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# THE HIGH SCHOOL ATTAINMENT CREDIT: A TAX CREDIT ENCOURAGING PARENTS TO HELP MOTIVATE STUDENTS TO GRADUATE FROM HIGH SCHOOL

## I. INTRODUCTION

Approximately once every minute, about the time it will take you to read this page, a high school student in the United States makes the conscious decision to drop out of school.<sup>1</sup> These students drop out for a variety of reasons; some might be seeking minimum-wage employment to earn some money; some may have a child to care for at home; or, worst of all, some might simply feel that an education is worthless and that school is a complete waste of their time.<sup>2</sup> Those students that drop out of high school because they feel an education is insignificant do not realize that a basic high school education is an invaluable asset to succeed in our modern society.<sup>3</sup> Even for someone who has a voice worthy of “American Idol” or who has amazing athletic talent, an education is nevertheless invaluable to help one make more informed decisions throughout his or her life.

This article will show how a particular change in the current tax code could alter the future landscape of America, while increasing current and long term tax revenue for the federal government. The basics of this proposal, the High School Attainment Credit (hereinafter, “HSAC”), involve eliminating the current child tax credit embodied in Section 24 of

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1. See Philip Kaufman et al., U.S. Dept. of Educ. Natl. Ctr. for Educ. Stat. Wash., D.C., *Dropout Rates in the United States: 2001*, 6 (NCES 2005-046) (U.S. Govt. Prtg. Off. 2004) (based on figures demonstrating that 500,000 students drop out of high school per year and that there are 525,600 minutes in year which roughly equates to an average of one dropout per minute and assuming it takes you approximately one minute to read this page).

2. See David Brunsmä et al., *Increasing the Motivation of Secondary School Students*, 25 *Am. Secondary Educ. J.* 10, 11 (Dec. 1996) (Some students see no value in their school work when their courses are simplified to keep them from dropping out.).

3. Steven J. Ingels et al., U.S. Dept. of Educ. Natl. Ctr. for Educ. Stat. Wash., D.C., *Coming of Age in the 1990s: The Eighth-Grade Class of 1988 12 Years Later*, 25, 29 (NCES 2002-321) (U.S. Govt. Prtg. Off., June 2002); see also Thomas D. Snyder et al., U.S. Dept. of Educ. Natl. Ctr. for Educ. Stat. Wash., D.C., *Digest of Education Statistics: 2003*, 458 (NCES 2005-025) (U.S. Govt. Prtg. Off., Dec. 2004) (indicating a rapidly rising unemployment rate for those without a high school diploma).

Title 26 of the United States Code<sup>4</sup> and replacing it with a one time refundable tax credit of \$10,000 for the parents of every child that graduates from high school. HSAC focuses specifically on the nation's problematic high school dropout rates.<sup>5</sup> Although HSAC proposes a radical change, this article will show how a monetary incentive may encourage parents to motivate their children to make education a higher priority.

Part II will detail the current high school dropout rates and their devastating and everlasting effects on America. Part III will then discuss what the United States Government is currently doing in response to the high school dropout problem. Part IV describes how parents can motivate their children to attend school and ultimately graduate from high school. Part V also demonstrates how a monetary incentive would motivate parents to play an active role in helping their children graduate from high school. Part VI discusses the current child tax credit with its flaws and possible solutions to its flaws. Finally, Part VII presents HSAC, its bases, potential criticisms, and societal implications.

## II. HIGH SCHOOL DROPOUT RATES IN THE UNITED STATES

Some teenagers today do not realize that obtaining an education is one of the most important things one can do with his or her life.<sup>6</sup> Every level of education, from high school through graduate school can open up a variety of doors to success in life.<sup>7</sup> However, many teenagers do not realize that the American Dream, whereby someone can work hard and achieve, generally requires a basic high school education.<sup>8</sup> Unfortunately, teenagers are inundated by images of pop stars, athletes, and celebrities that have made fortunes without obtaining a college education and, in many instances, without obtaining a high school education. In essence, students who see no personal benefit in obtaining an education put forth minimal effort, such as enrolling in the easiest courses they can find and/or ultimately dropping out of school.<sup>9</sup>

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4. 26 U.S.C.S. § 24 (LEXIS 2005).

5. Kaufman et al., *supra* n. 1, at 6.

6. Snyder et al., *supra* n. 3, at 458.

7. *Id.* (showing that, in 2002, the unemployment rate of persons twenty-five years old and over, who had not completed high school, was 8.6%, versus 5.3% for those that completed high school, and 2.9% for those that obtained a bachelor's degree or higher).

8. *Id.* at 465 (showing that the median annual income of year-round, full-time workers, twenty-five years old and over in 2001, was only \$26,209 for males (\$19,156 for females) who attended high school for one to three years and did not graduate versus \$34,723 for males that completed high school (\$25,303 for females).

9. Brunsma et al., *supra* n. 2, at 11.

Current figures concerning dropouts are discouraging. While high school dropouts come from all types of family backgrounds, students from poor and single-parent families are statistically more likely to drop out of school.<sup>10</sup> In 2001 there were “3.8 million 16- through 24-year-olds who were not in high school and who lacked a high school credential.”<sup>11</sup> Of these 3.8 million dropouts, approximately 505,000 dropped out during the 2000–2001 school year alone.<sup>12</sup>

Many of these dropouts do not realize how dramatically the American workforce has changed over the past fifty years.<sup>13</sup> After World War II and through the late 1970s, a high school diploma “continued to open doors to many promising career opportunities.”<sup>14</sup> Although the industrial era demanded no formal education of its workforce, skilled labor is in high demand in this current age of technology, rendering a high school diploma the minimum requirement for many jobs.<sup>15</sup> Thus, as the first prerequisite to enrolling in college or a vocational training program, a high school education is an absolute necessity for learning marketable skills in today’s economy.

Additionally, dropping out of high school leads to many negative consequences. With a high school education being the minimum requirement for many jobs, high school dropouts are left with severely limited job options.<sup>16</sup> Dropouts continue to face economic challenges throughout life; studies have shown that high school dropouts are more likely to receive government assistance than students that complete high school and do not attend college.<sup>17</sup> The dismal future for dropouts does not stop there. “Young women who drop out of school are more likely to

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10. Wirt et al., U.S. Dept. of Educ. Natl. Ctr. for Educ. Stat. Wash., D.C., *The Condition of Education 2004* 61 (NCES 2004-077) (U.S. Govt. Prtg. Off., June 2004) (stating that those children whose families are in the lowest twenty percent of all family incomes are six times more likely to dropout of high school than their peers from high-income families); see also Gordon Dryden & Jeanette Vos, *The Learning Revolution* 273 (Learning Web Ltd. 1999) (available at [http://www.thelearningweb.net/chapter08/high\\_school\\_dropouts\\_page273.html](http://www.thelearningweb.net/chapter08/high_school_dropouts_page273.html)) (stating that children of single parents are twice as likely to dropout of high school than two-parent children).

11. Kaufman et al., *supra* n. 1, at 12; see also Wirt et al., *supra* n. 10, at 53 (stating that, in 2003 thirteen percent of all persons ages 16–24 were neither enrolled in school nor working).

12. Kaufman et al., *supra* n. 1, at 6.

13. *Id.* at 1.

14. *Id.*

15. See generally Snyder et al., *supra* n. 3, at 458.

16. See *id.* at 458, 465 (showing higher unemployment rates and lower median incomes for people who have not obtained a high school education).

17. *Id.*; see also Ingels et al., *supra* n. 3, at 29 (stating that “people with more education are . . . much less likely to receive welfare benefits”).

have children at younger ages and more likely to be single parents than high school completers, making them more likely to rely on public assistance.”<sup>18</sup> And, perhaps the most frightening statistic is that high school dropouts make up a disproportionately high percentage of the nation’s death row and prison inmates.<sup>19</sup> Taking these studies as a whole, high school dropouts are more likely to be unemployed or earn less money when employed, to place a larger burden on the government by requiring public assistance (welfare), and to end up incarcerated.

While the high school dropout rate currently is, and historically has been, a problem, some may wonder if such a problem will persist. Dropout rates seem to be holding relatively steady, with approximately 10% of high school students dropping out each year.<sup>20</sup> If one then considers that approximately four million babies were born in 2002,—assuming that the dropout rate remains the same and the majority of such babies will live beyond the age of eighteen—then roughly 400,000 of these newborns will not graduate from high school.<sup>21</sup> Even though the birthrate nationwide has decreased slightly over the last several years, this evidence still suggests that approximately 400,000 students could continue to drop out of high school per year.<sup>22</sup>

### III. WHAT THE GOVERNMENT IS CURRENTLY DOING TO COMBAT THE HIGH SCHOOL DROPOUT PROBLEM

Various congressional acts have recently been passed to help deal with the dropout situation. The primary tool used by the United States government to address the problem of high school dropouts is the

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18. *Id.*

19. U.S. Dept. of Just., Off. of Just. Programs, Bureau of Just. Stat., Wash., D.C., *Correctional Populations in the United States 1997: Surveys of State and Federal Inmates, 1997* 48 (NCJ 177613) (U.S. Govt. Prtg. Off. 2000) (available at <http://www.ojp.usdoj.gov/bjs/pub/pdf/cpus9704.pdf>) [hereinafter *Correctional Populations*] (showing that approximately forty percent of state and thirty percent of federal prison inmates are high school dropouts).

20. Thomas D. Snyder & Alexandra G. Tan, *Digest of Educational Statistics, 2004* tbl. 107 (Nat'l. Ctr. Educ. Statistics 2005) (available at [http://nces.ed.gov/programs/digest/d04/tables/dt04\\_107.asp](http://nces.ed.gov/programs/digest/d04/tables/dt04_107.asp)) (showing that in 2001, 2002, and 2003, the dropout rates were 10.7, 10.5, and 9.9 percent, respectively).

21. See Paul D. Sutton & T. J. Matthews, *Trends in Characteristics of Births by States, 1990, 1995, and 2000–2002*, 52 Nat'l. Vital Stat. Report 1 (May 10, 2004); see also Kaufman et al., *supra* n. 1, at 12 (stating that approximately ten percent of high school students drop out each year); see also U.S. Census Bureau, *U.S. Interim Projections by Age, Sex, Race, and Hispanic Origin* tbl. 1a, <http://www.census.gov/ipc/www/usinterimproj/> (last revised Aug. 26, 2004) (stating that the population in 2000 is expected to increase fifty million by 2020).

22. *Id.*

“Dropout Prevention Act” (hereinafter, “DPA”) enacted in 2002.<sup>23</sup> The DPA provides money to schools for dropout prevention and reentry programs.<sup>24</sup> Additionally, the DPA focuses on holding schools and teachers accountable for dropouts.<sup>25</sup> The DPA provides further monetary incentives, in the form of grants, to schools that reduce their dropout rate.<sup>26</sup>

Another tool utilized by the government is the “No Child Left Behind Act of 2001” (hereinafter, “NCLB”),<sup>27</sup> which allocates over \$1 billion to ensure that high-quality education is available for all school age children and that parents are afforded substantial and meaningful opportunities to participate in their children’s education. Though both acts focus on schools and teachers, rather than on parents, placing the burden on schools to remedy the dropout rate may not be the best answer. When high school teachers were asked what the most serious problems facing their schools were, the third most commonly cited problem was “lack of parental involvement”—student apathy and lack of preparation top the list.<sup>28</sup> Furthermore, only 50% of the teachers agree that they receive a great deal of support from parents for the work they do in the classroom.<sup>29</sup> So, from the educators’ perspective, a much more effective means of addressing the high school dropout problem would be to encourage greater parental involvement.

Aside from lacking effective encouragement of parental involvement, some critics suggest that NCLB may increase the number of dropouts because it requires states to conduct high school exit exams, which may be difficult to pass.<sup>30</sup> Many states also require students to pass exit exams prior to graduation.<sup>31</sup> Currently, twenty-four states have mandated high school exit exams; despite the controversy they engender, exit exams are required in more states every year.<sup>32</sup> While the Center for Education Policy currently does not have enough data to show that higher dropout rates are linked with exit exams, the Center claims there

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23. 20 U.S.C.S. §§ 6551–61 (LEXIS 2005).

24. *See id.* § 6552.

25. *Id.* at § 6557.

26. *See id.* §§ 6551–61.

27. *Id.* at § 6301.

28. Snyder et al., *supra* n. 3, at 91 (surveying public secondary school teachers in 1999–2000).

29. *Id.*

30. Anne C. Lewis, *Washington Scene*, 70 *Educ. Dig.*, 66, 68 (Nov. 2004); *see also* Ellie Ashford, *Re-Thinking High School Exit Exams*, 69 *Educ. Dig.* 51 (Oct. 2003); *but see Exit Exams Have Mixed Impact*, 8 *Am. Teacher* 11 (Oct. 2003).

31. Lewis, *supra* n. 30, at 68.

32. *Id.*; *see also* Ashford, *supra* n. 30, at 51.

is enough evidence to suggest a relationship between the two factors.<sup>33</sup>

Other think tanks, such as the Manhattan Institute, say there is no evidence that the exit exams lower graduation rates.<sup>34</sup> The Manhattan Institute cites two main points in support of their proposition: (1) exit exams do not require high academic proficiency for a passing grade, and (2) students are given multiple chances to pass the exams.<sup>35</sup> Even if exit exams do not affect graduation rates among students, states must nevertheless pay the significant costs associated with administering exit exams.<sup>36</sup>

While costs of education at the federal level are high, costs are even more onerous at the local level when trying to make school size smaller. Many schools, such as Jefferson High School in Los Angeles, are working on dividing themselves into smaller learning centers in order to provide a more personalized education for students.<sup>37</sup> Teachers and school superintendents believe that creating smaller schools creates a more personal educational experience that will help improve graduation rates.<sup>38</sup> Even students feel that a more personal approach would help them learn as well as encourage them to remain in school.<sup>39</sup> However, in order to make schools smaller, school districts need more funding. While the federal government provides funding to schools to help make the transition, both the federal and local governments need a more efficient way to fund strategies that address the high school dropout rate. The cost-effective HSAC strategy, to be discussed later, with its focus on encouraging parental involvement, and providing a more personalized approach to education, is a potential solution.<sup>40</sup>

#### IV. HOW PARENTS CAN MOTIVATE THEIR CHILDREN TO GRADUATE

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33. *Exit Exams Have Mixed Impact*, *supra* n. 30, at 11.

34. Lewis, *supra* n. 30, at 68.

35. *Id.*

36. *Id.* at 69; see *Exit Exams Have Mixed Impact*, *supra* n. 30, at 11 (stating that administering exams can cost states over \$400 per student).

37. Cara Mia DiMassa, *Schools' Dropout Remedy: Get Small*, L.A. Times B1 (Mar. 26, 2005).

38. *Id.*

39. Erika Hayasaki & Erica Williams, *Staying the Course at L.A.'s Urban High Schools*, L.A. Times A1 (Mar. 25, 2005) (stating that students like Berhane Azage of Manual Arts High School in South Los Angeles feel a "good personal approach would help").

40. DiMassa, *supra* n. 37, at B1 ("The U.S. Department of Education's Smaller Learning Communities Program has distributed nearly \$300 million in grants to hundreds of districts since 2000.").

## FROM HIGH SCHOOL

Motivation is a psychological concept used to describe the reasons why people choose different activities, persist in them, and carry them out with concentration.<sup>41</sup> “While motivation is not directly related to learning (one cannot learn simply because one is motivated to do so), it is positively related to performance. Increased performance can lead to increased learning.”<sup>42</sup> However, for the past several years, the possible economic advantage of gaining a high school diploma has not alone motivated students to attain an education.<sup>43</sup>

Many current students feel they deserve whatever they want, and, at the same time, feel basically hopeless about their future.<sup>44</sup> In a study of teenagers in 1998, half of all students polled said they were sometimes very depressed about their future, and many teenagers reported that they regularly felt depressed about their future.<sup>45</sup> Not coincidentally, many of these teenagers hardly talked with their parents about school or the future.<sup>46</sup> Thus, it is imperative that parents not only get involved in their children’s education, but also be prepared to motivate their children to learn.

*A. Studies Suggest Parental Involvement Can Make a Difference*

Although often subtle, parents nevertheless can play a very significant role in students’ education.<sup>47</sup> Research has consistently shown that an increase in parental involvement at the high school level correlates with an increase in student performance.<sup>48</sup> When parents are involved, high school students tend to show higher aspirations, earn higher grades, and require fewer disciplinary measures.<sup>49</sup> Yet it is important to note that these statistics are not correlated with particular

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41. Brunsma et al., *supra* n. 2, at 10.

42. *Id.*

43. *Id.* at 11.

44. Barbara McCombs & Mary Lee Barton, *Motivating Secondary School Students to Read Their Textbooks*, 82 NASSP Bull. 24, 25 (Oct. 1998).

45. *Id.*

46. *Id.*

47. See Camille Dominguez, *Involving Parents, Motivating Students*, 4 Principal Leadership 44 (Dec. 2003) (stating that families have a positive influence on learning).

48. A.Y. “Fred” Ramirez, “Parent Involvement Is Like Apple Pie”: *A Look at Parental Involvement in Two States*, 85 High Sch. J. 1 (Oct./Nov. 2001); Rollande Deslandes & Richard Bertrand, *Motivation of Parent Involvement in Secondary-Level Schooling*, 98 J. of Educ. Res. 164 (Jan./Feb. 2005) (citations omitted); see also Dominguez, *supra* n. 47, at 44 (explaining that families have a positive influence on learning).

49. Deslandes & Bertrand, *supra* n. 48, 164.

parents.<sup>50</sup> Families across all income and education levels and cultural backgrounds have encouraged their children to learn by helping them focus on school and homework.<sup>51</sup> Thus, any family can have a positive influence on their child's education.<sup>52</sup>

Despite this research in education, many parents believe that they should participate less in their children's education as their children advance through school and into the upper grades.<sup>53</sup> Parents from the Deslandes study cite their children's desire for independence and negative attitudes as their reasons for discontinuing regular involvement in their children's education.<sup>54</sup> These parents also believe that they have less influence over their children's high school education than they did over their children's elementary school education.<sup>55</sup> Notwithstanding these reasons, when parents cease to take an active role in their children's education, they effectively place the entire responsibility of educating their children on the schools and teachers.<sup>56</sup>

Parents that place the entire burden of educating their children on others need adequate incentives to play a more active role in their children's education and ultimate graduation.<sup>57</sup> Some parents, for whatever reason, lack the desire to participate in their children's education.<sup>58</sup> Perhaps, a monetary incentive, like HSAC, could be the spark that encourages parents to motivate their children to graduate from high school.

### *B. Parents Can Do Many Simple Acts To Motivate Their Children*

While parents have many methods at their disposal for motivating their children to learn, research suggests that the most important steps parents can take are believing in their children's capacity to learn, caring about their children, and upholding high expectations for their

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50. Anne Henderson & Karen Mapp, *A New Wave of Evidence: The Impact of School, Family, and Community Connections on Student Achievement* 34 (Southwest Educ. Dev. Laboratory 2002) (stating that families from all backgrounds can get involved and have an impact in their children's education).

51. *Id.*

52. *Id.*

53. Anne Wescott Dodd, *Parents as Partners, Not Problems*, 63 *Educ. Dig.* 36 (Mar. 1998).

54. *Id.*; see also Deslandes & Bertrand, *supra* n. 48, at 165 (stating that parents reduce their involvement when children desire to work alone).

55. Deslandes & Bertrand, *supra* n. 48, at 165.

56. See Ramirez, *supra* n. 48, at 5–6 (explaining that parents blame the school and teachers if their children are in trouble).

57. *Id.* at 6.

58. *Id.*

children.<sup>59</sup> When children find difficulty with a particular subject in school, many of their parents are tempted to simply say, “Don’t worry about it. No one in our family has ever done well in math [for instance].”<sup>60</sup> Such a statement however suggests to the child that he or she inherited the inability to perform well in school or at least succeed in a particular subject area.<sup>61</sup> Children who believe they are genetically destined to fail do not try their best to achieve in school.<sup>62</sup> However, studies show that genetics do not explain why some children do not perform well in school;<sup>63</sup> rather, low academic performance is often explained by negative parental attitudes, which cause children to discount their abilities and minimize their academic efforts.<sup>64</sup> Therefore, if parents have positive attitudes regarding their children’s abilities, they can have a positive influence on their children’s education.

One of the most profound ways a parent can encourage education is by fostering a positive attitude about learning. Parents are role models for their children in a variety of ways.<sup>65</sup> For example, if a child fails at first, a parent can emphasize that mistakes offer valuable lessons and then assist the child in identifying lessons from his mistakes.<sup>66</sup> Children learn through a variety of techniques and parents should respect other learning styles.<sup>67</sup> However, a parent could also show his child how to approach a difficult task by breaking it up into smaller and easier segments and by trying a variety of possible solutions.<sup>68</sup> Similarly, parents can model the process of working toward long-term goals. If parents can discuss long-term educational goals with children and then work with their children in creating realistic strategies for achieving these goals, their children are more likely to achieve academic success.<sup>69</sup>

In addition to teaching their children, parents can do many simple acts to assist their children. Parents can create a quiet work environment for their children at home. They can ask their children about school.<sup>70</sup>

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59. Susan A. Miler & Eileen Shultz, *Persistence—It Keeps Going and Going and Going!*, 73 *Childhood Educ.* 43, 44 (Fall 1996); see also McCombs & Barton, *supra* n. 44, at 26 (stating that students need optimism and confidence in themselves to learn).

60. Miler & Shultz, *supra* n. 59, at 44.

61. *Id.*

62. *Id.*

63. *Id.*

64. *Id.*

65. *Id.*

66. *Id.*

67. *Id.*

68. *Id.*

69. *Id.*

70. Dominguez, *supra* n. 47, at 44.

Parents can also teach their children superior time management skills and encourage them to interact with fellow students that have high academic aspirations.<sup>71</sup> When parents get involved, not only do children have a greater tendency to do better in school, but they also are more likely to continue their education.<sup>72</sup>

After taking a basic interest in their children's education, parents should develop a relationship with their children's teachers.<sup>73</sup> Currently, many parents have limited contact with their children's teachers and schools.<sup>74</sup> However, research indicates that parents will have a better understanding of their children's learning strengths and weaknesses after hearing teachers' comments about their children.<sup>75</sup> With a better grasp of their children's educational strengths, parents can build upon those strengths and discover more efficient ways to motivate their children.

Parents can do a great deal to get involved and help motivate their children to learn. Parental influence in a child's education can be just as great, if not greater, than a teacher's impact on a student's education. Also, once parents get involved and realize they have successfully helped their children, many parents will have an even greater desire to be involved.<sup>76</sup> An added incentive to motivate their children to learn may be HSAC's monetary credit.

### *C. Will Money Encourage Parents To Motivate Their Children to Graduate?*

With many naturally accepting the proposition that money is a powerful motivator, few behavioral psychologists are researching the power of money to motivate.<sup>77</sup> Edward E. Lawler, III suggests that two conditions must exist for money to be a motivator: first, money has to be important to the individual, and second, the individual needs to see a connection between his behavior and the money.<sup>78</sup> A majority of people value money and it is important to them, thus the first condition is generally easily met.<sup>79</sup> However, the second condition can be

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71. *Id.*

72. Henderson & Mapp, *supra* n. 50, at 30.

73. Dominguez, *supra* n. 47, at 44.

74. Dodd, *supra* n. 53, at 36.

75. See Dominguez, *supra* n. 47, at 44 (Parents are more willing to support teachers when they communicate with each other.).

76. *Id.* at 44-45.

77. Edward E. Lawler, III, *Compensation Review: Motivating with Money: Edward E. Lawler, III's Views 4* (Ernest C. Miller ed., AMACOM 1976) (suggesting that more behavioral psychologists need to research the power of money to motivate).

78. *Id.* at 5.

79. *Id.*

problematic.<sup>80</sup> While Lawler looked at monetary compensation in the corporate workplace, his process can be applied to parents with students. Parents likely value money as Lawler suggests.<sup>81</sup> In addition, if parents can identify a connection between their behavior and the money they would receive through HSAC, they could likely be induced to participate in their children's education.

Parents currently will receive the child tax credit so long as their children are alive and breathing, regardless of whether they participate in their children's education or not.<sup>82</sup> In contrast, the proposed HSAC would give parents money if, and only if, their children graduated from high school. As a result, parents would identify a connection between receiving HSAC and participating in their children's education. Parents would be encouraged to find ways to participate in their children's education, or help educate their children, (as described above) with the goal of seeing their children graduate from high school. Upon graduation, parents would be rewarded for their stellar parenting with the HSAC reward.

Similar to Lawler's suggestions, others also suggest that monetary incentives are most effective when tied to performance.<sup>83</sup> If money is simply paid to an employee or an executive in a corporation no matter what work is produced, people will have little incentive to perform well. However, if money is directly tied to production that is visible, money becomes a very powerful incentive.<sup>84</sup> Similarly, if money is just given to parents upfront for helping with their children's education, parents might lack the incentive to use their best efforts. However, if HSAC is tied to children graduating from high school, parents will put a much better foot forward in their attempt to help with their children's education.

In addition to studies on the effects of money on people, the Internal Revenue Code itself implies that money can influence people's actions.<sup>85</sup> Perhaps the two best examples of this idea are the deduction for mortgage interest and the preferential capital gains tax rate.<sup>86</sup> The deduction for interest paid on mortgages encourages people to purchase

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80. *Id.*

81. *See id.* (assuming a majority of people value money, then parents will likely also value money).

82. *See id.* (showing that no educational requirement is in the child tax credit).

83. William Foote Whyte et al., *Money and Motivation* 1-3 (Greenwood Press 1977); *see* Arch Patton, *Men, Money and Motivation* 33 (McGraw-Hill 1961) (suggesting that the "money motive" is complex and mingled with other motives).

84. Whyte et al., *supra* n. 83, at 1-8.

85. 26 U.S.C.S. § 1 et seq.

86. *See id.* § 163(h)(3) (showing the federal income tax deduction for mortgage interest); *id.* at § 1(h) (showing the maximum capital gains tax rate of fifteen percent).

homes. Similarly, the maximum capital gains rate gives people an incentive to save money for the future.<sup>87</sup> If these sections of the Internal Revenue Code can influence people's actions, HSAC could encourage parents to help with their children's education.

## V. THE CURRENT CHILD TAX CREDIT: ITS FLAWS AND POSSIBLE SOLUTIONS

For taxable year 2005, the maximum child tax credit is \$700 with respect to each qualifying child.<sup>88</sup> The code defines a "qualifying child" as a one that has not attained age seventeen in the taxable year.<sup>89</sup> Therefore, a maximum of \$700 is only available only for parents of children that are sixteen years of age or younger during the entire taxable year.<sup>90</sup> The Code also outlines income limitations with respect to the parents claiming the child tax credit.<sup>91</sup> Parents earning above or below certain income levels cannot claim the credit.<sup>92</sup> Likewise, because the current child tax credit is taken in the form of a tax deduction, the credit is worthless to low income families who are already exempt from federal income tax.<sup>93</sup>

### *A. Criticism of the Current Child Tax Credit*

When the child tax credit was enacted on July 1, 1997, the Committee on Finance found that the individual income tax structure did not take into a consideration the reduction of a family's ability to pay taxes with a corresponding increase in family size.<sup>94</sup> The Committee believed "that a tax credit for families with dependent children will reduce the individual income tax burden of those families, will better recognize the financial responsibilities of raising dependent children, and will promote family values."<sup>95</sup> While the Act has a noble purpose, many

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87. *Id.* at § 1(h) (demonstrating that the capital gains rate applies to assets sold that have been held for longer than one year; with the capital gains tax rate lower than income tax rates, people are encouraged to save).

88. *Id.*

89. *See id.* at § 24(c)(1).

90. *See id.* at § 24.

91. *Id.* (stating that parents above a certain income level are not eligible for the credit, and likewise, parents below a certain income level are not eligible for the credit); *see also* H.R. Conf. Rpt. 108-696 at 33-34 (Sept. 24, 2004) (reprinted in 2004 U.S.C.C.A.N. 1029, 1031-32).

92. 26 U.S.C.S. § 24.

93. H.R. Conf. Rep. 108-696 at 34 (reprinted in 2004 U.S.C.C.A.N. at 1032); *see also* 26 U.S.C.S. §24(d).

94. Sen. Rpt. 105-33 at 3 (June 20, 1997).

95. *Id.*

argue that the purpose is not fulfilled because the child tax credit does not reach those families that are most in need.<sup>96</sup> Specifically, the credit does not benefit many low income families.<sup>97</sup> For 2004, the child credit is refundable up to fifteen percent of the taxpayer's taxable earned income in excess of \$10,750.<sup>98</sup> Therefore, the child tax credit is not refundable for those families earning less than \$10,750.<sup>99</sup> Thus, this tax credit generally benefits middle and upper class America, and not the working poor.<sup>100</sup>

In addition to not helping families with an income below \$10,750, statistics suggest that the federal government will relinquish ninety-one billion dollars in tax revenue over fiscal years 2003–2013 due to claims generated by the child tax credit.<sup>101</sup> With the government granting extensive amounts of tax relief, should not some of it be going to extremely poor families? In response to this question, proposals simply suggest making the entire child tax credit refundable for all families, so very poor families can also benefit from it.<sup>102</sup> These proposals focus on the fact that, while the costs of rearing children continue to rise, the current tax credit is not refundable for families making less than \$10,750. Thus it is essentially useless to them because, even without the credit, their tax liabilities are close to zero.<sup>103</sup>

Arguably, if the government is going to give parents money for raising children, then those parents should have a duty to rear their children well. While the child tax credit and attendant proposals for fixing its flaws focus on the costs of rearing a child and the idea that parents could use extra money, such thinking fails to consider that parental involvement may be more important to the success of children

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96. Sara J. Buchler, Student Author, *Child Care Tax Credits, The Child Tax Credit, and the Taxpayer Relief Act of 1997: Congress' Missed Opportunity to Provide Parents Needed Relief from Astronomical Costs of Child Care*, 9 *Hastings Women's L.J.* 189, 210–11 (1998); see also Jonathan Barry Forman, *Designing a Work-Friendly Tax System*, 2 *Piercc L. Rev.* 131, 147–48 (2004) (suggesting that steep marginal tax rates are a disincentive for low-income single parents) [hereinafter Forman, *Tax System*]; Jonathan Barry Forman, *What Can Be Done about Marriage Penalties?*, 30 *Fam. L. Q.* 1, 12 (1996) (explaining that the tax credit does not even cover child care for lower income families) [hereinafter Forman, *Marriage Penalties*].

97. H.R. Conf. Rep. No. 108-696 at 34 (reprinted in 2004 U.S.C.C.A.N. at 1032).

98. *Id.*

99. *Id.*; see also 26 U.S.C.S. § 24 (families earning less than \$10,750 will not get money back from the government (a refund) if the child tax credit is greater than taxes incurred).

100. See 26 U.S.C.S. § 24 (assuming a working poor family earn less than \$10,750 a year, the child tax credit is not refundable for them, and therefore such families do not benefit from the tax credit).

101. Ronald D. Aucutt, *Keeping Up with the Estate Tax*, 10 *A.L.I.-A.B.A. Estate Planning Course Material J.* 1041, 1049 (2004).

102. Forman, *Tax System*, *supra* n. 96, at 147; Forman, *Marriage Penalties*, *supra* n. 96, at 12.

103. 26 U.S.C.S. § 24.

than a \$700 yearly tax credit. Furthermore, the current tax credit and proposals fail to include any guidelines concerning the use of the money. One of the goals of the credit is to “promote family values,” but parents can spend the money on anything.<sup>104</sup> Consequently, the credit may simply promote families to have more children, instead of promoting parents to truly care for and foster the children. Alternatively, HSAC focuses on an end result of rearing children: having one’s children graduate from high school.

### B. The Stakeholder Society: A Relevant Proposal

Before looking at the details of HSAC, one should be aware of a comparable proposal in *The Stakeholder Society*.<sup>105</sup> In this book, Bruce Ackerman and Anne Alstott propose “stakeholding,” which would enable every American to have some financial independence.<sup>106</sup> They suggest that when every American citizen reaches the age of majority, he or she should be given \$80,000.<sup>107</sup> However, a high school diploma would be required before any citizen can have unrestricted and free use of the \$80,000.<sup>108</sup> Those that do not graduate from high school would simply be able to receive annual interest payments on the \$80,000 and would be unable to touch the principal until they graduate from high school.<sup>109</sup> While it would no doubt encourage citizens to attend high school, stakeholding is aimed at redistributing wealth to ensure that every American has a solid financial opportunity to do something with his or her life.<sup>110</sup>

One of the main purposes of stakeholding is to give young adults economic independence. It relies on a two percent wealth tax to generate sufficient tax revenue to pay for it.<sup>111</sup> Ackerman and Alstott believe \$80,000 is sufficient for such economic independence.<sup>112</sup> They state that simply improving education is not enough to bring people out of poverty.<sup>113</sup> While HSAC is relatively similar to stakeholding, HSAC differs in that its direct purpose is reducing high school dropouts and costs, while focusing on parents.

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104. Sen. Rpt. 105-33 at 3.

105. Bruce Ackerman & Anne Alstott, *The Stakeholder Society* 1 (Yale U. Press 1999).

106. *Id.*

107. *Id.* at 3.

108. *Id.* at 7-8.

109. *Id.* at 38.

110. *Id.* at 4.

111. *Id.* at 94-95.

112. *Id.* at 25.

113. *Id.* at 27-31.

## VI. THE HIGH SCHOOL ATTAINMENT CREDIT (HSAC)

HSAC will require discontinuance of the current child tax credit for all children born one year from the date of the amendment (hereinafter, “Effective Date”).<sup>114</sup> Parents would continue to receive the child tax credit for each child born prior to the Effective Date, but parents would only be eligible for HSAC for each child born on or after the Effective Date. HSAC would replace the child tax credit with a onetime refundable lump sum credit of \$10,000 for parents of students that obtain a high school diploma or similar certification. Students would have unlimited opportunities to graduate from high school, as HSAC seeks to encourage perseverance among youth. There would be no income limitations on HSAC and it would apply equally to all children whether rich, poor, adopted, or biologically related. Thus, families earning wages below the poverty level would be eligible to receive HSAC, unlike the child tax credit.<sup>115</sup> However, like the current child tax credit, HSAC would have no limitations on family size.<sup>116</sup> Therefore, parents would be eligible to receive HSAC for each child.

*A. The Purpose Behind HSAC*

HSAC would give parents the incentive to help with their children’s education and encourage their children to graduate from high school or obtain a similar credential. Currently families are receiving a tax credit to assist them in paying for the cost of rearing children. While it is generally accepted that rearing children is expensive, many parents arguably are not instilling the value of an education into their children. With ten percent of the population between sixteen and twenty-four years-old either not attending high school or lacking a high school credential, many parents are not helping their children reach their fullest potential.<sup>117</sup>

Unlike the current tax credit, HSAC would benefit parents from all backgrounds. However, HSAC should have its strongest impact among lower income families and single-parent households, where dropout rates have generally been the highest.<sup>118</sup> A \$10,000 reward for a child’s

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114. 26 U.S.C.S. § 24.

115. H.R. Conf. Rep. No. 108-696 at 34 (reprinted in 2004 U.S.C.C.A.N. at 1032).

116. 26 U.S.C.S. § 24.

117. Kaufman et al., *supra* n. 1, at 12. *See also* Wirt et al., *supra* n. 10, at 53 (stating that, in 2003, thirteen percent of all persons ages sixteen to twenty-four were neither enrolled in school nor working).

118. *See* Wirt et al., *supra* n. 10, at 61 (stating that those children whose families are in the lowest twenty percent of all family incomes are six times more likely to dropout of high school than

graduation from high school could help parents get back on their feet, or help them give their children the best life possible by helping them start a business, go to college, etc.

HSAC's societal impacts on the United States could be monumental. With fewer teenagers dropping out of high school, there would arguably be less crime, fewer single mothers, and fewer people placing a burden on the welfare system, to name just a few benefits. Thus, America could truly become the well-educated and prosperous country that our founding fathers envisioned.

### *B. Implementation of HSAC*

Implementation of HSAC will likely be a concern for critics. First, they would want to know how the government will be able to fund such a drastic program. The government could fund HSAC without raising taxes. By eliminating the current child tax credit for all children born a year after enactment, the government would be saving countless dollars by not providing parents of these children with an annual tax credit.<sup>119</sup> The money saved would more than compensate for HSAC when future children graduate from high school.<sup>120</sup>

Second, critics would wonder what impact HSAC will have on families with young children that are relying on the current annual child tax credit to help raise their children. Since HSAC would only be applied to every child born one year from the date of enactment, the current child tax credit would remain in effect for all children alive or conceived before the day of enactment. Therefore, families would not have to worry about losing their current annual credits.

If the government wanted to eliminate the current child tax credit for all current families, they could apply HSAC on a prorated basis to current children. Thus, a twelve-year-old child would be eligible for half of HSAC.<sup>121</sup> This, of course, would financially affect families with children alive today as they would lose the child tax credit. Still, since the child tax credit is not even helping poor families, one could argue

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their peers from high-income families); *see also* Dryden & Vos, *supra* n. 10.

119. With the child tax credit rising to \$1,000, the government would be saving approximately \$1,000 per year per child for 16 years. This equates to a total saving of \$16,000 per child unadjusted for interest and inflation. \$16,000 is greater than \$10,000 without even considering the present discount value of \$10,000 in the year of a child's birth. Thus, thousands of dollars would be saved per each child.

120. Implicit in this assumption is that students generally graduate from high school around the age of eighteen.

121. Implicit in this assumption is that students generally graduate from high school around the age of eighteen. Therefore, a twelve-year-old child would have completed six out of twelve years of school; justifying a pro rata HSAC of fifty percent.

that those that benefit from the credit are not in as much of a dire need of it. Even if HSAC was not implemented on a prorated basis for children alive today, HSAC would still encourage those corresponding parents to see that their children are educated, as well. With high school dropouts drastically reduced under HSAC, children born after the enactment of HSAC will face stiff competition in the employment sector for the majority of their lives, and they will need to obtain a high school education in order to compete in the job market.

### C. Why \$10,000?

Ten thousand dollars is not a trivial sum by any means today. However, \$10,000 still cannot pay for a year of college at a private university, it is not enough to buy a home, nor is it enough to buy most new cars. The fact that it cannot pay for such things today suggests that it will pay for even less in years to come. Thus, the \$10,000 amount would need to be adjusted for inflation in future years. The fact remains, even considering all of this, \$10,000 should still be a significant sum to poor families and single-parents whose children are the most likely to drop out of high school.<sup>122</sup> Thus, \$10,000 will have the power to encourage parents to motivate their children to graduate from high school.

Another important reason for setting the refundable credit at \$10,000 is because a low amount such as \$1,000 might not provide sufficient incentive for parents to help with their children's education. Furthermore, a proposal too large, say \$50,000, would likely overburden the government. It would also bring up several arguments relating to the redistribution of wealth that are beyond the scope of this article. Setting HSAC at \$10,000 per graduate is not only a large enough amount to motivate parents to help with their children's education, but it is also financially feasible for the government.<sup>123</sup>

### D. The Stakeholder Society Compared

HSAC and *The Stakeholder Society* have important similarities and differences. Similar to stakeholding, HSAC builds on the current tax code and institutional framework. However, one striking difference is that stakeholding goes directly to young adults, whereas HSAC will go to the parents.<sup>124</sup> Also, whereas stakeholding is an \$80,000 grant that gives

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122. Wirt et al., *supra* note 10, at 61 (stating that those children whose families are in the lowest twenty percent of all family incomes are six times more likely to drop out of high school than their peers from high-income families). See also Dryden & Vos, *supra* n. 10.

123. See *supra* n. 119 (describing tax savings).

124. Ackerman & Alstott, *supra* n. 105, at 3.

young adults financial independence, HSAC is a more feasible \$10,000 reward from the government that will encourage parents to motivate their children to graduate from high school.<sup>125</sup>

One of the major differences between HSAC and stakeholding is the way they are funded. Stakeholding requires a two percent wealth tax for funding.<sup>126</sup> HSAC, on the other hand, does not require any new taxes. It simply requires an elimination of the current child tax credit.<sup>127</sup> The government will save more tax dollars eliminating the current tax credit than they currently save with the tax credit.<sup>128</sup> This benefit, coupled with the fact that the first payments of HSAC will not start until eighteen years, make HSAC's enactment more feasible for the government.

The results of both proposals would be similar. In the long-term, crime and spending on welfare would both be reduced, resulting in increased tax revenue because generally more Americans would be educated and take better paying jobs.<sup>129</sup> However, one could argue that with HSAC's strict requirement of high school graduation before parents receive money, a higher percentage of students would graduate under HSAC, and therefore the societal benefits would be increased. Furthermore, since only \$10,000 would be handed out under HSAC, people would have to continue to persevere to succeed in America, whereas \$80,000 under stakeholding could induce a degree of laziness in some people.

#### *E. Possible Criticism of HSAC*

Beyond fears of losing the current child tax credit as already discussed, some may argue that HSAC is not a neutral tax. Critics may argue that HSAC is biased towards parents who believe their children will be intelligent and will be more likely to graduate from high school. However, since parents of all educational backgrounds will continue to have children, parents should realize (as shown in Part IV) that all parents have the potential to motivate their children to graduate from high school. Another argument against such criticism of non-neutrality is that many tax laws are also not inherently neutral.<sup>130</sup> This is strongly evidenced by the current child tax credit which provides a credit for

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125. *Id.*

126. *Id.* at 95.

127. 26 U.S.C.S. § 24.

128. *See supra* n. 119 (describing tax savings).

129. Ackerman & Alstott, *supra* n. 105, at 221.

130. *See* 26 U.S.C.S. § 24 (indicating that the current child tax credit is only applicable to those that have children); *see also id.* at § 163(h)(3) (showing the federal income tax deduction for mortgage interest, which favors those that own versus rent their homes).

people with children.<sup>131</sup> Thus, the tax code itself quashes the neutrality argument—the tax code favors people with children over those without children and is therefore not neutral.

Another possible criticism of HSAC is its application to divorced parents. HSAC would apply to the divorced parent that can claim the child as a “dependent” in the taxable year the child graduates from high school.<sup>132</sup> This will induce both parents to play an active role in their child’s education and life, as both will want to receive the HSAC. However, it could result in further contestation among divorced couples regarding custody of the child, especially during the year of graduation from high school. To prevent such disputes, divorced couples should be encouraged to obtain alimony agreements that determine who would incur the benefits of HSAC in the event one of their children graduates from high school. Still, divorced parents will likely continue to be a concern.

Perhaps the foremost criticisms of HSAC concern how HSAC will affect parents of disabled children, and immigrant families. There are undoubtedly children who will be unable to graduate from high school because of a disability. In order to help families with disabled children cope with the loss of the child tax credit, disability benefits would have to be increased. With this exception, there is hope that all other children possess the necessary abilities to graduate from high school. As for immigrants, parents that come here with young children could have HSAC prorated based on the age of each child when that child arrives in America. So, if a child came to America at age twelve, he would be eligible for half of HSAC.<sup>133</sup> Consequently, tax-paying immigrant families would have the same incentives to help with their children’s education as American families. These are just some of the many concerns surrounding HSAC that would have to be addressed in the final version of HSAC.

## VII. CONCLUSION: SOCIETAL IMPLICATIONS OF HSAC

The \$10,000 refundable tax credit through HSAC will provide the necessary incentive for parents to help with their children’s education. The main effect of HSAC will be an increase in the number of students graduating from high school or receiving a similar credential. Yet, the indirect results of having more teenagers graduating from high school

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131. *Id.* at § 24.

132. *See id.* at § 152 (defining “dependent”).

133. Assuming that students graduate from high school at age eighteen.

and obtaining an education are both drastic and limitless.

One indirect effect of HSAC is an increase in revenue for both the students that typically drop out and for the government. With more students graduating from high school, there may be an increase in the number of students attending junior colleges and universities. This increase in education among those students that typically drop out of high school will in turn motivate more students to go to college and graduate schools to differentiate themselves from other high school graduates. This overall increase in education among Americans could lead to a more advanced and successful society. The increase among the educated will, in turn, result in more Americans seeking more intellectually challenging jobs. Such jobs will likely pay more, and, assuming the economy can provide for such an influx of educated citizens, the tax revenue should increase more than it normally would with inflation and population growth alone.

Another indirect effect of HSAC for the government will be a reduction in people dependent on public funding (welfare). Citizens with high school diplomas will more likely be employed; they will not have to use food stamps at the grocery store, but instead use their own earnings to provide for their basic needs.<sup>134</sup> Thus, the federal government could save countless billions of dollars in the future as the welfare burden is slowly lifted off its shoulders.

Finally, perhaps the most drastic result will be a possible reduction in crime, specifically violent crime. As the data shows, a disproportionate number of death row and prison inmates do not have a high school diploma.<sup>135</sup> Perhaps if these people were educated, they would not have resorted to the heinous acts they committed. Of course, one could argue that with more people educated, people that would have committed basic robberies may resort to more sophisticated forms of crime such as fraud and extortion. Even if some people are born with an innate desire to do wrong, and these wrongdoers will resort to more sophisticated forms of crime if educated, such crimes are clearly not as evil as the atrocious and violent acts occurring throughout our cities today. Nevertheless, because of HSAC, fewer people will resort to a life of crime, and America will prosper.

America has been and should continue to be a land where people can work hard and achieve. But in the twenty-first century, unfortunately, some students need an extra push to achieve the American Dream.

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134. Ingels et al., *supra* n. 3, at 29 (“[P]eople with more education are . . . much less likely to receive welfare benefits.”).

135. *Correctional Populations*, *supra* n. 19, at 48 (showing that approximately forty percent of state and thirty percent of federal prison inmates are high school dropouts).

HSAC will undoubtedly encourage some parents to motivate these students to graduate from high school. Finally, while HSAC would be one of countless laws already in existence, it could be the spark that not only puts America back on course, but prepares the country for a brighter future.

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