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Tax Bracket and Tax Liabilities for Families With Children

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Providing a helping hand to families with children is a common theme of many policy interventions, from Head Start to the child tax credit. Almost all recent social policy initiatives, however, including those that aim to help families and children, have occurred on the tax side of the ledger, typically as credits or deductions. At the same time, there has been increased resistance in Congress to providing credits that are refundable — that is,

that benefit taxpayers (and their children) even if their net income tax liability falls to zero.

The table shows why opposition to making new or existing credits refundable spells bad news for the ability of any new policy to aid children in general, and low-income children in particular. Almost half of all children live in households that currently do not pay any federal income tax (net of credits). About 80 percent of children who live with single parents are in households that do not pay any federal income tax. Unless a new tax credit or an expansion of a tax credit is made refundable, the subsidy cannot help those children, who are presumably the most economically vulnerable.

Dependent Children by Rate Bracket, Current Law 2004
(Tax filing units in percent)

Kids	Current Law Tax Rate									No Income Tax Liability
	0	10	15	25	26	28	33	35	All	
All Tax Units	25.1	17.5	36.0	14.2	2.9	3.0	0.5	0.7	100.0	48.8
Married Units	14.7	12.2	43.0	19.7	4.1	4.5	0.8	1.0	100.0	32.0
Single Units	44.3	27.2	23.2	4.1	0.7	0.3	0.0	0.0	100.0	79.8

Source: Tax Policy Center Microsimulation Model.



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