

Families Need a Fully Refundable, Monthly Child Tax Credit

By Ashley Burnside

Congress Must Permanently Expand CTC to Support Children & Families

The 2021 Child Tax Credit (CTC) expansions demonstrated that monthly cash payments provided with little administrative burden effectively reduce child poverty and food insecurity. Congress allowed these payments to lapse at the end of 2021 but can restore them now. Federal policymakers shouldn't provide corporations with tax relief without also helping families.

The Child Tax Credit Effectively Combated Child Poverty

Under the American Rescue Plan in 2021, Congress temporarily expanded the CTC, effectively creating a monthly child allowance for eligible families. Federal policymakers made the credit available to families with the lowest incomes for the first time. They also increased the value of the credit—especially for children under 6 years old—and delivered the payments monthly. Families could receive up to \$300/month for children under age 6 and \$250/month for children ages 6 to 17.

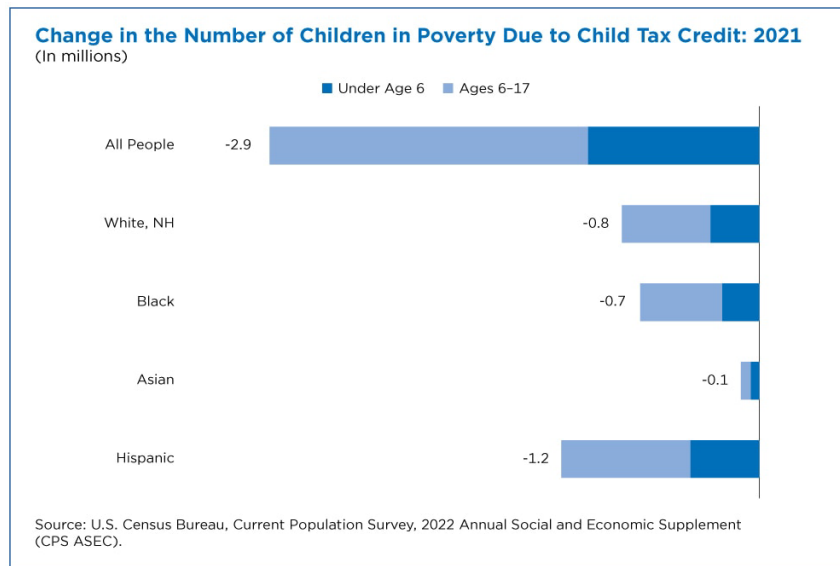
The expanded CTC lifted 1 million children under age 6 out of poverty in 2021, and 1.9 million children between ages 6 through 17, according to the U.S. Census Bureau.¹ The monthly payments also:

- Helped families afford their bills;
- Provided access to nutritious food;
- Reduced parents' financial stress; and
- Helped some parents work more hours.²

Distributing payments monthly mirrored family budgets. Rent and utility bills come monthly, not annual.

When Congress Ended CTC Expansion, Financial Hardship Increased

Congress let the CTC expansions expire in December 2021. Once payments ended, families reported greater hardship paying bills, difficulty affording food, and being more financially stressed.³ Sixty percent of parents who got monthly CTC payments in 2021 reported more challenges affording expenses after payments stopped, according to a 2022 nationally representative survey by CLASP.⁴ These effects could hurt children's social and educational development and parents' health.



Children of Color Especially Benefit Under CTC Expansions

Poverty harms children of all racial groups and backgrounds. But racist policies, segregation, and generations of discriminatory practices mean that poverty falls hardest on children of color – especially Black and Latino children. Yet they are frequently excluded from the CTC’s benefits.

The full refundability of the credit made 23 million children eligible who previously didn’t qualify for the full credit because their families earned too little. This promoted equity—disproportionately benefitting Black and Latino children with the greatest need.⁵

Removing work and earnings requirements from child benefit programs is critical for racial equity and shared prosperity. People of color confront systemic barriers to stable jobs caused by persistent employment discrimination and the racial wealth gap. In addition, raising children is work. Paying parents for that labor benefits local economies and the next generation.

Automatic Payments Ensure Access & Prevent Administrative Burden for Parents

The 2021 CTC payment structure eased access. Most families didn’t have to take any additional action to get the payments, saving time and energy.

- Nearly **9 in 10 U.S. children** (88 percent) received the monthly payments automatically, based on information the IRS already had from previous tax filing.⁶
- About **9 in 10 respondents** (88 percent) who claimed the CTC got monthly payments in 2021.⁷

Further Improvements Needed for an Equitable Child Allowance Policy

While the CTC expansion drove unprecedented child poverty reductions, Congress still left out some families:

- **Mixed-immigration-status families** with children who don’t have Social Security numbers are not eligible for the CTC, even if their family’s income makes them eligible. Congress should make children with Individual Taxpayer Identification Numbers (ITINs) eligible. Some states have

advanced equity by making ITIN filers eligible for their state CTC and Earned Income Tax Credit (EITC).

- **Families in Puerto Rico** were excluded from the monthly payments, even if they were otherwise income eligible. (Puerto Rico residents could claim the full credit in 2022 by filing a return.) Congress should fully include families who file a federal tax return and meet eligibility criteria.

Families who don't normally file an annual tax return, such as those whose income isn't high enough to have a tax filing obligation, also faced barriers. This is because the program was administered through the tax code. **Families who are unbanked** and who share custody of their children also faced challenges due to how the expansion was administered.

Congress should lift barriers for these communities when permanently expanding the CTC. Implementation should include a portal where families can update household circumstances as needed, and a simplified filing tool so families can easily access the credit.

Congress Must Advance this Effective Solution

The data is clear. Policymakers can support families now by permanently expanding the CTC. *We know how to eradicate child poverty – we just need the political will to implement proven policy solutions to support families. Allowing child poverty to continue is a policy choice.*

Endnotes

¹ Priya Pandey, Elizabeth Lower-Basch, Lorena Roque, Suma Setty *et al.*, “Historic 2021 Decline in Child Poverty Proves Effectiveness of Federal Investments,” Center for Law and Social Policy (CLASP), September 2022, <https://www.clasp.org/publications/report/brief/historic-2021-decline-in-child-poverty-proves-effectiveness-of-federal-investments/>.

² Ashley Burnside, The Expanded Child Tax Credit is Helping Families, But National Survey Shows Continued Outreach Remains Essential, Center for Law and Social Policy (CLASP), April 2022, <https://www.clasp.org/publications/report/brief/the-expanded-child-tax-credit-is-helping-families-butnational-survey-shows-continued-outreach-remains-essential/>.

³ Ashley Burnside, Bruce Fuller, Qifan Zhang, Child Tax Credit: Key Findings from July 2022 National Survey, Center for Law and Social Policy (CLASP), September 2022, <https://www.clasp.org/publications/report/brief/child-tax-credit-poll-3/>.

⁴ Burnside, Fuller, Zhang, Child Tax Credit: Key Findings from July 2022 National Survey.

⁵ Sophie Collyer, David Harris, and Christopher Wilmer, Left Behind: The One-Third of Children in Families Who Earn Too Little to Get the Full Child Tax Credit, Center on Poverty and Social Policy, Volume 3. Number 6, May 2019, <https://www.povertycenter.columbia.edu/news-internal/leftoutofctc>.

⁶ Internal Revenue Service, IRS, Treasury announce families of 88 percent of children in the U.S. to automatically receive monthly payment of refundable Child Tax Credit, May 2021, <https://www.irs.gov/newsroom/irs-treasury-announce-families-of-88-percent-of-children-in-the-us-to-automatically-receive-monthly-payment-of-refundable-child-tax-credit>.

⁷ Burnside, Fuller, Zhang, Child Tax Credit: Key Findings from July 2022 National Survey.