

CEA Family and Workforce Tax Policy Guide for Employers

Building on the Child Tax Credit and TCJA \$45S

CEA supports family tax policy that is pro-family, pro-work, pro-employer and fiscally responsible.

PRO-FAMILY

PRO-WORK

PRO-EMPLOYER

FISCALLY RESPONSIBLE

LEGISLATIVE OVERVIEW

Where CEA Stands on Current Proposals

POLICY	CEA POSITION	WHAT IT DOES	WHY IT MATTERS TO EMPLOYERS
Current Child Tax Credit IRC §24	CEA FOUNDATION	Current law provides a CTC of up to \$2,200 per qualifying child. The refundable Additional CTC is up to \$1,700, with refundability beginning after \$2,500 of earned income.	Helps employees manage the cost of raising children and strengthens household financial stability. The employer does not fund or administer the credit.
TCJA §45S Employer Credit for Paid Family & Medical Leave	STRONG SUPPORT	Voluntary federal business tax credit for employers providing qualifying paid family and medical leave. Made permanent and expanded; beginning in 2026, employers may qualify based on paid-leave wages or qualifying insurance premiums.	Directly helps employers offset the cost of voluntarily providing family-supportive benefits. Represents CEA's preference for incentives rather than mandates.
S. 3596 — Stronger Start for Working Families Act Sens. Hassan & Young	LIKELY SUPPORT	Allows families to begin earning the refundable CTC from essentially the first dollar of earnings rather than only after the existing \$2,500 threshold. Preserves the connection between earnings and the credit.	Relevant to employers hiring lower-wage workers, new workforce entrants and parents returning to employment. Makes the first dollars of work more valuable without imposing a new employer mandate.
S. 1382 / H.R. 353 — Family First Act Sen. Banks / Rep. Moore	CEA SUPPORT	Expands CTC to \$4,200 for children under 6 and \$3,000 for children ages 6-16, for up to six children. Creates a \$2,800 pregnancy tax credit. Phases the full child credit in by \$20,000 of income.	A broader pro-family workforce strategy. Provides substantially greater resources to employees raising children while retaining an income phase-in. Does not impose a new benefit mandate on employers.
S. 1393 / H.R. 2763 — American Family Act	CEA OPPOSES	Establishes a refundable child credit structured around monthly advance payments — \$300/month for children age 6 and older, with enhanced treatment for younger children and newborns.	CEA opposes moving the CTC toward a broad monthly cash-transfer model that weakens the connection between family tax relief and workforce participation.

FOUNDATION

Two Sides of the Employment Relationship

1. CHILD TAX CREDIT — SUPPORT THE WORKER AND FAMILY

The CTC recognizes that families raising children face substantial costs while also supplying the future workforce.

For employers, its impact is indirect but important. Family financial stability can affect an employee's ability to stay employed, manage household expenses and remain connected to the workforce.

THE KEY DISTINCTION

The employee receives the benefit. The employer does not pay the credit. That makes CTC reform fundamentally different from a federal employer benefit mandate.

2. TCJA §45S — SUPPORT THE EMPLOYER

TCJA §45S approaches family policy from the employer side of the employment relationship.

Instead of requiring every employer to provide a federally prescribed paid-leave benefit, §45S provides a tax incentive to employers that voluntarily provide qualifying paid family and medical leave.

The original TCJA provision established the credit beginning in 2018. Subsequent legislation made §45S permanent and expanded it. Current 2026 rules allow qualifying employers to use either qualifying wages paid during leave or certain paid-family-and-medical-leave insurance premiums. The general credit ranges from 12.5% to 25%.

CEA PRINCIPLE

Give employers flexibility. Encourage voluntary benefits. Reduce the cost of providing those benefits rather than imposing a one-size-fits-all mandate.

PRIORITY 1

Family First Act

S. 1382 / H.R. 353 — sponsored by Sen. Jim Banks and Rep. Blake Moore — most closely represents the broader direction CEA should support.

The legislation would:

- Increase the CTC to \$4,200 for children under age 6
- Increase it to \$3,000 for older qualifying children
- Allow credits for up to six children
- Create a \$2,800 tax credit for pregnant mothers beginning at 20 weeks
- Phase families into the full CTC by \$20,000 of income
- Phase families into the full pregnancy credit by \$10,000 of income
- Maintain high-income phaseouts
- Restructure other family-related tax code provisions

\$4,200

CTC PER CHILD UNDER 6

\$3,000

CTC PER CHILD AGES 6-16

\$2,800

PREGNANCY TAX CREDIT

WHY CEA SHOULD SUPPORT IT

Family formation is workforce policy. Employers cannot build a sustainable labor force without strong families, future workers and parents who can afford to remain attached to employment. The Family First Act gives families substantially greater tax relief without requiring an employer to create or finance a new federal benefit program.

The CEA-Style CTC Distinction

The Family First Act distinguishes a CEA-style CTC expansion from an unconditional child allowance: larger benefits are earned as family income rises, with the full child credit reached at the legislation's \$20,000 income threshold. Sen. Banks describes the proposal as supporting "strong, working families," while Rep. Moore emphasizes work, marriage and family formation.

PRIORITY 2

Stronger Start for Working Families Act

S. 3596 — Sens. Todd Young and Maggie Hassan — takes a narrower approach. Rather than dramatically increasing the maximum CTC, it changes where refundable benefits begin.

Today, lower-income families generally must earn more than \$2,500 before the refundable portion begins building. Young-Hassan would allow the refundable benefit to begin with the first dollar earned.

That makes the proposal especially relevant to:

- Someone taking a first job
- A parent returning to employment
- A part-time worker increasing hours
- A lower-wage employee
- Someone transitioning from public assistance into employment

Sen. Young describes the proposal as strengthening incentives to "enter or remain in the workforce," and its sponsors estimate that approximately 3.5 million families would benefit.

THE CEA ARGUMENT

A parent should not have to earn thousands of dollars before the tax code begins recognizing the value of that parent's work. The first dollar of work should count. This is a targeted CTC improvement that expands relief while preserving an earnings requirement.

3.5M

ESTIMATED FAMILIES BENEFITED

\$0

NEW EMPLOYER MANDATE COST

CEA OPPOSITION

American Family Act

S. 1393 / H.R. 2763 — CEA can support expanding family tax relief without supporting every proposed CTC expansion.

The American Family Act would establish a refundable monthly child tax credit and monthly advance-payment system. The Senate bill begins with \$300 per month for qualifying children age 6 and older, with a higher amount for younger children.

CEA DOES NOT SUPPORT

- Turning the CTC into a federal monthly cash-transfer program detached from a meaningful earnings requirement
- Weakening the principle that work should be rewarded
- An unconditional child allowance model disconnected from workforce participation

NO INCONSISTENCY

CEA can simultaneously support significant family tax relief through the Family First Act, consider targeted expansion through Young-Hassan, and oppose the American Family Act. The dividing line is the connection between family support and work.

CEA's Objection: Policy Architecture, Not Credit Size

CEA's concern focuses on the structure of the proposal, not simply the amount of the credit. Converting the CTC into a broad monthly cash-transfer model fundamentally alters the relationship between family support and workforce participation.

EMPLOYER PERSPECTIVE

Workforce Implications of CTC Reform

Employers should understand that the CTC proposals do not generally create a new employer benefit mandate. The worker claims the family tax credit through the federal individual income-tax system. The employer implications are therefore principally workforce-related.

CTC PROPOSALS — WORKFORCE IMPLICATIONS

Recruitment

Work-linked credits can increase the economic value of entering employment.

Retention

Greater household financial stability may help parents remain connected to work.

Workforce Participation

Young-Hassan specifically increases the value of the first dollars earned.

Family Formation

Family First provides greater tax relief during the years when family expenses can be particularly high.

Employer Flexibility

Unlike mandatory federal paid-leave proposals, none of these CTC proposals requires the employer to fund the employee's tax credit.

\$45S IS DIFFERENT

\$45S is the employer-side tax credit. It directly helps businesses finance voluntary paid family and medical leave — the employer-side complement to worker-side CTC reform.

EMPLOYEE SIDE

Current CTC

Support families raising children

Young-Hassan

Reward work beginning with the first dollar earned

Family First Act

Provide substantially greater pro-family tax relief while maintaining a connection between income, work and benefits

EMPLOYER SIDE

TCJA \$45S

Give employers a voluntary tax incentive to provide paid family and medical leave

TOGETHER

Reward the parent for working and raising a family while rewarding the employer for creating a workplace in which that family can remain attached to work.

BUDGET DISCIPLINE

Evaluating CTC Proposals Against the Deficit

CEA should be clear that tax credits have a federal budget cost. Tax credits reduce federal receipts, and refundable credits can also generate federal outlays. Expanding the CTC should be evaluated alongside the nation's deficit and debt challenges.

THE BETTER QUESTIONS

CEA's standard should not be simply, "Does this provide more family benefits?" Ask instead whether it rewards work, strengthens families, improves workforce participation, avoids new employer mandates, is appropriately targeted, and what its ten-year federal budget impact is.

Does it reward work?

Does it strengthen families?

Does it improve workforce participation?

Does it avoid new employer mandates?

Is it appropriately targeted?

What is its ten-year federal budget impact?

JCT/CBO Scoring Requirement

CEA should seek formal Joint Committee on Taxation or Congressional Budget Office scoring as these proposals advance. CEA should not characterize a proposal as deficit-neutral unless an official score supports that conclusion. Are there credible offsets or reforms elsewhere in the tax code?

ACTION FRAMEWORK

Defend, Advance, and Oppose

DEFEND AND BUILD ON

1

DEFEND

Current CTC — CEA-Supported Foundation

Preserve meaningful family tax relief. The existing Child Tax Credit provides the employer-neutral foundation that supports worker and family stability without imposing a benefit mandate.

2

DEFEND

TCJA \$45S — CEA-Backed Employer Model

Preserve and strengthen voluntary employer incentives for paid family and medical leave. \$45S is the employer-side complement to any CTC expansion.

ADVANCE

3

ADVANCE

Family First Act — CEA Support

Make this a major future pro-family tax policy priority. Provides substantially greater resources to employees raising children while retaining an income phase-in and imposing no new benefit mandate on employers.

4

ADVANCE

Stronger Start for Working Families Act — Likely CEA Support

Explore as a targeted bipartisan improvement that makes work pay beginning with the first dollar earned. Particularly relevant to employers hiring lower-wage workers and workforce entrants.

OPPOSE

5

OPPOSE

American Family Act — CEA Opposes

Do not convert the Child Tax Credit into a broad monthly cash-transfer program disconnected from a meaningful work requirement. CEA's objection is structural, not about the credit amount.

BOTTOM LINE

CEA's vision is not simply a larger Child Tax Credit. It is a family and workforce tax policy built around work, family formation, employer flexibility and fiscal responsibility. The CTC supports the worker. Young-Hassan strengthens workforce entry. Family First strengthens working families and family formation. TCJA \$45S supports the employer. That is the framework CEA can carry forward as the next generation of pro-family, pro-work employer policy.

CHRISTIAN EMPLOYERS ALLIANCE

Pro-Family. Pro-Work. Pro-Employer. Fiscally Responsible.

CEA has helped advance federal tax policies on both sides of the employment relationship. Our goal going forward is to build on that foundation by rewarding work and workforce participation, supporting parents raising the next generation, strengthening marriage and family formation, and helping employers recruit and retain workers.

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