

Expanding tax credits for low-income workers and families

The COVID relief bill changed the tax code to help cut child poverty in half. But it's only temporary. The changes will expire next year if we don't act.

For too long, tax policy has been a driver of inequality – rewarding wealth and fueling the country's staggering racial wealth divide. At RESULTS, we're working to create a tax code that's grounded in racial equity and supports low-income Americans to get ahead.

The COVID relief package signed into law in early 2021 is a key step in the right direction. The bill's tax provisions will help [cut child poverty in half](#) in the United States, and support millions of adults to move above the poverty line, particularly from Black and Latinx families. This is thanks to key expansions of the Earned Income Tax Credit and Child Tax Credit, designed to benefit low-income households and households of color.

The Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) help offset the cost of raising kids and provide a boost for workers' incomes. They've had bipartisan support for decades, but the way they were structured, they were still leaving out millions of people with the lowest incomes and providing too little relief for millions more.

The bill just signed into law fixes key gaps in the policies, expanding the EITC and CTC for millions and slashing the poverty rate. But the catch is the expansions are only temporary. Without more action from Congress, poverty will skyrocket again when the provisions expire next year. RESULTS has a long history of building bipartisan support in Congress for these refundable tax credits, and we're not backing down now. We worked to get these emergency expansions passed into law, and we'll do what it takes this year to make them a lasting change to our tax code.

Why tax policy?

Are they going up or are they going down? That's the big question with taxes. But we all know there's a lot more to it. *Whose* taxes are going up or down? And why? Policymakers in Washington make decisions that affect us all by shifting how taxes are collected.

A mortgage interest deduction makes it easier for some people to buy homes. A charitable gift deduction encourages some people to make donations. There are countless examples like these in the tax code. Unfortunately, many of them only benefit wealthier individuals and corporations.

But there's another thing the tax code can do when it's written fairly: help to shrink the racial wealth divide and support people to move out of poverty. And the Earned Income Tax Credit and Child Tax Credit are two of the best examples we have right now. Our partners at Prosperity Now call these credits the "[right-side up](#)" parts of the tax code.

When we talk about structural change, the tax code is a key place to make it happen. Our advocacy on tax policy isn't about one-off relief in an emergency: it's about long-term policies that help people get ahead.

Key Point: When it's written fairly, the tax code can help shrink the racial wealth divide and support people to move out of poverty.

Earned Income Tax Credit and Child Tax Credit: How they work

The Child Tax Credit and Earned Income Tax Credit both give people a break on taxes and a boost in income to pay for basic needs. These credits have long had bipartisan support as one of the country's best tools for reducing poverty, allowing more people to move out of poverty than any program besides Social Security ([7.5 million people in 2019](#), according to the Census).

Earned Income Tax Credit (EITC)

To get the Earned Income Tax Credit (EITC), you have to be working. For someone earning money (but not a lot), the EITC provides another boost by paying them a small percent on top of what they make at work. Based on what they earned in the previous year, the credit comes as a lump-sum check at tax time. Workers can then use their EITC to catch up on bills, make household repairs, or pay for basic needs.

Critically, the EITC is fully "refundable," which means workers can get the EITC as a payment, even if they owe little or no federal income taxes. This makes it particularly significant for low-wage earners. As people make more at work, the credit grows. Then, once a worker's income reaches a certain level above the poverty line, the credit holds constant, and then starts to decrease as wages make up the difference.

Child Tax Credit (CTC)

The Child Tax Credit (CTC) helps offset the cost of raising kids. Taxpayers can claim a break on their taxes each year based on the number of children in their household and the

household's earnings. Traditionally, it's available when workers file taxes, but COVID relief legislation changed the process to allow families to receive it as a monthly payment. The new legislation also made the CTC "refundable" for even the lowest income families, who previously were left out altogether (more on both these points below).

Key Point: The Child Tax Credit and Earned Income Tax Credit both give people a break on taxes and a boost in income to pay for basic needs. These credits have long had bipartisan support as one of the country's most effective tools for reducing poverty.

Why the EITC and CTC matter

The RESULTS [Experts on Poverty](#) use their firsthand experience to shape policy and move Congress into action on poverty. Hear more from these experts about the impact of the EITC and CTC, which they've shared in congressional testimony and in the media:



Aaron Carrillo

"When I was young, my brother and I looked forward to tax time."

[Read more from Aaron's blog post](#)



Kali Daugherty

"Tax credits forever changed my family's life."

[Read more from Kali's congressional testimony](#)



Maxine Thomas

"Tax season has become like another celebration for my family because of the EITC and CTC."

[Read more from Maxine's op-ed](#)

This year's short-term fix

The EITC and CTC do an enormous amount of good, but they are far from perfect. The way the EITC and CTC are structured in the tax code still leaves out millions of low-income workers and families. The temporary changes passed in March fix these holes in the policy, but only for a year. If those changes expire, here's what's at stake:

- Before this spring, the EITC offered very little help to low-wage workers if they don't claim dependents. And workers under age 25 weren't allowed to claim it at all. That's

meant that [5 million](#) or more people in the country were actively taxed *into* poverty (or deeper into poverty) each year, even before the pandemic.

- Meanwhile, the 2017 tax law had a much-heralded increase to the Child Tax Credit, but that was largely for wealthier families. Before the temporary fix this year, [27 million](#) children – including *half* of all Black and Latinx children – were excluded from the benefit of the full Child Tax Credit. The families with the lowest wages received the least help.

The bill signed into law in March makes the full Child Tax Credit available to even the lowest-income families for the first time. The changes to the CTC alone in the COVID relief bill reduce the number of children living below the federal poverty line by almost half, and have an [even bigger impact for children of color](#).

The bill also makes a critical change to how the Child Tax Credit works. Rather than one lump sum payment at tax time, low-income families will get payments on a monthly basis, helping meet their kids' needs year-round (this is why some people are referring to it as a “child allowance”). And the maximum amount per child increased to \$3,600 for kids under 6, and \$3,000 for kids 6-17 (before now, the maximum was \$2,000 per child). These parts of the bill mirror a [similar child allowance proposal](#) from Sen. Romney (R-UT).

Meanwhile, the bill expands the Earned Income Tax Credit for [17 million low-income workers](#) without dependents. Younger workers and workers in low-paying jobs – especially Black and Latinx essential workers and others who have seen reduced earnings in the COVID crisis – now have fuller access to the EITC to help make ends meet this year.

Key Point: The EITC and CTC help millions of people move out of poverty each year, but millions more are still left out because of how the policies are structured. The temporary changes passed in March fix these holes in the policy and expand the credits for more people, but only for a year.

The back story: We've done this before, and we'll do it again

Securing expansions to tax credits in 2009

Back in 2009, in the middle of the great recession, RESULTS advocates and others pushed for Congress to expand the EITC and CTC. Those credits helped put money in the pockets of more than [7 million people](#) that year alone – but Congress made the changes only as a one-time adjustment, set to expire after a year.

RESULTS and our partners kept pushing, reminding Congress that poverty was already an emergency before the recession. Returning to the same weaker tax policy that made people vulnerable in the first place didn't make sense. We worked to get those changes to the tax code extended, and then extended again. Then in 2015, Congress finally made the changes permanent, [benefiting 50 million people](#) in a package passed with overwhelming bipartisan support.

That lasting victory started – just like we see now – with a short-term emergency response. Then RESULTS advocates kept pushing, with hundreds of meetings with Congress, hundreds of pieces published in their local media, and countless conversations with tax aides on Capitol Hill. **Together we made sure that Congress made those expansions permanent, and we're going to do what it takes to do the same thing again this year.**

Advocating for CTC and EITC expansions in the American Families Plan

Working in coalition with other DC-based advocates, RESULTS put its shoulder behind a [letter led by Senator Brown](#) to the Biden administration that urged the President to include making the EITC and CTC temporary expansions per the March COVID relief bill permanent in his then-soon-to-be-announced recovery plans. Initially, the letter had only 17 signers on it, and a sign-on letter with so few senators on it would have been a liability rather than a persuasive asset. RESULTS volunteers kicked into high gear to ask additional senators to sign the letter. Together with the work by partner organizations, RESULTS' targeted outreach to advocates, and volunteers' fast action, the list of signers more than doubled in less than a week's time.

RESULTS advocates have organized hundreds of meetings with members of Congress and their staff – and in many of these meetings, you have shared personal experiences of tax credits. Despite earlier indications that the administration would not prioritize permanent expansions of the tax credits, after pressure from congressional Democrats and advocates, several important steps toward making the short-term provisions for expansion of the EITC and CTC permanent in fact were included in the President's American Families Plan recovery agenda unveiled on April 28, 2021.

The plan President Biden unveiled in late April proposed that the full EITC expansion be made permanent, and that the expanded eligibility for the CTC for families with the lowest earnings be made permanent as well. He also proposed that the larger CTC would last through 2025 before returning to the previous level. **We will be pushing Congress to move swiftly and go even further to make *all* of these temporary provisions permanent.**

Next up: Let's permanently reduce poverty and hardship

Minutes after the Senate passed their COVID Relief bill expanding the EITC and CTC, Senator Sherrod Brown (D-OH) joined [RESULTS March 2021 National Webinar](#) and asked that we work with him on making these expansions permanent:

"If you team up with us to make this permanent—there is nothing you can do in your activist life that will be more important. There's nothing I can do in the House and Senate that will be more important the rest of my career, except maybe to find ways of scaling up housing...Help us make that permanent. It will be such a social justice victory."

This is a massive perhaps once-in-a-lifetime opportunity to secure historic breakthroughs against poverty. There is a real risk that when Congress responds to the President's proposal they will extend these tax credits, but — especially in the Senate — stop short of making them permanent. In addition, RESULTS' sustained advocacy can protect against future risks in a changing political landscape that addressing poverty could be derailed or undercut.

The takeaway

The Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) are exceptional at reducing poverty. But before (and during) the pandemic, 27 million low-income children were excluded from the full CTC. And 5 million younger workers and others without children in the home were taxed into poverty each year because their EITC was too low.

The recent COVID relief bill fixes these gaps. It increases the EITC for workers without kids and expands the EITC to younger workers. It also increases the CTC, makes it a monthly payment, and offers the full amount to all low-income families.

These changes help cut the child poverty rate in half. But they're only temporary. Without more action from Congress, poverty will double again next year. That's not an option – and your advocacy can make sure Congress turns this short-term win into lasting change.

Further reading from our partners:

[Racial equity in the tax code](#)

[Modeling on the impact of the American Rescue Plan](#)

[Modeling on the impact of expanding the Child Tax Credit](#)

[Overview and state-by-state impact of EITC and CTC expansions](#)