A TAX CODE FOR THE REST OF US:
A Framework & Recommendations for Advancing Gender & Racial Equity Through Tax Credits

AT A GLANCE: A TAX CODE FOR THE REST OF US

• The tax code doesn’t work for most of us. Women, people of color, and families with low incomes are largely locked out of existing individual tax subsidies. At the same time, inadequate revenues (due to tax breaks for the already-wealthy) for complementary direct spending programs that seek to increase access to housing, child care, higher education, and more exacerbate these inequities.

• We should build on the success of refundable tax credits like the Earned Income Tax Credit (EITC) and the refundable Child Tax Credit (CTC) to advance racial, gender, and economic equity in the tax code.

The federal tax code sets the rules that shape our economy, reflecting and perpetuating notions of who and what is valued. Unsurprisingly, those rules are not gender- or race-neutral.

The tax code exacerbates gender and racial inequities.
• Centuries of discrimination and racist, sexist policy choices—including within the federal tax code—have created significant barriers for women and people of color to find quality jobs, build wealth, and access opportunity.

• While the tax code can be an important tool to address inequality, many provisions reward the already-wealthy while leaving out women, people of color, and families who are struggling to make ends meet.

• In addition, tax breaks for wealthy households and corporations limit tax revenues, constraining budgets for programs that help people afford housing, child care, transportation, higher education, and other basic needs.

Women and people of color face a double squeeze: they aren’t receiving tax subsidies that wealthy families get and they don’t receive enough from spending-side foundational support programs. For example:
• Tax subsidies for homeownership, like the Mortgage Interest Deduction (MID), forgo tens of billions in revenue each year to subsidize homeownership. The MID is overwhelmingly claimed by higher-income tax filers, as lower-income families—especially if they are headed by women or are families of color—are less likely to be homeowners in the first place and to itemize their deductions.

• As a result, this tax subsidy not only rewards families who can already afford to purchase a home but also loses revenue that could be used to support lower-income families through rental assistance. It also ignores and exacerbates the enormous gender and racial wealth
gaps that exist today because of structural racism and ongoing inequality.

- Yet lawmakers cry deficit when it comes time to invest in affordable housing for struggling families. In fact, only 1 in 4 eligible families receive any rental assistance—which is a key support for women-headed households and households of color.

- Tax assistance for child care expenses, like the federal Child and Dependent Care Tax Credit and Dependent Care Assistance Plans, is inaccessible for many women supporting families on their own and families of color due to income requirements to claim it and the fact that it only arrives after child care costs have been incurred. On the direct spending side, only 1 in 6 eligible children receive child care assistance through the Child Care and Development Block Grant, which already has limited eligibility—leaving affordable child care out of reach for many families.

- Tax subsidies for higher education expenses, like the tax-favored 529 college savings accounts, largely help families who can already afford to save for college. Meanwhile, direct spending programs that help students from low- and moderate-income families—like Pell Grants—have failed to keep pace with higher education expenses.

In contrast, refundable tax credits like the Earned Income Tax Credit (EITC) and the refundable part of the Child Tax Credit (CTC) target their benefits to low- and moderate-income families, and especially benefit women and families of color.

- Because women of color face persistent discrimination in pay and hiring, and are often relegated to the lowest-paying jobs, refundable tax credits like the EITC are particularly meaningful.

- Refundable tax credits, which could be further strengthened to expand their reach and impact, boost families’ incomes and improve health, education, and employment outcomes for children in those families.

We can build on the success of refundable tax credits to further advance racial and gender equity. We can create a tax code that addresses the racist, sexist barriers that have plagued this nation for centuries, and powers our country’s prosperity.

- Leveraging the tax code to advance racial and gender equity requires us to both ensure that policymakers design tax subsidies that work for families with low incomes, women, and people of color, and that the tax system raises sufficient revenues to fund our shared priorities, including complementary spending-side foundational support programs.

- Specifically, policymakers should build on refundable tax credits, like the EITC and CTC, that are proven to increase economic security and increase racial and gender equity.

It is time for us to realize the tax code’s potential as a tool for racial and gender equity. We can harness the power of the women’s movement to ensure that tax justice is gender justice is racial justice.