

Booker, Moran Introduce Bill Empowering Taxpayers to Defer Refund for Rainy Day Savings

Bill would allow taxpayers to utilize their tax refund to create greater financial security

April 13, 2016

WASHINGTON, DC – As millions of Americans hurry to file their taxes before the April 18 deadline, today, **U.S. Sens. Cory Booker (D-NJ)**, and **Jerry Moran (R-KS)** introduced The **Refund to Rainy Day Savings Act**, a first-of-its-kind, bipartisan proposal that would enable Americans to more easily build emergency savings during tax season by allowing tax filers to save a portion of their refund for a “rainy day” later in the year.

“Our nation faces a savings crisis as millions of Americans are getting by with little or no money set aside to cover unexpected costs that may arise. Families living paycheck to paycheck endure the persistent threat of sudden financial disaster. Without emergency savings, financial stability can easily be jeopardized by an unexpected expense or loss of income, like a medical bill or the sudden loss of a job,” **Sen. Booker said**. “This legislation seeks to help taxpayers utilize their refund to build emergency savings at tax time. Through the Refund to Rainy Day Savings Act, we can help New Jerseyans and millions of Americans by allowing a portion of their tax refund to be made available later in the year.”

“Savings are a critical component of financial security and economic mobility, but setting aside enough money each payday can be difficult when dollars are already stretched and existing expenses must be paid,” **Sen. Moran said**. “This bipartisan legislation would allow Americans to utilize a rare moment of financial flexibility that accompanies a tax refund to plan for the future, set aside savings for a rainy day, and invest in their own financial stability. The American Dream is ours to protect and pass on, and I’m proud to champion policies in the United States Senate that can help Americans improve their financial footing.”

There is one predictable source of financial support on which nearly all Americans can depend: their tax refund. Every year, more than 80% of Americans receive ([https://www.irs.gov/uac/Newsroom/Tax-Refunds-Reach-Almost-\\$125-Billion-Mark-IRS.gov-Available-for-Tax-Help](https://www.irs.gov/uac/Newsroom/Tax-Refunds-Reach-Almost-$125-Billion-Mark-IRS.gov-Available-for-Tax-Help)) a tax refund. For lower-income Americans that refund can amount to a third or more of their entire annual income. Many families use their refund (<http://www.nyulawreview.org/sites/default/files/pdf/NYULawReview-88-2-Greene.pdf>) to make ends meet, pay off debt, save, and invest for themselves and their children. Unfortunately, months after tax season is over, many Americans find themselves in a familiar precarious financial state, with little emergency savings to get through the rest of the year.

The Refund to Rainy Day Savings Act

Under this proposal, tax filers receiving a direct deposit tax refund will be allowed to defer up to 20% of their refund by opting into the Rainy Day Savings Program on their 1040 tax form. This savings will accumulate interest in a Treasury-held account before being transferred to the tax filer's direct deposit account six months later. In other words, the program would allow tax filers to save a portion of their refund for a rainy day later in the year.

The bill also establishes a three-year pilot program to evaluate savings matches for lower-income tax filers. The legislation accomplishes this by redeploying an existing federal matched savings program, Assets for Independence. The proposed reforms expand local flexibility for the program to test a variety of matched savings strategies for lower-income workers. By making use of an existing program to test tax-time savings matches, the legislation encourages local development of best practices without increasing federal funding.

One in every three Americans have no financial savings at all, and nearly half (http://assetsandopportunity.org/assets/pdf/2016_Scorecard_Report.pdf) of Americans are “liquid asset poor,” lacking even the most basic savings to deal with a rainy day emergency like a broken down car or lost job. A lack of savings means that a majority of American households face the persistent threat of sudden economic misfortune. According to research by Pew, even 25 percent of higher income households, earning more than \$85,000, have less than 13 days' worth of income in liquid savings. Living on the verge of financial disaster has long-term implications (<http://link.springer.com/article/10.1007%2Fs10834-014-9434-z>) for American workers and their families.

“Nearly half of all Americans have almost no emergency savings. The Refund to Rainy Day Savings Act represents a critical step forward in efforts to help millions of working families save for a more financially secure future. And by making crucial updates to the Assets for Independence program, this legislation will lay the groundwork for future policy, programs, and research,” **Andrea Levere, president of the Corporation for Enterprise Development (CFED) said.**

The following organizations have endorsed the Refund to Rainy Day Savings Act:

First Focus Campaign for Children (<https://www.scribd.com/doc/308394849/Refund-to-Rainy-Day-Savings-Act-FFCC-Letter-of-Support>)

Aspen Institute Financial Security Program

Center on Budget and Policy Priorities

Center for Global Policy Solutions

Corporation for Enterprise Development

The Housing and Community Development Network of NJ

Asset Building Program, New America

New Jersey Policy Perspective

PolicyLink