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Being a Parent Is Hard Enough: It's Time for Congress to Help Families Thrive

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KEY TAKEAWAYS

American families don't need the government wasting their taxpayer dollars on special-interest programs, disincentivizing work, and weakening family formation.

Families deserve more ways to thrive through good jobs; through affordable and flexible child care, education, and health care; and by forming stable families.

Lawmakers should keep this positive framework in mind when enacting reforms that give families the opportunity to flourish.

Across the country, parents are doing their best to make a better life for their children. Although families and hard work are cornerstones of our country, worrying trends require attention from policymakers. For example, non-marital childbearing remains at a near-record level; barely half of children are raised in a steady, two-parent home;[1] parents may not be able to access affordable service options like child care, education, and health care that reflect their unique needs; and many parents face financial penalties if they marry. These trends have both economic and cultural ramifications, including the growth of child poverty,[2] that if left unaddressed will undermine flourishing for all. Worse yet, government policy has exacerbated these problems.

President Joseph Biden recently released a plan that he suggests will help American families and create jobs.[3] In reality, his plan's government-knows-best model spends huge sums of money to fund benefits that politicians create and control while piling up debt for future generations.[4] The plan is full of subsidies to special interests—from health insurance companies raising prices[5] to teachers' unions and even day care institutions that follow government directives.

Moreover, the plan incentivizes self-limiting behaviors that are contrary to human well-being. The Biden plan makes work less rewarding for those who hold jobs, discourages work for those who don't, and in both these ways undermines intergenerational modelling of the importance of work. It also would reduce the likelihood that low-income Americans will find meaningful work and healthy marriages. Instead of stronger families and more jobs, Americans will see more dependence on government and less mobility.

Finally, the Biden plan does not address factors that cause real problems for families: policies that make it harder to find jobs so that families can self-support and choose the education, child care, and health coverage that are best for them.

A better, different approach is needed. Policy should provide a positive framework that gives families the opportunity to flourish and supports their efforts to raise and provide for their children. Specifically, policymakers should:

- **Remove** barriers that prevent families from obtaining child care that reflects personal choices;
- **Empower** families to attain flexible work arrangements;
- **Offer** more education options that families control;
- **Equip** families to choose quality, affordable health care of their choice;
- **Let** families enjoy a bigger paycheck through lower taxes;
- **Create** jobs and increase wages through pro-jobs tax and regulatory policies;
- **Provide** a stable economy by pursuing prudent macroeconomic policies on inflation and spending;

- **Promote** job creation by facilitating wiser infrastructure investment; and
- **Encourage** marriage and work, not open-ended cash handouts, in our welfare system.

Remove Barriers That Prevent Families from Obtaining Child Care That Reflects Their Personal Choices

Reject Flawed New Proposals. Policymakers who want to support families in the choices and pursuits that they decide are best for them should start by rejecting policies that would replace families' personal choices with politicians' preferences and put bureaucrats in charge of some of the most important components of families' lives. For example, the Biden plan would provide large child care subsidies to families, but only if they send their children to child care centers that conform to burdensome and unnecessary regulations and government curricula. Such an approach discriminates against smaller and family-based child care providers, as well as two-parent families who make financial sacrifices so that one parent can stay home with children.

Instead, Members of Congress who truly want to support families and encourage work should:

- **Allow parents to hire babysitters and other in-home child care providers without having to become an employer and answer to multiple government agencies.**[6] Families need lower-cost and more flexible child care options, including babysitting, part-time care, and even shared care, but those who want to pay someone to help in their home face government barriers. Currently, if an individual or family pays another individual more than $2,300 per year (the equivalent of $44 per week) for work performed in his or their home, they are required to treat that individual as a "household employee," including withholding, paying, and submitting multiple employer and employee taxes. This process requires registering as an employer with the state and federal government, registering with and paying employment taxes to the Social Security Administration, possibly hanging official employee-rights notices in one's home, and submitting tax payments to the state and federal unemployment insurance systems and state and federal income tax systems.

In addition to the tax burden, compliance with all of the different rules and taxes is both confusing and burdensome, and mistakes can lead to significant tax bills for both the household "employer" and the "employee." Under the current rules, a family could not even hire a babysitter at $15 per hour for three hours on one day of each week without exceeding the $2,300 threshold and having to treat that individual as a legal employee.

Workers who provide these child care services might prefer to be treated as contractors as opposed to household employees because contractor status gives them more flexibility to perform multiple jobs and can eliminate confusion about which party is keeping track of income and filing taxes.

Congress should create a safe harbor to allow individuals performing household work to choose to be treated as contractors instead of household employees. This would help both the workers in these jobs and the families who employ them by expanding more affordable and flexible options and relieving them of the significant administrative burdens involved in having small-scale child care interactions treated as formal employer–employee relationships.

- **Enable more parents to get employer-provided child care benefits.** Working parents can gain huge benefits from employers who provide child care benefits—such as on-site preschool or child care programs or subsidies for backup child care. These benefits also increase workers' interest in staying at their jobs. Yet under the Fair Labor Standards Act,[7] employers who provide any kind of on-site child care or child care subsidies must include the value of those benefits in employees' "regular rate" of pay calculations.[8] This complicates and needlessly increases costs for employers because when workers who are paid hourly work overtime, they not only have to be paid 1.5 times their usual wage rate, but also must receive 1.5 times the hourly value of any child care subsidy even though those subsidies are usually fixed benefits.

  Congress should exclude child care benefits from the "regular rate" of pay calculations, just as the law already excludes similar benefits such as retirement contributions and accident, health, and life insurance benefits. Such reform would help families by making it easier for their employers to offer them convenient on-site child care at a reduced cost. This would particularly benefit lower-income to middle-income workers who are more likely to receive hourly wages.

- **Enable more parents to get maternity and medical leave from private disability insurance.** Private insurance provides workers with medical leave benefits for themselves and with pregnancy and maternity-related leave. Already, 47 percent of full-time private-sector workers have temporary disability insurance, but this figure could be expanded through two changes.

  First, Congress should clarify in legislation that employers have the same legal authority to automatically enroll employees (providing they are allowed to opt out) in their temporary disability insurance policies that they have to automatically enroll them in their retirement plans.

  Second, Congress should consider providing a payroll tax credit to employers who provide their workers with qualified disability insurance policies as long as those policies also cover long-term disability and thus offset the costs of the federal disability insurance program. This change would help families by increasing access to paid family and medical leave under policies that are more efficient and responsive than government programs.[9]

Empower Families to Attain Flexible Work Arrangements

Reject Flawed New Proposals. Policymakers who want to support families and encourage work should begin by rejecting President Biden's plan to upend the labor market by prioritizing union bosses' desires over individual workers' desires, by upending entire business models, by restricting performance-based pay, and by making it extremely difficult—often impossible—for individuals to perform flexible and independent work.

Instead, Members of Congress who truly want to support families and encourage work should:

- **Allow low-income private-sector workers to choose between paid time off and overtime pay.** The Fair Labor Standards Act does not allow individuals in the private sector to accrue compensatory time in the same way that public sector workers do. By allowing private-sector workers to choose between earning time-and-a-half pay when they work overtime hours or time-and-a-half paid time off, this proposal would particularly benefit lower-wage workers who are more likely to be paid hourly wages by allowing them a choice to accrue paid time off.

Such reform would help families both by giving them the option to accrue benefits currently reserved for public-sector workers and by increasing their access to paid leave. The Working Families Flexibility Act (S. 247) would achieve this goal.[10]

- **Help workers who desire greater flexibility and independence to have more income opportunities that work for them and their families.** Congress should clarify and harmonize the government's multiple definitions of "employee" versus "contractor." Current ambiguity and conflicting definitions increase the costs and potential legal liabilities of doing business with independent workers. This affects all types of businesses, including those that contract with sanitation workers, businesses that utilize website designers or contract out for groundskeeping, and even churches that contract with musicians. Without clarification that such individuals can be treated as contractors, or under laws like the Protecting the Right to Organize (PRO) Act that would specifically prohibit contracting with such individuals,[11] employers would not do business with those independent workers.

  Congress should clarify the test for independent contractor status under the Fair Labor Standards Act, the National Labor Relations Act, and the tax code based on the "common law" test that bases determinations on how much control an employer exerts over a worker.

- **Allow more workers to apply their skills to earning a living in professions that typically provide a higher level of autonomy and flexibility.** State lawmakers should review and eliminate unnecessary occupational licensing requirements**.** Instead of adhering to their stated purpose of protecting public health, most licensing boards and requirements function as state-sanctioned cartels that limit competition by requiring individuals to undergo lengthy and expensive training requirements and to pay high fees just to work in a certain profession. There is no public health justification for such onerous requirements in occupations like barbers, ballroom dance instructors, makeup artists, hair braiders, and interior designers.

Licensing requirements particularly burden lower-income families and military families by excluding them from entering occupations they are equipped to perform and by cutting off their ability to work when they move to a different state.

The states and Congress should work to eliminate needless licensing restrictions and make it easier to transfer licenses across state lines. Although Congress does not control state licensing laws, it can help states to eliminate barriers to work opportunities by, for example, providing guidance to states on the efficacy of licensing standards. The Freedom to Work Act (H.R. 3145) could help to advance these goals.[12]

- **Give workers a choice in union membership and workplace representation** so that more people can pursue the workplace arrangements that are best for them. Unions typically impose rigid pay scales and one-size-fits-all schedules that fail to recognize and reward individuals for their hard work and make it harder for individuals with family obligations to work out alternative schedules or additional flexibility. Even in right-to-work states where individuals cannot be forced to join a union or pay union fees, no workers in a unionized workplace are free to negotiate on their own behalf or to have anyone other than the union negotiate for them.

  Congress should end exclusive representation, freeing unions from having to represent workers who do not want to pay union dues and freeing workers who do not want the union representing them either to have another person or entity represent them or to negotiate directly with their employers.

Offer More Education Options That Families Control

Reject Flawed New Proposals. We are in the middle of the most dramatic changes in our nation's education since its founding. Parents faced months of disruption in their children's education as schools were closed during the pandemic far too long at the request of special-interest groups like teacher unions. For many parents, taking on the role of homeschoolers for their children has underscored the value of policy that supports their and their children's unique needs. Instead, the Biden Administration is pursuing policies that would put more bureaucracy between families and their children's education by concentrating education decision-making in Washington.

Policymakers who want to help families access the best education and child care options and to encourage work should begin by rejecting President Biden's plan to redistribute taxpayer dollars in order to benefit center-based child care and preschool at the expense of family care and private providers, to increase spending on the K–12 public education establishment through proposals such as a $9 billion "teacher training" program, and to waste over $200 billion on new higher education subsidies that will make college more expensive in the long run and saddle families with more debt. Such subsidies do nothing to lower the cost of living; instead, they inflate it while attempting to paper over the increases with more—and likely unsustainable—taxpayer spending.

Parents also want to know that their children are being equipped to thrive and succeed in life. To help children avoid poverty, research shows that three things need to occur: graduate from high school, take a job, and delay having children until married. Access to education options that are the right fit for them is critical to setting young people up to follow this sequence successfully. Parents feel strongly that schools should teach these ideas, broadly referred to as the "Success Sequence." In a nationally representative survey of parents conducted by Braun Research for The Heritage Foundation, 72 percent of respondents and 60 percent of school board members felt that schools should teach the Success Sequence.[13]

Access to learning options of choice enables families to select schools that align with their values in addition to giving them access to safe and effective learning environments. Although school choice is primarily a state and local issue, there is a role for Congress to play.

Members of Congress who truly want to support families, advance education excellence, and equip students for jobs that best suit them should:

- **Allow existing funds for the Head Start program to be portable**, following eligible children to a private preschool or child care provider of choice.[14] Such reform helps families by allowing them to convert an outdated, ineffective, and limited preschool offering into about $10,000 per year to use at a child care provider or preschool of their choice—one that better meets their families' needs and desires, including hours that meet parents' work schedules and allows for more tailored care. It also helps families by no longer making them reliant on a distant, ineffective federal program for preschool services. The Head Start Improvement Act (S. 1153) would advance these goals.[15]

- **Establish an education savings account option** for children in the District of Columbia[16] and children of military families,[17] two populations the education of which federal taxpayers fund and over which Congress has jurisdiction. This would be a major boon to D.C. families, particularly those who are lower income, as it would enable children to select into schools that are safe and effective and the right fit for them. It would also allow military families to have greater choice with respect to the schools their children attend, no longer merely relegating them to the public school that is closest to their parents' duty station. The Educational Freedom Accounts Act (S. 2163) would advance this goal.[18]

- **Allow the parents of a child with special needs[19] to choose the appropriate public or private school for their child** with their share of existing Individuals with Disabilities Education Act (IDEA) funds. Funds provided through IDEA should be made portable, following eligible children to a private school of choice or other private provider. Families should also be allowed to use these existing funds as "micro education savings accounts," remaining in their public school if they choose to do so but using the funding to pay for special education services and therapies that are the right fit for their child. The Creating Hope and Opportunities for Individuals and Communities Through Education (CHOICE) Act (S. 74) would advance these goals.[20]

- **Situate decision-making about existing federal funding closer to the families that are affected by those decisions** by restoring state and local control of education. Congress should allow states to use existing federal education funding to implement state-determined and locally determined priorities. Federal taxpayers finance less than 10 percent of K–12 education funding; stated differently, the federal government is just a 10 percent stakeholder in all K–12 education financing. Yet federal rules and regulations far exceed that modest financing share.

  States should be able to opt out of the programs in the Elementary and Secondary Education Act (ESEA), currently authorized as the Every Student Succeeds Act (ESSA), and use their share of education funding for any lawful education purpose as determined by state law. Instead of funneling federal education spending through a labyrinthine system of competitive and formula grants, states should be allowed to access their share of federal education dollars under ESEA and use those funds to implement options, including measures such as education savings accounts for families, that best meet their communities' needs. The Academic Partnerships Lead Us to Success (A PLUS) Act (H.R. 3149) would advance these goals.[21]

- **Better protect students and parents from taking on considerable student loan debt.** Congress should amend the Higher Education Act to allow colleges to limit borrowing, enabling colleges themselves to limit the amount of student loans a student borrows below that statutory limit. This would help students to exit school with lower levels of debt. It would also reduce family-level debt. Due to existing federal lending programs such as the Parent PLUS loan, which enables parents to borrow for their child's undergraduate education and is in addition to the basic federal Direct Loan, some Americans find themselves entering retirement holding their children's student loan debt. Allowing colleges to cap borrowing and terminating the Parent PLUS and Grad PLUS loans would reduce this family-level debt.

- **Help young people to access apprenticeship programs**[22] with reforms that enable students to pay for individual courses and courses of study that are more applicable to the job market. Today, federal government policy is biased toward encouraging young people to attend a four-year college. College is a good fit for some, but others would thrive in jobs for which they train through apprenticeships. Attending college *or* getting a job out of secondary school is a key tenet of the Success Sequence and an important component of strong and flourishing families.

  To help address this problem, Congress should allow Title IV funding (federal student loans and grants) to go toward a postsecondary certification, credential, or degree that is eligible for federal student aid funding if the programs and courses are credentialed by a state that has an alternative accreditation agreement with the U.S. Department of Education. The Higher Education Reform and Opportunity (HERO) Act (S. 2339) would advance this goal.[23]

Equip Families to Choose Quality, Affordable Health Care of Their Choice

Reject Flawed New Proposals. Policymakers who want to support the ability of families to obtain better health care should begin by rejecting President Biden's plan to expand Obamacare with subsidy increases that would benefit primarily the rich, those who already have private coverage, and insurance companies.[24] These higher subsidies would paper over the fact that Obamacare's premiums have doubled as a direct result of flawed government incentives.[25] The Biden proposal could also induce employers to drop employees' existing coverage, forcing workers into a government program with high cost-sharing and narrow physician networks or even to go without coverage altogether. In addition, President Biden has proposed that government price controls be imposed on prescription drugs. It is estimated that this approach would result in 100 fewer new drugs reaching the market over the next decade.[26] Such a shortsighted approach puts families at greater risk of loved ones being unable to access the care they need.

Members of Congress who truly want to support families should take actions that lower the cost of care, not inflate and paper over them, and empower families to access the care they need. These actions should include:[27]

- **Give every family the ability to apply existing subsidies to a coverage arrangement of choice.** Instead of giving more money to insurance companies in ways that decrease choices, increase costs, and offer limited access to doctors, Congress should help families. Currently, families who qualify for financial assistance either get a government-approved health plan through Obamacare,[28] the Children's Health Insurance Program (CHIP),[29] or Medicaid[30] or go to a government-financed health facility. Sometimes this results in children on one plan and parents on another.

  A better course would be for Congress to allow families to apply existing subsidies (for Obamacare, CHIP, and Medicaid) to private coverage of their choice, including employer-provided coverage. Such a reform would allow parents to pick a plan for their family that matches their needs rather than trapping them in a one-size-fits-all government plan if they prefer to leave. It also would allow children to be on the same plan that covers their parents.

This reform would also give lower-income families more choices and access to private coverage. Today, for example, if a person eligible for Medicaid has a job that offers employer-sponsored health insurance, state bureaucrats must approve the person's ability to apply his or her existing government subsidies to the cost of that private coverage. Consequently, this rarely occurs. Congress should therefore make clear that any subsidy it provides follows the person receiving the subsidy and does not tie him or her to any specific government-approved coverage or program.

- **Address government mandates and policies that drive up the cost of health care.** Health care costs continue to rise, and government policy has made this worse. Policymakers could start to address these problems by:

  1. **Expanding access to lower-cost and better coverage that suits families' unique needs.** Families who do not get coverage through their employers are encouraged to get it through the Obamacare exchanges.[31] That program has more than doubled premiums for individual health insurance, pricing it out of the reach of millions of Americans. Between 2013 and 2019, the average premium paid for individual market coverage in the exchanges more than doubled in 40 states—and in five of those states, it more than tripled.[32] The Biden Administration has proposed to expand subsidies to these unaffordable insurance plan premiums rather than reforming the system to reduce premiums.

     Congress instead should put patients and doctors in charge of health care decision-making, as outlined in the Health Care Choices proposal.[33] By increasing choice and competition, requiring medical providers to disclose their prices before providing services, and incentivizing states to repeal laws that restrict competition and allowing states to remove federal regulatory barriers that drove premiums higher,[34] this proposal would reduce premiums by up to 24 percent, extend private health insurance to millions more people, and increase their choices of providers.[35]

  2. **Making prices transparent so that families can comparison shop by knowing the cost of care ahead of time and can share in any savings when they choose lower-priced cares.** Today, it is hard to know the cost of care before you buy it, and a patient who

chooses lower-cost care through a health insurance policy does not share in the savings. Congress should enact policies to ensure that patients have access to prices for the actual cost of their care in advance of purchasing it and can share in any savings when they purchase lower-cost care.[36]

The Trump Administration made regulatory changes that advanced both of those goals,[37] and Congress should codify and expand those regulatory initiatives. Congress also should allow patients to put in a Health Savings Account any portion of any savings that accrue when they choose lower-quality care. Such changes, in addition to directly rewarding those who shop for lower-cost, better-quality care, would have the "spillover" effect of increasing competitive market pressure on medical providers to offer better value—to the benefit of all consumers.

3. **Reforming government policies that contribute to higher prescription drug costs and risk uncertainty of supply.** Reforms that Congress should make include (1) addressing provisions in current laws and regulations used by some drug companies that unjustifiably delay the introduction of competing lower-cost, generic versions of their products; (2) reforming the Food and Drug Administration's regulation of drug manufacturing to ensure a more reliable supply of drugs and prevent drug shortages; and (3) addressing flawed Medicare provisions that provide incentives to increase costs.[38]

- **Make it easier to access care from doctors at times and places that are convenient for families,** including through telehealth and direct primary care. Telehealth enables patients to see a doctor by video or phone from any location that works for them. This helps families by making it easier to see a doctor from home or any location on the go, thereby allowing busy mothers and fathers to save time away from work and obtain care for their children more quickly without sitting in a waiting room. Telehealth use grew rapidly during the past year thanks to regulatory relief that cleared away barriers during the COVID-19 pandemic.

  To fully realize telehealth's promise, Congress should make permanent the policies that enabled telehealth to grow during the pandemic and allow innovation in new uses to reach the market quickly. If policymakers clear the way for innovators, new tools, including tools that target the most common reasons parents see doctors such as earaches, could continue to build on the successes achieved during the pandemic.[39]

Direct primary care helps families to access care more easily by contracting directly with doctors in a Netflix-like membership model to get a specific set of health care services in exchange for a subscription fee. Direct primary care allows patients to pick and keep the primary care doctor of their choice independently of their insurance company. It can be paired with catastrophic coverage to protect against the risk of major financial loss. Direct primary care can be affordable and often costs less than a cell phone subscription. Many regulatory barriers stand in the way of families accessing this model easily, and Congress should remove them.[40]

Let Families Enjoy a Bigger Paycheck Through Lower Taxes

Reject Flawed New Proposals. Policymakers who want to help families thrive should begin by rejecting President Biden's plan to raise taxes. Although the President claims his plan for new welfare spending proposals amounts to "tax cuts for America's families and workers," in reality it provides refundable tax credits that are more accurately described as large cash welfare payments, as well as very little to no actual tax relief,[41] and includes significant increases in the taxes paid by America's families.[42] Moreover, it reportedly would impose marriage penalties by raising taxes on single filers with incomes higher than $452,700 and couples earning more than $509,300.[43]

Members of Congress who truly want to support families and encourage work should instead:

- **Prevent tax increases** on American families by permanently extending the lower tax rates and other pro-growth policies of the Tax Cuts and Jobs Act of 2017 (TCJA), which enabled the average family to keep $2,900 more of their earnings each year and led to above-trend wage growth that translated into an average wage gain of $1,400 over just two years.[44] Unless Congress acts, tax cuts for individuals will be reversed in 2026, causing a tax increase for families at every rung of the economic ladder.

- **Enact universal savings accounts (USAs)** so that workers can save in a single, simple, and accessible account to use for any and all life events without penalties or double taxation. Americans should be able to save at least $10,000 per year in a single, simple, and flexible savings account with their earnings taxed only once. In contrast to the existing range of retirement and education savings accounts with complex rules and regulations, USAs would be simple and straightforward. Families should be able to use their savings without penalties to spend on whatever needs are best for them—including taking family leave or paying for child care, education, and college—or as income during retirement. Such reform would help families by making saving easier and less costly as well as by helping their money to grow more over time and be available for life events of their choosing.[45]

- **Avoid policies that discriminate against families.** Government policies should not penalize individuals for getting married when marriage is shown to have significant benefits for individuals, children, and families. Policymakers should comprehensively eliminate existing marriage penalties in the tax code so that no family has to pay more to the government simply because they are married.

Create Jobs and Increase Wages Through Pro-Jobs Tax Policy

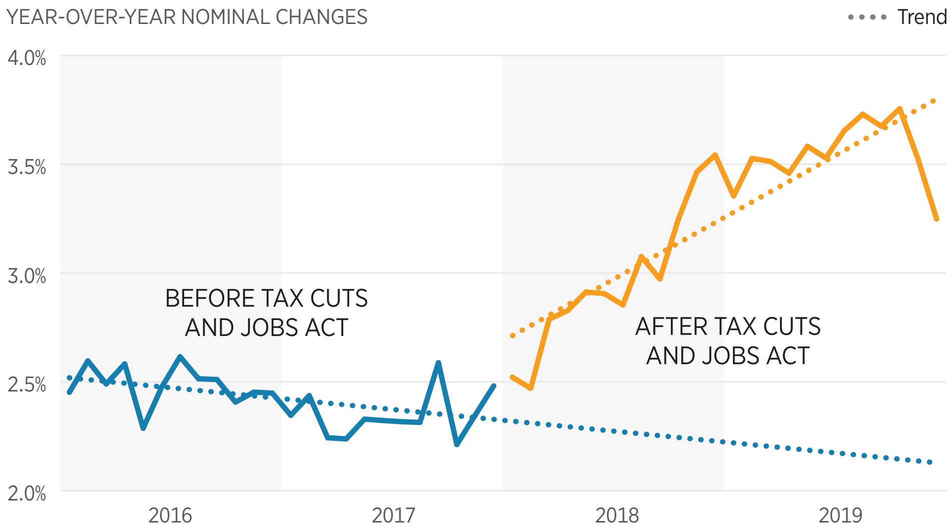
Reject Flawed New Proposals. Jobs are critical to families' efforts at self-support. Removing burdens on businesses and investors is by far the best way to create jobs and raise incomes. Policymakers who want to support marriage and encourage work should begin by rejecting President Biden's proposals that would undermine businesses' ability to create new jobs and offer higher wages by making the tax code more complicated, increasing burdensome taxes, and failing to address actual problems that are in need of resolution.

Members of Congress who truly want to support families and encourage work should instead:

- **Recognize that tax policy affects job creation and wages.** The Tax Cuts and Jobs Act demonstrates the impact of tax policy. The law reduced the tax burden for most families, raised wages, created jobs, and increased the American economy.[46] Eight in 10 taxpayers saw their tax burden reduced thanks to the TCJA, with an average tax cut of $1,400 in

CHART 1

After Tax Cuts and Jobs Act, Earnings for Production and Non-Supervisory Workers Rose Dramatically



SOURCES: U.S. Bureau of Labor Statistics, "Average Hourly Earnings of Production and Nonsupervisory Employees, Total Private, Seasonally Adjusted," https://data.bls.gov/timeseries/CES0500000008 (accessed January 25, 2021), and author's calculations.

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2018.[47] After the tax cuts and before the pandemic, the unemployment rate fell consistently, reaching a 50-year low of 3.5 percent.[48] Before the TCJA, wage growth for production workers and nonsupervisory workers had declined slowly, but after the tax cuts were signed into law, the trend reversed, and "in March 2020, the average production and nonsupervisory worker received $1,406 in above-trend annualized earnings."[49]

Significant portions of the TCJA related to business investment will phase out in the coming years unless reauthorized by Congress. This would be harmful for both workers and families. Congress should start by acting swiftly to provide certainty in the tax code and prevent harmful tax increases while also addressing additional tax policies that undermine job creation and wage growth.[50] However, further tax reductions should also be paired with spending cuts.[51] Congress should reject Democrats' calls to reverse the tax cuts.

- **Encourage higher wages by reducing corporate taxation.** In one of its most important reforms, the TCJA reduced the corporate income tax rate from 35 percent to 21 percent. While the corporate tax has a significant number of negative impacts,[52] a Heritage Foundation review of the economic research "shows that workers bear a majority of the economic burden of the corporate income tax in the form of lower wages. Labor bears between 75 percent and 100 percent of the cost of the corporate tax."[53] This is why workers experienced significantly above-average wage gains and added workplace benefits following passage of the TCJA. Moreover, the lowest 10th percentile of workers experienced the largest gains—an 18 percent increase in wages between 2017 and 2020 compared to a 14 percent increase at the median and a 13 percent gain for the top 90th percentile of workers.[54]

  The pre-TCJA 35 percent rate was not competitive and was the highest in the industrialized world. The TCJA brought the U.S. corporate rate down closer to the Organization for Economic Co-operation and Development (OECD) average, although the current rate is still higher than the rates of 25 OECD countries.[55] Instead of being average in terms of international competitiveness, the U.S. tax code should put American workers and businesses in the best possible position to succeed by reducing the tax burden. President Biden's proposal to increase the corporate tax rate would cause the U.S. once again to have the highest business tax rate among our major international competitors.[56]

  Reducing or eliminating the corporate income tax would be good for families and the economy. The Tax Foundation estimates that reducing the corporate rate to 15 percent from its current 21 percent would result in 101,000 more jobs and higher wages for every income group.[57]

- **Promote job creation through permanent expensing.** Allowing businesses to deduct the cost of making investments immediately rather than waiting for years encourages them to invest as soon as possible, reduces the cost of capital, improves productivity, creates more jobs, and substantially improves wages. The way the tax code treats business investments is an important aspect of job creation through economic growth. Unlike complex depreciation schedules that force businesses to deduct a portion of the costs of investment over several years, expensing allows for a full write-off in the year the new asset is purchased. Expensing is the correct tax policy because it lowers the cost of capital and allows for more investment.[58]

The Tax Cuts and Jobs Act provided full and immediate expensing for most capital investments through 2022, after which it will begin to phase out over five years. Preventing full expensing from expiring is an essential pro-growth priority. The Tax Foundation has estimated that making expensing for capital investments permanent would result in 86,000 more jobs, higher wages, and a larger economy.[59]

The TCJA did not provide full expensing for investments in structures, which are subject to depreciation schedules of 27.5 or 39 years. This means that if a business wants to invest in a new storefront, a factory, or other building, it is forced to deduct the costs over decades. To fix the tax treatment of investment in structures, Congress should either allow full and immediate write-offs or allow for neutral cost recovery with the deduction taken over time but adjusted for inflation and the time value of money.[60] The Tax Foundation has estimated that neutral cost recovery for structures would result in 231,000 more jobs, increase wages by 1 percent, and increase the capital stock by 2.3 percent.[61]

- **Promote job creation by reducing capital gains taxation to end the double taxation of investment.** Investment is essential for job creation, but the tax code taxes investment and savings twice.[62] When something is double taxed, you get less of it. Congress should eliminate the double taxation of capital gains and dividends or at least lower the tax rate. As a step in this direction, Congress could also index capital gains to inflation.[63] The tax basis of gains is not adjusted for inflation, which means that gains that accrue simply because of price increases over time are taxed just the same as real gains are taxed.[64] Indexing the purchase price of assets for calculating capital gains taxes would protect families from taxes on imaginary income.

Provide a Stable Economy by Pursuing Prudent Macroeconomic Policies on Inflation and Spending

Reject Spending Hikes. As we try to limit the fallout from crushing taxes, we need to address the root problem: Government has a serious spending addiction, and it is rapidly getting worse.

During the past year, spending in every category, pandemic-related or not, has soared. According to the Congressional Budget Office, federal government spending has now reached $6.6 trillion[65] on an annualized basis—50 percent more than a year ago, or $2.2 trillion in additional spending in a single year. For perspective, all federal revenue in 2020 added up to just $3.4 trillion,[66] so taxes would have to be raised by two-thirds just to pay for the new spending. This is in addition to the parade of new trillion-dollar boondoggles from Green New Deals to redistributive "social justice" schemes.[67] G Government has a severe spending problem that will ultimately impose crushing taxes on families and job-creators. The longer we wait to rein in spending, the more victims it will claim.

A second way imprudent policy crushes families is inflation. We have now gone a generation without knowing the horrors of inflation, but if we fail to rein in spending and money creation, we may quickly find ourselves once more behind the inflation eight ball.

Inflation hits struggling families in at least four ways.

- Inflation hits the poor hardest because they have little financial slack. According to a Federal Reserve study, 70 percent of low-income households already spend everything they earn or more than they earn—more than twice the rate for higher-income families.[68]

- Inflation next goes to work on cash or fixed savings, eroding them directly through lower purchasing power. This does two things: It can force seniors living on cash or fixed savings back to work instead of enjoying retirement or taking care of family members, or it can force such savers to "chase yield"[69] by taking investment risks they did not necessarily want to take in order to protect the value of their savings. The elderly or financially fragile should not be forced to play the stock market just to keep their life savings intact.

- Beyond hurting families directly, inflation can hurt job creation by creating risks for job-creators, making smaller employers especially reluctant to take on staff that they may not be able to afford in the future. This added uncertainty can drain a community[70] of the grass-roots jobs in small businesses that give it resilience and diversity.[71]

- Finally, inflation causes harm across the economy, acting as a tremendous "deadweight" cost in the form of noise and distortions that can turn business planning and hire decisions into shots in the dark. One recent study estimated that the cost for today's economy is equivalent to $200 billion per 10 percentage point rise in inflation[72]—more than $1,600 per household.[73] This harm is permanent and compounds every year that the inflation lasts.

If we return to the 1970s era of crushing tax hikes compounded with galloping inflation, it is working families and our most vulnerable who will bear the brunt of a one-two punch not seen in a generation.

Members of Congress who truly want to support families and encourage work should instead:

- **Reduce spending to a sustainable level** by trimming or eliminating all spending that is obsolete, ineffective, duplicative, or not constitutionally authorized or that worsens the problem for which it was pitched as the solution.[74]

- **Ensure that the Federal Reserve is taking inflation risks seriously.** If price inflation does take root—which remains a concern[75]—the longer the Federal Reserve waits to counter it, the more likely it will need to impose drastic interest rate hikes like those enacted by Fed Chairman Paul Volcker to end the inflationary disaster of the 1970s.[76]

- **Raise incomes by allowing businesses to reopen with minimum post-pandemic burdens** while encouraging employees to accept the jobs that are going begging.[77] Rather than buying our way to stagflation with endless stimulus checks, government should get out of the way and let workers and entrepreneurs rebuild.[78]

Promote Job Creation by Facilitating Wiser Infrastructure Investment

Improving infrastructure can help working families by improving worker productivity and creating jobs. For example, it can enable manufacturing in remote or rural areas, reduce farmers' costs when accessing new markets, ease commutes to a wider range of jobs, or lower the burdens on households from utility bills and high-quality Internet connections. Job creation, in turn, helps to give every child the opportunity to grow up with the example of at least one working parent in the home—an example that is critical for success later in life.

However, federal infrastructure policy is riddled with systemic flaws, and merely forcing more money through the current apparatus would do little to improve the situation. The Senate's infrastructure bill's disproportionate focus on transportation modes such as urban transit and Amtrak, which constitute only a single-digit share of national travel and commuting, would not meaningfully improve families' lives.[79]

Instead, Congress should reform the status quo to enable greater infrastructure value without burdening the economy. Reforming federal infrastructure policies related to regulations, financing, and spending would allow the private sector and state and local governments to deliver more productivity-enhancing infrastructure for families and businesses with fewer delays compared to the status quo.

The best way for the federal government to promote infrastructure is to get out of the way. Congress should unchain the thousands of entrepreneurs who could build needed infrastructure, from roads to pipelines, in the face of crushing bureaucratic barriers. Members of Congress who truly want to support families by encouraging work could make a direct impact by simply cutting the red tape that holds back infrastructure development. By some estimates, for example, the recently cancelled Keystone XL Pipeline alone would have created, by some estimates, more than 100,000 jobs.[80]

The steady drumbeat of calls for increased federal infrastructure spending is driven in part by federal rules that make it unnecessarily difficult for non-federal entities to fund projects on their own. To address this limitation, Congress should examine ways to devolve responsibility for spending on roads to state and local governments. For such infrastructure assets that provide benefits to regions or localities rather than to the country as a whole, there is no inherent need for federal involvement. Absent this step, Congress should pursue regulatory relief to enable more non-federal investing.[81]

Such an approach would provide the types of benefits that the Biden Administration claims to want, such as construction jobs and better infrastructure, without President Biden's destructive tax hikes.

Encourage Work and Marriage, Not Open-Ended Cash Handouts, in Our Welfare System

Reject Flawed New Proposals. Our nation's safety net serves tens of millions of people with over $1.1 trillion federal tax dollars allocated to 89 means-tested federal welfare programs,[82] including nearly $500 billion spent on means-tested cash, food, housing, and medical care for poor and low-income families with children. This money has a direct impact on the well-being of poor and lower-income Americans and often provides incentives that are actively harmful to the poor, including by undermining marriage formation.[83]

Policymakers are rightly looking for ways to support marriage, encourage work, foster upward mobility, and help more Americans to overcome poverty and attain self-sufficiency. Those who want to achieve that goal should begin by rejecting President Biden's plan to reverse the successes of a quarter-century of work-based welfare reform. The Biden plan would undermine families and work by removing the child tax credit's existing requirement to work.[84]

The Biden Administration claims that this change would provide tax relief to families; in reality, however, during the first five years of the program, the vast majority of the spending would send unconditional welfare checks to low-income Americans who do not pay income taxes. During the second five years, even the tax relief would end, and only the new welfare would remain.[85] This policy will subsidize nonworking families, increasing the likelihood that the most vulnerable will remain outside the workforce. It also will subsidize single parenthood, including among teens, thereby weakening the probability that children will be raised by a married mother and father. Overall, the policy will undermine marriage and discourage work, fewer children will experience social success and upward mobility, and low-income Americans will be left behind.

Instead, Members of Congress who truly want to support families and encourage work should start by taking steps to:

- **Eliminate the substantial marriage penalties found throughout the U.S. welfare system**.[86] Researchers estimate that 44 percent of couples with two children face a marriage penalty in food stamps, 35 percent experience one in the Temporary Assistance for Needy Families (TANF) program, and 39 percent encounter one in Medicaid.[87] The situation is even more drastic in some other programs. For instance, the maximum earned income tax credit (EITC) benefit for a married couple with four children is $6,242; for a cohabiting couple, with each claiming two children, the maximum combined credit would be $11,196.[88]

  Instead, policymakers should support low-income Americans who marry and raise their children together. At the very least, the U.S. safety net should not penalize low-income Americans who decide to marry. Poverty researchers across the policy spectrum understand that the decline of marriage and the rise of single-parent households have led to more children living in poverty.[89] This is common sense that is also supported by the data: Children born to and raised by a married mother and father are about 80 percent less likely to be poor compared to similar children in single-parent homes.

As more children are born and raised by single parents (typically mothers), we gain even more evidence of the importance of marriage and the continued involvement of both parents in a child's life.[90] Children raised in the context of marriage with continued involvement from both parents have substantially better life outcomes, including higher levels of education attainment[91] and better emotional health.[92] But the lack of two-parent involvement (typically fathers) also has measurable negative outcomes. For instance, boys who grow up without a father in the home are more likely to engage in delinquent behavior as teens,[93] and girls without a father in the home are seven to eight times more likely to experience a teenage pregnancy.[94]

- **Expect work-capable people to work or prepare for work** as a condition of receiving welfare assistance. Work is a key path out of poverty. Without work, low-income Americans cannot climb the next step on the ladder of opportunity. They cannot hope to provide for themselves, their families, or save for the future. Children raised without the example of at least one working parent in the home are disadvantaged in terms of rising upward and succeeding in society. This is particularly true if they reside in communities where there are very few married working fathers in the home.

  To advance this goal, policymakers should enforce and strengthen the work requirements in food stamps, the TANF program, the EITC, and subsidized housing. Work requirements are one of the most effective tools the government can use to reconnect safety net beneficiaries to the workforce. In the bipartisan welfare reform of the 1990s, for example, Congress created work requirements in TANF.[95] Before the reform, nearly one in seven children was supported by the cash grants in the (failed and since replaced) Aid to Families with Dependent Children program.[96] "Between 1996 and 2000," as summarized by the Council of Economic Advisers, "TANF receipts by single mothers fell by 53 percent, their employment rate increased by 10 percent, and their poverty rate fell by 20 percent."[97] Other studies confirm the council's findings.[98] In addition, after these programs included work expectations, we witnessed improved child outcomes.[99] Overall, the poverty rate of single-parent families has dropped by at least two-thirds since welfare reform.[100]

- **Emphasize pay for outcomes, not provision of services, in federal social welfare programs.** Families are strengthened by programs that can strengthen workforce participation, remove drug and alcohol abuse, and encourage marriage formation. Every year, the federal government spends billions of dollars on social programs that are intended to achieve these and other goals in order to empower at-risk individuals who are vulnerable to poverty and help them to avoid negative behaviors and rise above dependence. Leading examples include employment and training programs ($18.9 billion in federal spending in fiscal year 2019); substance abuse treatment programs ($10.5 billion in FY 2017); and recidivism reduction programs ($68 million in FY 2015).[101]

  These and other social programs are intended to increase lasting well-being through the acquisition of education and skills and other positive changes in behavior. They promise concrete change: for the unemployed, obtaining a job; for former inmates, lower rates of reincarceration; and for those with addictions, treatment that will enable them to live free from substance dependence. In contrast to other federal programs that offer transfer payments (e.g., cash, food, or housing assistance), these social programs are premised on helping individuals to build and maintain a meaningful and free life. Unfortunately, most of these programs have little to show despite steep expenditures. Many do not even track whether federal spending produces key outcomes such as greater employment, reduced inmate recidivism, successful substance abuse treatment, and improved self-sufficiency. Overall, scientific evidence indicates that these federal social programs are failing to achieve the outcomes for which they were designed.

  Because the current funding approach both disserves recipients and shortchanges taxpayers, Congress should transform the funding model for these programs and pay only if they achieve results: for example, if they help someone to find a job instead of merely providing job services).

- **Provide taxpayers with a clear accounting of the existing $1.1 trillion spent on the 89 means-tested federal welfare programs,** including nearly $500 billion spent on means-tested cash, food, housing, and medical care for poor and low-income families with children.[102] Setting the proper context in which family policy for lower-income Americans is evaluated and debated begins by understanding what we spend today on taxpayer support for low-income persons.

In the decades since President Lyndon B. Johnson launched the welfare state, the Census Bureau's official poverty rate has determined how we understand the number of Americans living in poverty. For decades, researchers and policymakers have consistently criticized the official poverty rate's accuracy. Public-assistance programs may be far more effective at relieving poverty than the official poverty rate indicates. For decades, the official poverty rate has failed to reflect gains in per-capita income, median family income, the employment rate, and education attainment—alongside dramatic increases in federal antipoverty spending.[103] Scholars and policymakers alike concur that the official poverty rate's flaws make it an extremely inaccurate measure of U.S. poverty, incomes, and economic resources among lower income Americans.

Reform therefore needs to begin with a determination of the true extent of U.S. poverty and an accurate measurement of the economic resources received by lower-income families. The Poverty Measurement Improvement Act (S. 1052) would advance these goals.[104]

Conclusion

Strong families are critical to human flourishing and a strong nation, but many government barriers undermine the ability of families to thrive. The answer is not to add to these barriers as the Biden Administration's proposals would do, but rather to provide solutions that give families the opportunity to flourish.

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