

2024

## A Road to Recovery: Why the Expansion of the Child Tax Credit Should Be Permanent

Robert Hovey

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### Recommended Citation

Robert Hovey, A Road to Recovery: Why the Expansion of the Child Tax Credit Should Be Permanent, 57 UIC L. REV. 589 (2024).

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# A ROAD TO RECOVERY: WHY THE EXPANSION OF THE CHILD TAX CREDIT SHOULD BE PERMANENT

ROBERT HOVEY\*

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## I. INTRODUCTION

Rainey Richardson, a mother of five children, learned during the 2021 holiday season that her family would no longer receive the financial aid that she and her children depended on during the pandemic.<sup>1</sup> Similar to other working parents impacted by COVID-19 related school closures, Mrs. Richardson was forced to quit her

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1. Haley BeMiller, *Without Expanded Child Tax Credit, South Side Families Find Themselves Struggling*, THE COLUMBUS DISPATCH (June 13, 2022), [www.dispatch.com/story/news/local/2022/06/13/columbus-families-feel-loss-expanded-child-tax-credit/10005138002/](http://www.dispatch.com/story/news/local/2022/06/13/columbus-families-feel-loss-expanded-child-tax-credit/10005138002/) [perma.cc/3Y75-ML7G] (“That was definitely a trying time for us financially, so it really helped us out a lot. It didn’t help to solve the problem, but it helped us get some sleep at night.”).

full-time job to support her children's remote learning.<sup>2</sup> Fortunately, the Richardson family was eligible to receive financial aid each month to provide a safety-net during the pandemic through the expanded Child Tax Credit ("CTC").<sup>3</sup>

Since its infancy, the United States has faced countless periods of financial hardship, but the economic crisis of the COVID-19 pandemic created unprecedented challenges. By the end of 2020, the U.S. GDP contracted by 3.5 percent—the largest decline since 1946.<sup>4</sup> This contraction represented the minimal amount of economic activity that occurred during the first several months of the pandemic.<sup>5</sup> While financial challenges were common among all Americans, disadvantaged groups and families, like the Richardsons, suffered the brunt of the pandemic's severe economic impacts.<sup>6</sup>

In response to the COVID-19 pandemic and the economic downturn that followed, the federal government passed the American Rescue Plan Act ("ARPA") of 2021.<sup>7</sup> Under the ARPA, the government used the tax code to provide benefits to struggling families with children by temporarily expanding the Child Tax Credit.<sup>8</sup> A permanent expansion of the Child Tax Credit will provide

2. *Id.*

3. *Id.*

4. Emily McCormick, *4Q GDP: Economy Expands at a 4.0% Annualized Rate*, YAHOO FIN. (Jan. 28, 2021), [www.finance.yahoo.com/news/4q-gdp-2020-us-economy-coronavirus-pandemic-180133456.html](http://www.finance.yahoo.com/news/4q-gdp-2020-us-economy-coronavirus-pandemic-180133456.html) [perma.cc/6NSS-PL64] ("The increase in fourth quarter GDP reflected both the continued economic recovery from the sharp declines earlier in the year and the ongoing impact of the COVID-19 pandemic.").

5. Jason Furman & Wilson Powell III, *What the US GDP Data Tell Us About 2020*, PETERSON INST. FOR INT'L ECON. (Jan. 28, 2021), [www.piie.com/blogs/realtime-economics/what-us-gdp-data-tell-us-about-2020](http://www.piie.com/blogs/realtime-economics/what-us-gdp-data-tell-us-about-2020) [perma.cc/98JV-35MD] ("In 2020, this meant a massive contradiction in GDP in the second quarter followed by a substantial but incomplete rebound in the third and fourth quarters.").

6. Brea L. Perry et al., *Pandemic Precarity: COVID-19 is Exposing and Exacerbating Inequalities in the American Heartland*, NAT'L LIBR. OF MED. (Feb. 23, 2021) ("Those in socially and economically marginalized groups and communities are more vulnerable to the impact of a disaster than their advantaged counterparts, and the damage extends beyond that expected by the nature of the crisis.").

7. Ron Lieber, *What Is in the Stimulus Bill: \$1,400 Checks, Expanded Unemployment and Tax Rebates*, N.Y. TIMES (Mar. 6, 2021), [www.nytimes.com/live/2021/stimulus-check-plan-details](http://www.nytimes.com/live/2021/stimulus-check-plan-details) [perma.cc/DJ7M-6G2A] (analyzing the impacts of the expanded child tax credit on other areas of tax policy such as stimulus payments, unemployment benefits, health insurance, and other supplemental payments a taxpayer may be eligible for).

8. Margot L. Crandall-Hollick, *The Child Tax Credit: Temporary Expansion for 2021 Under the American Rescue Plan Act of 2021*, CONG. RSCH. DIGIT. COLLECTION 1 (May 12, 2021) [hereinafter Crandall-Hollick, *Temporary Expansion for 2021*], [www.crsreports.congress.gov/product/pdf/IN/IN11613](http://www.crsreports.congress.gov/product/pdf/IN/IN11613) [perma.cc/FD4T-EQT3] ("In recent years, there has been increased interest in providing direct benefits to families with children to reduce child poverty in the

eligible families, such as the Richardson family, adequate resources to navigate economic challenges and provide relief to impoverished children.

Part II outlines the key elements of the expanded CTC and the impact on eligible families with children. In addition, Part II will explore the legislative history of the CTC along with how the expanded CTC was designed to address inefficiencies under previous legislation. It further explains how a tax credit provides more benefits than a tax deduction while highlighting the advantages of utilizing tax provisions to provide economic benefits to families with children. Lastly, Part II analyzes the shift in US poverty during the COVID-19 pandemic and how the expanded CTC assisted eligible families during this time.

Part III discusses how making the expanded CTC fully refundable reached more eligible families and how these families used their lump-sum refund to their benefit. Moreover, Part III analyzes how the lifted age requirement and minimum income elimination extended eligibility to families that need tax relief the most. Part III also explores the advanced payment structure and how this payment method provided financial stimulus for eligible families. Additionally, Part III addresses the overall impact on eligible families with children along with addressing critical arguments of the expanded CTC's impact on employment.

Part IV proposes permanently expanding the CTC with some variations to address partisan concerns, and in doing so, Part IV examines how this proposal will benefit eligible families who are in most need.

## II. BACKGROUND

This background begins with a discussion of the legislative history of the CTC, its key provisions, and how those provisions have changed since its initial enactment. Next, this section explains the difference between tax credits, tax deductions, and the benefits they confer to taxpayers. This section then touches on the benefits of utilizing federal tax provisions to the benefit of families with children. This section will also discuss the impacts on poverty in the United States during the COVID-19 pandemic and how the key elements of the expanded CTC impacted eligible families and children.

### A. *History of the CTC*

The legislative history of the CTC began with the Taxpayer

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United States, sometimes in the form of tax benefits.”).

Relief Act of 1997, which sought to provide tax relief to families raising children.<sup>9</sup> Since then, the CTC has undergone various legislative changes garnering both partisan and bipartisan support.<sup>10</sup> The changes often modified key provisions of the credit such as expanding eligibility, changing the refundable or non-refundable portion, and increasing the value of the credit to eligible families.<sup>11</sup>

A recent overhaul to the CTC came with the Tax Cuts and Jobs Act (TCJA) of 2017 which: first, doubled the maximum amount of the credit from \$1,000 to \$2,000 per qualifying child; second, increased the maximum phased-in refundable portion from \$1,000 to \$1,400 per qualifying child; and third, decreased the minimum income threshold to receive the credit from \$3,000 to \$2,500.<sup>12</sup> The phased-in element of the CTC's refundable portion limited eligible families if their income tax liability was less than their maximum amount of credit.<sup>13</sup>

The maximum amount of the \$1,400 refundable portion started to phase-in at fifteen percent on income above the minimum income requirement of \$2,500.<sup>14</sup> For example, a family earning \$8,000 of income with two qualifying children would be eligible for a \$4,000 CTC. If their income tax liability was \$1,000, they could use \$1,000 of their \$4,000 CTC to reduce their income tax liability to zero. But the remaining \$3,000 of CTC would only be refundable at fifteen percent of income above the minimum income requirement of \$2,500, creating only a \$825 refundable portion. The TCJA increased the income levels when the CTC would begin to phase-out from \$75,000 to \$200,000 for unmarried individuals, and from \$110,000 to \$400,000 for married individuals filing joint returns.<sup>15</sup> Additionally, the TCJA requires qualifying children to have a Social Security Number (SSN) to be eligible for the credit.<sup>16</sup> The current

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9. Margot L. Crandall-Hollick, *The Child Tax Credit: Selected Legislative Proposals in the 116th Congress*, CONG. RSCH. DIGIT. COLLECTION 5 (Aug. 28, 2020) [hereinafter Crandall-Hollick, *Selected Legislative Proposals*], [www.crsreports.congress.gov/product/pdf/R/R46502](http://www.crsreports.congress.gov/product/pdf/R/R46502) [perma.cc/R5MZ-WJPM] (“When it was initially enacted in 1997, the child tax credit was a \$500-per-child nonrefundable credit designed to provide tax relief to middle-and upper-income families.”).

10. *A Citizen's Guide To The Fascinating (Though Often Complex) Elements Of The Federal Tax Sys.* TAX POL'Y CTR., [www.taxpolicycenter.org/briefing-book](http://www.taxpolicycenter.org/briefing-book) [perma.cc/8JY3-H6SF] (last visited Sep. 1, 2022).

11. Crandall-Hollick, *Selected Legislative Proposals*, *supra* note 9, at 5.

12. *Id.* at 6 (“A qualifying child is generally the taxpayer's dependent child who is under 17 years old.”).

13. Crandall-Hollick, *Temporary Expansion for 2021*, *supra* note 8, at 2 (estimating that approximately nineteen percent of families eligible for the child tax credit received less than the maximum credit because of the phased-in element of the CTC's refundable portion).

14. Crandall-Hollick, *Selected Legislative Proposals*, *supra* note 9, at 4.

15. *Id.*

16. *Id.* at 2.

provisions of the CTC under TCJA are only in effect through 2025.<sup>17</sup>

The American Rescue Plan Act (ARPA) of 2021 temporarily expanded provisions of the CTC for eligible families only during the year 2021.<sup>18</sup> The ARPA revised the CTC by: first, increasing the maximum amount of the credit from \$2,000 to \$3,000 per qualifying child under the age of eighteen and \$3,600 under the age of six; second, making the credit fully refundable; third, eliminating the minimum income requirement; and fourth, issuing the CTC through an advanced payment structure.<sup>19</sup> The phaseout would begin at \$150,000 for married individuals filing joint returns and \$75,000 for unmarried individuals.<sup>20</sup> The ARPA also extended eligibility to children in Puerto Rico and the U.S. Territories.<sup>21</sup>

### *B. Tax Credit versus Tax Deduction*

Understanding the expanded CTC requires a brief explanation of the difference between tax credits and tax deductions. Tax credits and a tax deductions both work to reduce income tax liability, but how they effectuate this goal distinguishes them from one another.<sup>22</sup> First, a tax deduction reduces the amount of income *before* a taxpayer calculates their income tax liability, so less taxable income creates lower income tax liability.<sup>23</sup> Then, once the income tax liability is determined, a tax credit can reduce the tax liability dollar-for-dollar.<sup>24</sup> Also, a tax credit could generate a refund

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17. *Id.* at 4.

18. *Fact Sheet: The American Rescue Plan Will Deliver Immediate Economic Relief to Families*, U.S. DEPT OF TREASURY (Mar. 18, 2021) [hereinafter *ARPA Fact Sheet*], [home.treasury.gov/news/featured-stories/fact-sheet-the-american-rescue-plan-will-deliver-immediate-economic-relief-to-families](https://home.treasury.gov/news/featured-stories/fact-sheet-the-american-rescue-plan-will-deliver-immediate-economic-relief-to-families) [perma.cc/B9Y9-8FST] (“This law is one of the most progressive pieces of legislation in history and will build a bridge to an equitable economic recovery.”).

19. American Rescue Plan Act of 2021, H.R. 1319, 117th Cong. (enacted).

20. *Id.*

21. *ARPA Fact Sheet*, *supra* note 18 (“For the first time, low-income families residing in Puerto Rico and the U.S. Territories will receive this vital financial assistance to better support their children’s development and health and educational attainment.”).

22. *Tax Avoidance is Legal; Tax Evasion is Criminal*, WOLTERS KLUWER (Nov. 6, 2020), [www.wolterskluwer.com/en/expert-insights/tax-avoidance-is-legal-tax-evasion-is-criminal](https://www.wolterskluwer.com/en/expert-insights/tax-avoidance-is-legal-tax-evasion-is-criminal) [perma.cc/L3ZV-X6SV] (“Tax credits are generally better for you than deductions because credits are subtracted directly from your tax bill. Deductions, in contrast, are subtracted from the income on which your tax bill is based.”).

23. *Credits and Deductions for Individuals*, IRS, [www.irs.gov/credits-deductions-for-individuals](https://www.irs.gov/credits-deductions-for-individuals) [perma.cc/7RG9-MSL5] (last visited Sep. 4, 2022) (explaining the difference between tax credits and tax deductions and their impact on both taxable income and tax liability).

24. *Tax Avoidance is Legal; Tax Evasion is Criminal*, *supra* note 22.

if a taxpayer is eligible for a tax credit greater than their income tax liability.<sup>25</sup> A simple example of this is when a taxpayer has a tax liability of \$100 and they are eligible for a \$150 refundable tax credit; therefore, their \$100 tax liability will be reduced by \$150, resulting in a \$50 tax refund.<sup>26</sup> On the other hand, a tax deduction reduces taxable income. For instance, if a taxpayer's income was \$50,000, they would be eligible for a \$12,950 standard tax deduction, and therefore their taxable income would only be \$37,050 instead of the full \$50,000.<sup>27</sup>

### *C. Utilizing Tax Provisions to Provide Benefits to Families*

There are a range of benefits in providing tax and economic relief to families with children through tax provisions such as the CTC.<sup>28</sup> For instance, refundable tax credits moved 8.3 million people out of poverty in a single year.<sup>29</sup> Families can benefit from tax provisions that adjust their tax liability to account for their ability to pay tax, encourage employment, and provide direct tax relief for other costs associated with raising a family.<sup>30</sup> Tax provisions intended to benefit children often “far exceed any other major budget category of spending” in the federal government.<sup>31</sup> For

25. *Refundable Tax Credit*, TAX FOUND., [www.taxfoundation.org/tax-basics/refundable-tax-credits](http://www.taxfoundation.org/tax-basics/refundable-tax-credits) [perma.cc/BY3L-5H2B] (last visited Sep. 3, 2022) (explaining the impacts of when a tax credit is refundable in which the taxpayer could receive a tax refund if their refundable tax credit exceeds any tax liability).

26. *Id.*

27. *Tax Credit vs. Tax Deduction: What's the Difference?*, BUS. INSIDER, [www.businessinsider.com/personal-finance/tax-credit-vs-tax-deduction](http://www.businessinsider.com/personal-finance/tax-credit-vs-tax-deduction) [perma.cc/9G9L-GHVV] (last visited Jan. 7, 2024) (providing breakdown of income tax calculations by utilizing a tax deduction versus utilizing a tax credits).

28. Elaine Maag, *Shifting Child Tax Benefits in the TCJA Left Most Families About the Same*, URBAN INST. 1 (Aug. 16, 2019), [www.urban.org/sites/default/files/publication/100811/shifting\\_child\\_tax\\_benefits\\_in\\_the\\_tcja\\_left\\_most\\_families\\_about\\_the\\_same\\_0.pdf](http://www.urban.org/sites/default/files/publication/100811/shifting_child_tax_benefits_in_the_tcja_left_most_families_about_the_same_0.pdf) [perma.cc/QCJ4-ZH29] (“Tax provisions targeted at families (1) adjust taxes to account for a family’s ability to pay tax, (2) provide direct support for families with children, (3) encourage work, and (4) offset expenses associated with raising a family.”).

29. Liana Fox, *The Supplemental Poverty Measure: 2017*, U.S. CENSUS BUREAU (Sept. 12, 2018), [www.census.gov/library/publications/2018/demo/p60-265.html](http://www.census.gov/library/publications/2018/demo/p60-265.html) [perma.cc/7A24-68F8] (measuring different approaches to measure income and poverty in the United States and how different government programs that are designed to assist low-income families and individuals are utilized).

30. Maag, *supra* note 28, at 1.

31. Heather Hahn, *Surprising Tax Fact: More Than One-Third of Federal Support for Children Comes through Tax Provisions*, URBAN INST. (Aug. 15, 2019), [www.urban.org/urban-wire/surprising-tax-fact-more-one-third-federal-support-children-comes-through-tax-provisions](http://www.urban.org/urban-wire/surprising-tax-fact-more-one-third-federal-support-children-comes-through-tax-provisions) [perma.cc/233V-AMUY] (measuring how “tax provisions provide substantial support for children”).

instance, spending on tax provisions for children accounted for “37 percent of total 2017 expenditures on children.”<sup>32</sup> Tax provisions offer unique benefits because most families who benefit file an annual tax return and the administrative costs for the IRS and taxpayer remain low in relation to delivering tax relief to families.<sup>33</sup> Utilizing the tax system to deliver tax relief to families also “enhances feelings of citizenship and social inclusion.”<sup>34</sup>

#### *D. U.S. Poverty During the COVID-19 Pandemic*

As previously alluded to, handling the impact of poverty during the COVID-19 pandemic necessitated utilizing tax provisions such as the expanded CTC. The pandemic led to historic disturbances to the economy creating both unemployment and job-loss at unprecedented levels.<sup>35</sup> In April 2020, unemployment rates peaked at twenty percent which was the “highest rate of unemployment since the Great Depression.”<sup>36</sup> Families with children disproportionately experienced unemployment, foreshadowing potential long-term issues for child growth and development.<sup>37</sup> In April 2020, twenty-two percent of children “had at least one unemployed parent,” which was the highest rate in more than fifty years.<sup>38</sup> These children were disproportionately Hispanic and Black

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32. *Id.* (“This total included \$74 billion in the form of tax refunds to families and \$106 billion in tax breaks through reductions in tax liabilities to those otherwise owing individual income tax.”).

33. Robert Greenstein et al., *Improving the Child Tax Credit for Very Low-Income Families*, US P'SHIP ON MOBILITY FROM POVERTY 14 (Apr. 2018), [www.cbpp.org/sites/default/files/atoms/files/urban\\_ctc\\_paper.pdf](http://www.cbpp.org/sites/default/files/atoms/files/urban_ctc_paper.pdf) [perma.cc/5ZA4-VRGE] (“Most people who would benefit already file an annual tax return, and the Internal Revenue Service already processes that return.”).

34. *Id.* (quoting Jennifer Sykes et al., *Dignity and Dreams: What the Earned Income Tax Credit (EITC) Means to Low-Income Families*, 80 AM. SOCIO. REV., 243, 243 (2015)).

35. Zachary Parolin et al., *The CARES Act and Poverty in the COVID-19 Crisis: Promises and Pitfalls of the Recovery Rebates and Expanded Unemployment Benefits*, CTR. ON POVERTY AND SOC. POL'Y AT COLUM. UNIV. 1 (June 21, 2020), [static1.squarespace.com/static/610831a16c95260dbd68934a/t/6114265c75660a510b03e52b/1628710493167/Forecasting-Poverty-Estimates-COVID19-CARES-Act-CPSP-2020.pdf](https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/6114265c75660a510b03e52b/1628710493167/Forecasting-Poverty-Estimates-COVID19-CARES-Act-CPSP-2020.pdf) [perma.cc/9EUH-QSM7] (“We demonstrate that the CARES Act features an unprecedented set of income transfers with potential to return poverty rates to pre-crisis levels if enough families are able to access the benefits.”).

36. *Id.*

37. Zachary Parolin, *Unemployment and Child Health During COVID-19 in the USA*, 5 LANCET PUB. HEALTH e521, e521 (2020), [www.thelancet.com/pdfs/journals/lanpub/PIIS2468-2667\(20\)30207-3.pdf](http://www.thelancet.com/pdfs/journals/lanpub/PIIS2468-2667(20)30207-3.pdf) [perma.cc/BU4M-XR2M] (“The USA is one of few high-income countries without a child allowance, leaving millions of families without any direct income support from the government.”).

38. *Id.*



children.<sup>39</sup> In April 2020, twenty-five percent of Hispanic children and twenty-three percent of Black children lived with at least one unemployed parent, a sharp contrast to nineteen percent of White children.<sup>40</sup> This disparity widened economic insecurities across different races and ethnicities that already existed pre-pandemic.<sup>41</sup> Data from 2014 through 2016 showed that one in two Black and Latino families with children experienced the inability to “afford adequate food, shelter, or utilities” compared to one in four White families with children.<sup>42</sup>

On the other hand, higher-income individuals remained relatively unharmed during the pandemic.<sup>43</sup> High-wage earners were also less likely to experience job loss as jobs in low-paying industries were lost at almost fifteen times the rate than high-paying industries.<sup>44</sup>

During this economic crisis, cash support remained a critical resource to protect and support families with children and the economy.<sup>45</sup> By July 2020, twenty-four percent of unemployed parents with children reported “high rates of food insufficiency,” thirty percent reported “missed or delayed rent payments,” and

39. Zachary Parolin, *Share of Children with Unemployed Parents Reach Historic Highs During the COVID-19 Pandemic*, CTR. ON POVERTY AND SOC. POL’Y AT COLUM. UNIV. 10 (Oct. 29, 2020) [hereinafter Parolin, *Share of Children with Unemployed Parents*], [static1.squarespace.com/static/610831a16c95260dbd68934a/t/6114243f4e8d1c2e2bedf8d6/1628709952128/COVID-Children-With-Unemployed-Parents-CPSP-2020.pdf](https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/6114243f4e8d1c2e2bedf8d6/1628709952128/COVID-Children-With-Unemployed-Parents-CPSP-2020.pdf) [perma.cc/2459-LZ8P] (“Black and Hispanic children, in particular, faced elevated rates of parental unemployment.”).

40. *Id.* at 4.

41. Arloc Sherman et al., *Widespread Economic Insecurity Pre-Pandemic Shows Need for Strong Recovery Package*, CTR. ON BUDGET AND POL’Y PRIORITIES (July 14, 2021), [www.cbpp.org/research/poverty-and-inequality/widespread-economic-insecurity-pre-pandemic-shows-need-for-strong](https://www.cbpp.org/research/poverty-and-inequality/widespread-economic-insecurity-pre-pandemic-shows-need-for-strong) [perma.cc/CZ4H-FG5C] (noting that even before the pandemic “millions of families [were] unable to pay for necessities on a consistent basis . . .”).

42. *Id.*

43. *United States: Pandemic Impact on People in Poverty*, HUM. RTS. WATCH (Mar. 2, 2021), [www.hrw.org/news/2021/03/02/united-states-pandemic-impact-people-poverty](https://www.hrw.org/news/2021/03/02/united-states-pandemic-impact-people-poverty) [perma.cc/4NT7-8SXT] (“[T]he collective wealth of the US’ 651 billionaires has jumped by over \$1 trillion since the beginning of the pandemic, a 36 percent leap.”).

44. *Tracking the COVID-19 Economy’s Effects on Food, Housing, and Employment Hardship*, CTR. ON BUDGET AND POL’Y PRIORITIES (Aug. 13, 2020), [www.cbpp.org/research/poverty-and-inequality/tracking-the-covid-19-economys-effects-on-food-housing-and](https://www.cbpp.org/research/poverty-and-inequality/tracking-the-covid-19-economys-effects-on-food-housing-and) [perma.cc/JVF5-KNQF] (“The majority of jobs lost in the crisis have been in industries that pay low average wages, with the lowest-paying industries accounting for 30 percent of all jobs but 59 percent of the jobs lost from February 2020 to October 2021.”).

45. Megan Curran, *A Better Child Tax Credit During the COVID-19 Crisis*, CENTURY FOUND. (May 14, 2020), [www.tcf.org/content/commentary/better-child-tax-credit-covid-19-crisis/](https://www.tcf.org/content/commentary/better-child-tax-credit-covid-19-crisis/) [perma.cc/HH6Q-GBLR] (“The COVID-19 pandemic has precipitated simultaneous public health and economic crises in the United States on a scale not seen before.”).

forty-six percent reported “frequent anxiety” related to their current financial hardships.<sup>46</sup> This burden fell harder on mothers, who mostly reported losing a job during the pandemic for child care related reasons.<sup>47</sup> By July 2020, thirty percent of unemployed mothers reported that child-care responsibility was the primary reason for their unemployment, which coincided with school closures that forced children to experience school through distance learning.<sup>48</sup>

Moreover, food insecurity experienced by children leads to potential behavioral and mental health issues.<sup>49</sup> These issues further impact the child’s test scores and diminish their ability to graduate from high school and earn sufficient income in adulthood.<sup>50</sup> In addition, children who experience longer periods of poverty hardships are often less likely to obtain a college degree.<sup>51</sup>

The consequences of the COVID-19 crisis not only caused immediate economic hardship for families with children, but the impact may continue to diminish the growth and development of children well into the future.<sup>52</sup>

### *E. Key Elements of the Expanded Child Tax Credit (CTC)*

#### *1. Fully Refundable*

A beneficial provision of the expanded CTC was making the credit fully refundable for eligible families, which enabled families who earn little to no income to still receive the full credit under certain circumstances.<sup>53</sup> This was a departure from how the CTC

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46. Parolin, *Share of Children with Unemployed Parents*, *supra* note 39, at 9.

47. *Id.* at 7. Parental unemployment was measured by “the employment status of parents who live in the same household as their child.” *Id.* at 2.

48. *Id.* at 8.

49. Claire Zippel & Arloc Sherman, *Bolstering Family Income Is Essential to Helping Children Emerge Successfully From the Current Crisis*, CTR. ON BUDGET AND POL’Y PRIORITIES (Feb. 25, 2021), [www.cbpp.org/research/poverty-and-inequality/bolstering-family-income-is-essential-to-helping-children-emerge](http://www.cbpp.org/research/poverty-and-inequality/bolstering-family-income-is-essential-to-helping-children-emerge) [perma.cc/FYL2-4QAF] (“Even short periods of food insecurity pose long-term health and developmental risks for children.”).

50. *Id.*

51. Parolin, *Share of Children with Unemployed Parents*, *supra* note 39, at 9.

52. *Id.*

53. Elaine Maag & Nikhita Airi, *The Child Tax Credit Grows Up to Lift Millions of Children Out of Poverty*, TAX POL’Y CTR. (Mar. 16, 2021) [hereinafter Maag & Airi, *Millions of Children Out of Poverty*], [www.taxpolicycenter.org/taxvox/child-tax-credit-grows-lift-millions-children-](http://www.taxpolicycenter.org/taxvox/child-tax-credit-grows-lift-millions-children-)

previously limited the credit to a maximum refund of \$1,400 as discussed previously under the TCJA.<sup>54</sup> This departure was beneficial for the lowest income families because the prior credit excluded 27 million children since their families earned too little to receive the full credit through a refund.<sup>55</sup> The families that were in most need of the credit, disproportionately low-income minority families with children, were often excluded.<sup>56</sup> These children often resided in low-income households with a twenty-five percent poverty rate and were most likely to be Black or Hispanic, and less likely to be White.<sup>57</sup>

The fully refundable expanded CTC was projected to reach eligible families with children “in the bottom one-fifth of the income distribution” and then “over 90 percent would go to the lowest-income 40 percent of families.”<sup>58</sup> It was also projected to lift the average benefit “for the lowest income families (who make \$25,000 or less) much closer to those with higher income.”<sup>59</sup> Thus, eliminating the limit of the refundable credit portion sought to make the full credit “accessible to children in families on the lowest incomes,” which would produce a significant benefit to children in poverty.<sup>60</sup>

An example of how an eligible family was limited to the full CTC through a limited refundable portion under prior law would be

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out-poverty [perma.cc/77UN-DTUU] (reporting that before the minimum income requirement was removed with the expanded child tax credit “[b]enefits, on average, were much lower for families with children in the bottom 20 percent of the income distributions than for those in the middle three income quintiles.”).

54. Crandall-Hollick, *Selected Legislative Proposals*, *supra* note 9, at 9.

55. Greenstein et al., *supra* note 33, at 10.

56. Jacob Goldin & Katherine Micheltore, *Who Benefits From the Child Tax Credit*, NAT'L BUREAU OF ECON. RSCH. 2 (Oct. 2020), [www.nber.org/system/files/working\\_papers/w27940/w27940.pdf](http://www.nber.org/system/files/working_papers/w27940/w27940.pdf) [perma.cc/9G9U-EC8S] (“Black children are particularly unlikely to be eligible for the CTC, constituting one in four ineligible children, despite representing only 14% of all children. These disparities are primarily due to limits on the credit’s refundability.”).

57. *Id.* at 13.

58. Elaine Maag, *Expanding The Child Tax Credit: Full Refundability and Larger Credit*, TAX POL'Y CTR. (May 26, 2020), [www.taxpolicycenter.org/taxvox/expanding-child-tax-credit-full-refundability-and-larger-credit](http://www.taxpolicycenter.org/taxvox/expanding-child-tax-credit-full-refundability-and-larger-credit) [perma.cc/SQ3Q-WJYG] (noting that under the previous version of the child tax credit families needed to earn at least \$2,500 to qualify for the credit).

59. Maag & Airi, *Millions of Children Out of Poverty*, *supra* note 53.

60. Megan Curran & Sophie Collyer, *Children Left Behind in Larger Families: The Uneven Receipt of the Federal Child Tax Credit by Children's Family Size*, CTR. ON POVERTY AND SOC. POL'Y AT COLUM. UNIV. 6-7 (Mar. 4, 2020), [static1.squarespace.com/static/610831a16c95260dbd68934a/t/6216b3d054d835205e24da0b/1645654994304/Child-Tax-Credit-Larger-Families-CPSP-2020.pdf](https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/6216b3d054d835205e24da0b/1645654994304/Child-Tax-Credit-Larger-Families-CPSP-2020.pdf) [perma.cc/X5FM-25RY]. “Proposals to remove the earnings requirement in the Child Tax Credit would produce significant anti-poverty impacts for children in all families and make the biggest difference for children with a larger family size.” *Id.* at 1.

to consider an eligible family with two children and a tax liability of \$230.<sup>61</sup> Assuming no other limitations apply, this family would be eligible for \$2,000 CTC per child for a full amount of \$4,000.<sup>62</sup> Their tax liability for \$230 would be reduced dollar-for-dollar to \$0.<sup>63</sup> However, the remaining \$3,770 refundable CTC would be limited to \$1,400 per child for a total of \$2,800. Even though the family qualified for a full \$4,000 CTC, they could only utilize \$2,800 with the refundable limitation. On the other hand, under the expanded CTC provision making the CTC fully refundable, the eligible family would have been refunded the entire \$3,000 and therefore utilized the full \$4,000 benefit.

## 2. *Increased Eligibility*

The expanded CTC structure increased eligibility among working class families.<sup>64</sup> To reach more children, the expanded CTC raised the age limit for qualifying children from 16 to 17; set income thresholds to \$150,000 for couples and \$112,500 for single parents; and eliminated the minimum income requirement.<sup>65</sup> Increasing eligibility was an important step to correct a “long-standing issue with the policy” which often fell-short of extending eligibility to children who needed help the most.<sup>66</sup>

Prior to the expanded CTC, the minimum income requirement prevented 27 million children from receiving the maximum credit amount because their families earned too little.<sup>67</sup> These children

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61. Andrew Lautz & Rachal Snyderman, *Breaking Down the Child Tax Credit: refundability and Earnings Requirements*, BIPARTISAN POLY CTR. (December 18, 2023), [www.bipartisanpolicy.org/blog/breaking-down-the-child-tax-credit-refundability-and-earnings-requirements/](http://www.bipartisanpolicy.org/blog/breaking-down-the-child-tax-credit-refundability-and-earnings-requirements/)

62. *Id.*

63. *Id.*

64. *The Child Tax Credit*, THE WHITE HOUSE, [www.whitehouse.gov/child-tax-credit/](http://www.whitehouse.gov/child-tax-credit/) [perma.cc/29WV-ZMF4] (last visited Oct. 14, 2022) (“The Child Tax Credit in the American Rescue Plan provides the largest Child Tax Credit ever and historic relief to the most working families ever.”).

65. *Id.*

66. *Frequently Asked Questions on the Child Tax Credit*, CHILD. DEF. FUND (Apr. 12, 2021), [www.childrensdefense.org/blog/understanding-the-expanded-ctc/](http://www.childrensdefense.org/blog/understanding-the-expanded-ctc/) [perma.cc/UY76-86FT] (“Put simply, the expanded CTC, is an investment in our nation’s future and an acknowledgement that we as a society have a responsibility to ensure the next generation has the opportunity to fulfil their potential and to succeed.”).

67. Chuck Marr et al., *Congress Should Adopt American Families Plan’s Permanent Expansions of Child Tax Credit and EITC Make Additional Provision Permanent*, CTR. ON BUDGET AND POL’Y PRIORITIES (May 24, 2021) [hereinafter Marr et al., *American Families Plan*], [www.cbpp.org/research/federal-tax/congress-should-adopt-american-families-plans-permanent-expansions-of-child](http://www.cbpp.org/research/federal-tax/congress-should-adopt-american-families-plans-permanent-expansions-of-child) [perma.cc/YNT2-BM5V] (“Congress should adopt these proposed changes, which would result in reductions of child

were disproportionately Black and Latino children and children in rural areas, even though “middle- and higher- income families received the full amount.”<sup>68</sup> These children’s families also overrepresent low-paid workers, with diminished employment prospects, the type of families the legislature intended the CTC to help the most.<sup>69</sup> The prior CTC overwhelmingly excluded seventy percent of children living in single female parent households from receiving the full CTC.<sup>70</sup> Forty percent of children in families with young children are left behind, compared to twenty-nine percent of children in families where all children are above age 6.<sup>71</sup> As such, enacting the expanded CTC that was not dependent on earnings addresses the inequalities discussed above and extends benefits to children who need help the most.<sup>72</sup>

### 3. *Advanced Payment Structure*

Another key element of the expanded CTC was the advanced payment method that issued monthly payments throughout the year instead of annually when eligible families filed their tax returns.<sup>73</sup> Nearly all families eligible to receive the expanded CTC chose the advanced payment method.<sup>74</sup> From July to December 2021, the IRS was directed to deliver “up to half the anticipated annual credit to the vast majority” of eligible families in the form of monthly payments.<sup>75</sup> The first monthly payments issued in July disbursed “nearly \$15 billion of advance Child Tax Credit (CTC)

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poverty and provide income support for millions of people.”).

68. *Id.*

69. *Id.*

70. Sophie Collyer et al., *Left Behind: The One-Third of Children in Families Who Earn Too Little to Get the Full Child Tax Credit*, CTR. ON POVERTY AND SOC. POL’Y AT COLUM. UNIV. 2 (May 13, 2019), [static1.squarespace.com/static/610831a16c95260dbd68934a/t/61154a19cce7cb59f8660690/1628785178307/Who-Is-Left-Behind-in-the-Federal-CTC-CPSP-2019.pdf](https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/61154a19cce7cb59f8660690/1628785178307/Who-Is-Left-Behind-in-the-Federal-CTC-CPSP-2019.pdf) [perma.cc/9F7M-7EWK] (“This discrepancy is likely, in part, driven by the gender pay gap. The gender pay gap disadvantages women for any credit or benefit where the amount received is dependent on earnings, resulting in moms being left out.”).

71. *Id.* (explaining the disproportionate impact on children excluded under the age of 6 years old is important because “the early years of a child’s life are crucial to healthy development.”).

72. *See id.* at 5.

73. Elaine Maag & Michael Karpman, *Many Adults With Lower Income Prefer Monthly Child Tax Credit Payments*, URBAN INST. 1 (June 27, 2022) [hereinafter Maag, *Monthly Child Tax Credit Payments*], [www.rwjf.org/en/insights/our-research/2022/07/many-adults-with-lower-income-prefer-monthly-child-tax-credit-payments.html](https://www.rwjf.org/en/insights/our-research/2022/07/many-adults-with-lower-income-prefer-monthly-child-tax-credit-payments.html) [perma.cc/PS8U-L3TP] (stating that before the ARPA, “[m]ost families typically receive[d] the child tax credit (CTC) as part of an annual tax refund after filing their tax return.”).

74. *Id.* Families were given the option to receive the advanced automatic payments or wait until they file their annual tax return. *Id.*

75. *Id.*

payments to families of nearly 60 million children.”<sup>76</sup> According to the Department of the Treasury, eligible families received a payment of \$300 for each child under age six and \$250 for each child age six to seventeen.<sup>77</sup> With the last payment issued in December, the Department of Treasury and IRS reported almost \$93 billion disbursed to families beginning in July.<sup>78</sup> Further, survey data collected after December 2021 demonstrated that forty-five percent of eligible adults preferred receiving the credit as a monthly advanced payment.<sup>79</sup> The same survey data demonstrated that twenty-eight percent of eligible adults had no preference in payment timing, and only twenty-seven percent preferred the prior annual payment method.<sup>80</sup>

The advanced payment method provided better stability for families that experienced greater income instability since eligible families “were generally more likely to prefer a monthly payment the lower their family income was.”<sup>81</sup> This outcome is consistent with other poverty policy measures which found that low-income families experience higher rates of income volatility, which can lead to an inability to meet immediate financial needs.<sup>82</sup> The advanced

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76. Erica York, *IRS Sends Nearly \$15 Billion of Advance Child Tax Credit Payments*, TAX FOUND. (July 19, 2022) [hereinafter York, *Advance Child Tax Credit Payments*], [www.taxfoundation.org/irs-advance-child-tax-credit](http://www.taxfoundation.org/irs-advance-child-tax-credit) [perma.cc/48EY-9L7U] (“Treasury data shows that eligible households received an average advance payment of \$423 in the July disbursement.”).

77. *Treasury and IRS Announce Families of Nearly 60 Million Children Receive \$15 Billion in First Payments of Expanded and Newly Advanceable Child Tax Credit*, U.S. DEPT OF THE TREASURY (July 15, 2021), <https://home.treasury.gov/news/press-releases/Treasury-and-IRS-Announce-Families-of-Nearly-60-Million-Children-Receive-%2415-Billion-Dollars-in-First-Payments-of-Expanded-and-Newly-Advanceable-Child-Tax-Credit> [perma.cc/6E7V-WNS8] (“For the first time in our nation’s history, American working families are receiving monthly tax relief payments to help pay for essentials like doctor’s visits, school supplies, and groceries.” (quoting statement of Secretary Janet L. Yellen)).

78. *Treasury and IRS Disburse Sixth Monthly Child Tax Credit to Families of 61 Million Children*, U.S. DEPT OF THE TREASURY (Dec. 15, 2021), [home.treasury.gov/news/press-releases/jy0533](https://home.treasury.gov/news/press-releases/jy0533) [perma.cc/4Z35-9UTG] (“The IRS also embarked on an extensive communications and education effort to reach non-filers, with a special focus on reaching underserved and non-English speaking communities.”).

79. Maag, *Monthly Child Tax Credit Payments*, *supra* note 73, at 1.

80. *Id.*

81. *Id.* (About fifty-four percent of eligible adults at or below the federal poverty level preferred the advance monthly payment method and additionally, fifty-seven percent of eligible families between 100 and 200 percent of the federal poverty level preferred the advanced monthly payment method.)

82. Elaine Maag et al., *Income Volatility: New Research Results with Implications for Income Tax Filing and Liabilities*, URBAN INST. & BROOKINGS INST. 1 (May 25, 2017), [www.urban.org/sites/default/files/publication/90431/2001284-income-volatility-new-research-results-with-implications-for](http://www.urban.org/sites/default/files/publication/90431/2001284-income-volatility-new-research-results-with-implications-for)

payment method “helped smooth income during 2021” for eligible families to meet immediate needs such as food, clothing, and utilities.<sup>83</sup> The ability to meet immediate financial needs with stable income “suggests that a payment delivered more frequently than annually might be more beneficial.”<sup>84</sup>

### *F. Impact on Eligible Families and Children*

The expanded CTC under the ARPA was predicted to be “one of the most effective laws to fight poverty” by specifically targeting the lowest income working and unemployed families.<sup>85</sup> This target, from the bottom up, was what the government viewed as the best way to bolster the fastest economic growth.<sup>86</sup> The expanded CTC was estimated to get “4 million children out of poverty and cut deep poverty among children in half.”<sup>87</sup> Further analysis by the Center on Poverty & Social Policy at Columbia University accounted the expanded CTC relative to child poverty rate before and after, finding the impacts would reduce overall child poverty by fifty-five percent and overall child in deep poverty by fifty-two percent.<sup>88</sup>

The initial immediate impact of the expanded CTC were best experienced by families with lower to moderate incomes that helped establish elevated cash balances.<sup>89</sup> By September 2021, eligible

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income-tax-filing-and-liabilities\_0.pdf [perma.cc/8XMG-FM6A] (“People who live in households with highly volatile income likely have several income sources, inconsistent income sources, or changes in who contributes to the household income.”).

83. Elaine Maag & Michael Karpman, *Why Congress Should Restore The Expanded Child tax Credit In a Lame Duck Session*, TAX POL’Y CTR. (Sept. 28, 2022), [www.taxpolicycenter.org/taxvox/why-congress-should-restore-expanded-child-tax-credit-lame-duck-session](http://www.taxpolicycenter.org/taxvox/why-congress-should-restore-expanded-child-tax-credit-lame-duck-session) [perma.cc/84WS-YF9G] (defining immediate financials needs as “food, clothing, and utilities”).

84. *Id.* at 2.

85. Jim Tankersley, *To Juice the Economy Biden Bets on the Poor*, N.Y. TIMES (Mar. 6, 2021), [www.nytimes.com/2021/03/06/business/economy/biden-economy.html](http://www.nytimes.com/2021/03/06/business/economy/biden-economy.html) [perma.cc/P7RD-BUSC] (highlighting that “focusing on marginalized workers is really the way to make sure we are lifting all boats”).

86. *Id.*

87. Sophie Collyer et al., *Earnings Requirements, Benefit, Values, and Child Poverty Under the Child Tax Credit: Eliminating the Earnings Requirement Does More to Impact Child Poverty Than Increasing Benefit Levels*, CTR ON POVERTY AND SOC. POL’Y AT COLUM. UNIV. 2 (Mar. 5, 2019), [static1.squarespace.com/static/610831a16c95260dbd68934a/t/61168cd544365c7c4268f00e/1628867797410/Poverty%2B%26%2BSocial%2BPolicy%2BBrief%2B3\\_3.pdf](https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/61168cd544365c7c4268f00e/1628867797410/Poverty%2B%26%2BSocial%2BPolicy%2BBrief%2B3_3.pdf) [perma.cc/5YTH-2EMT].

88. *A Poverty Reduction Analysis of the American Family Act Supplementary Analysis 2*, CTR. ON POVERTY AND SOC. POL’Y AT COLUM. UNIV. (April 20, 2021), [www.povertycenter.columbia.edu/publication/2021/poverty-reduction-analysis-american-family-act](http://www.povertycenter.columbia.edu/publication/2021/poverty-reduction-analysis-american-family-act) [perma.cc/CZ6D-D6LP] (providing “estimates of the antipoverty impacts of the American Family Act (AFA) relative to the child poverty rate before and after accounting for the Child Tax Credit under current law”).

89. *Household Cash Balance Pulse: Family Edition*, JPMORGAN CHASE &

families with “low incomes had checking account balances that were seventy percent higher than they were pre-pandemic in 2019.”<sup>90</sup> Families consistently were able to spend more on food, essential bills, debt, clothing, school and child care, and savings.<sup>91</sup> Every month, more than thirty-six million eligible families experienced the benefits of the CTC that also likely lead to broader economic impacts.<sup>92</sup> These broader economic impacts were estimated to go beyond 2021 by lifting consumer spending by \$27 billion, resulting in the generation of \$1.9 billion in sales tax revenue for local and state governments.<sup>93</sup>

The expanded CTC alone helped reduce monthly child poverty by almost thirty percent by the end of 2021.<sup>94</sup> Black and Latino children benefitted the most.<sup>95</sup> The Black child poverty rate reduced twenty-five percent by the end of the year, while the Latino child poverty rate reduced by thirty percent.<sup>96</sup>

Unfortunately, when the expanded CTC expired in December 2021, an estimated 3.7 million children fell back into poverty just a month later.<sup>97</sup> Eligible families could still receive relief if they qualified for a refundable CTC, but “anti-poverty experts had

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CO (Nov. 2021), [www.jpmorganchase.com/institute/research/household-income-spending/household-cash-balance-pulse-families/#finding-3](http://www.jpmorganchase.com/institute/research/household-income-spending/household-cash-balance-pulse-families/#finding-3) [perma.cc/CRV9-S54T] (“Families who received advanced CTC in 2021 had balances in September that were 70 percent higher than two years prior.”)

90. Megan A. Curran, *Research Roundup of the Expanded Child Tax Credit: The First 6 Months*, CTR. ON POVERTY AND SOC. POL’Y AT COLUM. UNIV. 1 (Dec. 22, 2021) [hereinafter Curran, *The First 6 Months*], [static1.squarespace.com/static/610831a16c95260dbd68934a/t/61f946b1cb0bb75fd2ca03ad/1643726515657/Child-Tax-Credit-Research-Roundup-CPSP-2021.pdf](https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/61f946b1cb0bb75fd2ca03ad/1643726515657/Child-Tax-Credit-Research-Roundup-CPSP-2021.pdf) [perma.cc/9U9E-HWTP].

91. *Id.* at 24.

92. *Id.* at 41 (“Monthly payments are buffering family incomes amidst the continuing COVID-19 crisis.”).

93. Samuel Hammond & Robert Orr, *Measuring the Child Tax Credit’s Economic and Community Impact*, NISKANEN CTR. 1 (Aug. 2021), [www.niskanencenter.org/wp-content/uploads/2021/08/Measuring-the-Child-Tax-Credits-Economic-and-Community-Impact.pdf](http://www.niskanencenter.org/wp-content/uploads/2021/08/Measuring-the-Child-Tax-Credits-Economic-and-Community-Impact.pdf) [perma.cc/2QF3-CVEB]. Broader economic impacts will follow by “boosting household consumption of goods and services that support family stability and child development, and by spurring economic activity in local communities.” *Id.* at 3.

94. Zachary Parolin et al., *Sixth Child Tax Credit Payment Kept 3.7 Million Children Out of Poverty in December*, CTR. ON POVERTY AND SOC. POL’Y AT COLUM. UNIV. 1 (Jan. 18, 2022), [static1.squarespace.com/static/610831a16c95260dbd68934a/t/61ea09926280d03df62aa31d/1642727841927/Monthly-poverty-December-2021-CPSP.pdf](https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/61ea09926280d03df62aa31d/1642727841927/Monthly-poverty-December-2021-CPSP.pdf) [perma.cc/F2TZ-VB5H].

95. *Id.* at 4 (finding “important anti-poverty gains over time . . .”).

96. *Id.*

97. Aimee Picchi, *Child Poverty Surges After Child Tax Credit Payments End*, CBS NEWS (Feb. 24, 2022), [www.cbsnews.com/news/child-tax-credit-poverty-surges-after-ctc-checks-end/](http://www.cbsnews.com/news/child-tax-credit-poverty-surges-after-ctc-checks-end/) [perma.cc/BT5Z-H4N4].



warned that the end of the monthly payments” would impact millions of eligible children.<sup>98</sup> Between December 2021 and January 2022, the monthly child poverty rate rose from approximately twelve percent to seventeen percent.<sup>99</sup> As predicted, this increase was disproportionately experienced by Black and Latino children due to the expiration of the expanded CTC payments.<sup>100</sup> Approximately seven percent of Latino children and six percent of Black children experienced poverty rate increases.<sup>101</sup> In January 2022, children experienced the highest poverty rates since the end of 2020.<sup>102</sup>

### III. ANALYSIS

Furthermore, each element of the CTC when analyzed both individually and collectively provided an effective economic benefit to eligible families. This section analyzes the key elements of the CTC and how each element impacted eligible families with children. It also examines concerns about the CTC’s possible impact on employment.

#### A. Fully Refundable Impacts

Making the expanded CTC fully refundable was one of the main drivers of poverty reduction for eligible families in 2021.<sup>103</sup> This provision assured that even eligible families with little to no income would receive the full amount of their credit.<sup>104</sup> Eligible families would have received the refundable portion of the expanded CTC as a lump-sum sometime between April and March 2022 after filing their annual taxes.<sup>105</sup> This lump-sum would be the second half of an eligible families’ expanded CTC, assuming they already

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98. *Id.*

99. Zachary Parolin et al., *Absence of Monthly Child Tax Credit Leads to 3.7 Million More Children in Poverty in January 2022*, CTR. ON POVERTY AND SOC. POL’Y AT COLUM. UNIV. 1 (Feb. 17, 2022), [static1.squarespace.com/static/610831a16c95260dbd68934a/t/620ec869096c78179c7c4d3c/1645135978087/Monthly-poverty-January-CPSP-2022.pdf](https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/620ec869096c78179c7c4d3c/1645135978087/Monthly-poverty-January-CPSP-2022.pdf) [perma.cc/DG6J-CGHL].

100. *Id.*

101. *Id.*

102. *Id.*

103. Bradley L. Hardy, *Child Tax Credit Has a Critical Role in Helping Families Maintain Economic Stability*, CTR. ON BUDGET AND POL’Y PRIORITIES (Apr. 14, 2022), [www.cbpp.org/research/federal-tax/child-tax-credit-has-a-critical-role-in-helping-families-maintain-economic](https://www.cbpp.org/research/federal-tax/child-tax-credit-has-a-critical-role-in-helping-families-maintain-economic) [perma.cc/D4ZR-H6JS].

104. *Id.*

105. Zachary Parolin et al., *The Earned Income Tax Credit and the Child Tax Credit Give Temporary Income Boost to Low-Income Families*, CTR. ON POVERTY AND SOC. POL’Y AT COLUM. UNIV. 1 (May 10, 2022), [static1.squarespace.com/static/610831a16c95260dbd68934a/t/627a848dc1350b35b8e2d24e/1652196493715/Monthly-poverty-March-2022-CPSP.pdf](https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/627a848dc1350b35b8e2d24e/1652196493715/Monthly-poverty-March-2022-CPSP.pdf) [perma.cc/CEQ7-LGQ7].

received the first-half because almost all families opted into the advanced monthly payment structure.<sup>106</sup> The lump-sum was primarily utilized to catch up on rent or mortgage payments.<sup>107</sup> The receipt of the lump-sum refunded CTC also contributed to a temporary decline in child monthly poverty rates in March and April of 2022.<sup>108</sup>

Some may argue that making the expanded CTC fully refundable was too costly compared to the partial-refund limitation under prior legislation.<sup>109</sup> The trade-offs between revenue and economic stimulus and the distribution of the credit create a lack of consensus on whether full refundability is an effective tax policy.<sup>110</sup> Further, the budgetary cost of full refundability is estimated to have cost \$53 billion, which was half of the total \$97 billion expanded CTC.<sup>111</sup> However, the cost driver of this provision fails to incorporate that child poverty pre-pandemic cost “the U.S. economy between \$800 billion and \$1.1 trillion annually.”<sup>112</sup> Therefore, the cost of full refundability still remained lower than the historical

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106. *Id.* at 5.

107. Zachary Parolin et al., *The Differential Effects of Monthly and Lump-Sum Child Tax Credit Payments on Food and Housing Hardship*, CTR. ON POVERTY AND SOC. POL’Y AT COLUM. UNIV. 1 (Sept. 23, 2022), [static1.squarespace.com/static/610831a16c95260dbd68934a/t/632dec8900629f3bdf310b91/1663954058776/CTC-Payments-on-Food-and-Housing-CPSP-2022.pdf](https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/632dec8900629f3bdf310b91/1663954058776/CTC-Payments-on-Food-and-Housing-CPSP-2022.pdf) [perma.cc/X8K7-F9ZT] (noting that “families were more likely to use the monthly benefits to purchase food, but the lump-sum benefits to catch up on rent payments.”).

108. Megan Curran, *Research Roundup of the Expanded Child Tax Credit: One Year On*, CTR. OF POVERTY AND SOC. POL’Y AT COLUM. UNIV. 21 (Nov. 15, 2022) [hereinafter Curran, *One Year On*], [static1.squarespace.com/static/610831a16c95260dbd68934a/t/63732dd8efcf0e5c76aea26e/1668492763484/Child-Tax-Credit-Research-Roundup-One-Year-On-CPSP-2022.pdf](https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/63732dd8efcf0e5c76aea26e/1668492763484/Child-Tax-Credit-Research-Roundup-One-Year-On-CPSP-2022.pdf) [perma.cc/KE79-YXND] (“[P]overty rates often temporarily decline during the tax season when families file for and receive their annual tax refunds, including important tax credit payments.”).

109. Garrett Watson & Alex Durante, *Difficult Trade-Offs Make Policy Consensus on Child Tax Credit Elusive*, TAX FOUND. (Nov. 10, 2022), [www.taxfoundation.org/child-tax-credit-reform/](https://www.taxfoundation.org/child-tax-credit-reform/) [perma.cc/2BDJ-DR89] (“Much like other areas of tax policy, this lack of consensus is partly due to the difficult trade-offs surrounding revenue, economic growth, and the distribution of the tax burden.”).

110. *Id.*

111. Margot L. Crandall-Hollick, *The Impact of a “Fully Refundable” Child Tax Credit*, CONG. RSCH. SERVICE (Nov. 24, 2021), [www.crsreports.congress.gov/product/pdf/IN/IN11752](https://www.crsreports.congress.gov/product/pdf/IN/IN11752) [perma.cc/8G9E-PU7E] (“The budgetary cost of full refundability depends in part on the overall per-child benefit amount.”).

112. Hilary Hoynes et al., *Can the U.S. Cut Child Poverty in Half in a Decade?*, ECONOFACT (April 2, 2019), [www.econofact.org/can-the-u-s-cut-child-poverty-in-half-in-a-decade](https://www.econofact.org/can-the-u-s-cut-child-poverty-in-half-in-a-decade) (noting this is “based on worker productivity losses, costs to the healthcare system, and the costs of incarceration and the judicial system”).

economic impacts of child poverty.

### *B. Increased Eligible Families*

The expanded CTC addressed previous inequalities in the tax code that excluded the lowest-income families with children.<sup>113</sup> First, the expanded CTC reached more children by raising the age limit for qualifying children from sixteen to seventeen years old.<sup>114</sup> Second, it made more families eligible by not restricting the ability to receive the full CTC based on earnings, so it eliminated the minimum income requirement.<sup>115</sup> Both of these provisions are important because they helped reach approximately 27 million children that were previously excluded.<sup>116</sup>

Specifically, removing the minimum income requirement was one of the main drivers in lowering the annual child poverty rate in 2021.<sup>117</sup> When examining this removal compared to the minimum income requirement under the prior method, it was estimated to be responsible for three-quarters of the reduction in child poverty.<sup>118</sup> Others argue the increase in eligible families created an administrative burden on the Internal Revenue Service (IRS), which disproportionately impacted the newly eligible families.<sup>119</sup> The IRS was provided additional administrative funding to navigate the ARPA and other pandemic relief programs, but the funding proved inadequate to handle the increase in phone calls the agency received in 2021.<sup>120</sup> This burden disproportionately impacted lower income households because they may not regularly file income tax returns and depend on IRS support.<sup>121</sup>

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113. Areeba Haider & Galen Hendricks, *Now Is the Time To Permanently Expand the Child Tax Credit and Earned Income Tax Credit*, CTR. FOR AM. PROGRESS (May 21, 2021), [www.americanprogress.org/article/now-time-permanently-expand-child-tax-credit-earned-income-tax-credit/](http://www.americanprogress.org/article/now-time-permanently-expand-child-tax-credit-earned-income-tax-credit/) [perma.cc/K54Y-NQEU] (“For decades, the American economic system and other institutions meant to support economic mobility have largely failed the tens of millions of people in the country who experience poverty every year—and the U.S. tax code is no exception.”).

114. *Id.*

115. *Id.*

116. Curran, *The First 6 Months*, *supra* note 90, at 4.

117. Curran, *One Year On*, *supra* note 108, at 20.

118. *Id.*

119. Alex Muresianu & Garrett Watson, *Chaotic IRS Filing Season Shows the Perils of Running Social Policy Through the Tax Code*, TAX FOUND. (Apr. 18, 2022), [www.taxfoundation.org/irs-filing-season-2022/](http://www.taxfoundation.org/irs-filing-season-2022/) [perma.cc/BUE4-65AS] (“In the long term, the most stable solution is to move social spending out of the tax code and let the IRS focus its resources on revenue collection.”).

120. *Id.* (arguing that “the Internal Revenue Service (IRS) had 23.7 million returns awaiting action, compared to a typical backlog at that point of roughly 1 million returns”).

121. *Id.* (“As the deadline for the 2022 tax filing season nears, the IRS faces scrutiny for its backlog of returns, inaccessible taxpayer service, and delays in issuing certain refunds.”).

The IRS combatted this challenge by reaching out to administrative agency partners such as the Code for America to create web applications for eligible families.<sup>122</sup> Code for America created a “simplified filing web application” for families who may have never or do not usually file taxes to access the CTC tax benefits.<sup>123</sup> In 2021, approximately 115,000 eligible families used the web application and claimed an estimated \$440 million in tax benefits.<sup>124</sup>

### *C. Advanced Payment Structure*

The most unique and effective provision of the expanded CTC was how the credit was disbursed through an advanced payment that eligible families would receive throughout the year.<sup>125</sup> Under prior versions of the CTC, eligible families would receive the credit the following year after they filed their taxes.<sup>126</sup> Families would receive the benefit after they already incurred child related expenses.<sup>127</sup> As opposed to waiting until the following year, the expanded CTC paid out monthly payments to eligible families in advance starting in July.<sup>128</sup> The payments were structured as follows: for each child between six and seventeen years old, families would receive \$250 each month, and for each child under six years old, families would receive \$300 each month.<sup>129</sup> If any balance of the credit remained, it would be issued when the eligible family filed their taxes after the year.<sup>130</sup> The first advanced CTC payment in July 2021 reached 59.3 million children and extended to 61.3 million children by the end of the six-month disbursement period in December 2021.<sup>131</sup>

The Global Economy and Development Program at the Brookings Institution, which “aims to play its part to ensure that the future globalization is one of inclusive growth and shared prosperity” analyzed how both eligible and ineligible families

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122. *GET CTC Is an Ongoing Experiment- Here's What We've Learned So Far*, CODE FOR AM. (Jan. 31, 2022), [www.codeforamerica.org/news/getctc-simplified-filing-report-2021/](http://www.codeforamerica.org/news/getctc-simplified-filing-report-2021/) [perma.cc/ZH2A-BKKR] (“Code for America’s tax benefits team works to ensure that people who hadn’t filed taxes before, or who don’t usually file taxes because they are below the required income threshold, have equal access to the tax benefits they deserve.”).

123. *Id.*

124. *Id.*

125. York, *Advance Child Tax Credit Payments*, *supra* note 76.

126. Maag, *Monthly Child Tax Credit Payments*, *supra* note 73.

127. *Id.*

128. *Id.*

129. *Id.*

130. Curran, *The First 6 Months*, *supra* note 90, at 6.

131. *Id.*

responded to the advanced payment of the CTC through an online panel.<sup>132</sup> They conducted two surveys: the first, labeled “Wave 1” between July 8 and July 13, 2021, immediately *before* the first payments were disbursed; and the second, labeled “Wave 2” between December 15, 2021 and January 14, 2022, immediately *after* the final payments were disbursed.<sup>133</sup> They analyzed the two surveys and compared “the employment, well-being, and financial security outcomes of families before and after receiving six months of CTC payments.”<sup>134</sup>

The responses in Wave 1 demonstrated how eligible families planned to utilize their advanced payments.<sup>135</sup> The highest response was that seventy-four percent of families indicated they would use the payment to start saving for emergencies.<sup>136</sup> The families’ decision to save the money in case of emergencies logically flows from previously reported needs.<sup>137</sup> In 2015, a total of forty-one percent of Americans reported they did not have adequate savings to cover a \$2,000 financial emergency.<sup>138</sup> The next responses were that sixty-seven percent would use the payment to pay for usual recurring expenses such as housing, food, and utilities.<sup>139</sup> Fifty-eight percent then responded they would purchase essential items such as clothing for their children and forty-nine percent responded they would purchase additional or better food for their family.<sup>140</sup> Lastly, forty-two percent responded they would use the payments

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132. Leah Hamilton et al., *The Impacts of the 2021 Expanded Child Tax Credit on Family Employment, Nutrition, and Financial Well-being: Findings from the Social Policy Institute’s Child Tax Credit Panel (Wave 2)*, at 1 (Glob. Econ. & Dev. Program at Brookings Working Paper No. 173, 2022) [hereinafter Hamilton et al., *Findings from Wave 2*], [www.brookings.edu/wp-content/uploads/2022/04/Child-Tax-Credit-Report-Final\\_Updated.pdf](http://www.brookings.edu/wp-content/uploads/2022/04/Child-Tax-Credit-Report-Final_Updated.pdf) [perma.cc/S2UE-8NUZ] (described “well-being” and “financial security” as measured through outcomes such as whether eligible family experienced “skipped housing payments” or reported “food insecurity”).

133. *Id.*

134. *Id.* at 3.

135. Leah Hamilton et al., *Employment, Financial and Well-being Effects of the 2021 Expanded Child Tax Credit (Wave 1) Executive Summary*, SOC. POL’Y INST. AT WASH. UNIV. IN ST. LOUIS (Sept. 2021), at 2, [www.openscholarship.wustl.edu/cgi/viewcontent.cgi?article=1055&context=spl\\_research](http://www.openscholarship.wustl.edu/cgi/viewcontent.cgi?article=1055&context=spl_research) [perma.cc/P7AB-85XP] (“To understand how families were responding to the CTC, we utilized a probability-based online panel to survey a nationally-representative group of 1,514 American parents eligible for the credit.”).

136. *Id.* at 2.

137. *Pew Finds American Families Ill-Equipped for Financial Emergencies: Few Households Have Sufficient Liquid Savings to Deal with the Unexpected*, THE PEW CHARITABLE TR. (Nov. 18, 2015), [www.pewtrusts.org/en/about/newsroom/press-releases-and-statements/2015/11/18/pew-finds-american-families-ill-equipped-for-financial-emergencies](http://www.pewtrusts.org/en/about/newsroom/press-releases-and-statements/2015/11/18/pew-finds-american-families-ill-equipped-for-financial-emergencies) [perma.cc/6XLF-MXME] (“Most American families lack the necessary cushion to cope with financial shocks.”).

138. *Id.*

139. Hamilton et al., *Findings from Wave 2*, *supra* note 132, at 10.

140. *Id.*

to create a college fund for their children.<sup>141</sup>

These responses are consistent with surveys issued by the United States Census Bureau to households with children before the first advance CTC payment was issued in June 2021 and after the payment was received in July 2021.<sup>142</sup> In June 2021, thirty-two percent of households with children reported it was “somewhat difficult or very difficult pay their usual household expenses in previous weeks.”<sup>143</sup> In July 2021, after the first advanced CTC payment was received, twenty-nine percent of households with children reported it was “somewhat difficult or very difficult to pay their usual household expenses in previous weeks.”<sup>144</sup> When compared to households without children, the twenty-one percent that reported in June 2021 that it was “somewhat difficult or very difficult to pay their usual household expenses in previous weeks” increased to twenty-two percent in July 2021.<sup>145</sup> This data indicates eligible families immediately benefited after only receiving the first advanced CTC payments.

Wave 2 of the GED program at Brookings demonstrated how eligible families benefitted after receiving the remaining advanced CTC payments.<sup>146</sup> In general, the survey responses showed that fifty-three percent of eligible families spent their payment, thirty percent saved the payment, and the remaining seventeen percent used the payment towards debt.<sup>147</sup> Of the eligible families who spent their payment, seventy percent mostly paid for routine household expenses such as housing and utilities, while the remaining thirty percent paid for essential items for children such as clothing and more food.<sup>148</sup> These results demonstrate how despite eligible families mostly indicating they would save the advanced payments for emergencies, they ended up spending the advanced CTC payments directly on household and child related expenses. This further indicates the benefit of the advanced payment structure on a family’s ability to cover routine expenses and other essential items

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141. *Id.*

142. Daniel J. Perez-Lopez, *Economic Hardship Declined in Households With Children as Child Tax Credit Payments Arrived*, U.S. CENSUS BUREAU (Aug. 11, 2021), [www.census.gov/library/stories/2021/08/economic-hardship-declined-in-households-with-children-as-child-tax-credit-payments-arrived.html](http://www.census.gov/library/stories/2021/08/economic-hardship-declined-in-households-with-children-as-child-tax-credit-payments-arrived.html) [perma.cc/3B2L-LV9X] (“Even though adults in households with children are more likely to experience food insufficiency, those households saw a 3 percentage point decline between the surveys conducted before and after the CTC payments.”).

143. *Id.*

144. *Id.*

145. *Id.* Households that have no children are ineligible to receive the advanced payment of the CTC. *Id.*

146. Hamilton et al., *Findings from Wave 2*, *supra* note 132, at 17.

147. *Id.*

148. *Id.* at 18.

for children throughout the year as they incur these expenses.<sup>149</sup>

Therefore, the advanced CTC payment structure was more beneficial for families, as seventy-two percent of parents within eligible households “preferred monthly payments over an annual lump sum.”<sup>150</sup> This supports the notion that families prefer to have the advanced CTC payment structure sooner, rather than later, as the prior CTC payment method was designed to be disbursed once a year.

On the other hand, the advanced CTC payment structure may not adjust for changes in an eligible family living arrangement during the year.<sup>151</sup> It was measured recently that about thirty percent of children below the age of six underwent “a major change in their family or household status” during 2021.<sup>152</sup> Further, this could cause confusion if an eligible child lived with a tax filer in the previous year, but does not live with that same individual in the year 2021.<sup>153</sup> To adjust for any changes during the year, the IRS created an online portal for individuals to update and submit new information.<sup>154</sup>

#### *D. Impact on Eligible Families and Children*

The expanded CTC impacted eligible families by allowing them to allocate financial resources to essential household expenses.<sup>155</sup>

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149. *Id.* at 21.

150. *Id.* at 10.

151. Jeff Stein, *President Biden May Struggle to Get New \$3,000 Benefit to Many of America's Poorest Families*, WASH. POST (Feb. 12, 2021), [www.washingtonpost.com/us-policy/2021/02/12/irs-democrats-child-tax-credit-plan/](http://www.washingtonpost.com/us-policy/2021/02/12/irs-democrats-child-tax-credit-plan/) [perma.cc/9ECV-BZFR] (noting that the House Ways and Means Committee Chairman Richard E. Neal called for the “Department of the Treasury to create an online portal where Americans can update their information to claim the credit”).

152. *Id.*

153. Chuck Marr et al., *House COVID Relief Bill Includes Critical Expansions of Child Tax credit and EITC*, CTR. ON BUDGET AND POL’Y PRIORITIES (Mar. 2, 2021), [www.cbpp.org/research/federal-tax/house-covid-relief-bill-includes-critical-expansions-of-child-tax-credit-and](http://www.cbpp.org/research/federal-tax/house-covid-relief-bill-includes-critical-expansions-of-child-tax-credit-and) [perma.cc/X9VR-7C8X] (explaining an example in the case that “a child’s father may have claimed the child in the prior year (2020) but the child may now live with her mother in 2021”).

154. Kris Cox et al., *State and Local Child Tax Credit Outreach Needed to Help Lift Hardest-to-Reach Children Out of Poverty*, CTR. ON BUDGET AND POL’Y PRIORITIES (Aug. 5, 2021), [www.cbpp.org/research/federal-tax/state-and-local-child-tax-credit-outreach-needed-to-help-lift-hardest-to-reach](http://www.cbpp.org/research/federal-tax/state-and-local-child-tax-credit-outreach-needed-to-help-lift-hardest-to-reach) [perma.cc/7TBV-97AY] (warning that “roughly 4 million or more children in low-income families risk missing out on monthly Child Tax Credit payments this year if their families do not provide the IRS with the identification and payment information it needs to issue them”).

155. Curran, *The First 6 Months*, *supra* note 90, at 23 (defining “essential household expenses” as food, utilities, children’s clothing, school costs, childcare, and savings).

Eligible families reported that the expanded CTC was “an important support for their day-to-day expenses.”<sup>156</sup> Further, ninety-one percent of low-income families used their expanded CTC for their most essential household expenses such as food, clothes, housing, utilities, and education.<sup>157</sup> Eligible families were also able to handle cyclical expenses such as education expenses incurred when the school year began.<sup>158</sup> During late August and early September 2021, the expanded CTC spending was used on education costs and children’s clothing, which is consistent with the start of the school year.<sup>159</sup>

### 1. *Impact on Employment*

The availability of a safety net to meet essential household expenses comes with the concern that family members may be less willing to participate in the labor force. Some critics argue that the expanded CTC, specifically the eliminated minimum income provision, would increase unemployment and have a negative impact on the labor market.<sup>160</sup> Before the expanded CTC was implemented, the minimum income requirement only allowed the CTC to phase-in at a fifteen percent rate with minimum earned income above \$2,500.<sup>161</sup> Since, the expanded CTC eliminated the minimum income requirement and allowed eligible individuals to receive the full credit regardless of income, some individuals could be subject to a higher marginal tax rate along the phase-in range.<sup>162</sup> The Tax Foundation analyzed how an eligible family, making \$0 to \$25,000 with one child under the age of six, would benefit under a

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156. *Id.* at 23.

157. Claire Zippel, *9 in 10 Families with Low Incomes Are Using Child Tax Credits to Pay for Necessities, Education*, CTR. ON BUDGET AND POL’Y PRIORITIES (Oct. 21, 2021), [www.cbpp.org/blog/9-in-10-families-with-low-incomes-are-using-child-tax-credits-to-pay-for-necessities-education](http://www.cbpp.org/blog/9-in-10-families-with-low-incomes-are-using-child-tax-credits-to-pay-for-necessities-education) [perma.cc/2UBZ-6829] (“Many of these households are receiving the full Child Tax Credit for the first time thanks to the American Rescue Plan’s credit expansion.”).

158. Curran, *The First 6 Months*, *supra* note 90, at 24.

159. *Id.*

160. Scott Winship, *The Romney Child Allowance Proposal Is a Move in the Wrong Direction*, AM. ENTER. INST. (Feb. 4, 2021), [www.aei.org/poverty-studies/the-romney-child-allowance-proposal-is-a-move-in-the-wrong-direction/](http://www.aei.org/poverty-studies/the-romney-child-allowance-proposal-is-a-move-in-the-wrong-direction/) [perma.cc/4RN5-TEVD] (arguing that “some people would choose single parenthood or non-work except that the current safety net makes it unaffordable would be able to afford these choices under child allowances.”).

161. Erica York, *Marginal Tax Rates on Labor Income Under the Democratic House Ways and Means Child Tax Credit Proposal*, TAX FOUND. (Feb. 17, 2021), [www.taxfoundation.org/democrats-child-tax-credit-plan/](http://www.taxfoundation.org/democrats-child-tax-credit-plan/) [perma.cc/PQP8-DP4S] (showing the taxpayer would have to earn at least \$2,500 to be eligible for the CTC).

162. *Id.*



CTC with or without a minimum income requirement.<sup>163</sup> Taking into account income and payroll taxes, under the minimum income requirement they would start at a marginal tax rate of negative thirty-five percent and gradually increase to forty percent as their income progressed from \$0 to \$25,000.<sup>164</sup> Alternatively, under the eliminated minimum income requirement, the marginal tax rate would start at negative twenty percent and gradually increase to forty percent as their income progressed from \$0 to \$25,000.<sup>165</sup>

Others argue those individuals along the phase-in range would respond to a higher marginal tax rate since they are mostly low-income workers that move in and out of the workforce more frequently.<sup>166</sup> Similarly, critics predicted that “1.5 million workers (constituting 2.6% of all working parents) would exit the labor force,” which would diminish the effectiveness of reducing child poverty.<sup>167</sup>

However, data shows that the expanded CTC had little to no impact on unemployment.<sup>168</sup> The public policy argument to eliminate the minimum income provision was based on the fact that “a household’s wellbeing” depends on its ability to consume goods and or services to support the household.<sup>169</sup> The theory considers whether eliminating the minimum income requirement would impact a parent participating in the labor force and employment, or if elimination would provide money for unemployed parents to navigate barriers to the labor force and employment.<sup>170</sup> In addition,

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163. Alex Durante & Erica York, *What’s Going on with the Child Tax Credit Debate?*, TAX FOUND. (Oct. 19, 2021), [www.taxfoundation.org/child-tax-credit-debate/](http://www.taxfoundation.org/child-tax-credit-debate/) [perma.cc/8D55-HDE2] (predicting a model that “made the full amount of the credit fully available to lower-income households, removing the incentive to work—or the participation bonus—that was built into the prior structure of the credit.”).

164. *Id.*

165. *Id.*

166. Robert McClelland & Shannon Mok, *A Review of Recent Research on Labor Supply Elasticities* 1 (Cong. Budget Office Working Paper No. 12, 2012), [www.cbo.gov/sites/default/files/112th-congress-2011-2012/workingpaper/10-25-2012-recentresearchonlaborsupplyelasticities.pdf](http://www.cbo.gov/sites/default/files/112th-congress-2011-2012/workingpaper/10-25-2012-recentresearchonlaborsupplyelasticities.pdf) [perma.cc/VA6H-AL27] (explaining “low-income workers have higher elasticities of labor supply that other workers, especially in the component of their labor response that reflect movement in and out of the workforce.”).

167. Kevin Corinth et al., Abstract, *The Anti-Poverty, Targeting, and Labor Supply Effects of the Proposed Child Tax Credit Expansion* (Becker Friedman Inst. For Econ. At the Univ. of Chi. Working Paper No. 115, 2021), [www.bfi.uchicago.edu/wp-content/uploads/2021/10/BFI\\_WP\\_2021-115-1.pdf](http://www.bfi.uchicago.edu/wp-content/uploads/2021/10/BFI_WP_2021-115-1.pdf) [perma.cc/H86F-KKKJ].

168. Curran, *The First 6 Months*, *supra* note 90, at 39.

169. *Id.*

170. Jonathan Fisher et al., *Estimating the Marginal Propensity to Consume Using the Distributions of Income, Consumption, and Wealth* 5 (Fed. Reserve Bank of Boston Working Paper No. 4, 2019), [www.bostonfed.org/publications/research-department-working-paper/2019/estimating-the-marginal-propensity-to-consume-using-the-distributions-income-consumption-wealth.aspx](http://www.bostonfed.org/publications/research-department-working-paper/2019/estimating-the-marginal-propensity-to-consume-using-the-distributions-income-consumption-wealth.aspx) [perma.cc/7MD2-R3RD]; *see also id.* at 11 (measuring “the changes

low-income families with children “have a high MPC [marginal propensity to consume],” so aggregate demand could increase if these families had higher income which would have positive macroeconomic impacts, such as higher employment.<sup>171</sup>

Rather, parents did not stop participating in the labor force and, in fact, they “tended to be employed at *higher rates*” compared to parents who did not receive the expanded CTC.<sup>172</sup> The Social Policy Institute at Washington University in St. Louis tracked the employment status of parents eligible for the expanded CTC and non-eligible parents before and after the expanded CTC payments were disbursed.<sup>173</sup> Their analysis showed that there was no “significant difference in employment for low-income, middle-income, or high-income families” who received the expanded CTC.<sup>174</sup> Also, they examined the employment dynamics among eligible parents that actually received the expanded CTC compared to ineligible parents and found that “CTC recipients tended to be employed at higher rates than non-recipients.”<sup>175</sup> This is also consistent with survey results to assess the relationship between the expanded CTC payments and employment within eligible families.<sup>176</sup> The survey results reported the expanded CTC payments did not impact the employment of themselves or others in the household for ninety percent of the families.<sup>177</sup> Also, only one percent of families reported the expanded CTC payments helped them not work at all while five percent reported it helped them work more.<sup>178</sup>

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in income and consumption over time to measure how increase in income correlates with the increase in consumption”).

171. *Id.* at 11.

172. Stephen Roll et al., *Expanded Child Tax Credit Payments Have Not Reduced Employment*, SOC. POL’Y INST. AT WASH. UNIV. AT ST. LOUIS 1 (Oct. 2021), [www.openscholarship.wustl.edu/cgi/viewcontent.cgi?article=1057&context=spi\\_research](http://www.openscholarship.wustl.edu/cgi/viewcontent.cgi?article=1057&context=spi_research) [erma.cc/X4PF-68MM].

173. *Id.*

174. *Id.* at 2 (“The research indicates that providing parents with financial support for their children is not leading them to forgo employment income altogether.”).

175. *Id.* at 1.

176. Angela Rachidi, *New Survey Data Raises Questions About the Expanded Child Tax Credit*, AM. ENTER. INST. (Oct. 18, 2021), [www.aei.org/poverty-studies/new-survey-data-raises-questions-about-the-expanded-child-tax-credit](http://www.aei.org/poverty-studies/new-survey-data-raises-questions-about-the-expanded-child-tax-credit) [perma.cc/QSW3-H6CH] (“Unsurprisingly, the payments were less important for households with higher incomes than they were for lower-income households.”).

177. *Id.*

178. *Id.*

#### IV. PROPOSAL

Even though each element of the expanded CTC provided effective economic benefits and promoted employment within eligible families, the credit has reverted to the previous TCJA structure.<sup>179</sup> The expanded CTC should be permanently extended to continue providing an economic safety-net to eligible families with children.

The primary purpose of the CTC is also disputed. Some argue its purpose is to reduce poverty, while others argue its purpose is to support working-class families.<sup>180</sup> How the federal government decides to frame its purpose will ultimately decide whether to permanently extend the expanded CTC. The primary purpose of the CTC should be to serve as both a universal income program for children and an anti-poverty program. The expanded CTC should be extended to assure families with the most need get disproportionately *helped* rather than disproportionately *excluded*.

Although there may have been an enhanced awareness caused by the pandemic that more people needed aid, the federal government should use the expanded CTC as a window of opportunity to provide aid and assistance to families in need.<sup>181</sup> This window of opportunity can also capture ways to address structural racism and historical injustices that the expanded CTC addressed by having the largest impact on people of color.<sup>182</sup> However, there are two competing proposals to expand the CTC which remain fundamentally divided on its primary purpose. This tension has led to partisan disagreement on how to properly extend the expanded CTC.<sup>183</sup> On one side of the divide, Democrats proposed extending

179. Courtney Subramian, *You're Not Getting Child Tax Credit Checks Anymore. Here's Why.*, LA TIMES (Jan. 3, 2023), [www.latimes.com/politics/story/2023-01-03/child-tax-credit-expired-stimulus](http://www.latimes.com/politics/story/2023-01-03/child-tax-credit-expired-stimulus) [perma.cc/DKG4-U8VB] (“The program received strong support among recipients of the money but failed to gain the sort of widespread backing that Democrats had hoped would ensure its survival.”).

180. Howard Gleckman, *The Profound Philosophical Disagreement Over The Refundable Child Tax Credit*, TAX POL'Y CTR. (Jan. 28, 2022), [www.taxpolicycenter.org/taxvox/profound-philosophical-disagreement-over-refundable-child-tax-credit](http://www.taxpolicycenter.org/taxvox/profound-philosophical-disagreement-over-refundable-child-tax-credit) [perma.cc/5ABG-MZTP] (highlighting that “the depth of that dispute is a key reason why it has been so difficult for lawmakers to reach consensus on the future of the CTC”).

181. Michael Barbaro, *A Safety Net for American Children*, N.Y. TIMES-THE DAILY PODCAST (Mar. 9, 2021), [www.nytimes.com/2021/03/09/podcasts/the-daily/economic-stimulus-child-tax-credit.html](http://www.nytimes.com/2021/03/09/podcasts/the-daily/economic-stimulus-child-tax-credit.html)? [perma.cc/7QXA-5G3E] (describing the expanded Child Tax Credit as a “kind of guarantee that had long been dismissed by many American lawmakers as European socialism”).

182. *Id.*

183. Letter from Representative Pramila Jayapal et al., Members of Cong., to Speaker Nancy Pelosi & Majority Leader Chuck Schumer, Members of Cong. (Nov. 10, 2022), [jayapal.house.gov/wp-content/uploads/2022/11/Final-Letter-Opposing-Corporate-Tax-Breaks-without-CTC-in-Tax-Extenders-bill.pdf](http://jayapal.house.gov/wp-content/uploads/2022/11/Final-Letter-Opposing-Corporate-Tax-Breaks-without-CTC-in-Tax-Extenders-bill.pdf) [perma.cc/HU49-FKVC] (last visited Dec. 14, 2022) (“We should not extend

the enhanced monthly refundable CTC as soon as possible before Congress enacted any other tax law changes.<sup>184</sup> On the other side, Republican Senator Mitt Romney of Utah has crafted his own version of the expanded CTC that has garnered Republican support.<sup>185</sup>

This Comment proposes a slight alternative to permanently extend the expanded CTC as both a universal income program and an anti-poverty program. Part A discusses how permanently expanding the CTC to be fully refundable will assure the eligible families that are in need the most will receive the full benefit of the CTC. Part B proposes permanently expanding both the eliminated minimum income requirement and a higher credit value, especially for children below the age of six, as a way to invest more in early childhood development. In addition, Part C proposes the permanent expansion of the advanced payment structure as a form of guaranteed income for eligible families. Moreover, this Comment proposes that the federal government can permanently extend the expanded CTC while still alleviating partisan concerns of spending and disincentives to work.

### A. *Refundability*

Permanently extending the expanded CTC to include full refundability would be a key measure in reducing child poverty in the future.<sup>186</sup> Full refundability is important because it allows eligible families to receive the full benefit of the credit even if they owe little to no income tax. This scenario often occurs when families have little to no taxable income.

Democrats propose making the CTC fully refundable whereas Senator Romney proposes making the CTC fully refundable for families that have a minimum \$10,000 in earnings.<sup>187</sup> However,

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corporate tax breaks unless and until we deliver additional relief for families.”).

184. *Id.*

185. *A New National Commitment to Working American Families*, THE FAMILY SECURITY ACT 2.0, [www.romney.senate.gov/wp-content/uploads/2022/06/family-security-act-2.0\\_one-pager\\_appendix.pdf](http://www.romney.senate.gov/wp-content/uploads/2022/06/family-security-act-2.0_one-pager_appendix.pdf). [perma.cc/3LVJ-XGHZ] (last visited Dec. 14, 2022).

186. Elaine Maag & Lillian Hunter, *Congress Can More Modestly Expand The Child Tax Credit and Still Help Very Low-Income Families*, TAX POL’Y CTR. (Apr. 28, 2022) [hereinafter Maag & Hunter, *Congress Can More Modestly Expand Child Tax Credit*], [www.taxpolicycenter.org/taxvox/congress-can-more-modestly-expand-child-tax-credit-and-still-help-very-low-income-families](http://www.taxpolicycenter.org/taxvox/congress-can-more-modestly-expand-child-tax-credit-and-still-help-very-low-income-families) [perma.cc/4BCX-99AA] (noting that allowing “low-income families to claim the full credit as a tax refund [was] the single most important way the law reduced poverty.”).

187. Chuck Marr et al., *Romney Child Tax Credit Proposal Is Step Forward But Fall Short, Targets Low-Income Families to Pay for It*, CTR. ON BUDGET AND POL’Y PRIORITIES (July 6, 2022) [hereinafter Marr et al., *Romney Child Tax*

making the CTC fully refundable in the future would deliver the most relief to eligible families in low-income households.<sup>188</sup>

A stronger expanded CTC should include full refundability because this element has proven to be the most useful anti-poverty tool for eligible families. Partisan disagreements over this recommendation can be alleviated by taking into consideration the fact that eligible low-income families disproportionately experience economic barriers. For instance, families may face employment barriers due to childcare, limiting their ability to earn income.<sup>189</sup> Isolating full refundability would provide an estimated \$1,200 to eligible families in the “lowest one-fifth of the income distribution.”<sup>190</sup> Making the credit fully refundable alone would also lift 2.2 million children out of poverty.<sup>191</sup>

This proposal would deliver the most useful benefit to the families that have the most need because it would allow families to receive the full benefit of the CTC regardless of how little income they earn. The ability to receive the full benefit of the CTC through full refundability will assure that families with the most need are disproportionately helped rather than disproportionately excluded.

### *B. Eligible Families*

The expanded CTC should be permanently adopted with the intent to increase the number of eligible families with children. However, like full refundability, there are also partisan disagreements on how to make more families eligible through the minimum income requirement and the maximum amount for each qualifying child. Democrats propose keeping the eliminated minimum income requirement and maintaining the increased eligible amounts for each qualifying child (\$3,600 below age six and \$3,000 from ages six to seventeen) under the expanded CTC.<sup>192</sup> In addition to proposing a \$10,000 minimum income requirement,

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*Credit Proposal*], [www.cbpp.org/research/federal-tax/romney-child-tax-credit-proposal-is-step-forward-but-falls-short-targets-low](http://www.cbpp.org/research/federal-tax/romney-child-tax-credit-proposal-is-step-forward-but-falls-short-targets-low) [perma.cc/Y4B3-K2EP] (“The major flaw in the current Child Tax Credit has been its denial of some or all of the credit to children in families with little or no income, even though they stand to benefit the most from the extra income.”).

188. *Id.*

189. *Id.*

190. Maag & Hunter, *Congress Can More Modestly Expand Child Tax Credit*, *supra* note 186.

191. Gregory Acs & Kevin Werner, *How a Permanent Expansion of the Child Tax Credit Could Affect Poverty*, URBAN INST. (Aug. 2021), [www.urban.org/sites/default/files/publication/104626/how-a-permanent-expansion-of-the-child-tax-credit-could-affect-poverty\\_1.pdf](http://www.urban.org/sites/default/files/publication/104626/how-a-permanent-expansion-of-the-child-tax-credit-could-affect-poverty_1.pdf) [perma.cc/RVP5-NZ5B] (“In this brief, we consider how an expanded CTC would affect child poverty in a typical year, one not marked by massive unemployment and greatly enhanced federal support because of the COVID-19 pandemic.”).

192. Maag & Hunter, *Congress Can More Modestly Expand Child Tax Credit*, *supra* note 186.

Senator Romney further proposes increasing the eligible amounts per qualifying child to \$4,200 below age six and \$3,000 from ages six to seventeen.<sup>193</sup> However, Senator Romney would diminish other family tax related benefits pay for the increase eligible amounts.<sup>194</sup>

The CTC should be permanently expanded by eliminating the minimum income requirement and keeping the maximum credit to \$2,000 per qualifying child under the age of eighteen but changing the maximum credit to \$3,600 per qualifying child under the age of six. Under this proposal the minimum income requirement will no longer serve as a barrier to relief, especially for families who may encounter sudden financial hardships. The larger maximum credit for children under six could provide relief to parents of young children. This proposal could maintain the tax credit's broad reach while also investing more in early childhood development.

These two provisions in concert could raise an estimated 543,000 children out of poverty and further reduce child poverty by five percent.<sup>195</sup> Further, these two provisions along with full refundability would yield even greater returns.<sup>196</sup> All together, they could lift 4.1 million out of poverty and diminish child poverty by an estimated forty percent.<sup>197</sup>

Expanding the scope of the CTC to more eligible families could potentially improve not only a child's life, but for society as a whole.<sup>198</sup> This additional financial support could create better outcomes for a child's educational performance, health, and earnings into adulthood.<sup>199</sup> Further, investing more in younger children, such as those below the age of six, can provide financial

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193. Marr et al., *Romney Child Tax Credit Proposal*, *supra* note 187.

194. *Id.*

195. Chuck Marr et al., *Build Back Better's Child Tax Credit Changes Would Protect Millions From Poverty – Permanently*, CTR. ON BUDGET AND POL'Y PRIORITIES (Nov. 22, 2021) [hereinafter Marr et al., *Build Back Better's Child Tax Credit Changes*], [www.cbpp.org/research/federal-tax/build-back-betters-child-tax-credit-changes-would-protect-millions-from](http://www.cbpp.org/research/federal-tax/build-back-betters-child-tax-credit-changes-would-protect-millions-from) [perma.cc/TH4D-9GYD] (promoting that “permanent full refundability—also represent a significant step toward racial equity: they would permanently eliminate a fundamental design flaw in the credit that had the direct effect of ensuring that disproportionate numbers of Black and Latino children.”).

196. *Id.*

197. *Id.* (measuring extending eligibility to seventeen-year-olds, along with removing refundability limitation and minimum income requirement projected that 4.1 million children would be lifted out of poverty).

198. Chuck Marr et al., *Recovery Package Should Permanently Include Families With Low Incomes in Full Child Tax Credit*, CTR. ON BUDGET AND POL'Y PRIORITIES (Sept. 7, 2021), [www.cbpp.org/research/federal-tax/recovery-package-should-permanently-include-families-with-low-incomes-in-full](http://www.cbpp.org/research/federal-tax/recovery-package-should-permanently-include-families-with-low-incomes-in-full) [perma.cc/2AC4-PLPM] (“The element of the expansion with the largest anti-poverty impact is the provision making the credit fully available to all children in families with low incomes.”).

199. *Id.*

stability at a time that is vital for children's healthy growth and development.<sup>200</sup>

This investment can represent the recognition of how important childhood development is to the federal government. These provisions also recognize that the expanded CTC should be legislatively directed towards *children* and not necessarily towards adults. Therefore, bipartisan support could be easier to obtain by framing the legislative intent towards childhood development.

### C. Advanced Payment Structure

The most revolutionary provision to extending the expanded CTC would be the advanced payment structure. The CTC was disbursed in the form of advanced monthly payments instead of a lump-sum when an eligible family filed their tax return. This payment structure served as an income guarantee for families with children and was able to be used on anything. This flexibility could continue to allow eligible families to pay recurring costs and handle unexpected expenses such as an emergency health issue.<sup>201</sup> The income guarantee, especially for low-income earners, can provide a solution to address the growing inequality and lack of upward mobility in today's economy.<sup>202</sup> The advanced monthly payment structure can serve as both tax relief and a safety net for children.

Fortunately, there is a bipartisan agreement on the advanced payment structure. Democrats have continued to champion the advanced payment structure as a form of income guarantee. Senator Romney also proposed an advanced payment structure, but further expanded the advanced payment to include expecting parents.<sup>203</sup>

Therefore, a stronger CTC should include advanced payments throughout the year to provide better economic resources for eligible families. This will help smooth income volatility when a family experiences an economic hardship. The credit paid in monthly disbursements throughout the year can effectively act as guaranteed income but still serve as tax relief. The advanced payment method of the CTC would be more targeted towards families with children, rather than adults.<sup>204</sup> This targeted approach provides benefits to nearly all children and is more likely

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200. Marr et al., *Build Back Better's Child Tax Credit Changes*, *supra* note 195.

201. Acs & Werner, *supra* note 191.

202. Barbaro, *supra* note 181.

203. Gleckman, *supra* note 180.

204. Myrto Kalaflos, *Child Tax Credit or Guaranteed Income: What's in a Name*, PROSPERITY NOW (Sept. 14, 2021), [www.prosperitynow.org/blog/child-tax-credit-or-guaranteed-income-whats-name](http://www.prosperitynow.org/blog/child-tax-credit-or-guaranteed-income-whats-name) [perma.cc/VY5B-VJGR] ("Unlike universal basic income, which would be distributed to every adult in a population, guaranteed income is more targeted—in the case of the CTC, to families with children who have incomes below a certain threshold.").

to gain the widespread political support of other well-received universal programs, like Social Security.<sup>205</sup>

## V. CONCLUSION

Permanently extending the expanded CTC will serve as one of the greatest legislative tools to combat child poverty. Each element of the expanded CTC would continue to benefit eligible children, particularly families within disadvantaged groups.

Before the expanded CTC was implemented, families who needed help the most were excluded from the full benefit of the CTC.<sup>206</sup> However, this was no longer the case under the expanded CTC. The economic results from the expanded CTC not only benefited more children, but children that were struggling with poverty the most. Therefore, permanently extending the expanded CTC will return an investment for the federal government as a greater incentive to invest in childhood growth and development.

Now, more than ever, is the time for the federal government to permanently extend the enhanced CTC.<sup>207</sup> Families are still struggling post-pandemic as they navigate economic challenges such as high inflation and unemployment.<sup>208</sup> This type of tax relief can help families establish stability after the turbulent financial times during the COVID-19 pandemic. This will benefit children who also faced challenges such as school closure and social distancing that may impact their learning and social growth well into the future. The government needs to show the American people its willingness to invest in children who are ultimately the future of this country.

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205. Farhad Manjoo, *Biden Has Helped the Quiet Revolution of Giving People Money*, N.Y. TIMES (Sept. 23, 2022), [www.nytimes.com/2022/09/23/opinion/columnists/child-tax-credit-basic-income.html](http://www.nytimes.com/2022/09/23/opinion/columnists/child-tax-credit-basic-income.html) [perma.cc/9HMH-TPT4] (“Among the big changes ushered in by the pandemic was a quiet revolution in American welfare policy.”).

206. Marr et al., *American Families Plan*, *supra* note 67.

207. An updated version of the Child Tax Credit was passed by the House on January 31, 2024, to increase the credit amount for inflation, modify the refundable portion to a per-child basis, increase the eligible refundable portion, and expand earned income eligibility. *See Tax Relief for American Families and Workers Act of 2024*, H.R. 7024, 118th Cong. §§ 101-105 (2024).

208. Stephan Bisaha, *Why Many Americans Continue to Struggle Despite Trillions of Dollars in Pandemic Aid*, NPR (Jan. 15, 2022), [www.npr.org/2022/01/15/1071877098/americans-poverty-american-rescue-plan-child-tax-credit](http://www.npr.org/2022/01/15/1071877098/americans-poverty-american-rescue-plan-child-tax-credit) [perma.cc/QZ4R-3WN7] (explaining how post-pandemic “struggling Americans continue to need help despite that government assistance—especially at a time when inflation has surged to its highest in around 40 years.”).



