

# The Child Tax Credit (CTC) can dramatically reduce child poverty

## The CTC is a RESULTS priority for creating a more just tax code

The Child Tax Credit (CTC) helps offset the costs of raising kids and has had bipartisan support for decades. The RESULTS network of advocates and partners was instrumental in convincing Congress to expand the CTC as part of the American Rescue Plan Act (ARPA) in 2021 during the height of the COVID-19 pandemic. For the first time ever, the CTC reached families with the lowest or no income, contributing to the most dramatic drop in child poverty in U.S. history.



During this one year, child poverty reduced by a staggering 46 percent, and the CTC was the primary reason why.

Never before have we held such a powerful tool in our hands to offer children the strong, healthy start to life that they deserve. Unbelievably, though, Congress let the 2021 CTC expansion lapse, plunging millions of children back into poverty. RESULTS, its partners, and its Congressional allies are committed to unrelenting advocacy to restore the CTC expansion — permanently. This policy brief will provide background and context to effectively raise our voices for economic justice and the expanded CTC.

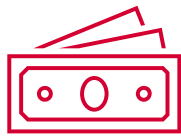
## Why Tax Policy?

So, why was the CTC expansion of 2021 so effective in reducing child poverty? And for that matter, why does RESULTS target efforts toward the tax code in general? Let's answer these important questions.

The tax code represents the history and priorities of a nation. The U.S. tax code is riddled with complexity and injustice — just like our history and priorities. Aspects of the tax code favor the wealthy. For example, wealth (e.g., money made on the stock market) is taxed at a lower rate than wages. The tax code rewards homeownership with mortgage interest deductions while leaving out renters. Through the tax code and other policies, lawmakers have explicitly created inequities along racial, gender, and other lines. But the tax code can also act as an instrument of economic justice.

For example, when made accessible to those most marginalized by poverty and oppression, the Earned Income Tax Credit (EITC), CTC, and burgeoning proposal for a Renter Tax Credit (RTC) can provide support to those struggling the most with systemic barriers and therefore limited resources. Our partners at Prosperity Now call these credits the “[right-side up](#)” parts of the tax code.

The 2021 expanded CTC is a great example of a “right-side up” policy. It reached families with the lowest or no formal income, which previous and current CTC policy does not. As we know, systemic oppression forces many people from certain backgrounds — like Black and disabled people and people of Latin American descent — into lower wage jobs. The expanded CTC created an especially positive impact for families most impacted by economic inequities. [According to the National Bureau of Economic Research](#), the expanded CTC meant “99% of Black and Hispanic children [qualify] for the full CTC amount and “eliminate[d] racial inequities in the CTC.” In other words, the expanded 2021 CTC helped to start deconstructing inequities that harm our kids. That is the power of the tax code when written fairly.



When it’s written fairly, **the tax code can help achieve economic justice** for millions affected by poverty.

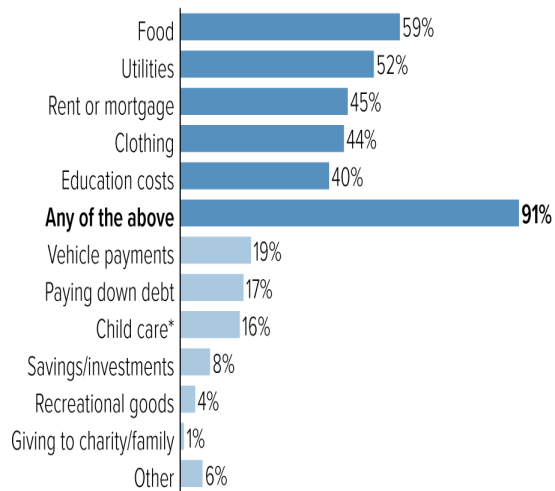
## Background on the CTC: How it has evolved and where we are right now

So where did the CTC come from? How did the CTC work in 2021 when it created such successful change? How does it work now? Let’s discuss.

The CTC, originally passed into law in 1997 by a Republican-controlled Congress, provides support to households with children — though the original CTC left out families with the lowest incomes. The underlying concept is that having and raising children is a uniquely expensive undertaking *and* a benefit to society that should be encouraged. Taxpayers can claim a break on their taxes each year based on the number of children in their household and the household’s earnings. There have [been several versions](#) of the CTC since 1997, but the 2021 expansion created a profound impact with these changes:

**Fully Refundable.** Critically, the 2021 expansion made the CTC “fully refundable.” In general, a tax credit reduces the amount a household owes in taxes. But what happens when income is so low that a household does not owe much (if anything) in taxes? If the tax credit is refundable, the household will receive the remainder of the credit as a payment. So, even families with little to no taxable income could suddenly receive their credits as

Percent of households with incomes below \$35,000 who spent their credit payments on:



Source: Center on Budget and Policy Priorities (CBPP) analysis of U.S. Census Bureau's Household Pulse Survey collected between July and September 2021

monthly payments. In other words, the CTC finally reached families grappling with the direst financial circumstances. Monthly cash support for families irrespective of taxable income was the “secret sauce” that made the difference in 2021.

An estimated [19 million](#) children suddenly had access to the full credit. This shift in CTC policy contributed significantly to the 46 percent drop in child poverty during 2021 [reported by the Census Bureau](#). It is clear that those of us accessing the expanded CTC spent it on integral basic needs (see graph). Families could pay monthly bills, procure nutritious food, and invest in education and enriching early childhood care. Children’s Health Watch notes that the CTC payments [reduced hunger and improved health](#) in families who received them.

**Monthly Payments.** Traditionally (and since the 2021 expansion lapsed), the CTC is only available as a lump sum payment when workers file taxes every year. Receiving the credit as a lump sum makes it difficult to apply to recurring monthly household costs like rent, food, heat, childcare, and clothing for fast-growing kids. The 2021 expansion of the CTC temporarily allowed families to receive their CTC benefit as a monthly payment.

**Larger Credit.** Not only could families receive the CTC on a monthly basis in 2021, but the size of the credit increased. ARPA raised the maximum credit from the original \$2,000 for children 17 and under to \$3,600 per child for kids under 6 and \$3,000 per child for kids 6-17. This shift translated to about \$250-\$300 per child each month. Because the 2021 CTC was allowed to expire, the credit has reverted to its previous amount of \$2,000 — but only until 2025 when it is scheduled to be reduced even further to \$1,000.

**Lived experience with the 2021 CTC shows the true difference it made.**

Data simply helps illustrate the expanded CTC’s impact. Lived experience with the CTC shows the true difference it made. Maureen Bowling, one of RESULTS’ [Experts on Poverty](#) (EOP), [wrote in an op-ed](#) republished in numerous outlets, that she used the monthly CTC

payments to pay off bills and “experienced a notable reduction in stress and anxiety, which helped me focus on being a good student and mom.” She’s on the cusp of receiving her Master’s degree in social work.

The expanded CTC fostered stability for EOP Sarah Izabel and her son, too. [Sarah wrote](#) that:



“A reliable, monthly infusion of cash ... meant we could eat consistently. It meant we didn’t face repeated eviction notices. It meant something I could finally count on.”

With the breather the CTC provided, Sarah applied to graduate schools and received a full-tuition scholarship to study neuroscience at Stanford.

In spite of the clear progress made by the 2021 CTC expansion, Congress let it expire after only one year. Millions of families affected by poverty — many of whom work full-time — are left out of the full CTC, just as they were prior to 2021.

## Expanding the CTC is urgent

Three million children fell back into poverty in 2022 as 19 million children lost all or part of the CTC (see [Center on Budget and Policy Priorities \(CBPP\) data on the children left out in each state](#)). The monthly child poverty rate [increased 41 percent from December 2021 to January 2022](#). Black and other families of color were disproportionately harmed by the lapsed CTC expansion; 45 percent of Black children and almost 40 percent of children of Latin American descent and American Indian and Alaskan Native children are [left out of the full CTC](#). In short, families that experienced some increased stability in 2021 are back to barely surviving.



Inflation has made the loss of full CTC payments catastrophic. The average household is **spending an extra \$433 per month due to inflation, with a steep rise in rents fueling increased costs.**

In December 2022, more than [200 economists wrote](#) that, “extending the expanded Child Tax Credit is one of the easiest, most effective, and direct tools currently at our disposal to help families deal with the impact of inflation on family budgets.” The math is simple: extending the CTC helps families with higher costs.

There is also a harmful and false narrative at play that the expanded CTC contributed to rising inflation — and myriad economic analysts completely disagree. [As noted by CBPP](#), the expanded CTC would contribute “little or no inflationary pressure”, and two former Treasury Secretaries made a similar point in a [May 2 New York Times op-ed](#). The current Treasury Secretary [Janet Yellen agrees](#), saying that inflation has “utterly nothing to do with the Child Tax Credit”.

Despite the urgency and the [ardent efforts from RESULTS advocates](#), Congress failed to include an expanded CTC in any of the major legislative packages of 2022. However, advocacy in 2022 laid an invaluable foundation of awareness and growing bipartisan support in Congress.

## **Our 2023 strategy: Seize opportunities to expand the CTC while building support for permanent policy change**

Our long-term goal is to make permanent changes to the tax code that dramatically reduce child poverty and align with the principles and priorities of those with lived experience (more on this below). Past experiences have taught us that hammering away at temporary changes often leads to permanent ones. **Our job as advocates is to make sure that any tax package in 2023 includes an expansion of the CTC that prioritizes those with the lowest incomes.** Here are some strategies and talking points to make the case:

**Congress must prioritize the CTC over tax breaks for corporations.** Efforts to fix provisions in the 2017 Tax Cuts and Jobs Act (TCJA) include an increased CTC but focused only on families with higher incomes. [Ask members of Congress](#) to tell leadership and the tax writing committees (Senate Finance and House Ways and Means) that the TCJA must include families most affected by poverty. We can also ask that Congress prioritize an extended CTC that reaches families with little to no income in any tax deal. This argument may be helpful with members of Congress with more conservative fiscal perspectives.

**We have a perhaps once-in-a-lifetime opportunity to continue historic breakthroughs against poverty if we stand together.** With members of Congress who may already support an expanded CTC, we can continue to spotlight the urgency for families and request that they elevate the CTC as a key priority with colleagues on both sides of the aisle. There will be increased pressure from corporate lobbyists to address expiring or expired tax provisions this year. That is why it’s crucial that policymakers commit to prioritizing families in any potential tax package. **Ask them to communicate this directly to their party’s leadership, colleagues on the Senate Finance and House Ways and Means Committees, and other policymakers across the aisle.**

**We center and defer to those among us with lived experience with the CTC and poverty.** As individual advocates, if comfortable, we can share our authentic stories of

grappling with poverty and the impact of the CTC. For those of us without this direct experience, we can make safe spaces in our advocacy for those who do. Organizationally, RESULTS has joined the [ABC \(Automatic Benefit for Children\) Coalition](#) that forms its policy platforms from a [Parent Advisory Board](#) of people with lived experience. We can continue to join our voices with those of the coalition in advocating for its priorities:

1. All children should be eligible for a child allowance,
2. The allowance should provide meaningful support,
3. The allowance should be available in regular payments, and
4. Availability of the allowance should have no strings attached — meaning full refundability and no work requirements.

These are the priorities that shape RESULTS' long-term goals for permanent CTC expansion. For more strategies and resources, see these links:

- [Blog: Making the Conservative Case for the CTC](#)
- [Blog: Romney Family Security Act Analysis](#)
- [Blog: 2022 CTC Advocacy Retrospective](#)
- [Policy Forum: Talking with Conservative offices about the CTC](#)
- [Training: Motivational interviewing members of Congress](#)
- [Training: Researching your member of Congress](#)

Right now and into the future, Congress has a choice. They can ignore historic policy changes that dramatically reduced poverty, providing children with food and housing — or they can do what's right and turn 2021's gains into lasting change, furthering economic justice.

Your advocacy will shape the path they choose.