

A Bipartisan Solution to Help Working Families

Frequently Asked Questions

**By: Senators Cassidy
& Sinema**

Overview

This proposal – sponsored by Senator Bill Cassidy, M.D. (R-LA) and Senator Kyrsten Sinema (D-AZ) – is the first and only bipartisan plan this Congress to address the challenges families face in seeking leave. Our proposal puts forth a pragmatic approach to help working families now by funding paid parental leave or infant care expenses through advancing the Child Tax Credit. American families deserve real options when dealing with the myriad responsibilities tied to the birth or adoption of a new child.

1. Why are Senators Cassidy and Sinema creating a flexible policy that can fund parental leave?

Working families in America shouldn't have to choose between taking on high-interest debt or forgoing time with their newborn. Today, the United States is the only developed OECD country without a formalized mechanism for paid parental leave.

The closest alternative currently available is the Family and Medical Leave Act (FMLA) of 1993, which provides job-protected unpaid leave to parents working for large employers, who also meet a number of other requirements. While innovative at its inception, in today's era when both parents are more likely to work, many cannot afford significant time off without income. For example, in 2016, roughly 37% of Americans had to take on debt to cover parental leave.¹ Still, 41% were forced to cut their leave time short due to financial constraints.²

Moreover, child care in America has become increasingly inaccessible. In the U.S., 51% of all residents live in a region with very few, if any, child care providers.³ In 2016, the average cost for center-based infant care was higher than a year's tuition and fees at a public college in 28 states and the District of Columbia.⁴

Senators Cassidy and Sinema are also introducing this idea because parental bonding is critical to a newborn's health and early development. Real world data demonstrates that paid leave is associated with improved health outcomes for children in early elementary school, including reduced issues with a healthy weight, ADHD, and hearing-related problems.⁵ Studies show that parental leave is also associated with a reduction in both infant mortality rates and post-neonatal

¹ Renee Stepler, *Key takeaways on Americans' views of and experiences with family and medical leave*, PEW RESEARCH CENTER (March 23, 2017), <https://www.pewresearch.org/fact-tank/2017/03/23/key-takeaways-on-americans-views-of-and-experiences-with-family-and-medical-leave/>.

² *Id.*

³ Rasheed Malik et al., *America's Child Care Deserts in 2018*, CENTER FOR AMERICAN PROGRESS (December 6, 2018, 7:30 am), <https://www.americanprogress.org/issues/early-childhood/reports/2018/12/06/461643/americas-child-care-deserts-2018/>.

⁴ *Parents and the High Cost of Child Care: 2017*, CHILD CARE AWARE OF AMERICA, http://usa.childcareaware.org/wp-content/uploads/2017/12/2017_CCA_High_Cost_Report_FINAL.pdf (last accessed July 14, 2019).

⁵ See Shirlee Lichtman-Sadot & Neryvia Pillay Bell, *Child Health in Elementary School Following California's Paid Family Leave Program*, 36 JOURNAL OF POLICY ANALYSIS AND MANAGEMENT 790 (2017). <https://onlinelibrary.wiley.com/doi/full/10.1002/pam.22012> (last accessed July 14, 2019).

mortality rates.⁶ Yet, the U.S. is the only wealthy country without access to paid parental leave and suffers the highest infant mortality rate compared to other OECD nations.⁷

2. What would this proposal do?

The Cassidy-Sinema proposal provides new parents the option of receiving \$5,000 immediately following the birth or adoption of a child (under the age of 6). In exchange for this \$5,000 benefit, families would take a \$500 reduction from their future annual Child Tax Credits (CTC) over the following ten years. In other words, the benefit advances money parents would otherwise receive through the CTC to a period where they need it most. Therefore, for parents who receive the typical annual CTC of \$2,000 per child,⁸ parents could instead elect to receive \$5,000 at birth or adoption and still receive a CTC of \$1,500 for each of the next ten years.

Studies conservatively estimate that the average middle-income family will spend nearly \$13,000 on child-related expenses in their baby's first year of life.⁹ For new parents, who may be younger and less advanced in their careers, it can be difficult to afford starting a family. Parents can think of this option as changing the timing of when they will benefit from the CTC. This proposal helps growing families get access to these funds now, rather than later.

3. Are parents required to take this benefit or use it in a certain way?

No. Unlike some paid leave proposals, this new benefit is completely optional and provides families who don't have other options with some choices. If a parent can access paid leave through their employer or state, or simply does not wish to advance future CTCs, they can continue to receive the CTC in its regular form. Additionally, the proposal does not dictate how parents can utilize the advanced funds of up to \$5,000. Every family is different. That's why this plan leaves it up to parents to decide whether the funds will cover lost wages, infant/child care expenses, medical recoupment, or adoption fees.

4. Who would be eligible?

This new benefit will be available to all new parents who will be eligible for the CTC. While the proposal will seek to make the advanced benefit immediately available upon birth or adoption, parents can maintain the option of waiting and claiming the benefit anytime within the first year

⁶ See Dana Patton et al., *Paid Parental Leave Policies and Infant Mortality Rates in OECD Countries: Policy Implications for the United States*, 9(1) WORLD MEDICAL AND HEALTH POLICY 6 (2017). <https://onlinelibrary.wiley.com/doi/pdf/10.1002/wmh3.214> (last accessed July 14, 2019).

⁷ Selena Gonzales & Bradley Sawyer, *How does infant mortality in the U.S. compare to other countries?*, PETERSON-KAISER HEALTH SYSTEM TRACKER (July 7, 2017), <https://www.healthsystemtracker.org/chart-collection/infant-mortality-u-s-compare-countries/#item-infant-mortality-declined-u-s-comparable-countries>.

⁸ While tax reform doubled the CTC from \$1,000 to \$2,000 in 2018, the CTC is currently scheduled to revert back to \$1,000 in 2026. However, it is the opinion of these authors that the current CTC of \$2,000 will and must be made permanent. Moreover, a historical analysis of the CTC and related family-friendly provisions would suggest the same.

⁹ See e.g., U.S. Department of Agriculture, Center for Nutrition Policy and Promotion, *Expenditures on Children by Families, 2015*, Miscellaneous Report No. 1528-2015, By Mark Lino et al. Jan. 2017. Available at: https://fns-prod.azureedge.net/sites/default/files/crc2015_March2017.pdf.

after birth or adoption. Additionally, adopted children need not be infants, but must be under age 6 when adopted.

To be eligible for the CTC, the following requirements¹⁰ must be met:

- The parent must claim the child as a dependent on their federal tax return;
- The child must be a U.S. Citizen, U.S. National, or a U.S. resident alien with an SSN;
- The child cannot have provided more than half of his or her own financial support during the tax year;
- The child must have lived with the parent for more than half of the tax year for which the parent claims the credit (with an exception for the year of birth); and
- The parent must have an earned income of at least \$2,500 to qualify for the credit.

The Cassidy-Sinema proposal would operate independently of existing state or employer benefits. Additionally, the new benefit would not be reduced by the amount they may receive from their state or employer.

5. How does the program work for low-income earners? What if a family makes less than \$12,000 a year and does not qualify for the entire refundable portion of the CTC?

Under current law, some low-income families do not qualify for the full refundable portion of the CTC. Consider the following example: A single parent who works 20 hours a week and makes the current federal minimum wage of \$7.25. They earn \$7,540 annually, which would result in a maximum annual CTC of \$756 per child.

In this situation, advancing \$5,000 would result in a CTC of only \$256 for the next ten years. For this reason, many low-income families would find it difficult to take this benefit. Our proposal contemplates an alternative for these families. For these earners, like our hypothetical single parent above, they would instead be able to advance enough to cover 12 weeks off from work at 100% of regular wages. Additionally, to minimize any potential burden caused by the subsequent CTC offset, they could take a small reduction in their CTCs over a 15-year window, rather than a 10-year window to allow them to keep a bigger CTC every year.¹¹

The end result for our hypothetical single parent is that the \$1,740 the parent regularly makes over 12 weeks could be immediately advanced upon birth or adoption. Then, over the next 15 years, their annual CTC of \$756 per child would only be offset by \$116 per year.

¹⁰ I.R.C. §24.

¹¹ Also, it is important to caveat that Relief for Parents will be carefully drafted to account for any potential future law changes impacting those who don't currently qualify for the full CTC. For example, should future legislation increase the CTC or make it more fully accessible to low-income earners, Relief for Parents will adjust accordingly.

6. What happens if tragedy strikes after a family takes the benefit?

In the event that a family loses access to the CTC because of financial hardship, they would be able to apply for deferment and extend the offset window an additional year without any penalty.

Additionally, should the child die, any outstanding offset will be forgiven.

7. Why focus on just new parents?

Roughly four million children are born in the U.S. each year.¹² Working parents today struggle with the high costs associated with the first year of a baby's life. The proposal strives to deliver assistance to new families by introducing bipartisan legislation which has the potential to move forward this Congress despite our divided political climate.

Furthermore, the CTC is inherently tied to children, which limits the scope of the proposal. Under this plan, new parents are able to advance their CTC to fund time off with their baby and cover infant care expenses, among other expenses. This proposal is a unique opportunity to provide financial assistance during a particularly expensive life event by merely restructuring cash flows over time. This straightforward, bipartisan path forward provides parents with real choices without hurting taxpayers.

Although this proposal does not address broader medical or caregiver leave, Senators Cassidy and Sinema are continuing to contend with these issues, in an attempt to attain a bipartisan consensus on potential legislative paths forward.

8. How would the Cassidy-Sinema plan impact business owners and their employees?

The proposal is advantageous for businesses and their employees. Studies show that availability of paid leave boosts employee morale,¹³ increases company productivity,¹⁴ and reduces employee turnover.¹⁵

Employers incur no new obligation or mandates under this proposal. Employees covered by FMLA would apply for job protected leave through that process, and could use this new benefit to fund unpaid leave (assuming their employer also had no paid leave program in place). Parents not covered by FMLA, who would like time off, could work with their employer to decide upon a mutually agreeable time away from work.

¹² U.S. Department of Health and Human Services, National Vital Statistics System, *Births: Final Data for 2017*, By Joyce A. Martin, M.P.H. et al. Nov. 7, 2018. Available at: https://www.cdc.gov/nchs/data/nvsr/nvsr67/nvsr67_08-508.pdf.

¹³ *Paid Family and Medical Leave: Good for Business*, NAT'L PARTNERSHIP FOR WOMEN & FAMILIES (Sept. 2018), <http://www.nationalpartnership.org/our-work/resources/workplace/paid-leave/paid-leave-good-for-business.pdf> [hereinafter NAT'L PARTNERSHIP, *Good for Business*].

¹⁴ Danielle Corley, *Paid Leave Is Good for Small Business*, CENTER FOR AMERICAN PROGRESS (October 19, 2016, 12:39 pm), <https://www.americanprogress.org/issues/women/reports/2016/10/19/146465/paid-leave-is-good-for-small-business/>.

¹⁵ NAT'L PARTNERSHIP, *Good for Business*, *supra* note 14, at 1.

As to concerns regarding whether employers will retaliate against workers requesting time off, the proposal does not create a new employer mandate, as a patchwork of such protections already exist.¹⁶ Employees not covered by FMLA, may still find legal protections within the American with Disabilities Act, the Pregnancy Discrimination Act, and various state laws. However, if retaliation were to become a significant issue following enactment of this new proposal, Senators Cassidy and Sinema would revisit this issue accordingly.

¹⁶ Under FMLA, it is unlawful for any employer to interfere with, restrain, or deny the exercise of any right provided by the legislation. Upon return from FMLA leave, an employee must be restored to his or her original job or to an equivalent job with equivalent pay, benefits, and other terms and conditions of employment.