Executive Summary

The notion that hard work will enable Americans to get ahead is a central tenet of the American dream, but families today need more than a paycheck to move up the economic ladder. They need financial assets—cash savings, stocks, bonds, and home and business equity—that enable them to invest in themselves and their children and contribute to a strong and growing economy.

Millions of American families have few, if any, financial assets. Four out of 10 households are “liquid asset poor,” meaning they have so little cash, or assets that can be converted to cash easily, that they could not cover three months’ worth of basic living expenses if their incomes were disrupted. The financial insecurity of households of color is even more severe: two out of three such households do not have enough savings to cover even a short-term disruption to their income. While financial
In recent years a national discussion has been underway about the causes and effects of growing inequality, but one cause that has received little attention is the role of the U.S. tax code. The individual tax code contains more than $1 trillion in tax subsidies known to policymakers and economists as tax expenditures because, like spending programs, they provide financial assistance to support specific activities or groups of people. Of these subsidies, more than half a trillion, $540 billion, support some form of savings or investment (e.g., higher education, retirement, homeownership).

In theory, tax code–based public subsidies should help all families save and invest, but instead, wealthier households receive most of the benefits. In fact, a recent analysis of the largest wealth-building tax subsidies found that the top 1 percent of households received more benefits from these tax code–based subsidies than the bottom 80 percent combined.

The reasons lower-income families and families of color do not benefit are simple: if a family has limited income and, therefore, little or no tax liability, its members cannot benefit from itemized tax deductions. If they don’t have enough resources to buy a home or invest in stocks and bonds, they can’t take advantage of the home mortgage tax deduction or lower tax rates on dividends and capital gains. And if they work in low-wage jobs with no benefits, they have no way to access tax-subsidized, employer-based retirement plans.

At the same time that inequality is growing, the nation’s demographics are changing rapidly. People of color—African Americans, Latinos, Asian/Pacific Islanders, Native Americans, and people of other and mixed racial backgrounds—are rapidly becoming the nation’s majority, yet the large gap between the wealth holdings of white households and households of color is growing. Today, African American households own only six cents and Latino households have only seven cents for every dollar held by white households.

As America continues to diversify, the nation’s future prosperity will depend on its ability to expand opportunities for lower-income households and households of color to save and invest so that they can participate in and contribute to a strong and growing national economy. Changing public policy so that tax code–based subsidies are accessible to more people is a critical first step.

With more than half a trillion dollars in tax subsidies designed to encourage households to build wealth each year, it is important for advocates to understand what they are, how they work, and who benefits from them. This primer focuses on answering those questions and identifies ways that tax expenditures can be changed so that all households benefit.

Without a doubt, reforming the tax code will be a heavy lift. It will take years, maybe decades, of commitment by a huge network of advocacy organizations. But now is the time to begin the process. Now is the time to educate and engage equity advocates, the media, and elected representatives about how the tax code is driving inequality. Now is the time to call for a more inclusive, progressive, and equitable tax code that builds the financial security of families and contributes to national growth and prosperity for all Americans.

**Key Takeaways:**
- Exclusions, itemized deductions, and preferential rates largely benefit the wealthy, while credits, especially refundable credits, are more beneficial to low- and middle-income households.
- The majority of households of color do not benefit from exclusions, deductions, or preferential rates.
- Tax policies are more likely to help lower-income households if they:
  - turn deductions into credits;
  - turn nonrefundable credits into refundable credits; and
  - provide savings incentives in the form of public matching funds.
Introduction

In the past year, America has been engaged in a national conversation about the deepening financial insecurity of lower-income households and the growing concentration of wealth at the top of the income spectrum. Discussions about inequality often equate wealth and income, but they’re not the same. For most Americans, income is derived from wages. Wealth is different. Wealth, or “assets,” represents a household’s store of financial resources—the “nest egg” that enables a family to weather an economic crisis (e.g., a sudden job loss, a divorce, or an illness in the family); invest in a home, business, or specialized job training; put a child through college; or plan for a secure retirement.

Today, America’s families need more than a paycheck to achieve financial security. They need financial assets—cash savings, stocks, bonds, and/or home and business equity—to invest in their children, move up the economic ladder, and contribute to a strong and growing economy. Yet many American families are financially insecure, as is evidenced by the fact that four out of 10 households are liquid asset poor—they have so little cash, or assets that can be easily converted to cash, that they could not cover three months’ worth of basic living expenses if their incomes were disrupted. The financial insecurity of households of color is even more severe: two out of three households of color do not have enough savings to cover even a short-term financial crisis.

The growing insecurity of lower-income families is matched by a heavy concentration of wealth at the top. Today, the wealthiest 1 percent of U.S. households own more of the nation’s wealth than the bottom 90 percent.

At the same time that wealth is becoming more concentrated and financial insecurity is growing among lower-income Americans, the nation’s demographics are changing rapidly. People of color—African Americans, Latinos, Asian/Pacific Islanders, Native Americans, and people of other and mixed racial backgrounds—are rapidly becoming the majority, yet the gap between the wealth holdings of white households and households of color is large and growing. Today, African American households have only six cents and Latino households have only seven cents for every dollar held by white households. If measured in terms of liquid assets, the disparities are even greater—white households own more than 100 times the liquid wealth of African Americans and more than 65 times that of Latinos. As America continues to diversify, the nation’s prosperity will depend on its ability to address inequality by increasing the capacity of lower-income households and households of color to save and invest in themselves, their communities, and the national economy.

The causes of inequality are many, but a key driver often left out of public discussions is U.S. tax policy. Each year the federal government enables families to build wealth through tax benefits that subsidize savings and investment. Some provisions in the individual tax code—including tax credits, deductions, exclusions, and preferential rates—are designed to encourage taxpayers to take certain actions, such as buy a home (e.g., through the home mortgage interest deduction) or save for retirement (e.g., through employer-sponsored retirement plans). These provisions are known to economists and policymakers as tax expenditures because, like spending programs, they provide financial assistance to support specific activities or groups of people. However, even though tax expenditures (i.e., revenue not collected) have an impact on the federal budget similar to direct spending (i.e., revenue spent), they don’t receive the same level of public scrutiny, primarily because they aren’t part of the annual appropriations process, nor, with the exception of the refundable credits, are they recorded in the federal budget.

Tax expenditures primarily benefit wealthier households. In 2012, federal revenue not collected due to individual income tax expenditures equaled $1.1 trillion, almost as much as revenues collected. Of these expenditures, almost half—$540 billion—subsidized taxpayers to save, invest, and build wealth through homeownership ($211 billion), retirement accounts ($128 billion), higher education ($32 billion), and other savings and investment incentives ($171 billion). Using available data on distributional benefits covering $340 billion of these wealth-building expenditures, CFED found that the bottom 60 percent of households received only 12 percent of the benefits, and the top 1 percent of households received more benefits than the bottom 80 percent combined.

This primer aims to answer key questions about tax expenditures for antipoverty advocates: What are they? How do they work? Who benefits? In addition, since the Internal Revenue Service (IRS) does not collect tax data by race, the primer uses data related to the distribution of benefits by income quintiles and the demographics of each quintile to provide a rough approximation of how different racial and ethnic groups do or do not benefit from the different categories of tax expenditures.
What Are Individual Income Tax Expenditures and Who Benefits?

The four categories of individual income tax expenditures—exclusions, deductions, preferential rates, and credits—lower an individual's tax bill by reducing the amount of income subject to taxation, lowering the rate at which income can be taxed, or directly reducing a household's tax bill. The benefits of the various categories are distributed differently among income groups. Exclusions, deductions, and preferential rates largely benefit the wealthy, while credits, especially refundable credits, are more beneficial to low- and middle-income households.

This section describes the different types of individual tax expenditures and details which income groups benefit from them and which do not.

Exclusions

What are they?
Exclusions exempt certain types of income from being taxed and are usually not reported on a tax return. For example, income that an employer contributes to an employee's health insurance plan or retirement account is not taxed; that is, it is "excluded" from taxation.

Who benefits from exclusions?
In 2011, exclusions reduced the tax bills of households—and revenues to the federal government—by a total of $526 billion, with most of the benefits accruing to wealthier households. Approximately 66 percent of the total went to the top 20 percent of earners and less than 8 percent to the bottom 20 percent.

Two of the largest exclusions, for contributions to and earnings in employer-based retirement plans, equaled roughly $100 billion in 2013. According to research by the Tax Policy Center, 68 percent of the tax savings produced by these exclusions went to the top 20 percent of earners and only 0.7 percent to the bottom 20 percent.

The exclusions for employer-based retirement plan contributions are more beneficial to higher-income households largely because of the way exclusions work. Benefits provided by exclusions are proportional to a taxpayer's income—the more money the taxpayer makes, the higher his or her tax rate, and consequently, the greater the value of the tax benefit. For example, a taxpayer who earns $1 million and is subject to a 39.6 percent tax rate will enjoy tax savings of $396 if he or she excludes $1,000 from his or her income. However, a tax filer who earns $9,000 and is subject to a 10 percent tax rate will receive savings of only $100 if the same amount is excluded from his or her tax return.

Lower-income taxpayers are less likely to benefit from exclusions for retirement savings because they are less likely to have access to and participate in employer-based retirement plans. Of workers making between $20,000 and $30,000 a year in 2011, only 44 percent worked for an employer that offered a retirement plan and only 32 percent participated. Among workers earning $75,000 or more, 69 percent had access to retirement plans through their employers and 67 percent participated.

Deductions

What are they?
Deductions are expenses that can be subtracted from a taxpayer's total income to reduce the amount that is taxable. Each year, taxpayers must either take the standard deduction, a fixed dollar amount determined annually by the IRS, or itemize their deductions by claiming certain eligible expenses, such as home mortgage interest. Households typically itemize if the total value of the deductions for which they are eligible is greater than the standard deduction.

Who benefits from deductions?
More than two-thirds of households do not itemize deductions but instead claim the lower standard deduction. Of the $147 billion of tax subsidies provided by itemized deductions in
2011, more than 80 percent went to households in the top 20 percent of earners (the top quintile), while the bottom 20 percent received virtually no benefits at all.33

The two most popular itemized deductions—the mortgage interest (MID) and property tax deductions (PTD)—are designed to support homeownership, but they heavily favor affluent households. In 2013, the aggregate subsidy provided by the MID and PTD amounted to $70 billion and $27 billion, respectively. Approximately 70 percent of each of them went to the top 20 percent of earners, while less than 2 percent went to the bottom 40 percent.34 The reasons wealthier households receive greater benefits from these homeownership deductions are: first, the value of the savings created by an itemized deduction is proportional to the tax rate of the taxpayer, so the higher the taxpayer’s income tax rate the greater the benefit.35 Second, a homeowner can deduct interest on up to $1 million of debt used to purchase or refinance a home.36 Wealthy households are more likely than their less affluent counterparts to have large mortgages. With larger mortgages, wealthier households have higher interest payments and, in turn, larger deductions to claim on their returns. Third, a homeowner must itemize his or her deductions to benefit from the MID and PTD, and wealthy earners are much more likely to itemize their deductions than low-income households.37

Preferential Rates

What are they?

Preferential rates occur when certain types of income are taxed at a lower rate than “ordinary income” (e.g., wages and tips).38 Whereas exclusions and deductions lower a household’s tax liability by reducing taxable income, preferential rates decrease it by lowering the tax rate applied to taxable income. Well-known examples of preferential rates are those that apply to long-term capital gains (e.g., profits from the sale of stocks or bonds held for over a year) and dividends. Each is subject to a 20 percent maximum tax rate for taxpayers instead of the maximum of 39.6 percent on regular income.39

Graph 1: Share of Tax Subsidies, by Income Quintile (2011)

Note: The income quintiles used in this graph were developed by the Tax Policy Center and are as follows (in 2011 dollars): bottom quintile ($0–$16,812); second quintile ($16,813–$33,542); middle quintile ($33,543–$59,486); fourth quintile ($59,487–$103,465); top quintile ($103,466 and up).
Who benefits from preferential rates?
Preferential rates mostly benefit the wealthy. In 2011, preferential rates on dividends and long-term capital gains resulted in savings of almost $78 billion for individual households,\(^4^0\) with 75 percent of the total going to households making over $2 million per year (i.e., the top 1 percent) and over 96 percent to the top 20 percent of earners.\(^4^1\) Only 1 percent of the benefit went to the bottom 60 percent of earners, and the bottom 20 percent did not benefit at all.\(^4^2\)

Tax Credits

What are they?
Tax credits, typically applied after a person's tax liability has been determined, directly reduce a person's tax bill, rather than decreasing the amount of income that is subject to taxation.\(^4^3\) Tax credits can be “nonrefundable” or “refundable.”\(^4^4\) Nonrefundable credits can only reduce a taxpayer’s liability to zero.\(^4^5\) Refundable credits can result in a refund—a direct payment from the government to the taxpayer—if, after the credit is applied, the balance is less than zero.\(^4^6\) For example, if a taxpayer has a $300 tax bill but is eligible for a $500 refundable tax credit, he or she would receive a refund of $200.

Who benefits from tax credits?
Nonrefundable tax credits do benefit low- and moderate-income households, but at $8 billion they make up only a small proportion of all tax expenditures.\(^4^7\) Refundable credits benefit lower income groups the most: in 2011, for example, nearly two-thirds of the $122 billion in refundable tax credits went to households within the bottom 40 percent of earners (bottom two quintiles).\(^4^8\)

The Earned Income Tax Credit (EITC), which reduces the impact of payroll and income taxes for low- and moderate-income workers, is the largest refundable credit;\(^4^9\) it provides over $60

**Graph 2: Demographic Composition of Income Quintile, by Race and Ethnicity (2011)**

Non-Hispanic White: 2% Bottom, 1% Second, 1% Middle, 1% Fourth, 1% Top
Black: 1% Bottom, 1% Second, 1% Middle, 1% Fourth, 1% Top
Latino: 1% Bottom, 1% Second, 1% Middle, 1% Fourth, 1% Top
Asian/Pacific Islander: 1% Bottom, 1% Second, 1% Middle, 1% Fourth, 1% Top
Native American/Alaska Native: 1% Bottom, 1% Second, 1% Middle, 1% Fourth, 1% Top
Other or Mixed Race: 1% Bottom, 1% Second, 1% Middle, 1% Fourth, 1% Top

Source: PolicyLink analysis of 2011 American Community Survey, using income breaks (in 2011 dollars) developed by the Tax Policy Center.
Note: The income quintiles used in this graph were developed by the Tax Policy Center and are as follows (in 2011 dollars): bottom quintile ($0–$16,812); second quintile ($16,813–$33,542); middle quintile ($33,543–$59,486); fourth quintile ($59,487–$103,465); top quintile ($103,466 and up).
billion a year in tax savings,\textsuperscript{50} with the overwhelming majority of the benefits going to low-income households. The Tax Policy Center estimates that in 2015 over 90 percent of the EITC’s benefits will go to families with children in the bottom 40 percent of the income distribution.\textsuperscript{51}

**Who Benefits from Tax Expenditures among Different Racial and Ethnic Groups?**

Public understanding of who benefits from tax expenditures by race and ethnicity is limited by the fact that the Internal Revenue Service does not collect tax data by race or ethnicity. However, data related to the distribution of expenditures by income group can provide a rough approximation of how different racial and ethnic groups do or do not benefit from different types of tax expenditures.

**Who Benefits from Deductions, Exclusions, and Preferential Rates?**

Income data suggest that minorities benefit less from deductions, exclusions, and preferential rates than whites. As stated above, tax savings created by those expenditures in 2011 largely went to the top 20 percent of earners (the top quintile). Of households in that quintile, the overwhelming majority, 79 percent, were white; only 6 percent were black, 7 percent were Latino, and 7 percent were Asian/Pacific Islander.\textsuperscript{52} Just 9 percent and 11 percent of all black and Latino households, respectively, were among the top 20 percent of earners during 2011.\textsuperscript{53} The fact that white households made up the predominant share of the income group that benefited most from exclusions, preferential rates, and deductions indicates that white taxpayers receive a greater portion of the benefits provided by those expenditures.

Many households of color do not qualify for the largest types of deductions, exclusions, and preferential rates because of the way those expenditures are structured. For example, as indicated earlier, in order to claim the mortgage interest deduction a taxpayer must own a home and itemize his or her tax return. However, people of color own homes at substantially lower rates than whites; for example, as of the first quarter of 2014, only 44 percent of African Americans, 46 percent of Latinos, and 56 percent of other households of color owned homes, compared to 73 percent of whites.\textsuperscript{54} In addition, we know that fewer than one-third of all homeowners itemize.\textsuperscript{55}

Similarly, to qualify for the exclusion for income contributed to and earned in an employer-based retirement account, a taxpayer must be able to participate in such a plan. But workers of color, particularly blacks and Latinos, have lower participation rates than their white counterparts, either because their employers do not offer them or they cannot afford to contribute.\textsuperscript{56} In 2011, 43 percent of white workers participated in an employer-based retirement plan, while 38 percent of black workers and only 24 percent of Latino workers did so.\textsuperscript{57}

Finally, taxpayers are only able to enjoy preferential rates applied to dividends and capital gains on the sale of equities if they own stocks, bonds, or other qualified investments, and the vast majority of minorities do not.\textsuperscript{58}

**Who Benefits from Tax Credits?**

Minority households benefit more from tax credits than from other expenditures. This is primarily because people of color make up a larger proportion of low- and moderate-income earners, which derive the greatest value from tax credits, than the top 20 percent of earners, who benefit most from deductions, exclusions, and preferential rates. In 2011, for example, approximately 76 percent of the value of all refundable tax credits went to households making less than $60,000.\textsuperscript{59} During that year, at least 72 percent of African Americans, 69 percent of Latinos, and 44 percent of Asian/Pacific Islanders fell into that income category.\textsuperscript{60}

- The vast majority of tax savings due to exclusions, deductions, and preferential rates for capital gains and dividends accrue to the wealthiest 20 percent of households (the top quintile).
- Of households in the top quintile, the overwhelming majority, 79 percent, were white; only 6 percent were black, 7 percent were Latino, 7 percent were Asian/Pacific Islander, and none were Native American/Alaskan Native.
- Tax credits, especially refundable credits, tend to benefit low-income households and households of color more than other types of expenditures.
Moving Forward: How to Achieve Equitable Tax Reform?

The tax code is a product of public policies, and tax policies can be changed, but advocates need to first educate themselves and their constituencies about what’s at stake and possible policy solutions. One way to begin is to follow and participate in national conversations about equitable tax reform.

Several national initiatives are educating and engaging national, state, and local leaders about the need for tax reform and working to build consensus around policy solutions. One national effort, the Tax Policy Project, was started in 2013 by a network of foundations. The Project has provided a forum for advocates, including PolicyLink, to come together with researchers and tax policy experts to identify policies that will produce a more inclusive, progressive, and equitable tax code, one that expands savings and investment opportunities for lower-income households and households of color. The group has identified shared principles and tax policy proposals—in the areas of housing, education, retirement, child savings, and emergency savings—that will expand wealth-building opportunities for lower-income households.

Emerging Policy Solutions

As described in this report, the structure of many exclusions, deductions, and preferential rates make them inaccessible to millions of low- and moderate-income households and households of color. Tax credits are more accessible than other expenditures, but the lowest-income households—those with no tax liability—can only benefit if the credits are refundable. Following are examples of policy proposals that would either restructure existing tax expenditures to make them more accessible or establish new opportunities for lower-income households.

Help more families access homeownership incentives

As discussed earlier, few low-income households or households of color benefit from existing tax deductions that support homeownership—the home mortgage and property tax deductions—because they do not own a home or do not itemize on their taxes. Recent federal policy proposals would expand access by converting the home mortgage deduction into a credit so households could claim them whether or not they itemize.

Make retirement savings incentives accessible

Recently, the lack of retirement savings among American workers has been catching the attention of policymakers. One solution being advanced by equity advocates is to change an existing tax benefit known as the “Saver’s Credit” to make it accessible to more families. Passed in 2001, the Saver’s Credit aims to encourage retirement savings among lower-income households, but most eligible households do not claim it because it is not refundable. Making the credit refundable and allowing for federal matching contributions would boost retirement savings for millions of households.

Help families build emergency savings

Low-income families and families of color with limited savings need resources to handle financial emergencies without going into a downward financial spiral. One piece of legislation, introduced in the 113th Congress, offers lower-income households a refundable tax credit (similar to the EITC) if they deposit their tax refund into an eligible savings account.

Support child savings

Research shows that children are more likely to succeed if they have savings in their name. Several recent federal proposals would create a savings account for every child born in America that would provide federal funds for an initial deposit and matching funds for lower-income children.

These and other policy proposals are being advanced at the national level, but they are unlikely to pass until there is a public outcry about the need for an equitable tax code. Furthermore, expanding access to wealth-building tax benefits for lower-income households may require restricting benefits for those at the top, and this kind of trade-off will undoubtedly provoke tough political battles.

Changing the tax code is a heavy lift—it will take years, maybe decades, of commitment by a huge network of advocacy organizations, but now is the time to begin the process. Now is the time to educate and engage advocacy networks, the media, and elected representatives about how the tax code is driving inequality. Now is the time to advance innovative policy solutions.
Conclusion

The tax code is fueling inequality in America by disproportionately subsidizing wealthier households to save and invest while offering few opportunities for lower-income households. Wealth-building tax subsidies come at a huge cost to American taxpayers. While Congress has focused on reducing the national debt by cutting programs that benefit low- and moderate-income households, tax expenditures that largely subsidize wealthier families to save and invest have been left untouched.

Now is the time to begin the process of turning an “upside down” tax code “right-side up.” By educating ourselves, our colleagues, and our networks about the need for equitable tax reform, advocates can begin to work toward a tax code that builds the financial security of families and contributes to national growth and prosperity for all Americans.

Notes

2  Ibid.
5  In 2012, tax expenditures administered through the individual tax code equaled $1.1 trillion and corporate tax expenditures equaled $148 billion.
7  Ezra Levin et al., From Upside Down to Right Side Up: Redeploying $540 Billion in Federal Spending to Help All Families Save, Invest, and Build Wealth (Washington, DC: CFED, 2014), 6, http://cfed.org/assets/pdfs/Upside_Down_to_Right-Side_Up_2014.pdf. CFED estimates that total asset-building benefits in the individual tax code amount to $542 billion, but distributional benefits data are only available for a subset, $340 billion (the majority), of those expenditures. The CFED report uses Tax Policy Center (2014) and Congressional Budget Office (2013) data to estimate the distributional benefits of the $340 billion subset, which includes tax subsidies for homeownership, investment/inheritances, retirement, and higher education.
10  Ibid.
12  Ibid., vii.
13  Ibid.
14  Ibid.
15  Congressional Budget Office, Distribution of Major Tax Expenditures, 1.
16  Ibid., 9.
17  Harris et al., Tax Subsidies for Asset Development, 4.
18  Ezra Levin et al., From Upside Down to Right Side Up, 5.
19  Ibid.
20  Some distributional analyses identify additional types of expenditures, such as exemptions and deferred liabilities. Like the Congressional Budget Office’s most recent report, “The Distribution of Major Tax Expenditures in the Individual Income Tax System,” this primer groups tax expenditures broadly into four categories—exclusions, deductions, credits, and preferential rates. The number of expenditure categories has no impact on the primer’s analysis.
21  Harris et al., Tax Subsidies for Asset Development, 3.
23  Ibid., 15.
24  Harris et al., Tax Subsidies for Asset Development, 3.
25  Toder and Baneman, Distributional Effects: An Update, 16.
26  “Workers” includes those who work part-time or are self-employed.
28  Ibid., 11.
29  Harris et al., Tax Subsidies for Asset Development, 2.
31  Harris et al., Tax Subsidies for Asset Development, 2.
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33 Toder and Baneman, Distributional Effects: An Update, 15–16.

34 Harris et al., Tax Subsidies for Asset Development, 10–11.


36 Ibid., 6.

37 Harris and Baneman, Who Itemizes Deductions?, 345.

38 Harris et al., Tax Subsidies for Asset Development, 3.

39 Congressional Budget Office, Distribution of Major Tax Expenditures, 18. Beginning in tax year 2013, individuals earning over $200,000 must pay an additional surtax of 3.8 percent on all investment income.

40 Toder and Baneman, Distributional Effects: An Update, 16.

41 Ibid., 15.

42 Ibid.

43 Harris et al., Tax Subsidies for Asset Development, 3.

44 Ibid.

45 Ibid.

46 Ibid.

47 Toder and Baneman, Distributional Effects: An Update, 16.

48 Ibid., 15–16.

49 The amount of the credit depends on the recipient’s income, marital status, and number of children. Workers receive the credit beginning with their first dollar of income earned, and the value of the credit rises with earned income until it reaches a maximum level and then begins to phase out as workers earn higher incomes.


53 PolicyLink analysis of American Community Survey using Tax Policy Center Tables.


55 Data on the percentage of minority homeowners who itemize their returns are unavailable because the IRS does not collect data by race or ethnicity.

56 Copeland, Employment-Based Retirement Plan, 10.

57 Ibid., 9–20.


59 Toder and Baneman, Distributional Effects, 15–16.

60 PolicyLink analysis of American Community Survey using Tax Policy Center tables.

61 The Project was started by the national Asset Funders Network. The national nonprofits CFED and PolicyLink are assuming the leadership. For more information regarding the Tax Policy Project, see http://assetfunders.org/educate/tax-policy-reform-project/. For more information regarding Americans for Tax Fairness, see http://www.americansfortaxfairness.org/.

62 The Aspire Act is one example—see http://assets.newamerica.net/theaspireact. Another example, legislation proposed by U.S. Representative Keith Ellison (D-MN), is one policy proposal that would make homeownership subsidies accessible to more households. It would reduce the amount of interest eligible for deductions and convert the home mortgage deduction into a 15 percent nonrefundable tax credit. For more information, see http://cdn.americanprogress.org/wp-content/uploads/issues/2012/01/pdf/small_change_savers_credit.pdf.

63 In 2013, U.S. Representative Richard Neal introduced the Savings for American Families’ Future Act of 2013 (H.R. 837), which would expand the availability of the saver’s credit, making the credit refundable and making federal matching contributions into the retirement savings of the taxpayer.


65 The Aspire Act is one example—see http://assets.newamerica.net/theaspireact. Another example, legislation proposed by U.S. Representative Joseph Crowley (D-NY), would create a savings account for every child, expanding the Child Tax Credit to increase low-income families’ capacity to save in the accounts. For more information, see http://crowley.house.gov/press-release/congressman-crowley-announces-plan-create-savings-and-investment-program-american.

Acknowledgments

*Building an Equitable Tax Code: A Primer for Advocates* is supported by the Ford Foundation’s *Building Economic Security Over a Lifetime (BESOL)* initiative, and informed by the participation of PolicyLink in the national *Tax Policy Project*.

Thank you to Solana Rice, former PolicyLink staff member, now with CFED, who contributed to earlier versions of this document, and Jennifer Tran, of PolicyLink, for providing helpful research, analysis, and advice related to the racial and ethnic demographic data presented in this primer.

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