

Common myths about the Child Tax Credit (CTC) ...and why they're not true!

The Child Tax Credit (CTC) is one of the most powerful tools we have to reduce child poverty here in the U.S. where it is a severe problem. When compared with 34 economically similar countries, the [U.S. child poverty rate is almost the highest](#) (only three other countries have higher rates). We know from past experience that the CTC can help meaningfully lower child poverty (in 2021, a now-expired version of the CTC helped cut child poverty [almost in half](#)). But under current law, the U.S. remains one of the wealthiest nations on earth to tolerate and maintain such high numbers of children living with the trauma of poverty. It is time to come together to ensure as many children get the full CTC as possible. To do that, we must challenge some of the most harmful myths about the CTC. Here they are:

CTC Myth #1: The CTC discourages work. (FALSE!)

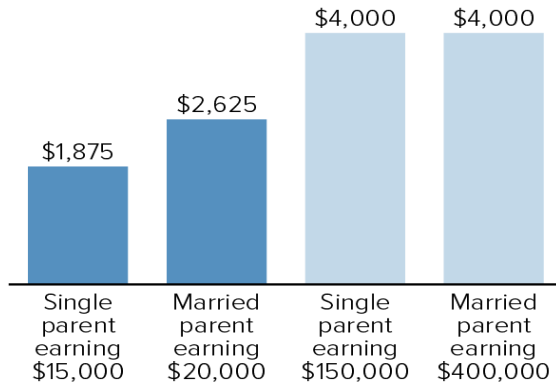
The reality is that we actually now have [a lot of real world evidence](#) from the 2021 CTC expansion showing that it [did not discourage work at all](#). In fact, the data show that, in 2021, the CTC expansion helped families [maintain employment if not get new jobs](#) in the formal labor market. While we do not yet know *exactly* why the CTC helps families get or keep employment, we can make accurate guesses: the CTC helped families pay for the child care that's critical to maintaining a job outside the home; families also spent the CTC on rent and housing, and data show that [housing security helps people keep their jobs](#). There are also many stories of lived experience that show us how these data play out in real life (such as in [this document](#) quoting a mom whose CTC gave her the tools to go to graduate school and get on-campus employment).

CTC Myth #2: Anyone with a formal job already gets the full CTC. (FALSE!)

The reality is that of the 19 million children currently excluded from the full CTC, [17 million of them](#) have at least one caregiver who has a job in the formal labor market. There is a formula in current tax law that calculates how much CTC each family receives, and families receive more money with each

Families With Low Incomes Receive Smaller Child Tax Credit Than Families With Higher Incomes

Child Tax Credit for a family with two children under current law (2022)



Source: CBPP calculations

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additional dollar that they earn. So, the less a family earns, the smaller their CTC is. As seen in the chart to the left, families earning large incomes (like \$150,000 per parent or more) get the full CTC while families earning lower wages get a fraction of the full credit. Current CTC law cements poverty in place by providing families with low incomes fewer resources to improve circumstances for their kids while families with high wages benefit from more support.

Myth #3: The CTC is partisan/only for Democrats. (FALSE!)

The reality is that the CTC has a [long history of bipartisan expansions](#) and was even originally passed under a Republican-controlled Congress (in 1997). A 2017 tax law called the *Tax Cuts and Jobs Act* passed by Republicans, increased in the maximum possible CTC each family could receive. As recently as July 2023, The Problem Solvers Caucus, a bipartisan group in the House, [formed a working group](#) for the CTC. Protecting and valuing children crosses party lines.

Myth #4: The CTC costs too much. (FALSE!)

Many people worry about the \$100 billion per year cost of the 2021 CTC expansion that helped cut child poverty by 46 percent. **To be clear, there are many reasons why \$100 billion per year is worth every penny because it helps house, clothe, and feed children, creating the stability that [promotes brain development and societal well-being](#).** But the reality is that there are also ways for the CTC to have a profound impact while costing less. For example, extending the full CTC to families with low incomes by making the CTC “fully refundable” would cost [\\$16 billion per year](#). There are several ways that we can improve the CTC while spending less than \$100 billion.