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Background Paper

Bridging the Gap for Working Families: Offering of Letters 2010

by Michele Learner

“In poverty, you struggle to find anything you can control in your life. Food is the kind of expense you feel like you have a little bit of control over. We saved by buying food on clearance that had passed the expiration date. I cooked from scratch and never ate out; it took a lot of time, but it sure saved a lot of money.

When you’re poor you have to do things to stretch the food. ... I watered down my daughter’s apple juice. I watered down her formula, but stopped doing that when she became anemic. That time I got really scared.”

–Renee Hummel, Staunton, VA

From *Working Harder for Working Families: Hunger 2008*, Bread for the World Institute

In a low-income family’s budget, food is often the most flexible item. Rent, transportation, child care, utilities—these are fixed expenses. So food is one place a struggling family cuts corners.

President Barack Obama and others have set a goal of ending childhood hunger in the United States by 2015. One component needed to achieve this goal is strong child nutrition programs, such as the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) and the school meal programs.

But progress against hunger requires broader efforts to reduce poverty. Food assistance to hungry people is vital, but it is not enough.

As Renee’s experiences show, the causes of child hunger in the United States are rooted in poverty. Parents earning low wages struggle to make ends meet and feed their children. Low-income families live on the edge of a financial precipice. If the car breaks down, a child gets sick, the furnace goes on

the blink, or a parent is laid off from her job, a low-income family is in trouble. Any one of these things could mean the difference between having enough food on the table and not.

Poverty forces drastic choices, like watering down a baby’s formula to make it last longer.

In our 2010 Offering of Letters, Bread for the World members will urge Congress to adopt changes to U.S. tax policy that will benefit low-income families. But what do tax credits have to do with hunger?

Our nation’s tax system contains a multitude of incentives that encourage taxpayers to make certain fiscal choices—for example, tax deductions for

mortgage interest provide a financial incentive to own a home. Other deductions support saving for retirement and getting a college education. But many of these incentives are out of reach for low-wage workers, who often do not have the same tools for long-term financial planning or large expenditures.

This year, taxes will be near the top of the agenda in Congress because a series of tax cuts and credits enacted





Leslie Duss

Too many jobs do not pay enough to cover a family's necessities.

in recent years will expire. In the midst of the debate over which taxes to change and which to renew, the needs of low-income people could easily be lost. Our 2010 Offering of Letters will ask Congress to protect and strengthen key tax credits that can make a big difference for low-income workers and their families. These credits include the Earned Income Tax Credit (EITC) and the Child Tax Credit.

The EITC was established in 1975 to help low-income families keep more of their earnings. It is a refundable tax credit geared primarily toward families who have one or two children. According to a 2006 Brookings Institution study, the EITC lifts more children above the poverty line than any other government program. In 2005, more than 22 million households applied for the EITC and received an average of \$1,864. As a result, an estimated 5 million people, including 2.6 million children, were lifted above the poverty line.

As effective as this simple program is, it could be made even more helpful to low-income families. For example, the size of the tax credit does not increase for families with more than two children even though their poverty rates are higher. Filing for EITC is also complicated, leading most eligible families to use commercial tax preparation services. This means that EITC filers each pay hundreds of dollars every year—money needed to support their families—for tax preparation.

The Child Tax Credit is worth up to \$1,000 for each child under age 17 claimed on a worker's tax return. Every year, it provides close to \$50 billion to families with children. Until recently, this credit was not available to families with incomes below \$11,300, meaning that nearly 10 million children living in poverty did not benefit from the credit.

We want to ensure that the recent improvements stay in place beyond their 2010 expiration. In 2005, half of all African-American children, 46 percent of Hispanic children, and 18 percent of white children were in families that did not qualify at all or qualified for less than the full amount of the credit.

- We will urge Congress to make improvements in the Earned Income Tax Credit (EITC) and the Child Tax Credit.
- We will also seek additional funding for Volunteer Income Tax Assistance (VITA) sites, which provide financial education and free tax preparation assistance to low-income people.

The 2010 Offering of Letters will help policymakers understand that ending childhood hunger requires a broader array of policies that address the issue of poverty as well as strong nutrition programs aimed at low-income children and their families. Ultimately, fewer families—fewer children—will go to bed hungry.

Real Taxes, Real People



Brian Duss

The Turners: Heather, Naomi, and Issac

In 2008, Marine Corps veteran Heather Turner went to have her tax return prepared at a Volunteer Income Tax Assistance (VITA) site at the public library. “The lady told me I was going to get back like \$3,000 from the EITC,” Turner says. “I almost cried right there in front of her.”

That first EITC refund paid Turner's rent for two months while she was looking for work after her job as a school bus driver ended. Today, the EITC and the Child Tax Credit

are vital to her efforts to support herself, 3-year-old Naomi, and Issac, just turning 2, on the salary of an assistant preschool teacher. Turner's hourly wage is modest, her health insurance costs several hundred dollars a month, and then there's rent. "It costs an arm and a leg and a spleen in Northern Virginia," she says.

As a low-income working parent, Turner receives a state subsidy for child care costs and WIC. Her strategy for feeding her family is a patchwork: groceries purchased with her salary, groceries purchased with her WIC voucher, food she receives from a food pantry, and leftovers she brings home from the preschool where she works. (Leftovers can't be served to students because of health regulations).

Turner is also studying for a bachelor's degree in child psychology, which will help her get a promotion at work. Here, too, she has carefully pieced together the support she needs to complete her education. The GI Bill pays her tuition and she receives a scholarship for survivors of domestic violence. She used part of her first EITC refund to buy a computer, while her grandmother and a friend from church pitch in for her Internet connection—both necessities since her classes are online. She does her coursework mainly at night.

She feels that God sometimes uses her as a conduit. Once her children have outgrown clothes, or if they are given toys that are not meant for children their age or too many toys, Turner passes the items along to people who need them. She says she is glad to be able to share her blessings with others.



Brian Duss

Regina, James, and their Children

Regina Howard lives in the Bronx, New York City. She works for Dress for Success, an organization that helps low-

income women with professional clothing, career services, and one-on-one support. Howard is the kind of person many women looking for jobs would want to meet—compassionate and no-nonsense.

She sees her work as a ministry. Although Dress for Success is not a religious organization, "I get to give women real tangible things that they need right now," Howard says. "Jesus didn't say sit in a pew. ... He said you have to work in your community."

Howard never forgets that she might very well have come to Dress for Success as a client rather than as an employee. She, her husband James, and their four children have benefited from the EITC for several years now. For Howard, the organization's mission helps balance her relatively low salary.

She brings to her work an insistence on treating all clients with dignity and respect. "I have four children," she says, "so sometimes people see me and think, 'Oh, there goes another one.' They don't know that I have a master's degree and have been to culinary school and taught children and have been a social worker."

"Jesus didn't say sit in a pew.
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in your community."

Howard makes a compelling case for the EITC as a cash refund: "You can't pay your phone bill with food stamps or WIC—you need cash. And if you're a family that's working really hard, and you're doing the best you can, and for whatever reason the jobs that you have aren't getting you to the bigger salary, at least you have the EITC as a resource. You are working consistently, and you are valuable to your community because you contribute every day."

Howard always saves some of the family's EITC refund for the college education of her kids—Kayla, 17, Ebony, 15, James Jr., 13, and Naomi, 9. Usually, some of the money pays for the children's winter coats and other clothes.

One year, Howard was downsized from her job as a social worker, so the EITC refund was especially needed; it helped pay rent and utility bills.

The family appreciates the financial cushion the EITC helps provide. "Who wants a zero bank account? When emergencies happen, you don't have anything. It's just such a frantic feeling," Howard says.



The Diaz Family: Rosa, Christopher, Stephanie

“If some of this basic information about finances was available to everyone, imagine the kinds of problems people would be able to prevent themselves from getting into,” says Rosa Diaz.

Diaz says that before she began taking classes, she would not have been able to talk about different financial strategies and how she handles her household’s budget. She attends financial education workshops through *Mujer Avanzando*, a partnership between The Resurrection Project, an interfaith nonprofit community development group serving neighborhoods in southwest Chicago, and the nonprofits Instituto Del Progreso Latino and *Mujeres Latinas en Accion*.

In addition, the Center for Economic Progress offers volunteer income tax preparation to Diaz and other members of *Mujer Avanzando*. Last year, they helped 1,500 families file for tax credits such as the EITC.

Diaz’s energies are focused on her long-term goal: to build a more prosperous future for herself, her 10-year-old son Christopher, and her daughter Stephanie, almost 7, who suffers from a heart defect. In addition to working part-time at a community college, the single mother is also studying for her associate’s degree in information technology and networking.

Diaz plans carefully to stretch her income. She has received the EITC and Child Tax Credit for several years and appreciates the opportunity they provide to plan ahead. One year, her EITC refund enabled her to pay off her small student loan and avoid paying additional interest. She also uses the money to pay for her children’s glasses, clothes, and other necessities.

“It’s such a relief to me—psychologically, emotionally, and materially. It really is a ‘relief package,’ as they say!” Diaz says. She adds that she never buys on impulse “because I know what the consequences are. I am such a penny-pincher, you wouldn’t believe it. ... I do it because I don’t want us to go hungry.”

She is optimistic about the future. “I feel blessed even though I’m kind of struggling right now,” Diaz says. “I have to look at what I can do with everything I have here, and how I can learn more so I can do things better.”



Renee Hummel and Her Daughters

Renee Hummel of Staunton, VA, was left completely on her own before she was 18. At various times since then, she worked as many as three jobs at a time to support her children and has combined working with going to school and running her own photography business. Her business started after other parents praised the photos she took at events for her children, Ellise (15), Alexis (9), and Isabelle (7). She says that the EITC has given her a leg up to start her business and help her pay household bills.

Hummel budgets well in advance for her EITC refund: “I just structure what I’m expecting to come in, to pay the things I know need to be paid,” she says. “Most people can make a budget. Even people who aren’t very educated or very good with money can figure out what they need most.”

Even though her life can be hectic, Hummel is committed to helping others. She is a Bread activist and her experience makes her a valuable resource. Hummel is sensitive to the perspectives of low-income families because she has been there herself. For example, she points out that privacy is an additional advantage of the EITC, citing her neighbors who don’t participate in programs they’re eligible for, such as SNAP (food stamps) or WIC, because they don’t want people to know about their situation.

“When we approached Renee earlier this year to help organize a local forum on hunger, she immediately suggested other low-income people who would be important to include,” says Bread regional organizer Marco Grimaldo. “I think that because Renee values community in the way that she does, she has benefited from support and an awareness of public programs that she otherwise might not have known about.”