

## Interesting Facts Revealed by the Worksheets

1. Taxpayers (HH, 2 children) receive no tax benefits for their child care expenses until their income reaches about \$20,000. Thus, no one can qualify for the full 35% credit allowed by section 21 of the I.R.C.
2. Taxpayers (HH, 2 children) have a negative federal tax burden (payroll and income tax combined) until their income reaches about \$28,000.
3. However, taxpayers (HH, 2 children) start facing marginal effective tax rates of about 20% at an income level of \$18,000.
4. By \$26,000, this marginal tax rate jumps to 36%; which is slightly higher than the marginal tax rate facing taxpayers with incomes of \$100,000.
5. The highest marginal tax rates are faced by taxpayers in the \$32-36,000 income range.
6. Other means-tested welfare programs phase out over similar income ranges, creating even higher marginal rates, potentially in excess of 100%. (Holt & Romich, Marginal Tax Rates Facing Low- and Moderate-Income Workers Who Participate in Means-Tested Transfer Programs, LX Nat'l Tax J. 253 (2007)).
7. The tax benefits of having children are almost entirely eaten up by child care costs of \$3000 per child for 2-child families.
8. The outcomes are similar for 1 child families, but at income levels \$4000 lower.

## Worksheet Peculiarities

1. The tables treat FICA taxes inconsistently: both employer and employee shares of these taxes are included in "taxes paid" columns, but only the employee share is deducted when determining taxpayers' "posttax cash" and for purposes of calculating taxpayers' "marginal tax rates" (MTR) because employees only see their share of this tax.
2. All amounts are computed assuming taxpayers claim the standard deduction.

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For Presentation at Chapin Hall/Urban Institute *Thursday's Child* Forum

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**Head of Household, 2 children, \$6000 dependent care expenses  
No 2008 stimulus rebate**

<b>Gross Income</b>	<b>FICA</b>	<b>Precredit FIT</b>	<b>EITC</b>	<b>Dep. Care Credit</b>	<b>Child Cred</b>	<b>Add. C Credit</b>	<b>Postcredit FT</b>	<b>Posttax cash</b>	<b>MTR</b>
\$ 8,000.00	\$ 1,224.00	\$ -	\$ 3,210.00	\$ -	\$ -	\$ -	\$ (1,986.00)	\$ 10,598.00	-0.3235
\$ 10,000.00	\$ 1,530.00	\$ -	\$ 4,010.00	\$ -	\$ -	\$ -	\$ (2,480.00)	\$ 13,245.00	-0.2955
\$ 12,000.00	\$ 1,836.00	\$ -	\$ 4,716.00	\$ -	\$ -	\$ 38.00	\$ (2,918.00)	\$ 15,836.00	-0.0735
\$ 14,000.00	\$ 2,142.00	\$ -	\$ 4,716.00	\$ -	\$ -	\$ 338.00	\$ (2,912.00)	\$ 17,983.00	-0.0065
\$ 16,000.00	\$ 2,448.00	\$ -	\$ 4,582.00	\$ -	\$ -	\$ 638.00	\$ (2,772.00)	\$ 19,996.00	0.137
\$ 18,000.00	\$ 2,754.00	\$ -	\$ 4,161.00	\$ -	\$ -	\$ 938.00	\$ (2,345.00)	\$ 21,722.00	0.137
\$ 20,000.00	\$ 3,060.00	\$ 196.00	\$ 3,740.00	\$ 196.00	\$ -	\$ 1,238.00	\$ (1,918.00)	\$ 23,448.00	0.137
\$ 22,000.00	\$ 3,366.00	\$ 398.00	\$ 3,319.00	\$ 398.00	\$ -	\$ 1,538.00	\$ (1,491.00)	\$ 25,174.00	0.1375
\$ 24,000.00	\$ 3,672.00	\$ 598.00	\$ 2,897.00	\$ 598.00	\$ -	\$ 1,838.00	\$ (1,063.00)	\$ 26,899.00	0.206
\$ 26,000.00	\$ 3,978.00	\$ 798.00	\$ 2,476.00	\$ 798.00	\$ -	\$ 2,000.00	\$ (498.00)	\$ 28,487.00	0.287
\$ 28,000.00	\$ 4,284.00	\$ 998.00	\$ 2,055.00	\$ 998.00	\$ -	\$ 2,000.00	\$ 229.00	\$ 29,913.00	0.287
\$ 30,000.00	\$ 4,590.00	\$ 1,236.00	\$ 1,634.00	\$ 1,236.00	\$ -	\$ 2,000.00	\$ 956.00	\$ 31,339.00	0.287
\$ 32,000.00	\$ 4,896.00	\$ 1,536.00	\$ 1,213.00	\$ 1,536.00	\$ -	\$ 2,000.00	\$ 1,683.00	\$ 32,765.00	0.4555
\$ 34,000.00	\$ 5,202.00	\$ 1,836.00	\$ 791.00	\$ 1,500.00	\$ 336.00	\$ 1,664.00	\$ 2,747.00	\$ 33,854.00	0.467
\$ 36,000.00	\$ 5,508.00	\$ 2,136.00	\$ 370.00	\$ 1,440.00	\$ 696.00	\$ 1,304.00	\$ 3,834.00	\$ 34,920.00	0.4415
\$ 38,000.00	\$ 5,814.00	\$ 2,436.00	\$ -	\$ 1,380.00	\$ 1,056.00	\$ 944.00	\$ 4,870.00	\$ 36,037.00	0.2565
\$ 40,000.00	\$ 6,120.00	\$ 2,736.00	\$ -	\$ 1,320.00	\$ 1,416.00	\$ 584.00	\$ 5,536.00	\$ 37,524.00	0.2385
\$ 50,000.00	\$ 7,650.00	\$ 4,236.00	\$ -	\$ 1,200.00	\$ 2,000.00	\$ -	\$ 8,686.00	\$ 45,139.00	0.32706
\$ 100,000.00	\$ 14,990.00	\$ 15,669.00	\$ -	\$ 1,200.00	\$ 750.00	\$ -	\$ 28,709.00	\$ 78,786.00	0.31
\$ 110,000.00	\$ 15,280.00	\$ 18,169.00	\$ -	\$ 1,200.00	\$ 250.00	\$ -	\$ 31,999.00	\$ 85,641.00	

**Head of Household, 2 Children, \$6000 dependent care expenses  
with Stimulus Rebate**

<b>Gross Income</b>	<b>Posttax cash</b>	<b>MTR</b>	<b>2008 rebate</b>	<b>New Posttax cash</b>	<b>Fed Taxes Paid</b>	<b>MTR</b>
\$ 8,000.00	\$ 10,598.00	-0.3235	\$ 900.00	\$ 11,498.00	\$ (2,886.00)	-0.3235
\$ 10,000.00	\$ 13,245.00	-0.2955	\$ 900.00	\$ 14,145.00	\$ (3,380.00)	-0.2955
\$ 12,000.00	\$ 15,836.00	-0.0735	\$ 900.00	\$ 16,736.00	\$ (3,818.00)	-0.0735
\$ 14,000.00	\$ 17,983.00	-0.0065	\$ 900.00	\$ 18,883.00	\$ (3,812.00)	-0.0065
\$ 16,000.00	\$ 19,996.00	0.137	\$ 900.00	\$ 20,896.00	\$ (3,672.00)	0.137
\$ 18,000.00	\$ 21,722.00	0.137	\$ 900.00	\$ 22,622.00	\$ (3,245.00)	0.137
\$ 20,000.00	\$ 23,448.00	0.137	\$ 900.00	\$ 24,348.00	\$ (2,818.00)	0.137
\$ 22,000.00	\$ 25,174.00	0.1375	\$ 900.00	\$ 26,074.00	\$ (2,391.00)	0.1375
\$ 24,000.00	\$ 26,899.00	0.206	\$ 900.00	\$ 27,799.00	\$ (1,963.00)	0.206
\$ 26,000.00	\$ 28,487.00	0.287	\$ 900.00	\$ 29,387.00	\$ (1,398.00)	0.287
\$ 28,000.00	\$ 29,913.00	0.287	\$ 900.00	\$ 30,813.00	\$ (671.00)	0.287
\$ 30,000.00	\$ 31,339.00	0.287	\$ 900.00	\$ 32,239.00	\$ 56.00	0.287
\$ 32,000.00	\$ 32,765.00	0.4555	\$ 900.00	\$ 33,665.00	\$ 783.00	0.4375
\$ 34,000.00	\$ 33,854.00	0.467	\$ 936.00	\$ 34,790.00	\$ 1,811.00	0.335
\$ 36,000.00	\$ 34,920.00	0.4415	\$ 1,200.00	\$ 36,120.00	\$ 2,634.00	0.4415
\$ 38,000.00	\$ 36,037.00	0.2565	\$ 1,200.00	\$ 37,237.00	\$ 3,670.00	0.2565
\$ 40,000.00	\$ 37,524.00	0.2385	\$ 1,200.00	\$ 38,724.00	\$ 4,336.00	0.2385
\$ 50,000.00	\$ 45,139.00	0.32706	\$ 1,200.00	\$ 46,339.00	\$ 7,486.00	0.35106
\$ 100,000.00	\$ 78,786.00	0.31	\$ -	\$ 78,786.00	\$ 28,709.00	0.3145
\$ 110,000.00	\$ 85,641.00		\$ -	\$ 85,641.00	\$ 31,999.00	

**Single individual, no children, no dependent care expenses (columns 1-7)  
Compared to HH, 2 children, \$6000 dependent care expenses (columns 8-9)  
with 2008 Stimulus Rebate**

<b>Gross Income</b>	<b>FICA</b>	<b>FIT precredit</b>	<b>EIC</b>	<b>2008 rebate</b>	<b>Total Fed Tax</b>	<b>Posttax cash</b>	<b>child margin, tax</b>	<b>child margin, cash</b>
\$ 8,000.00	\$ 1,224.00	\$ -	\$ 349.00	\$ 300.00	\$ 575.00	\$ 8,037.00	\$ 3,461.00	\$ (2,539.00)
\$ 10,000.00	\$ 1,530.00	\$ 126.00	\$ 196.00	\$ 300.00	\$ 1,160.00	\$ 9,605.00	\$ 4,540.00	\$ (1,460.00)
\$ 12,000.00	\$ 1,836.00	\$ 328.00	\$ 43.00	\$ 328.00	\$ 1,793.00	\$ 11,125.00	\$ 5,611.00	\$ (389.00)
\$ 14,000.00	\$ 2,142.00	\$ 528.00	\$ -	\$ 528.00	\$ 2,142.00	\$ 12,929.00	\$ 5,954.00	\$ (46.00)
\$ 16,000.00	\$ 2,448.00	\$ 728.00	\$ -	\$ 600.00	\$ 2,576.00	\$ 14,648.00	\$ 6,248.00	\$ 248.00
\$ 18,000.00	\$ 2,754.00	\$ 1,000.00	\$ -	\$ 600.00	\$ 3,154.00	\$ 16,223.00	\$ 6,399.00	\$ 399.00
\$ 20,000.00	\$ 3,060.00	\$ 1,300.00	\$ -	\$ 600.00	\$ 3,760.00	\$ 17,770.00	\$ 6,578.00	\$ 578.00
\$ 22,000.00	\$ 3,366.00	\$ 1,600.00	\$ -	\$ 600.00	\$ 4,366.00	\$ 19,317.00	\$ 6,757.00	\$ 757.00
\$ 24,000.00	\$ 3,672.00	\$ 1,900.00	\$ -	\$ 600.00	\$ 4,972.00	\$ 20,864.00	\$ 6,935.00	\$ 935.00
\$ 26,000.00	\$ 3,978.00	\$ 2,200.00	\$ -	\$ 600.00	\$ 5,578.00	\$ 22,411.00	\$ 6,976.00	\$ 976.00
\$ 28,000.00	\$ 4,284.00	\$ 2,500.00	\$ -	\$ 600.00	\$ 6,184.00	\$ 23,958.00	\$ 6,855.00	\$ 855.00
\$ 30,000.00	\$ 4,590.00	\$ 2,800.00	\$ -	\$ 600.00	\$ 6,790.00	\$ 25,505.00	\$ 6,734.00	\$ 734.00
\$ 32,000.00	\$ 4,896.00	\$ 3,100.00	\$ -	\$ 600.00	\$ 7,396.00	\$ 27,052.00	\$ 6,613.00	\$ 613.00
\$ 34,000.00	\$ 5,202.00	\$ 3,400.00	\$ -	\$ 600.00	\$ 8,002.00	\$ 28,599.00	\$ 6,191.00	\$ 191.00
\$ 36,000.00	\$ 5,508.00	\$ 3,700.00	\$ -	\$ 600.00	\$ 8,608.00	\$ 30,146.00	\$ 5,974.00	\$ (26.00)
\$ 38,000.00	\$ 5,814.00	\$ 4,000.00	\$ -	\$ 600.00	\$ 9,214.00	\$ 31,693.00	\$ 5,544.00	\$ (456.00)
\$ 40,000.00	\$ 6,120.00	\$ 4,300.00	\$ -	\$ 600.00	\$ 9,820.00	\$ 33,240.00	\$ 5,484.00	\$ (516.00)
\$ 50,000.00	\$ 7,650.00	\$ 6,743.00	\$ -	\$ 600.00	\$ 13,793.00	\$ 40,032.00	\$ 6,307.00	\$ 307.00
\$ 100,000.00	\$ 14,990.00	\$ 19,668.00	\$ -	\$ -	\$ 34,658.00	\$ 72,837.00	\$ 5,949.00	\$ (51.00)
\$ 110,000.00	\$ 15,280.00	\$ 22,461.00	\$ -	\$ -	\$ 37,741.00	\$ 79,899.00	\$ 5,742.00	\$ (258.00)

**HH with 1 child, \$3000 dependent care expenses  
With 2008 Stimulus Rebate**

<b>Gross Income</b>	<b>FICA</b>	<b>Precredit FIT</b>	<b>EITC</b>	<b>Dep. Care Credit</b>	<b>Child Credit</b>	<b>Add. C Credit</b>	<b>PostCredit FT</b>	<b>Posttax cash</b>	<b>Rebate</b>	<b>Marginal Tax Rate</b>
\$ 8,000.00	\$ 1,224.00	\$ -	\$ 2,729.00	\$ -	\$ -	\$ -	\$ (1,505.00)	\$ 10,117.00	\$ 600.00	0.0145
\$ 10,000.00	\$ 1,530.00	\$ -	\$ 2,853.00	\$ -	\$ -	\$ -	\$ (1,323.00)	\$ 12,088.00	\$ 600.00	0.0575
\$ 12,000.00	\$ 1,836.00	\$ -	\$ 2,853.00	\$ -	\$ -	\$ 38.00	\$ (1,055.00)	\$ 13,973.00	\$ 600.00	-0.0735
\$ 14,000.00	\$ 2,142.00	\$ -	\$ 2,853.00	\$ -	\$ -	\$ 338.00	\$ (1,049.00)	\$ 16,120.00	\$ 600.00	-0.0225
\$ 16,000.00	\$ 2,448.00	\$ 136.00	\$ 2,751.00	\$ 136.00	\$ -	\$ 638.00	\$ (941.00)	\$ 18,165.00	\$ 600.00	0.0860
\$ 18,000.00	\$ 2,754.00	\$ 338.00	\$ 2,432.00	\$ 338.00	\$ -	\$ 938.00	\$ (616.00)	\$ 19,993.00	\$ 600.00	0.2055
\$ 20,000.00	\$ 3,060.00	\$ 538.00	\$ 2,112.00	\$ 538.00	\$ -	\$ 1,000.00	\$ (52.00)	\$ 21,582.00	\$ 600.00	0.2365
\$ 22,000.00	\$ 3,366.00	\$ 738.00	\$ 1,792.00	\$ 738.00	\$ -	\$ 1,000.00	\$ 574.00	\$ 23,109.00	\$ 600.00	0.2550
\$ 24,000.00	\$ 3,672.00	\$ 938.00	\$ 1,473.00	\$ 900.00	\$ 38.00	\$ 962.00	\$ 1,237.00	\$ 24,599.00	\$ 600.00	0.3555
\$ 26,000.00	\$ 3,978.00	\$ 1,146.00	\$ 1,153.00	\$ 870.00	\$ 276.00	\$ 724.00	\$ 2,101.00	\$ 25,888.00	\$ 600.00	0.2510
\$ 28,000.00	\$ 4,284.00	\$ 1,446.00	\$ 834.00	\$ 840.00	\$ 606.00	\$ 394.00	\$ 3,056.00	\$ 27,086.00	\$ 900.00	0.4015
\$ 30,000.00	\$ 4,590.00	\$ 1,746.00	\$ 514.00	\$ 810.00	\$ 936.00	\$ 64.00	\$ 4,012.00	\$ 28,283.00	\$ 900.00	0.4015
\$ 32,000.00	\$ 4,896.00	\$ 2,046.00	\$ 194.00	\$ 780.00	\$ 1,000.00	\$ -	\$ 4,968.00	\$ 29,480.00	\$ 900.00	0.3385
\$ 34,000.00	\$ 5,202.00	\$ 2,346.00	\$ -	\$ 750.00	\$ 1,000.00	\$ -	\$ 5,798.00	\$ 30,803.00	\$ 900.00	0.2415
\$ 36,000.00	\$ 5,508.00	\$ 2,646.00	\$ -	\$ 720.00	\$ 1,000.00	\$ -	\$ 6,434.00	\$ 32,320.00	\$ 900.00	0.2415
\$ 38,000.00	\$ 5,814.00	\$ 2,946.00	\$ -	\$ 690.00	\$ 1,000.00	\$ -	\$ 7,070.00	\$ 33,837.00	\$ 900.00	0.2415
\$ 40,000.00	\$ 6,120.00	\$ 3,246.00	\$ -	\$ 660.00	\$ 1,000.00	\$ -	\$ 7,706.00	\$ 35,354.00	\$ 900.00	0.2325
\$ 50,000.00	\$ 7,650.00	\$ 4,746.00	\$ -	\$ 600.00	\$ 1,000.00	\$ -	\$ 10,796.00	\$ 43,029.00	\$ 900.00	0.3469
\$ 100,000.00	\$ 14,990.00	\$ 16,519.00	\$ -	\$ 600.00	\$ -	\$ -	\$ 30,909.00	\$ 76,586.00	\$ -	0.2645
\$ 110,000.00	\$ 15,280.00	\$ 19,019.00	\$ -	\$ 600.00	\$ -	\$ -	\$ 33,699.00	\$ 83,941.00	\$ -	

**Comparison of Single Individual with Head of Household, 1 child, \$3000 dependent care expenses and Head of Household, 2 children, \$6000 dependent care expenses, no 2008 Stimulus Rebate**

	Single Fed. Taxes	Single After Tax Cash	Head of Household 1 child Fed. Taxes	Head of Household 1 child, After Tax Cash	Tax Savings from 1 child (Col. 2-Col.4 )	After tax cash differential assuming \$3000 D.C.E. (Col. 6-3000)	Head of Household, 2 children Fed. Taxes	Head of Household, 2 children, After Tax Cash	Tax Savings from 2 children (Col. 2-Col. 8)	Cash Differential assuming \$6000 D.C.E. (Col. 10-\$6000)
\$ 8,000.00	\$ 875.00	\$ 7,737.00	\$ (1,505.00)	\$ 10,117.00	\$ 2,380.00	\$ (620.00)	\$ (1,986.00)	\$ 10,598.00	\$ 2,861.00	\$ (3,139.00)
\$ 10,000.00	\$ 1,460.00	\$ 9,305.00	\$ (1,323.00)	\$ 12,088.00	\$ 2,783.00	\$ (217.00)	\$ (2,480.00)	\$ 13,245.00	\$ 3,940.00	\$ (2,060.00)
\$ 12,000.00	\$ 2,121.00	\$ 10,797.00	\$ (1,055.00)	\$ 13,973.00	\$ 3,176.00	\$ 176.00	\$ (2,918.00)	\$ 15,836.00	\$ 5,039.00	\$ (961.00)
\$ 14,000.00	\$ 2,670.00	\$ 12,401.00	\$ (1,049.00)	\$ 16,120.00	\$ 3,719.00	\$ 719.00	\$ (2,912.00)	\$ 17,983.00	\$ 5,582.00	\$ (418.00)
\$ 16,000.00	\$ 3,176.00	\$ 14,048.00	\$ (941.00)	\$ 18,165.00	\$ 4,117.00	\$ 1,117.00	\$ (2,772.00)	\$ 19,996.00	\$ 5,948.00	\$ (52.00)
\$ 18,000.00	\$ 3,754.00	\$ 15,623.00	\$ (616.00)	\$ 19,993.00	\$ 4,370.00	\$ 1,370.00	\$ (2,345.00)	\$ 21,722.00	\$ 6,099.00	\$ 99.00
\$ 20,000.00	\$ 4,360.00	\$ 17,170.00	\$ (52.00)	\$ 21,582.00	\$ 4,412.00	\$ 1,412.00	\$ (1,918.00)	\$ 23,448.00	\$ 6,278.00	\$ 278.00
\$ 22,000.00	\$ 4,966.00	\$ 18,717.00	\$ 574.00	\$ 23,109.00	\$ 4,392.00	\$ 1,392.00	\$ (1,491.00)	\$ 25,174.00	\$ 6,457.00	\$ 457.00
\$ 24,000.00	\$ 5,572.00	\$ 20,264.00	\$ 1,237.00	\$ 24,599.00	\$ 4,335.00	\$ 1,335.00	\$ (1,063.00)	\$ 26,899.00	\$ 6,635.00	\$ 635.00
\$ 26,000.00	\$ 6,178.00	\$ 21,811.00	\$ 2,101.00	\$ 25,888.00	\$ 4,077.00	\$ 1,077.00	\$ (498.00)	\$ 28,487.00	\$ 6,676.00	\$ 676.00
\$ 28,000.00	\$ 6,784.00	\$ 23,358.00	\$ 3,056.00	\$ 27,086.00	\$ 3,728.00	\$ 728.00	\$ 229.00	\$ 29,913.00	\$ 6,555.00	\$ 555.00
\$ 30,000.00	\$ 7,390.00	\$ 24,905.00	\$ 4,012.00	\$ 28,283.00	\$ 3,378.00	\$ 378.00	\$ 956.00	\$ 31,339.00	\$ 6,434.00	\$ 434.00
\$ 32,000.00	\$ 7,996.00	\$ 26,452.00	\$ 4,968.00	\$ 29,480.00	\$ 3,028.00	\$ 28.00	\$ 1,683.00	\$ 32,765.00	\$ 6,313.00	\$ 313.00
\$ 34,000.00	\$ 8,602.00	\$ 27,999.00	\$ 5,798.00	\$ 30,803.00	\$ 2,804.00	\$ (196.00)	\$ 2,747.00	\$ 33,854.00	\$ 5,855.00	\$ (145.00)
\$ 36,000.00	\$ 9,208.00	\$ 29,546.00	\$ 6,434.00	\$ 32,320.00	\$ 2,774.00	\$ (226.00)	\$ 3,834.00	\$ 34,920.00	\$ 5,374.00	\$ (626.00)
\$ 38,000.00	\$ 9,814.00	\$ 31,093.00	\$ 7,070.00	\$ 33,837.00	\$ 2,744.00	\$ (256.00)	\$ 4,870.00	\$ 36,037.00	\$ 4,944.00	\$ (1,056.00)
\$ 40,000.00	\$ 10,420.00	\$ 32,640.00	\$ 7,706.00	\$ 35,354.00	\$ 2,714.00	\$ (286.00)	\$ 5,536.00	\$ 37,524.00	\$ 4,884.00	\$ (1,116.00)
\$ 50,000.00	\$ 14,393.00	\$ 39,432.00	\$ 10,796.00	\$ 43,029.00	\$ 3,597.00	\$ 597.00	\$ 8,686.00	\$ 45,139.00	\$ 5,707.00	\$ (293.00)
\$ 100,000.00	\$ 34,658.00	\$ 72,837.00	\$ 30,909.00	\$ 76,586.00	\$ 3,749.00	\$ 749.00	\$ 28,709.00	\$ 78,786.00	\$ 5,949.00	\$ (51.00)
\$ 110,000.00	\$ 37,741.00	\$ 79,899.00	\$ 33,699.00	\$ 83,941.00	\$ 4,042.00	\$ 1,042.00	\$ 31,999.00	\$ 85,641.00	\$ 5,742.00	\$ (258.00)