The COVID pandemic has highlighted the need for a national paid sick leave policy, to help workers and their loved ones quickly recover from short-term illness and prevent the spread of disease. Therefore, the President calls upon Congress to pass the Healthy Families Act which will require employers to allow workers to accrue seven days paid sick leave per year to seek preventative care for them or their family-- such as getting a flu shot, recovering from short-term illness, or caring for a sick child or family member or a family member with disability-related needs.

NUTRITION

The pandemic has added urgency to the issue of nutrition insecurity, which disproportionately affects low-income families and families of color. No one should have to worry about whether they can provide nutritious food for themselves or their children. A poor diet jeopardizes a child's ability to learn and succeed in school. Nutrition insecurity can also have long-lasting negative impact on overall health and put children at higher risk for diseases such as diabetes, heart disease, and high blood pressure. Today, [one-fifth of American children are obese](#), and [research shows](#) that childhood obesity increases the likelihood of obesity in adulthood. In addition to the incredible financial burden on the health care system, diet-related diseases carry significant economic and national security implications by decreasing work productivity, increasing job absenteeism, and threatening military readiness. A [recent study](#) found that U.S.

children are getting their healthiest meals at school, demonstrating that school meals are one of the federal government's most powerful tools for delivering nutrition security to children. To ensure the nutritional needs of families are met, President Biden's plan will invest \$45 billion to:

- **Expand summer EBT to all eligible children nationwide.** The Summer EBT Demonstrations helps low-income families with children eligible for free and reduced-price meals during the school year purchase food during the summer. [Research shows](#) that this program decreases food insecurity among children and has led to positive changes in nutritional outcomes. The American Families Plan builds on the American Rescue Plan's support for Summer Pandemic-EBT by investing more than \$25 billion to make the successful program permanent and available to all 29 million children receiving free and reduced-price meals.
- **Expand healthy school meals.** The Community Eligibility Provision (CEP) allows high-poverty schools to provide meals free of charge to all of their students. It is currently available to individual schools, groups of schools within a district, or an entire district with at least 40 percent of students participating in the Supplemental Nutrition Assistance Program (SNAP) or other means tested programs. The program is particularly important because some families whose children would be eligible for free meals may not apply for them due to stigma or not fully understanding the application process. In addition, other families in high-poverty schools may still be facing food insecurity but make just enough to not qualify for free school meals. However, only 70 percent of eligible schools have adopted CEP, because some schools would receive reimbursement below the free meal rate. The President's plan will fund \$17 billion to expand free meals for children in the highest poverty districts by reimbursing a higher percentage of meals at the free reimbursement rate through CEP. Additionally, the plan will lower the threshold for CEP eligibility for elementary schools to 25 percent of students participating in SNAP. Targeting elementary students will drive better long-term health outcomes by ensuring low-income children are receiving nutritious meals at an early age. The plan will also expand direct certification to automatically enroll more students for school meals based on Medicaid and Supplemental Security Income data. This proposal will provide free meals to an additional 9.3 million children, with about 70 percent in elementary schools.
- **Launch a healthy foods incentive demonstration.** To build on progress made during the Obama Administration to improve the nutrition standards of school meals, this new \$1 billion demonstration will support schools that are further expanding healthy food offerings. For example, schools adopting specified measures that exceed current school meal standards will receive an enhanced reimbursement as an incentive.
- **Facilitate re-entry for formerly incarcerated individuals through SNAP eligibility.** Individuals convicted of a drug-related felony are currently ineligible to receive SNAP benefits unless a state has taken the option to eliminate or modify this restriction. Denying these individuals—many of whom are parents of young children—SNAP benefits jeopardizes nutrition security and poses a barrier to re-entry into the community in a population that already faces significant hurdles to obtaining employment and stability. SNAP is a critical safety net for many individuals as they

search for employment to support themselves and their families. This restriction disproportionately impacts African Americans, who are convicted of drug offenses at much higher rates than white Americans.

UNEMPLOYMENT INSURANCE REFORM

The unemployment insurance (UI) system is a critical lifeline to workers at the hardest times. During the pandemic, it saved millions from poverty and helped people put food on the table. But, the system is in desperate need of reform and strengthening. Too often Americans found themselves waiting weeks to get the benefits they deserved. Too often the benefits Americans would automatically receive would've been too low and would not have gone long enough absent Congress stepping in. Too often the safeguards to prevent fraud in the system have been insufficient. And it has been unemployed people of color who have borne the brunt of the UI system's weaknesses. President Biden is committed to strengthening and reforming the system for the long term. That's why he won \$2 billion in the American Rescue Plan to put toward UI system modernization, equitable access, and fraud prevention. And, that's why he wants to work with Congress to automatically adjust the length and amount of UI benefits unemployed workers receive depending on economic conditions. This will ensure future legislative delay doesn't undermine economic recovery and it will enable permanent reform of the system to provide the safety net that workers deserve in the hardest times.

TAX CUTS FOR AMERICA'S FAMILIES AND WORKERS

While the American Rescue Plan provided meaningful relief for hundreds of millions of Americans, that is just a first step. Now is the time to build back better, to help families and workers who for too long have felt the squeeze of stagnating wages and an ever-increasing cost-of-living. Direct assistance to families in the form of tax credits paid on a regular basis lifts children and families out of poverty, makes it easier for families to make ends meet, and boosts the academic and economic performance of children over time. But if Congress does not act, millions of American families and workers will see their taxes go up at the end of the year.

President Biden believes we must extend the American Rescue Plan's expanded tax credits that lifted millions of children out of poverty, made it easier for families to afford child care, and ensured that low-income workers without children would not continue to be taxed into poverty.

Specifically, President Biden's plan will:

- **Extend expanded ACA premiums tax credits in the American Rescue Plan.** Health care should be a right, not a privilege, and Americans facing illness should never have to worry about how they are going to pay for their treatment. No one should face a choice between buying life-saving medications or putting food on the table. President Biden has a plan to build on the Affordable Care Act and lower prescription drug costs for everyone by letting Medicare negotiate prices, reducing health insurance premiums and deductibles for those who buy coverage on their own, creating a public option and the option for people to enroll in Medicare at age 60, and closing the Medicaid coverage gap to help

millions of Americans gain health insurance. The American Families Plan will build on the American Rescue Plan and continue our work to make health care more affordable. The American Rescue Plan included a historic investment in reducing Americans' health care costs. The biggest improvement in health care affordability since the Affordable Care Act, the American Rescue Plan provided two years of lower health insurance premiums for those who buy coverage on their own, saving families an average [of \\$50 per person per month](#). The American Families Plan will make those premium reductions permanent, a \$200 billion investment. As a result, [nine million](#) people will save hundreds of dollars per year on their premiums, and [four million](#) uninsured people will gain coverage. The Families Plan will also invest in maternal health and support the families of veterans receiving health care services.

- **Extend the Child Tax Credit increases in the American Rescue Plan through 2025 and make the Child Tax Credit permanently fully refundable.** The President is calling for the Child Tax Credit expansion, first enacted in the American Rescue Plan, to be extended. This legislation expands the Child Tax Credit from \$2,000 per child to \$3,000 per child for six-years old and above, and \$3,600 per child for children under six. It also makes 17-year-olds eligible for the first time and makes the credit fully refundable on a permanent basis, so that low-income families—the families that need the credit the most—can benefit from the full tax credit. The expanded Child Tax Credit in the American Rescue Plan benefited nearly 66 million children, and it was the single largest contributor to the plan's historic reductions in child poverty.

For a family with two parents earning a combined \$100,000 per year and two children under six, the Child Tax Credit expansion means an additional \$3,200 per year in tax relief. For a family with two parents earning a combined \$24,000 per year and two children under six, the expansion means even more, with a credit increase of than \$4,400 because the full credit was not previously fully available to them.

The credit would also be delivered regularly. This means that families will not need to wait until tax season to receive a refund. Instead, they will receive regular payments that allow them to cover household expenses as they arise.

The American Families Plan will make permanent the full refundability of the Child Tax Credit, while extending the other expansions to the Child Tax Credit through 2025—when the 2017 law's individual provisions expire. The President is committed to working with Congress to achieve his ultimate goal of making permanent the Child Tax Credit as well as all of the expansions he signed into law in the American Rescue Plan.

- **Permanently increase tax credits to support families with child care needs.** To help families afford child care, President Biden is calling on Congress to make permanent the temporary Child and Dependent Care Tax Credit (CDCTC) expansion enacted in the American Rescue Plan. Families will receive a tax credit for as much as half of their spending on qualified child care for children under age 13, up to a total of \$4,000 for one child or \$8,000 for two or more children. A 50 percent reimbursement will be available to

families making less than \$125,000 a year, while families making between \$125,000 and \$400,000 will receive a partial credit with benefits at least as generous as those they receive today. The credit can be used for expenses ranging from full-time care to after school care to summer care.

This is a dramatic expansion of support to low- and middle-income families. In 2019, a family claiming a CDCTC for the previous year [got less than \\$600](#) on average towards the cost of care, and many low-income families got nothing. If Congress fails to extend the CDCTC expansion, more than 6 million families could see their taxes go up at the end of the year – many by thousands of dollars – making obtaining affordable child care more difficult. Importantly, this tax credit works in tandem with the American Families Plan’s direct investments in childcare affordability for families with young children.

Make the Earned Income Tax Credit Expansion for childless workers permanent.

Before this year, the federal tax code taxed low-wage childless workers into poverty or deeper into poverty -- the only group of workers it treated this way. The American Rescue Plan addressed this problem by roughly tripling the EITC for childless workers, benefitting [17 million](#) low-wage workers, many of whom are essential workers including cashiers, cooks, delivery drivers, food preparation workers, and childcare providers. For example, a childless worker who works 30 hours per week at \$9 per hour earns income that, after taxes, leaves them below the federal poverty line. By increasing her EITC to more than \$1,100, this EITC expansion helps pull such workers out of poverty.

The President is calling on Congress to make this expansion permanent. President Biden believes our tax code should reward work and not wealth. And that means rewarding workers who work hard every day at modest wages to provide their communities with essential services.

- **Give IRS the authority to regulate paid tax preparers.** Tax returns prepared by certain types of preparers have high error rates. These preparers charge taxpayers large fees while exposing them to costly audits. As preparers play a crucial role in tax administration, and will be key to helping many taxpayers claim the newly-expanded credits, IRS oversight of tax preparers is needed. The President is calling on Congress to pass bipartisan legislation that will give the IRS that authority.

TAX REFORM THAT REWARDS WORK – NOT WEALTH

The President's tax agenda will not only reverse the biggest 2017 tax law giveaways, but reform the tax code so that the wealthy have to play by the same rules as everyone else. It will ensure that high-income Americans pay the tax they owe under the law—ending the unfair system of enforcement that collects almost all taxes due on wages, while regularly collecting a smaller share of business and capital income. The plan will also eliminate long-standing loopholes, including lower taxes on capital gains and dividends for the wealthy, that reward wealth over work. Importantly, these reforms will also rein in the ways that the tax code widens racial disparities in income and wealth.

President Biden's plan uses the resulting revenue to rebuild the middle class, investing in education and boosting wages. It will also give tax relief to middle-class families, dramatically reducing child poverty and cutting the cost of child care in half for many families. The result of the President's individual tax reforms will be a tax code with fewer loopholes for the wealthy and more opportunity for low- and middle-income Americans.

Altogether, these tax reforms focused on the highest income Americans would raise about \$1.5 trillion across the decade. In combination with the American Jobs Plan, which produces long-term deficit reduction through corporate tax reform, all of the investments would be fully paid for over the next 15 years.

President Biden's plan will:

- **Revitalize enforcement to make the wealthy pay what they owe.** We have a two-tiered system of tax administration in this country: regular workers pay the taxes they owe on wages and salaries while some wealthy taxpayers aggressively plan to avoid the tax laws. Those with the highest incomes generate income in opaque categories where misreporting rates [can reach 55 percent](#). A recent study found that the top one percent failed to report [20 percent of their income](#) and failed to pay over \$175 billion in taxes that they owed. But today, the IRS does not even have the resources to fully investigate this evasion. As a result of budget cuts, audit rates on those making over \$1 million per year [fell by 80 percent](#) between 2011-2018.

The President's proposal would change the game—by making sure the wealthiest Americans play by the same set of rules as all other Americans. It would require financial institutions to report information on account flows so that earnings from investments and business activity are subject to reporting more like wages already are. It would also increase investment in the IRS, while ensuring that the additional resources go toward enforcement against those with the highest incomes, rather than Americans with actual income less than \$400,000. Additional resources would focus on large corporations, businesses, and estates, and higher-income individuals. Altogether, this plan would raise \$700 billion over 10 years.

- **Increase the top tax rate on the wealthiest Americans to 39.6 percent.** One of the 2017 tax cut’s clearest giveaways to the wealthy was cutting the top income tax rate from 39.6 percent to 37 percent, exclusively benefitting the wealthiest households—those in the top one percent. This [rate cut alone](#) gives a couple with \$2 million in taxable an annual tax cut of more than \$36,400. The President’s plan restores the top tax bracket to what it was before the 2017 law, returning the rate to 39.6 percent, applying only to those within the top one percent.
- **End capital income tax breaks and other loopholes for the very top.** The President’s tax reform will end one of the most unfair aspects of our tax system: that the tax rate the wealthy pay on capital gains and dividends is less than the tax rate that many middle-class families pay on their wages. Households making over \$1 million—the top 0.3 percent of all households—will pay the same 39.6 percent rate on all their income, equalizing the rate paid on investment returns and wages. Moreover, the President would eliminate the loophole that allows the wealthiest Americans to entirely escape tax on their wealth by passing it down to heirs. Today, our tax laws allow these accumulated gains to be passed down across generations untaxed, exacerbating inequality. The President’s plan will close this loophole, ending the practice of “stepping-up” the basis for gains in excess of \$1 million (\$2.5 million per couple when combined with existing real estate exemptions) and making sure the gains are taxed if the property is not donated to charity. The reform will be designed with protections so that family-owned businesses and farms will not have to pay taxes when given to heirs who continue to run the business. Without these changes, billions in capital income would continue to escape taxation entirely.

The President is also calling on Congress to close the carried interest loophole so that hedge fund partners will pay ordinary income rates on their income just like every other worker. While equalizing tax rates on wages and capital gains will address this disparity, permanently eliminating carried interest is an important structural change that is necessary to ensure that we have a tax code that treats all workers fairly. The President would also end the special real estate tax break—that allows real estate investors to defer taxation when they exchange property—for gains greater than \$500,000, and the President would also permanently extend the current limitation in place that restricts large, excess business losses, 80 percent of which benefits those making over \$1 million.

Finally, high-income workers and investors generally pay a 3.8 percent Medicare tax on their earnings, but the application is inconsistent across taxpayers due to holes in the law. The President’s tax reform would apply the taxes consistently to those making over \$400,000, ensuring that all high-income Americans pay the same Medicare taxes.