



The time has come to consider new, bold ways to make our economy work again for all Americans.

The Economic Security Project is a network of policymakers, academics, organizers and technologists working to end poverty and rebuild a strong middle class through a guaranteed income. The initiatives we organize and support focus on immediate opportunities to help families make ends meet and long-term strategies that promote a vision of economic dignity and freedom for all Americans.

Join us.

If you're excited by bold initiatives and share our belief that we're at a moment in history that requires urgent and audacious responses to entrenched poverty and a rapidly-changing economy, then we want to hear from you. To learn more about how you can become part of our network, please reach out to us at hello@economicsecurityproject.org.

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Cost-of-Living Refund

FEDERAL PROPOSAL OVERVIEW

The Cost-of-Living Refund puts cash into working people's pockets by modernizing the Earned Income Tax Credit. It will:

- 1. Help working people face the rising cost of living and housing,** with a leg up out of poverty or a cushion of financial stability.
- 2. Fight rising inequality** that threatens our democracy.
- 3. Make taxes fairer,** so the wealthiest pay their fair share.
- 4. Build on a \$15 minimum wage,** so workers earn enough to live.

THE COST OF LIVING LEAVES FAMILIES LIVING ON THE BRINK

The steep and rising cost of living, coupled with flat wages, means many families are left out of the American promise: If you work hard, you can get ahead. Millions live on the financial brink, as the cost of daily life soars, from housing to childcare to health care.

At the same time, income inequality is at a peak. While 64 million low-wage workers—mostly people of color—struggle, in the words of an Alabama voter, **“The rich are getting richer while everyone else is stuck.”** The tax code in most states makes it worse, with low-income people paying more of their income in taxes than the top 1%.

As a simple and effective approach to fight economic inequality and financial instability, **we need to put more money back in the pockets of the working and middle-class people who need it most.**

THE COST-OF-LIVING REFUND

A Cost-of-Living Refund is grounded in Dr. Martin Luther King Jr.'s call late in his life, "The solution to poverty is to abolish it directly by a now widely discussed measure: the guaranteed income." By modernizing the Earned Income Tax Credit (EITC), we can create a guaranteed income for working Americans as a powerful and practical plan to help low-income and middle-class people.

There is no better policy to provide economic stability to working people. The EITC lifts more families out of poverty than food stamps, housing subsidies, and unemployment insurance combined.

Cash gives people the tools to solve their own problems. Today, 57% of Americans can't afford a \$500 emergency, with worse rates among people of color. A voter in an Arizona focus group said, "I'm one emergency away from financial ruin." A woman in Ohio added that anyone asking whether \$100 a month is enough to matter "has never had to choose between groceries and rent."

Yet, in its current form, the EITC cannot fully address the needs of hard-working families in an economy shaped by low-wage work and high concentrations of wealth.

A Cost-of-Living Refund builds on the EITC to slash the poverty rate. Far broader than simple technical tweaks to the EITC, this is a bold idea to help rebuild the middle class:

- **Benefits half of Americans.** 153.7 million people would benefit from the Cost-of-Living Refund, according to a Tax Policy Center analysis. It would cut poverty by nearly a third--almost double the poverty impact of the current EITC.
- **Reaches low-income AND middle-class families, including "childless" workers.** This plan lifts 14.7 million people out of poverty while also supporting people in the middle class who desperately need financial stability. Because people of color and rural residents have higher levels of poverty, it provides a significant boost to these communities.
- **Expands benefits by \$2.5 trillion, paid for by taxes on the wealthy and corporations.** The Urban Institute estimates the 10-year cost at \$2.5 trillion. Taxes on the wealthy and corporations would fund the Cost-of-Living Refund. Policymakers have many options, including a wealth tax, repealing the Trump tax cuts, raising taxes on income over \$250,000, a financial transaction tax, and closing capital gains loopholes.
- **Excites voters seeking new economic solutions.** This policy polls over 70%, and remains popular with voters even after negative arguments. It is particularly popular with the Rising American Electorate and other less-likely voters.
- **Complements a \$15 minimum wage.** The minimum wage sets a solid floor for low-wage workers, preventing potential wage decline. Gene Sperling says, "An EITC for All increase together with raising the minimum wage to \$15 an hour could be a powerful one-two punch in moving more workers and working families toward a true living wage."
- **Smooths volatile incomes with a monthly credit.** Workers can opt to receive their benefit paid out monthly, helping stretch budgets til the end of the month or allowing them to build a savings cushion.
- **Responds boldly to the Trump tax cuts.** In contrast to the Trump tax law that dramatically benefits the wealthy, the Cost-

If you work and earn less than \$90,000, you get a Cost-of-Living Refund of up to \$8,000 a year.

of-Living Refund would cut taxes instead for working people. For policymakers looking to protect the middle class, this policy does the job and draws the line in the right place.

- **Offers a progressive answer to future of work questions.** With 40% of workers now in the gig economy, part-time jobs, or other contingent work without stability, it's important that those with precarious work lives have financial stability. A Cost-of-Living Refund can also soften the blow of the transition caused by the impact of automation and artificial intelligence on American jobs, or help workers afford time to gain new skills.

Alongside higher wages, affordable health care, better working conditions, high-quality public education, and robust public services, a guaranteed income for working Americans can put cash in their pockets every month and stabilize families' economic lives. We can help people make their way in this economy and begin to address the racial wealth gap.

COST-OF-LIVING REFUND POLICY DETAILS

- Bases credit on number of workers: \$4000/yr for single or \$8000 for married filers, a substantial boost over EITC for most.
- Eliminates most filing errors by decoupling credit amount from number of children.
- Phases in quickly to fight deep poverty.
- Reaches into the middle class, to reduce financial instability: up to \$90K income for couples, \$50K for single workers.
- Broadens eligibility to all workers age 18+, including "childless" workers without dependent children.
- Expands the definition of work, covering family caregivers and low-income students.
- Creates an option to get the benefit monthly, smoothing income volatility
- Increases access through simplified, automated filing.