Contact: Ashley Burnside, Senior Policy Analyst, Public Benefits Justice, CLASP at **aburnside@clasp.org**.
Contact: Isha Weerasinghe, Director of Public Benefits Justice, CLASP at **iweerasinghe@clasp.org**.
Contact: Juan Carlos Gomez, Director of Legislative Affairs, CLASP at **jgomez@clasp.org**.

CLASP
The Center for Law and Social Policy

Expanding the Child Tax Credit

The birth of a child can be a financial shock that pushes families into financial instability. Babies are expensive, as is the child care that many parents require so they can manage work and caregiving needs.

Introduction

The birth of a child can be a financial shock that pushes families into financial instability.[1] Babies are expensive, as is the child care that many parents require so they can manage work and caregiving needs. In addition, parents who do not have paid leave forfeit wages and also navigate extremely costly infant care during the first year of their baby's life. Even as children grow, many families still face financial hardship; the national child supplemental poverty rate[2] was 13.4 percent in 2025.[3] The child poverty rate was even higher at 22.6 percent for Black children and 19.5 percent for Hispanic children in 2025.[4]

13.4% **national child supplemental poverty rate in 2025 — 22.6% for Black children and 19.5% for Hispanic children**

Children who live in poverty during their early years are more likely to have negative health and education outcomes.[5] Growing up in poverty has been linked to worse test scores once children enter school,[6] worse cognitive and emotional development,[7] worse health outcomes,[8] reduced educational attainment,[9] and lower earnings in adulthood.[10] But when families have access to financial assistance, their children are likelier to have better health outcomes[11] and improved school test scores.[12]

> *Simply put, our nation's children and communities benefit when we implement policies that target financial assistance to families and that reduce child poverty.*

Lawmakers must implement policy solutions that reduce child poverty and help children and families thrive–solutions like expanding the Child Tax Credit (CTC): making it fully refundable and available to families with little to no earnings, boosting the size of the credit, making it available to families monthly, and extending eligibility to families regardless of whether children or the parent has a Social Security number. This would reduce child poverty and help parents afford monthly essentials.

State of Play

The Child Tax Credit Helps Families Make Ends Meet, but the Structure Leaves Families Out, Especially Families of Color

The CTC is a tax credit available to eligible families with children. Under current law, the credit is up to $2,200 per eligible child. Families with married couples making up to $400,000 per year are eligible for the full credit, while families with lower earnings are only eligible for a partial credit. The credit is only partially refundable and phases in at 15 cents per dollar earned over $2,500.

This means that if a family has no reportable earnings, they would not be eligible for the CTC. It also means that if a married couple with two children earn less than $41,500 per year, they would only be eligible for a partial credit.[13] Because the policy was designed this way, an estimated 19 million children won't get the full credit because their parents don't earn enough.[14]

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19
million

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Families of color are more likely to be excluded from receiving the full CTC due to not earning enough. An estimated 52 percent of Native American children, 47 percent of Black children, and 42 percent of Hispanic children don't get the full credit because their parents didn't earn enough.[15] The families who would benefit the most from such support are not receiving it.

Families who file their taxes with an Individual Taxpayer Identification Number (ITIN) are also left out from getting the CTC they would otherwise be eligible for, due to changes made under the 2017 Trump tax law and 2025's budget reconciliation bill, otherwise known as **H.R.1**. Under current law, a child must have a

Social Security number to be eligible for the CTC; this requirement prohibits an estimated one million kids from getting the CTC.[16] And at least one parent must have a Social Security number to claim the CTC on behalf of the child, leaving another estimated 2.6 million children who live in families where they have a Social Security number but their parent does not unable to receive the credit.[17]

Families with ITINs work and pay their taxes to help fund our nation's infrastructure but are left without the CTC despite being otherwise eligible. According to the Institute on Taxation and Economic Policy, undocumented immigrants, including ITIN tax filers, paid an estimated $96.7 billion in federal, state and local taxes in 2022.[18] Extending credit eligibility to these families would help more parents have enough to afford their bills each month, and to afford enrichment activities for their children.

AFFORDABILITY CRISIS IN PRACTICE

$4,400
A FAMILY WON'T RECEIVE


A PARENT & TWO KIDS


SAN ANTONIO, TEXAS

Consider a single parent with two children living in San Antonio, Texas. The mother is undocumented, and is working to obtain legal residency. She works as a housekeeper while raising her five-year-old and eight-year-old. She files her taxes with an Individual Taxpayer Identification Number (ITIN) and has an annual income of $40,000 per year. **This family would not be eligible to claim the Child Tax Credit because the mother files her taxes with an ITIN, even though they would otherwise be eligible for a credit of up to $4,400 ($2,200 per child).** That lump-sum credit would equal more than 10 percent of the mother's annual income, providing a vital opportunity to afford larger expenses for the household.

Finally, families who can't work consistently due to the parents or child having a disability are also left out of getting the full CTC because they may not earn enough to receive the whole credit. Researchers used a nationally representative survey of U.S. families to assess the impacts of the expanded CTC for families with children who have disabilities. They found that families caring for a child with a disability were more likely to report difficulty with paying bills, food insecurity, and evictions compared to other families. Families of children with disabilities were also more likely to report that the expanded CTC helped support their family financially.[19]

A Fully Expanded Child Tax Credit Would Reduce Child Poverty and Help Families with Affordability

Congress should permanently expand the CTC in the following ways:

- Make the CTC fully refundable and available to families regardless of earnings.
- Increase the size of the CTC to reflect costs of living.
- Make the credit available to families monthly.
- Extend CTC eligibility to children and parents who do not have Social Security numbers.

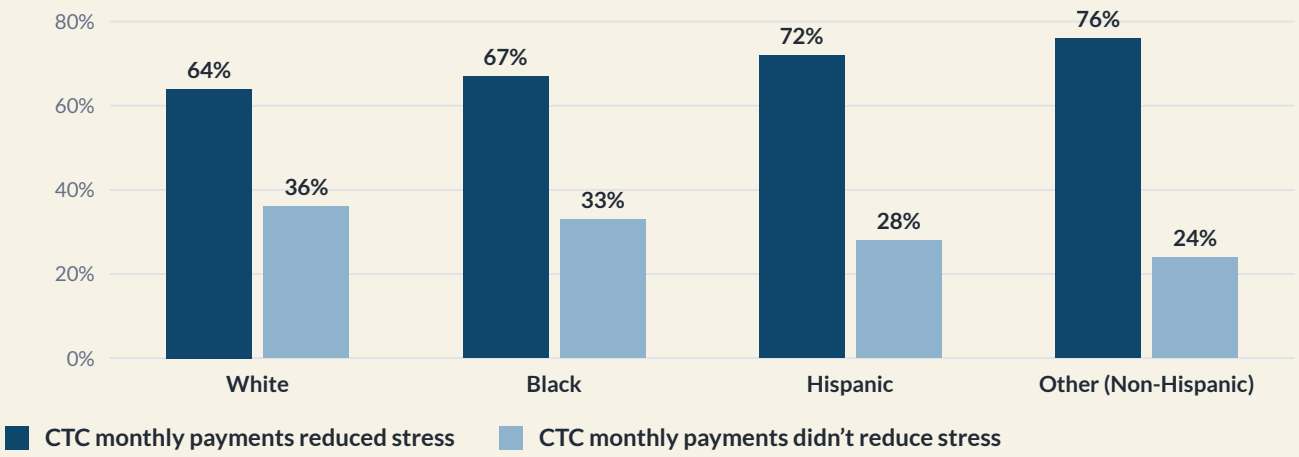
Implementing such policy changes would benefit families by helping parents afford their bills, housing, and food; investing more money in our local economies; and improving health and education outcomes for children.

> **In 2021, Congress expanded the CTC temporarily under the American Rescue Plan Act of 2021 for one year. During the expanded CTC in 2021, child poverty declined by nearly half.[20]**

CLASP administered three rounds of nationally representative surveys of over 1,000 families to measure the impact of the expanded monthly CTC payments. Families reported spending their monthly CTC payments toward bills, food, and groceries, and paying their rent or mortgage.[21] Nearly 70 percent of surveyed parents who received the monthly payments reported reduced financial stress, feeling either a lot or a little less stressed about money.[22] Black respondents were likelier to report that the monthly payments reduced their financial stress compared to white respondents.[23] (See chart.)

About one-quarter of surveyed parents receiving the monthly payments reported that the payments made it easier for them to engage in paid work or helped them work more hours.[24] Black respondents were twice as likely to report that the monthly payments helped them work compared to white respondents.[25] (See chart.) Other research has concluded that impacts from the CTC can be monumental to prevent depression and anxiety symptoms in adults and children.[26]

Monthly CTC Payments' Impact on Financial Stress, by Race



Percent of respondents. Source: CLASP surveys of families receiving monthly Child Tax Credit payments.

CLASP and partners also interviewed some of the survey respondents to get a deeper understanding of how the expanded credit—its larger size, full refundability, and monthly payments—affected families and their ability to afford the costs of living. Parents reported that, in addition to using their monthly payments toward basic necessities, they also spent their monthly payments on enrichment activities for their children, like a school instrument, new toys, presents for the holidays, and more.[27]

The Center on Poverty and Social Policy with Columbia University compiled research on the expanded CTC in effect in 2021. Their report concluded that the expanded CTC reached the large majority of families, helped families during the public health crisis, reduced child poverty, decreased food insufficiency, and improved families' ability to meet their basic needs. The report also found no discernable negative impacts on the employment behavior of parents.[28]

If Congress implemented these policy changes permanently, the Child Tax Credit that families received would be higher than under current law. Families would have more room in their budgets to afford monthly essentials, as well as enrichment activities for their kids. There are also financial benefits when child poverty declines: a 2018 study estimated the costs of child poverty to be over $1 trillion annually for the U.S. economy.[29]

Congress Should Pass the American Family Act

Congress should pass the **American Family Act** to provide direct financial support to families to help them weather the affordability crisis, and to reduce child poverty. This popular policy increases economic output in local communities: for every dollar invested in an expanded CTC, up to $10 is generated in returns for the U.S. population.[30]

Polling from Lake Research Partners in 2022 found that 75 percent of surveyed voters favored an expanded version of the CTC that is available for all families with low incomes, with over half of respondents strongly favoring the credit. This support extended across party lines: 86 percent of Democratic respondents, 77 percent of Independent respondents, and 64 percent of Republican respondents approved of the credit.[31]



The U.S. population receives up to $10 in returns for every $1 invested in an expanded CTC.

Traditionally, the CTC has been a bipartisan program with support across both sides of the aisle, and it has been expanded with bipartisan support multiple times over the past twenty-five years.[32]

The IRS has already demonstrated that it can quickly implement such changes to the CTC. After the passage of the American Rescue Plan Act in early 2021, the IRS began monthly, fully refundable payments of the CTC to families in July 2021, despite the changes being implemented during the public health crisis. The 2021 monthly CTC payments reached 61 million children in December 2021.[33]

The 2021 expanded CTC demonstrated the profound impact that such a policy can have for children and families. But the many benefits of investing in children and families didn't disappear once the public health emergency ended. Families continue to face rising costs of living and stagnating wages and safety net supports. The expanded CTC in 2021 had numerous positive benefits for families;[34] likewise, local cash prescription programs targeted at moms in Michigan communities during the first year of a baby's life[35] and other local cash transfer programs throughout the nation have also benefited families.[36] Congress should make the expanded CTC permanent.

ABOUT THIS BRIEF · ABOUT CLASP

This brief is part of A Stronger Foundation, CLASP's recommendations for the 120th Congress, and is designed to be read and shared as a standalone brief. CLASP is a national, nonpartisan anti-poverty organization advancing policy solutions that work for people with low incomes. · clasp.org

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