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Human Services are Essential to Building Well-Being

The organizations that comprise the human service sector share a common mission: to help bring out the full potential of everyone, so that all can contribute to our communities in meaningful ways. Because no one can build well-being on their own, the human service sector helps people access and arrange the elements and materials essential for social, emotional, physical, and financial well-being. Human services provide opportunities for young people to play and learn, supports for adults with disabilities to live independently, and places that foster social connections in later life. Like the framing, insulation, and walls of a house, human services are supported by interrelated sources of funding—individual gifts, foundation grants, and, importantly, our public budgets.

The Federal Budget is a Plan for Meeting Current Needs and Future Priorities

When we apply today’s resources to building and maintaining well-being, we can prevent problems before they occur and foster everyone’s ability to thrive and meaningfully contribute to our communities now and in the future. Our public budgets and taxes help us do this through a system of forward exchange. Just like we now are benefitting from the public goods and services paid for with previous taxes, the taxes we pay today collectively help us to provide for things in the future like schools and colleges, health and safety systems, community infrastructure, and other public goods, including human services.

Federal Tax Policies Today Affect Our Well-Being in the Future

The federal budget and tax system is the way we plan for our nation’s future, and interrupting the forward exchange by cutting taxes and reducing funding for public goods and services will cost our communities more over the long run. We need a tax system that allows us to budget responsibly for the future and to allocate our collective resources efficiently. Reducing tax revenue today prevents the forward exchange from providing adequately for future needs because today’s taxes pay for collectively available public goods over time. And, because federal tax revenue supports many public goods and services in every state, it is important that national tax policies provide sufficient revenue for the local work of constructing well-being in states, counties, and communities.

Federal tax policy should:

- **Boost the Economy by Protecting the Net Incomes of Ordinary Households.** Federal tax policies affect state and local economies by influencing the amount of income that lower- and average-income people can spend. By building a tax code that protects the net income of working families, we can construct greater financial well-being more broadly. In contrast, proposals to reduce the tax rates applied to the highest-earning households would create a [disproportionately greater reduction](#) in their taxes than everyone else. Instead, our federal budget and tax system should increase spending through policies that will help working families add to their local economies and help their communities grow.
- **Ensure that the Most Effective Programs are Well Funded.** Congress should do more to prevent problems before they occur by taking a long-term view of the impact of their decisions about the tax code. For example, increasing the federal deficit will also increase the share of our future tax revenue that will need to be dedicated to paying interest on the national debt. That will make it harder to fund adequately the important services and essential public goods that support well-being, like early childhood education, employment trainings, college education, and public infrastructure. We need adequate

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revenue from the tax system to honor our current commitments and plan for our nation’s future needs. This counsels against reducing taxes for the highest earners, as included in the proposed tax legislation, because reliable economic analyses project that this will increase the federal deficit by up to [\\$1.5 trillion](#) over the next ten years.

- **Exclude Provisions that Would Undermine the Health Care System.** Our communities are strongest when everyone can participate fully in our community life. That is one reason why ensuring affordable health care access is an important part of our federal budget and tax system—the well-being of those around us affects us all. The Senate version of the tax bill includes a [provision](#) to repeal the “individual mandate” portion of the Affordable Care Act. Repealing the individual mandate would weaken the supports for Americans’ well-being and threaten the vitality of our communities [because](#) fewer healthy people would purchase insurance, which would cause insurance prices to increase for everyone.
- **Expand Incentives for Giving.** Current tax policy encourages people to donate more generously to nonprofit organizations, which provides essential funding for human service organizations in communities across the nation. At least two elements of the proposed tax legislation would weaken this incentive. One is the proposal to increase the standard deduction while reducing tax rates on the highest-income tax brackets. This decreases the incentive to make charitable gifts to reduce taxable income and could result in a loss of over [\\$13 billion in giving](#). The other is the proposed phase-out of the estate tax, which would further [reduce the incentive](#) for wealthy donors to give during their lifetime. Revised tax policies should generate strong incentives for philanthropic endeavors by expanding the charitable deduction to all federal income tax filers and retaining the estate tax.
- **Protect Nonprofit Nonpartisanship by Keeping the Johnson Amendment Intact.** Nonprofit organizations receive tax exemptions in return for fulfilling a mission that serves the public interest in a nonpartisan way. As a result, nonprofits are an important, non-politicized voice on pressing social issues. The Johnson Amendment makes the nonpartisan requirement strong and clear, and it has allowed the sector to focus on mission, not politics. Any provision that would repeal or weaken the Johnson Amendment should not be a part of any proposed tax legislation.
- **Increase Access to High-Quality Early Childhood Supports for Working Families.** Because child care environments are an important influence on child development, and because quality care can be unaffordable for working families, tax policies can play an important role in building a strong foundation for our nation’s children. Currently, the Child and Dependent Care Tax Credit (CDCTC) frees millions of families to work by helping them meet child care expenses. The proposed tax legislation would leave the CDCTC at the existing amount and modestly [increase](#) the Child Tax Credit, with a temporary additional credit for other dependents. However, the details of these proposals matter. Under the proposed legislation, families earning the least would not benefit. Increasing, and making these tax credits refundable, would expand them to lower-income households and build broader well-being in our communities.
- **Look Ahead by Expanding and Strengthening the Earned Income Tax Credit (EITC).** Each year, the EITC builds the financial stability of families by supplementing the earnings of wage-earners with low incomes. Financial stability in families shores up children’s foundations and creates a sturdy structure that will support them throughout their lives. Congress should take action to protect the EITC for families and, given the evidence of its [effectiveness](#), expand it to better support working households without children.



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