



ANALYSIS BACKGROUND

12 MILLION CHILDREN DENIED CHILD TAX CREDIT HELP: 1 MILLION ARE CHILDREN IN MILITARY FAMILIES

The tax cut package enacted last month dropped a provision that would have helped about 12 million children living in moderate-income working families. The provision, known as the Lincoln Amendment, would have increased the “refundable” portion of the child tax credit—the portion of the credit available to families who earn more than \$10,500 but owe limited federal income tax. For a married couple with three children, for example, the provision would affect those earning between \$10,500 and \$26,625. Many of those children live in current or former military families.

According to a computer analysis of government survey data collected in March 2002, the Children's Defense Fund estimates that:

- 8 million children younger than 17 live with parents who are on active duty service, are veterans, or have spouses serving in the armed forces.
- 1 million of those 8 million children would have benefited this year from the Lincoln child tax credit provision, eliminated at the last minute by the Republican conference committee.
- The 1 million children left behind would have received an additional \$151 per child on average from the Lincoln provision. The new tax cut law provides each of America's 190,000 millionaires \$93,500 on average.

About 1.4 million children younger than 17 are in active duty military families, and about a quarter-million, or nearly 1 in 5 of these children, would have benefited from the Lincoln provision.

The Children Defense Fund’s analysis is based on tax simulations using family data from the U.S. Census Bureau’s March 2002 Current Population Survey. The analysis is conservative in that it does not include children of Armed Forces reservists or others who served in the 2003 Iraq War if they were not in service in March 2002. It is also conservative because it does not account for the failure of the tax cut bill to recognize combat pay as earnings for the purposes of determining eligibility for the child credit.