



WISCONSIN COUNCIL ON

**children
& families**

Raising Voices to Make Every Kid Count

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What Did the Bank Rescue Package Do for Wisconsin Families? Change in Child Tax Credit Will Benefit Thousands in the State

Much of the discussion leading up to passage of the federal bank bailout bill focused on whether the billions of dollars pumped into Wall Street would eventually trickle down to Main Street. While the answer to that question remains to be seen, the legislation passed by Congress and signed into law by President Bush contained several other items that have largely escaped media attention. One feature that will certainly help children and families is a change in the child tax credit (CTC) that will benefit tens of thousands of Wisconsin households. This change comes at a time when Wisconsin's most vulnerable families are in desperate need of a financial boost, with the economy continuing to wobble, jobs harder to come by, and many workers struggling to make their rent or mortgage payments.

To be eligible for the CTC, a household must have income above a minimum level, and that threshold has been indexed to increase with inflation. Unfortunately, the income of many low-wage workers does not keep pace with inflation; as a result, many households with income just over the threshold lose their eligibility for the credit from one year to the next because their income falls below the threshold. So they are hit with the double whammy of losing ground to inflation AND losing their CTC eligibility.

The bailout package addresses this problem by lowering the CTC eligibility threshold from \$12,050 to \$8,500 for one year. In addition, families with incomes in the range of \$12,050 to \$25,380 will receive a larger credit. Analysis by the Center on Budget and Policy Priorities indicates that this change will make more than 40,000 Wisconsin children eligible for the credit for the 2008 tax year, and will increase the size of the credit for nearly another 140,000 Wisconsin children.

Nationally, the CTC changes benefit the families of a total of about 13 million children, and the average increase in their credit will be roughly \$240.

It is important to note that this change only fixes the problem for one year. The Wisconsin Council on Children and Families urges Congress to allow low-income families to continue to share in the child tax credit by extending this reform in 2009.

“We welcome this change in the child tax credit,” said WCCF Executive Director Charity Eleson. “Economic security is one of the most direct indicators of child well-being. We don't yet

know how the bank bailout will ultimately affect low-income families overall, but we applaud Congress for recognizing that tools like refundable tax credits can be very effective in improving outcomes for kids.”

The bill also assists higher income taxpayers by making changes for tax year 2008 that prevent the alternative minimum tax from applying to millions of additional households. Those changes, which primarily benefit people making between \$100,000 and \$500,000 per year, will also need to be reconsidered by Congress in 2009.