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By spreading stimulus dollars too far up the totem pole, aid legislation may leave the lowest earners unable to pay for food and rent. Just how progressive will Democrats (and Republicans) be on spending?

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Which Americans will get the enhanced cash aid (and which won't) in the [stimulus package](#) president-elect Biden is poised to announce is the first of many distributional challenges awaiting Democrats soon to control both Congress and the White House. Choices on targeting increasingly scarce public funds will reveal which income groups both parties are committed to represent.

By sending billions of dollars to well-off people that don't need the money, legislation introduced by Democrats a few weeks ago to increase COVID-19 cash relief to \$2,000 (\$4,000 for couples) provides clues. As with previous COVID-19 cash aid legislation, an argument can be made that the distribution scheme shortchanges millions of people who need money to pay for food and rent.

With the national debt already surpassing annual output, Congress and the new Administration will have to make tough choices revealing the strength of their commitment to the growing legions of low-paid workers. More cash relief is needed both to maintain the economy and help people survive. Even before the pandemic, [researchers](#) reported that almost half the US workforce was earning low wages.

The [Cash Act of 2020](#) throws a wide net by sending tax rebates to all but the very highest earners. Almost 48% of the [tax units](#) (individuals and families) receiving aid have incomes below \$50,000. But these low earners would get only about 42% of the benefits, according to an [analysis](#) by the Urban-Brookings Tax Policy Center. (See table below.) Tax units making \$50,000 to \$100,000 comprise 23.7% of beneficiaries and would get 25.3% of the money.

About 26% receiving aid would be in the \$100,000 to \$500,000 income range. They would end up getting more than 32% of the total pie. And, somehow, more than 2.6 million folks making more than \$500,000 would end up getting some cash – not enough to seriously impact the federal budget but surely a waste of money.

The 12.5 million tax units making less than \$10,000 a year would net an average of \$1,840 in additional cash, according to the analysis. The 32 million earning between \$100,000 and \$200,000 would get an average of \$3,430 – almost twice as much.

These numbers do not indicate a high-water mark for progressive policymaking. Who needs money more: a professional couple making six figures or a single parent working minimum wage? Recall that while millions of low-wage workers became unemployed or lost income in 2020, salaried workers were much more likely to keep their jobs. Many benefited from a rising stock market.

COVID-19 relief legislation passed in December stemmed from a [compromise proposal](#) that included very little for the lowest income groups. The \$600 checks were included during last-minute negotiations. Most of that cash did not go to people with low incomes. The cash relief cost an estimated [\\$166 billion](#). The Cash Act appears to follow a similar distribution pattern and would likely cost twice as much.

If economic stimulus is a goal of the upcoming legislation, which tax units are most likely to spend \$2,000 immediately and which would likely put it in savings and investments? The 12.5 million making less than \$10,000 a year or the 14.4 million making between \$200,000 and \$500,00?

As the [Republican Party](#) tries to increase its appeal to the working class, progressives may have more leverage to target funds to people most in need. Time will tell which path Biden and Congress choose to take.

Table 1 – Distribution Impact of the Cash Act of 2020 (H.R. 9051)

29-Dec-20

PRELIMINARY RESULTS

<http://www.taxpolicycenter.org>

Click on PDF or Excel link above for additional tables containing more detail and breakdowns by filing status and demographic groups.

Table T20-0263
Expansion of Economic Impact Payments and Additional 2020 Recovery Rebates in
H.R. 9051, The CASH Act of 2020, as Passed by the House of Representatives
Baseline: 2019 Current Law at 2019 Income Levels (Including Payments in CARES Act and
COVID-related Tax Relief Act as if Enacted in 2019)
Proposal: Assumes Provisions are Enacted in 2019
Distribution of Federal Tax Change by Expanded Cash Income Level, 2019¹
Summary Table

Expanded Cash Income Level (thousands of 2019 dollars) ²	Tax Units		Percent Change in After-Tax Income ³	Share of Total Federal Tax Change	Average Federal Tax Change (\$)	Average Federal Tax Rate ⁴	
	Number (thousands)	Percent of Total				Change (% Points)	Under the Proposal
Less than 10	12,490	7.2	25.4	5.0	-1,840	-34.2	-69.0
10-20	22,010	12.6	12.5	10.1	-2,130	-14.1	-26.8
20-30	19,660	11.3	9.4	10.5	-2,460	-9.9	-16.1
30-40	15,860	9.1	7.3	8.8	-2,570	-7.4	-7.7
40-50	13,250	7.6	5.9	7.3	-2,550	-5.7	-2.1
50-75	24,800	14.2	4.8	14.6	-2,720	-4.4	3.2
75-100	16,610	9.5	3.9	10.7	-2,980	-3.4	7.7
100-200	31,760	18.2	2.9	23.6	-3,430	-2.5	12.8
200-500	14,360	8.2	1.3	8.8	-2,830	-1.0	20.0
500-1,000	1,810	1.0	0.0	0.1	-180	0.0	24.9
More than 1,000	830	0.5	0.0	0.0	*	0.0	29.8
All	174,690	100.0	3.2	100.0	-2,650	-2.7	13.5

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0319-2).

Number of AMT Taxpayers (millions). Baseline: 0.2

Proposal: 0.2

(1) Calendar year. Baseline is the law in place for 2019 as of March 17, 2020 but includes the Economic Impact Payments for Individuals in the CARES Act and the Additional 2020 Recovery Rebate for Individuals in the COVID-related Tax Relief Act of 2020. The proposal would: increase the Additional 2020 Recovery Rebate to up to \$4,000 for married couples (\$2,000 for others); increase the additional amount to \$2,000 and expand eligibility for the Additional 2020 Recovery Rebate to cover all dependents, regardless of age, and also increase the amount for dependents to \$2,000; and expand eligibility for the CARES Act \$500 Economic Impact Payments to include all dependents regardless of age. We model the provisions on the 2019 population at 2019 income levels. Estimates assume 100 percent take-up for non-filers and because of data limitations, do not incorporate the Social Security Number (SSN) requirements.

<http://www.taxpolicycenter.org/taxtopics/Baseline-Definitions.cfm>

(2) Includes both filing and non-filing units but excludes those that are dependents of other tax units. Tax units with negative adjusted gross income are excluded from their respective income class but are included in the totals. For a description of expanded cash income, see

<http://www.taxpolicycenter.org/TaxModel/income.cfm>

(3) After-tax income is expanded cash income less: individual income tax net of refundable credits; corporate income tax; payroll taxes (Social Security and Medicare); estate tax; and excise taxes.

(4) Average federal tax (includes individual and corporate income tax, payroll taxes for Social Security and Medicare, the estate tax, and excise taxes) as a percentage of average expanded cash income.