

President announces key tax initiatives for middle class families

On January 25, President Obama and Vice President Biden announced several of their Middle Class Task Force's recommendations to help middle class families afford soaring child care costs, care for their aging relatives, cope with the challenge of saving for retirement, and pay for their children's college tuition. The Task Force's final report, and full recommendations, are to be released in February, but there were several tax changes among the proposed policy initiatives released in advance, including:

- almost doubling the Code Sec. 21 child and dependent care tax credit for middle class families making under \$85,000 a year by increasing their tax credit rate from 20% to 35% of qualifying expenses. The value of the tax credit nearly doubles for all families making under \$85,000 a year, and a family that makes under \$115,000 will see a tax credit increase. For families struggling to join the middle class, there would be a \$1.6 billion increase in child care funding to help an additional 235,000 children;
- creating a system of automatic workplace IRAs, requiring all employers to give the option for employees to enroll in a direct-deposit IRA; and
- simplifying and expanding the Code Sec. 25B saver's credit by expanding tax credits to match retirement savings and enacting new safeguards to protect retirement savings, making it easier for families to plan for retirement.