



Family and Community Inflation Relief Act: Budgetary and Distributional Effects

Published on July 27, 2022

<https://budgetmodel.wharton.upenn.edu/estimates/2022/7/27/family-and-community-inflation-relief-act>

On July 21st 2022, Senator Chuck Grassley (R-IA) introduced legislation (text*, summary**) that would index the value of certain tax benefits to inflation:

- Child Tax Credit and Non-Child Dependent Credit (value and phaseout threshold)
- Child and Dependent Care Credit (maximum value and phaseout threshold)
- Lifetime Learning Credit and American Opportunity Credit (maximum value and phaseout threshold)
- Student loan interest deduction (maximum deduction)
- The bill would also extend the sunset date for the \$10,000 cap on SALT deductions (currently end-of-year 2025) by one year.

Table 1 contains conventional revenue estimates. We estimate the proposal would cost \$60 billion on net over the budget window (2023-2032). The inflation-indexing provisions considered alone would cost \$185 billion. Tables 2 and 3 display projected distributional effects in tax years 2023 and 2026, respectively.

* https://www.grassley.senate.gov/imo/media/doc/family_and_community_inflation_relief_act_bill_text.pdf

** https://www.grassley.senate.gov/imo/media/doc/family_and_community_inflation_relief_act_summary.pdf

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Table 1. Revenue Estimates, FY 2023-2032

Billions of Dollars, Change from Current-Law Baseline

Provision	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Budget window
Index the Child and Non-Child Dependent credits	-4.3	-9.3	-14.5	-11.0	-14.2	-15.9	-16.5	-17.1	-21.7	-23.5	-147.9
Index the Child and Dependent Care credit	-0.5	-0.3	-0.4	-0.5	-0.6	-0.6	-0.7	-0.8	-0.9	-1.0	-6.3
Index education-related credits	-0.9	-1.2	-1.7	-2.0	-2.4	-2.8	-3.3	-3.7	-4.4	-4.9	-27.2
Index the maximum deduction for student loan interest	-0.2	-0.2	-0.2	-0.3	-0.3	-0.4	-0.5	-0.5	-0.6	-0.6	-3.8
Extend the limitation on the deduction for SALT	0.0	0.0	0.0	96.7	28.9	0.0	0.0	0.0	0.0	0.0	125.6
Total	-6.0	-11.1	-16.8	82.9	11.5	-19.7	-20.9	-22.0	-27.5	-30.0	-59.5



Table 2. Distributional Estimates, Tax Year 2023

Income group	Average tax change	Share with tax cut	Average tax cut	Share with tax increase	Average tax increase	Share of tax change
Bottom quintile	\$0	0.2%	-\$105	0.0%	-	0.0%
Second quintile	-\$25	12.2%	-\$210	0.0%	-	7.6%
Middle quintile	-\$65	25.0%	-\$250	0.0%	-	19.9%
Fourth quintile	-\$85	28.2%	-\$305	0.0%	-	26.0%
80-90%	-\$170	37.5%	-\$455	0.0%	-	26.0%
90-95%	-\$115	32.8%	-\$345	0.0%	-	8.8%
95-99%	-\$190	26.1%	-\$735	0.0%	-	11.6%
99-99.9%	-\$5	1.8%	-\$145	0.0%	-	0.1%
Top 0.1%	\$0	0.9%	-\$140	0.0%	-	0.0%



Table 3. Distributional Estimates, Tax Year 2026

Income group	Average tax change	Share with tax cut	Average tax cut	Share with tax increase	Average tax increase	Share of tax change
Bottom quintile	-\$15	6.5%	-\$250	0.0%	\$160	-0.3%
Second quintile	-\$90	32.0%	-\$285	0.4%	\$445	-2.1%
Middle quintile	-\$60	26.0%	-\$310	2.8%	\$700	-1.4%
Fourth quintile	-\$40	24.5%	-\$770	15.3%	\$955	-0.9%
80-90%	\$715	11.5%	-\$1,340	50.3%	\$1,730	8.3%
90-95%	\$2,045	0.3%	-\$205	71.7%	\$2,855	11.9%
95-99%	\$3,325	0.1%	-\$205	73.1%	\$4,550	15.5%
99-99.9%	\$34,235	0.1%	-\$215	84.6%	\$40,470	35.9%
Top 0.1%	\$284,210	0.1%	-\$210	87.2%	\$325,930	33.1%