

# **Advancing Support for Working Families Act**

## *A bipartisan solution to support parents in the critical first year after birth or adoption.*

### Section-by-Section Summary

#### **SUMMARY**

This bill allows families the option of advancing up to \$5000 of the Child Tax Credit (CTC) to help fund unpaid time off, infant care, and other costs associated with a new child.

#### **SEC. 1 SHORT TITLE**

Advancing Support for Working Families Act

#### **SEC. 2 ELECTION TO ADVANCE CHILD TAX CREDIT**

(a)

##### **(i) ELECTION FOR ADVANCED CREDIT IN YEAR OF BIRTH OR ADOPTION**

(1) Creates option for parents to advance the CTC in the year of birth or adoption of an applicable qualifying child. A parent can advance up to \$5,000. The child must be alive at the time the election is made.

##### **(2) OFFSETTING REDUCTION**

###### **(A) & (B)**

These sections state that the parent will offset the advanced credit in the offset period. The offset will equal a fraction of the advanced credit amount - equal to 1/10th each year or 1/15th depending on the household income.

###### **(C) Exceptions**

(i) **Death** - In the event that the child dies, the remaining offsetting reduction is forgiven. In the event that one of the parents die, their pro rata portion of the remaining offsetting reduction is forgiven.

(ii) **Deferment** - If the families earned income decreases by more than 20%, as compared to the prior tax year, the family may elect to defer the offset for that year. The offset period will then be extended by 1 year. If elected, deferment applies for all applicable qualifying children, but a parent may only defer for 3 taxable years in any offset period.

###### **(D) Joint Returns**

If parents file jointly, each individual filing will be treated as receiving half of such an increase.

###### **(E) Return Requirement**

If the parent elects to advance the CTC, the parent will be required to file a return for each year during the offset period.

**(F) Offset Period**

The offset period is the 10 taxable years beginning with the taxable year that the applicable qualifying child is born. There is a taper for children who are adopted over the age of 5 years, whereby the offset period is reduced by 1 year for every year that the qualifying child is over age 5. Example: A family adopts a 7-year-old. Instead of a 10-year offset period, it is reduced to an 8-year offset.

**(3) ELECTION TO CLAIM CREDIT ON PRIOR YEAR RETURN**

For children born or adopted more than 120 days after enactment, this section allows parents to treat the qualifying child as born or adopted on December 31 of the calendar year preceding the birth or adoption. Such treatment is only for purposes of this new section. By allowing parents to amend the prior year's return, parents are able to receive the credit sooner to begin to cover incurred expenses in the first year.

**(4) DEFINITIONS**

**(A) Applicable Qualifying Child**

An applicable qualifying child is any qualifying child other than an eligible foster child.

**(B) Applicable Amount**

The applicable amount of the credit for a parent is no more than \$5,000.

For individuals who are adopting a child over the age of 5, the maximum advanceable amount is reduced by \$500 for each year the child is over the age of 5. Example: A family adopts a 7-year-old and their households income qualifies them for the full \$2,000 CTC. Instead of advancing \$5,000 - the family can advance a maximum of \$4,000.

**(C) Earned Income Amount**

Earned income in this section has the same meaning as earned income under IRC §32. Any amount excluded from gross income under IRC §112 is included for purposes of this section.

**(5) SPECIAL RULE FOR CERTAIN LOW-INCOME INDIVIDUALS**

This section states that for parents who do not qualify for the full refundable portion of the CTC, the advance amount is the lesser of \$5,000 or 25% of their earned income from the prior tax year. If elected, such parents will have a longer offset period of up to 15 years.

For low-income individuals who are adopting a child over the age of 5, the maximum advanceable amount shall be reduced by 2.5 percentage points for every year the child is over the age of 0. Example: if a family with an annual earned income of \$10,000 adopted a child who was 6 years old. Their maximum advanceable amount would be 22.5% of \$10,000. Their offset period would also be reduced by six-years. This family would advance \$2,250.00, and take an offsetting reduction of \$160.71 over the next 9 years.

**(6) SPECIAL RULE FOR YEAR OF BIRTH OR ADOPTION**

- (A) Requires the taxpayer submit one of the following to qualify for the advanced credit: the adoption taxpayer identification number, the child's SSN, or other documentation as required by the Secretary to provide for a timely benefit.
- (B) The applicable qualifying child's SSN is required in the year of birth or adoption, or the outstanding offset balance will accelerate and be due in the following tax year.

**(7) ADMINISTRATION AND REGULATIONS**

Gives the Secretary the authority to promulgate necessary regulations and guidance to achieve the following aims:

- (A) Immediate Benefit:** Enable qualifying taxpayers to receive the advanceable amount as soon as practical after birth or adoption, including online.
- (B) Expedited Refunds:** Expedite the processing of refunds for those who submit an amended return.
- (C) Fraud and Abuse Prevention:** Protect the integrity of this advanceable credit by requiring, if necessary, the submission of additional documentation regarding the birth or adoption of the qualifying child. This is in cases where SSNs, birth certificates, or adoption paperwork is delayed for a family.
- (D) Annual Notices:** Directs the Secretary to provide taxpayers with annual information on their outstanding offset amounts, to help families track their tax situations during the offset period.

**(b) CREDIT NOT ALLOWED AGAINST OFFSET**

Other credits are not allowed to be utilized against the offset.

**(c) MATH ERROR AUTHORITY**

Grants the IRS math error authority with regard to the offset.

**(d) EFFECTIVE DATE**

This legislation will apply to taxable years beginning after December 31, 2019. However, if a child is born before January 1, 2021, a parent may amend their return from tax years beginning after December 31, 2018 in order to claim the advance credit. This taken together with Section 2(a)(3) above, makes children born 120 days following enactment eligible to advance the CTC.

**(e) GAO STUDY**

Directs the GAO to submit to Congress a study, not later than 2 years after enactment, reporting on the number of taxpayers who took the advanceable credit, how long families had to wait for the immediate benefit and any delays, any instances of fraud or abuse, the total number of deferments granted for

financial hardship, and the number of forgiveness cases based on the death of the qualifying child or taxpayer and the revenue impact.

GAO is also required to work with family and medical leave experts to compile a comprehensive list of legislative and regulatory recommendations for Congress and agencies to consider on the feasibility of supporting different types of leave that American workers may need (caregiving, personal medical, and other types of parental leave). This is a commitment from the supporters of this legislation to continue to search for further solutions to help working families.