1275 First Street NE, Suite 1200
Washington, DC 20002

Tel: 202-408-1080
Fax: 202-408-1056

center@cbpp.org
www.cbpp.org

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# About 16 Million Children in Low-Income Families Would Gain in First Year of Bipartisan Child Tax Credit Expansion

## Half a Million or More Children Would Be Lifted Above the Poverty Line When Fully in Effect

By Kris Cox, Chuck Marr, Sarah Calame, Stephanie Hingtgen, George Fenton, and Arloc Sherman

## Executive Summary

The bipartisan Child Tax Credit expansion in the tax bill negotiated by Senate Finance Committee Chair Ron Wyden and House Ways and Means Committee Chair Jason Smith takes an important step toward making the credit work for children in families with low incomes. While smaller than the American Rescue Plan credit expansion that expired at the end of 2021, the proposal's top priority is getting more of the credit to most of the roughly 19 million children who currently get a partial credit or none at all because their families' incomes are too low. The bipartisan proposal pairs corporate and small business tax provisions with Child Tax Credit improvements that cost a similar amount, reportedly about $35 billion for each set of proposals. With the exception of a modest indexing proposal, all of the benefits from the Child Tax Credit improvements go to children left out of the full credit because their families' incomes are too low.

The expansion would be in effect for three years. While modest in size, the proposal would have a significant impact. In the first year, more than 80 percent of the roughly 19 million children under 17 in families with low incomes who don't now get the full credit would benefit — about 16 million children.[1] This includes nearly 3 million children under age 3. (See Table 1 at the end of the report for state-by-state estimates of the 16 million children overall and by race and ethnicity.)

In the first year, the proposal would lift as many as 400,000 children above the poverty line and make an additional 3 million children less poor as their incomes rise closer to the poverty line. These poverty-reducing effects would increase over time. When the proposal is fully in effect in 2025, it would lift some half a million or more children above the poverty line and make about 5 million more less poor. (See Figure 1.) This would mark the beginning of a much-needed reversal of the sharp rise in child poverty that occurred in 2022, following the expiration of the Rescue Plan expansion of the Child Tax Credit and other COVID relief measures.

The proposal would benefit children of all races and ethnicities. Overall, more than 1 in 5 children under 17 would benefit in the first year. The expansion would particularly help Black, Latino, and American Indian and Alaska Native (AIAN) children, whose parents are overrepresented in low-paid work due to historical and ongoing discrimination and other structural barriers to opportunity. More than 1 in 3 Black children, more than 1 in 3 Latino children, 3 in 10 AIAN children under 17, and roughly 1 in 7 white children and Asian children under 17 would benefit from the proposal.

FIGURE 1

**Bipartisan Child Tax Credit Proposal Would Lift Some Half a Million or More Children Above the Poverty Line When Fully in Effect**


Note: We project an indexed maximum credit and refundability cap of $2,100 in 2025
Source: CBPP analysis of March 2019 and March 2023 Current Population Survey data; lookback provision in 2025 uses Survey of Income and Program Participation for 2014-2016

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The proposal would deliver a meaningful income boost to millions of families in the first year. For example, consider a parent who has a toddler and a second grader and earns $15,000 working as a food server. In the first year, the family's Child Tax Credit would increase by $1,725, from $1,875 to $3,600.

Half of the roughly 16 million children who would benefit under the proposal in the first year live in families who would gain $630 or more. For nearly 40 percent of children who would benefit, their family's gain would be $1,000 or more, and 25 percent of children are in families who would gain more than $1,400 in the first year. The gains for low-income families with more than one child — roughly three-quarters of children in low-income families are in this group — would be particularly large. Among children who live in families with more than one child and who would benefit, half are in families who would gain $1,000 or more in the first year.[2] For families who don't now get the full credit because their incomes are too low, the gains would be larger when the proposal is fully in effect in 2025.

Three important structural improvements to the Child Tax Credit's design drive these gains:

- Moving to a "per-child" phase-in to ensure low-income families receive the same credit for each of their children, as higher-income families already do;
- Increasing and then effectively ending in tax year 2025 the lower maximum credit amount (known as the "refundability cap") that only limits the credit for families with low incomes; and
- Allowing families to use their earnings from either the current tax year or the year before when calculating the Child Tax Credit to help protect them from a drop in their credit if their earnings declined — because they lost a job, faced health or caregiving needs, or welcomed a new child, for example (this is called a "lookback" provision and would start in tax year 2024).

In addition, the bipartisan proposal would index the maximum amount of the Child Tax Credit, which is currently set at $2,000. This change would not take immediate effect and is expected to first increase the maximum credit in 2025 to $2,100. Unlike the improvements discussed above, indexing is broad-based and would benefit families with higher incomes, but it also would provide benefits to some families with low and moderate incomes as well.

As part of the bipartisan compromise, the package includes three corporate tax cuts that reverse, in whole or in part, provisions originally enacted in the 2017 tax law to offset some of the cost of that law's large cut in the corporate tax rate.[3]

Specifically, the compromise would return to immediate expensing of research and experimentation costs (R&E) for domestic research expenditures, return to full expensing for capital investments, and provide more generous deductions for interest expenses. As we highlighted previously,[4] each of these provisions has issues from our perspective — both in terms of substantive policy and gimmicky timing effects that mask their true costs — but these compromises were necessary to get a bipartisan deal. Both the corporate provisions and the Child Tax Credit provisions would be in place for three years — for tax years 2023, 2024, and 2025 — expiring at the end of 2025 like many tax provisions from the 2017 tax law.

The package includes several additional modest provisions. For example, it increases the amount of investments that small businesses can immediately expense and a restores an expansion of the Low-Income Housing Tax Credit that was in effect from 2018-2021 and would expand affordable housing units for low- or moderate-income households.

In a positive development, the package is offset by making certain changes to the administration and enforcement of the Employee Retention Credit, a temporary credit first enacted as a COVID relief measure in March 2020 to help certain businesses continue to meet payroll obligations amid lower consumer demand. In recent months, however, the credit has faced worrying allegations of fraud and abuse.[5] The proposal would, among other changes, eliminate future claims of the credit and extend the amount of time for the IRS to undertake enforcement actions for improper claims. This bipartisan commitment to pay for this tax package is particularly important looking ahead to the larger 2025 tax debate, when policymakers will face important questions about paying for tax cuts.

This Child Tax Credit proposal is far more modest in size and impact than the Rescue Plan expansion. It is, however, well targeted. The per-child phase-in, the increase and then effective elimination of the refundability cap, and the lookback provision, which together constitute the overwhelming bulk of the Child Tax Credit proposal's cost, would direct all of their benefits to children in low-income families who receive less than the full credit under current law. If additional improvements can be agreed to that would further increase the credit for children in low-income families, that would, of course, be preferable. But either way, Congress should seize this opportunity to pass as soon as possible a bipartisan Child Tax Credit proposal that meaningfully boosts the incomes of millions of families and significantly lowers child poverty.

## Impacts by the Numbers

The bipartisan Child Tax Credit proposal released by Senator Ron Wyden and Representative Jason Smith, while smaller than the American Rescue Plan expansion, would provide meaningful help to millions of children in families with low incomes, starting in the first year.

- Roughly **16 million children in families with low incomes would benefit** from the expansion in the first year.
    - That's more than **80 percent** of the 19 million children who currently receive less than the full credit, or none at all, because their families' incomes are too low. (See Table 1 for state-specific estimates overall and by race and ethnicity.)
    - **Nearly 3 million** children under age 3 would benefit in the first year.
- The expansion would meaningfully **reduce child poverty.**
    - In the first year, the expansion would lift as many as **400,000 children** above the poverty line. **3 million** more children would be made less poor as their incomes rise closer to the poverty line.
    - When the expansion is fully in effect, it would lift some **500,000 or more children** above the poverty line. About **5 million** more children would be made less poor.
- The expansion would help children of **all races and ethnicities.** It would particularly help groups where parents are overrepresented in low-paid jobs due to historical and ongoing discrimination and other structural barriers to opportunity. In the first year:
    - Overall, more than **1 in 5** children under 17 would benefit from the expansion.
    - More than **1 in 3** of all Black and Latino children under 17 would benefit.
    - **3 in 10** of all American Indian and Alaska Native children under 17 would benefit.
    - **1 in 7** of all white and Asian children under 17 would benefit.
- The expansion would **meaningfully help** millions of children in families with low incomes. Of the about 16 million children who would benefit in the first year:
    - **Half** live in families that gain $630 or more.
    - **40 percent** live in families that gain $1,000 or more.
    - **25 percent** live in families that gain $1,400 or more.
    - **Half** of the children who benefit and who live in families with more than one child would see their families gain $1,000 or more.
- Consider the following examples of families that would benefit from the expansion:
    - A single parent with two children who earns $13,000 working part time as a home health aide would see their credit double (a $1,575 gain) in the first year.
    - A single parent with two children who earns $22,000 as a child care worker would gain $675 in the first year.
    - A married couple — with one parent earning $32,000 as a nursing assistant and the other parent staying home to take care of their three young children — would gain $975 in the first year.

Source: CBPP analysis of Census Bureau and IRS data. Estimate of 19 million children in low-income families currently not receiving full Child Tax Credit is from Tax Policy Center.

## Proposal Would Help About 16 Million Children in the First Year and Reduce Child Poverty

Under current law, roughly 19 million children get less than the full $2,000 Child Tax Credit or no credit at all because their families' incomes are too low.[6] Most of these children live in families with incomes of less than $40,000. More than 80 percent of these 19 million children — about 16 million — would receive a larger Child Tax Credit under the bipartisan expansion in the first year.[7] This includes nearly 3 million children under age 3. (See Table 1 for state-specific estimates of the 16 million children overall and by race and ethnicity.)

The proposal would benefit children of all races and ethnicities. Overall, even in this modest-sized package, more than 1 in 5 children under 17 would benefit from the expansion in the first year. It would particularly help Black, Latino, and AIAN children, whose parents are overrepresented in low-paid jobs due to historical and ongoing discrimination and other structural barriers to opportunity. More than 1 in 3 Black children, more than 1 in 3 Latino children, 3 in 10 AIAN children, and roughly 1 in 7 white children and Asian children under 17 would benefit from the proposal in the first year.[8]

In the first year, as many as 400,000 children would be lifted above the poverty line and we estimate that another 3 million children would be made less poor. These reductions in the extent and severity of child poverty would grow over time under the proposal. When the proposal is fully in effect in 2025, some half a million or more children would be lifted above the poverty line and about 5 million additional children would be made less poor than if the current credit remained in place, we estimate.[9]

These poverty-reducing effects would be much smaller than under the Rescue Plan, which made the full credit available to children in families with low incomes regardless of their families' earnings and increased the size of the credit significantly. The full Rescue Plan expansion helped drive down child poverty sharply in 2021 to historic lows. The number of children in poverty spiked by 5 million in 2022, when the Rescue Plan expansion of the Child Tax Credit and other pandemic relief measures ended.[10]

While the bipartisan proposal is modestly sized compared to the Rescue Plan, it would start to reverse this large increase in child poverty, reducing near-term hardship and improving children's long-term outcomes. Poverty shortchanges children's futures, and a mounting body of research finds that providing income support to children in families with low incomes can bring substantial long-term gains in their health, education, and earnings, an investment that benefits the nation as a whole.[11]

## Key Structural Changes Would Drive Poverty-Reducing Impacts and Income Gains

The current design of the Child Tax Credit has several flaws. Most fundamentally, because of the way it phases in with earnings, 19 million children in families with low incomes get a smaller credit than children in higher-income families, or none at all. This is backwards, providing the least help to the children who need it most.

Rather than providing the full credit to all children in low-income families regardless of their families' earnings, under current law the credit phases in as earnings rise, and the structure of the phase-in means that millions of families with low earnings receive only a partial credit, while higher-income families receive the full $2,000 credit per child.

Here's how the current phase-in works. First, families get no credit based on their first $2,500 of earnings. Then, beginning at earnings of $2,501, the credit begins to phase in at a slow rate of just 15 cents on the dollar. Inexplicably, this 15 percent phase-in rate is the same whether a family has one, two, or more children.[12] For example, a family with $12,500 of earnings receives a $1,500 Child Tax Credit whether the family has one child or two.

The phase-in then abruptly stops when the credit amount reaches $1,600[13] for a child if the family doesn't have income tax liability — this is effectively a lower maximum credit amount (known as the "refundability cap") that only applies to low-income families. (The refundability cap is calculated on a per-child basis under current law.) And, finally, the current phase-in structure fails to account for the volatile nature of the low-wage labor market (discussed further below).

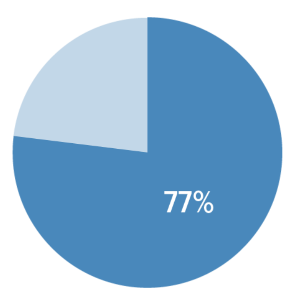
The bipartisan proposal addresses three of these flaws by: (1) ensuring that each child gets their own Child Tax Credit, (2) raising and then effectively eliminating the lower maximum credit that applies to low-income families, and (3) allowing families whose incomes fall in a year to use their prior-year income when calculating the credit. We discuss each in turn below.

### Structural Improvement #1: Per-Child Phase-In

Under current law, many low-income families with two or three children receive roughly the same total credit as a family with one child at the same earnings level. The expansion would provide each child in a family with their own same-sized credit, just as in higher-income families. This improvement is particularly significant because across all income levels, a large majority of children live in families with two or more children. That's true for families with low incomes as well — some three-quarters of the 19 million children currently left out of the full credit live in families with more than one child.[14] (See Figure 2.)

FIGURE 2

**Per-Child Phase-In is Important: About 3 in 4 Children Currently Left Out of Full Child Tax Credit Are in Families With More Than 1 Child**




Note: "Children currently left out" refers to the roughly 19 million children who receive less than the full credit, or no credit at all, under current law because their families' incomes are too low. Under proposed bipartisan Child Tax Credit expansion, credit's phase-in rate would be per child and cap on refundability would rise over three years; when fully in effect, the credit maximum is indexed for inflation, and families could choose to qualify by current or prior-year earnings.

Source: CBPP analysis of March 2019 and March 2023 Current Population Survey and Tax Policy Center

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Under the proposal, the Child Tax Credit would still phase in at a 15 percent rate based on earnings above $2,500, but that formula would now calculate the *per-child* amount of the credit, rather than the family's total credit.

Consider a single parent with two children who earns $13,000 working part time as a home health aide. Under current law, the family receives a credit of $1,575 — 15 percent of $10,500, their earnings above $2,500.

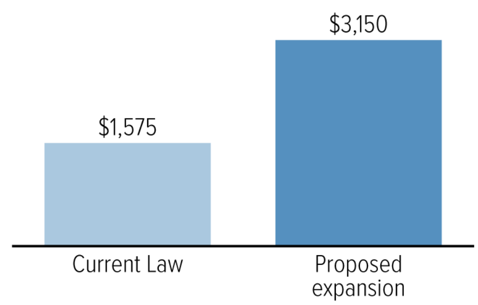
Under the proposal, they would receive $1,575 *per child* — or $3,150, meaning the family's credit would double.[15] (See Figure 3.)

Under the proposal, most low-income families with more than one child who would benefit from the proposal — whether they have single or married parents — would see their credit rise significantly. Half of all children who live in families with more than one child and who would benefit from the proposal would see their families gain $1,000 or more in the first year. This includes almost all such children in families whose parents earn between about $10,000 and $20,000.

FIGURE 3

**Proposed Bipartisan Expansion Includes Per-Child Phase-In, Boosting Credit for Many Low-Income Families**

Child Tax Credit (2023) for a single parent with two children, who earns $13,000




Note: Under proposed bipartisan Child Tax Credit expansion, credit's phase-in rate would be per child and cap on refundability would rise over three years; when fully in effect, the credit maximum is indexed for inflation, and families could choose to qualify by current or prior-year earnings.

Source: CBPP calculations

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### Structural Improvement #2: Effective Elimination of the Refundability Cap Over Time

The proposal raises the lower maximum credit that applies only to low-income families for the first two years; then it effectively eliminates the lower credit amount for tax year 2025. This lower maximum credit, which the 2017 tax law created and is also called the "refundability cap," restricts the amount of the credit that families can receive as a refund when their earnings are low enough that they incur little or no federal income tax liability.

Under current law, the cap is set at $1,600 for tax year 2023 and $1,700 in 2024.[16] These amounts are *per child* under current law, so if a family has two children, the refundability cap in tax year 2023 is $3,200 for that family. The proposal would raise the cap to $1,800 per child in tax year 2023, $1,900 in 2024, and then effectively eliminate it in tax year 2025.

Under current law, the cap restricts the credit available to many families with modest earnings. This is especially the case for families with one child. Single parents with one child and earnings between roughly $13,000 and $25,000 receive a smaller credit than they would in the absence of the cap, because 15 percent of their earnings above $2,500 is *higher* than the refundability cap. Married parents with one child whose earnings are between roughly $13,000 and $32,000 also are harmed by the refundability cap under current law. In tax year 2023, families in these income ranges with one child would see their credit rise by up to $200 under the proposal. By tax year 2025, families with one child could see their credit rise by as much as $400.[17]

For example, consider a married couple with one child and $25,000 of income. Without the refundability cap, this family would qualify for the full $2,000 credit. Because of the refundability cap, however, they are due to receive just $1,600 under current law for tax year 2023. If the refundability cap is raised to $1,800 for tax year 2023, their credit would rise to $1,800, and if it is effectively eliminated, as the proposal would do in tax year 2025, the family would receive the full Child Tax Credit provided to higher-income families.

Lifting the cap is also important for families with more than one child, in combination with the per-child phase-in. For example, consider a single parent with two children who earns $15,000. Under current law, the family receives a credit of $1,875 — 15 percent of $12,500 (their earnings above $2,500). Because the refundability cap under current law is $1,600 per child but the phase-in is *not* per child, the family effectively receives $1,600 for the first child and $275 for the second child.

Under the proposal, which would raise the refundability cap to $1,800 in the first year *and* allow for a per-child phase-in, the family would receive $1,800 *per child* — or $3,600 total. In the second year, when the refundability cap would rise to $1,900, a family with $15,000 in earnings and two children would receive $1,875 for each child — $3,750 total — or double what they receive under current law.

### Structural Improvement #3: Adoption of a "Lookback"

The proposed expansion includes a "lookback" provision for tax years 2024 and 2025, which would allow families whose earnings decline in a year to use their prior year's earnings to calculate the credit. This would help protect them from a drop in their Child Tax Credit on top of the temporary decline in their earnings.[18]

Families with low incomes often face volatile labor markets with limited protections for employees. An individual may experience job losses or cuts to their hours, which reduce their earnings in a given year. This could occur because of an economic downturn or just the normal ups and downs of a business.

Similarly, individuals in low-paid occupations often have limited or no paid leave if they need to take time off because they are ill, they are welcoming a new child to the family, or they need to care for an ill family member. This can lead to reduced earnings and even job loss.

For a family whose earnings fall, losing part or all of their Child Tax Credit can exacerbate financial insecurity during an already challenging time. Allowing families to use prior year earnings helps protect them from a drop in their Child Tax Credit at a time when their family is experiencing financial hardship. The proposal recognizes that parents and their children should not be penalized for temporary drops in family earnings.

Congress, on a bipartisan basis, allowed families to use prior year earnings to calculate the Child Tax Credit for tax year 2020.

## Indexing the Child Tax Credit Maximum Amount

Unlike most tax code parameters, the Child Tax Credit maximum credit amount of $2,000 is not adjusted for inflation and, therefore, the credit's real value erodes over time. The bipartisan proposal begins to index the maximum credit amount for inflation in 2024. Under current Congressional Budget Office (CBO) inflation projections, we estimate that the first actual adjustment would occur in 2025, when the maximum credit would rise to $2,100.[19]

This change would benefit children in families with moderate and high incomes as well as some children in families with low incomes.[20]

## Child Tax Credit Expansion More Modest Than Rescue Plan

The Rescue Plan expansion of the Child Tax Credit was significantly larger than the expansion under the bipartisan proposal. It provided the full credit to children in low-income families regardless of their families' earnings, increased the maximum credit markedly, and provided the credit on a monthly basis. This more expansive proposal lifted significantly more children out of poverty than the bipartisan proposal would and ensured that children in low-income families received the same credit as children in higher-income families.

Ultimately, the Child Tax Credit provisions in the Rescue Plan are what is needed to drive child poverty down sharply. Even short of the full Rescue Plan expansion, a larger proposal could have provided the full current law $2,000 credit to children in low-income families regardless of earnings, but House Republicans rejected so-called "full refundability" in the negotiations.[21] In a modestly larger package, the credit could be phased in more quickly by ending the disregard of the first $2,500 in earnings when calculating the per-child credit and by increasing the 15 percent phase-in rate, if bipartisan agreement could be reached.

Within a roughly $35 billion, three-year package the bipartisan compromise proposal is well-targeted, directing all of the benefits outside of the modest indexing provision to children now left out of the full credit because their families' earnings are too low.

## Reversals and Modifications of Three Corporate Tax Provisions

The centerpiece of the 2017 tax law was a deep cut in the corporate tax rate from 35 percent to 21 percent. This corporate tax cut was expensive, delivered benefits that are heavily skewed in favor of wealthy people, and failed to deliver on its promises to trickle down to the vast swath of workers.[22] To offset some of the large cost of the corporate tax rate cut, the 2017 tax law included several corporate tax increases. The bipartisan proposal reverses, in whole or in part, three of these provisions:

(1) **Tax treatment of research and experimentation (R&E) expenses.** The 2017 law required businesses to amortize their R&E expenses (that is, deduct the cost of these expenses over multiple years instead of claiming them all in the first year) beginning in 2022. The bipartisan proposal would reverse through 2025 the provision for domestic R&E expenses, allowing these expenses to be immediately expensed. Businesses would still be required to amortize offshore R&E expenditures.

(2) **Tax treatment of capital investments**. Under standard depreciation rules, a business deducts the cost of new equipment gradually over a set number of years. Periodically, as an economic stimulus measure, policymakers have enacted temporary "bonus depreciation" rules on top of already accelerated schedules for these purchases. The 2017 law included the most aggressive form of bonus depreciation, known as "full expensing," allowing businesses to deduct 100 percent of the cost of equipment in the year they purchase it. Full expensing was scheduled to expire at the end of 2022, converting to a bonus depreciation approach that gradually decreased from 2023 through 2026. The bipartisan proposal delays this phase out of the bonuses and allows immediate expensing through 2025.

(3) **Limitation of interest deductibility**. In the 2017 tax law, congressional Republicans imposed a new limit on the amount of interest expenses businesses can deduct, which primarily affects companies with large amounts of debt. To raise additional revenue, the law tightened the limit starting in 2022. This was a solid policy change: a strong interest deduction limitation lowers the existing subsidy for debt-financed investment, which benefits highly leveraged businesses, such as those owned by private equity funds. It also curtails multinational corporations' ability to shift profits overseas by making large interest payments to foreign affiliates. The bipartisan proposal relaxes this limitation by repealing through 2025 the tighter limit that went into effect in 2022.

There are serious substantive flaws with the corporate provisions in the bipartisan compromise proposal. For example, the interest deductibility proposal is an unneeded additional tax break for highly leveraged companies, such as many private-equity-owned businesses. In addition, the R&E and full expensing provisions rely on timing gimmicks to make them appear less costly under official scorekeeping rules, as we have previously highlighted.[23]

More broadly, these tax breaks would come on top of the 2017 law's massive reduction in the corporate tax rate. If policymakers want to create special treatment for various kinds of corporate expenditures, thereby narrowing the tax base on which the corporate tax is imposed, they should pay for those base-constrictors by increasing the tax rate applied on that narrower base.

Profitable corporations pay too little in taxes, not too much. These temporary corporate provisions make it even more important for policymakers to revisit the deep cut in the corporate tax rate — and these provisions — as part of the upcoming 2025 tax debate.

## Proposal Offsets Tax Package

Our concerns with the corporate provisions underscore the compromise nature of the bipartisan proposal. They are also mitigated by a welcome development: the bipartisan proposal is offset by making certain administrative and enforcement changes to the Employee Retention Credit, a COVID response business provision, which has reportedly faced significant abuse.[24] The proposal would, among other changes, eliminate future claims of the credit and extend the amount of time for the IRS to undertake enforcement actions for improper claims. This bipartisan commitment to include offsets in the tax package is particularly important looking ahead to the larger 2025 tax debate.

## Conclusion

This bipartisan proposal puts its Child Tax Credit priorities where they belong: focused on the roughly 19 million children who today are left behind because their families' incomes are too low. This proposal would increase the credit for more than 80 percent of these children — about 16 million children — lifting as many as 400,000 children above the poverty line in the first year and making an additional 3 million children less poor. When fully in effect, the proposal would lift some 500,000 or more children above the poverty line and make about 5 million additional children less poor than if the current credit remained in place.

The package would deliver meaningful help. For example, a family getting an additional $1,000 in the Child Tax Credit can use that money to buy school clothes or diapers, repair a car, or pay utility bills.

The number of children living in families with incomes below the poverty line increased by 5 million between 2021 and 2022, when most COVID relief measures, including the expanded Child Tax Credit, expired. Much more will need to be done to fully reverse this increase — and if there are opportunities to strengthen the proposal to improve its impacts for children in families with low incomes, that would of course be preferable. But this bipartisan compromise takes a meaningful step forward and is likely the only opportunity this year to substantially reduce the nation's unacceptably high number of children living in poverty.

Congress should seize this opportunity to pass a bipartisan proposal to expand the Child Tax Credit as soon as possible.

TABLE 1

**About 16 Million Children in Low-Income Families — More than 1 in 5 Children Under 17 Overall — Would Gain in First Year of Bipartisan Child Tax Credit Expansion**

Children under 17 currently left out of the full $2,000 Child Tax Credit who would benefit from proposed bipartisan Child Tax Credit expansion in the first year, by state, race, and ethnicity

| | Total | Latino | White | Black | Asian | American Indian or Alaska Native | Another race or multiple races |
|---|---|---|---|---|---|---|---|
| **Total U.S.** | 15,900,000 | 6,227,000 | 4,875,000 | 3,315,000 | 458,000 | 451,000 | 715,000 |
| **Alabama** | 280,000 | 38,000 | 103,000 | 125,000 | N/A | 3,000 | 10,000 |
| **Alaska** | 32,000 | N/A | 9,000 | N/A | N/A | 13,000 | N/A |
| **Arizona** | 424,000 | 262,000 | 87,000 | 22,000 | 5,000 | 46,000 | 11,000 |
| **Arkansas** | 191,000 | 36,000 | 93,000 | 49,000 | N/A | 4,000 | 9,000 |
| **California** | 2,070,000 | 1,555,000 | 213,000 | 115,000 | 113,000 | 52,000 | 60,000 |
| **Colorado** | 192,000 | 101,000 | 64,000 | 11,000 | 4,000 | 9,000 | 7,000 |
| **Connecticut** | 119,000 | 60,000 | 27,000 | 22,000 | 4,000 | N/A | 5,000 |
| **Delaware** | 40,000 | 12,000 | 11,000 | 15,000 | N/A | N/A | N/A |
| **District of Columbia** | 23,000 | N/A | N/A | 17,000 | N/A | N/A | N/A |
| **Florida** | 1,004,000 | 403,000 | 245,000 | 288,000 | 14,000 | 11,000 | 47,000 |
| **Georgia** | 636,000 | 161,000 | 141,000 | 291,000 | 12,000 | 12,000 | 27,000 |
| **Hawai'i** | 48,000 | 10,000 | 5,000 | N/A | 6,000 | N/A | 26,000 |
| **Idaho** | 88,000 | 25,000 | 57,000 | N/A | N/A | 4,000 | N/A |
| **Illinois** | 587,000 | 219,000 | 169,000 | 153,000 | 18,000 | 5,000 | 27,000 |
| **Indiana** | 326,000 | 61,000 | 179,000 | 59,000 | 6,000 | 2,000 | 21,000 |
| **Iowa** | 129,000 | 24,000 | 73,000 | 19,000 | N/A | N/A | 7,000 |
| **Kansas** | 136,000 | 43,000 | 66,000 | 13,000 | N/A | 3,000 | 9,000 |
| **Kentucky** | 235,000 | 24,000 | 158,000 | 35,000 | 4,000 | N/A | 14,000 |
| **Louisiana** | 316,000 | 25,000 | 91,000 | 179,000 | 4,000 | 5,000 | 12,000 |
| **Maine** | 39,000 | N/A | 32,000 | N/A | N/A | N/A | N/A |
| **Maryland** | 194,000 | 50,000 | 44,000 | 80,000 | 8,000 | N/A | 12,000 |

TABLE 1

## About 16 Million Children in Low-Income Families — More than 1 in 5 Children Under 17 Overall — Would Gain in First Year of Bipartisan Child Tax Credit Expansion

Children under 17 currently left out of the full $2,000 Child Tax Credit who would benefit from proposed bipartisan Child Tax Credit expansion in the first year, by state, race, and ethnicity

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Massachusetts** | 182,000 | 79,000 | 57,000 | 24,000 | 11,000 | 3,000 | 10,000 |
| **Michigan** | 474,000 | 61,000 | 241,000 | 127,000 | 8,000 | 11,000 | 27,000 |
| **Minnesota** | 194,000 | 32,000 | 73,000 | 58,000 | 12,000 | 12,000 | 9,000 |
| **Mississippi** | 205,000 | 11,000 | 58,000 | 126,000 | N/A | N/A | 6,000 |
| **Missouri** | 295,000 | 30,000 | 174,000 | 64,000 | N/A | 5,000 | 21,000 |
| **Montana** | 46,000 | 4,000 | 30,000 | N/A | N/A | 12,000 | N/A |
| **Nebraska** | 80,000 | 28,000 | 34,000 | 10,000 | N/A | 3,000 | 4,000 |
| **Nevada** | 163,000 | 93,000 | 29,000 | 23,000 | 5,000 | 6,000 | 10,000 |
| **New Hampshire** | 29,000 | 4,000 | 22,000 | N/A | N/A | N/A | N/A |
| **New Jersey** | 323,000 | 151,000 | 81,000 | 64,000 | 13,000 | N/A | 14,000 |
| **New Mexico** | 140,000 | 97,000 | 18,000 | N/A | N/A | 28,000 | N/A |
| **New York** | 887,000 | 323,000 | 292,000 | 159,000 | 75,000 | 13,000 | 32,000 |
| **North Carolina** | 552,000 | 165,000 | 158,000 | 180,000 | 11,000 | 17,000 | 25,000 |
| **North Dakota** | 23,000 | N/A | 12,000 | N/A | N/A | 6,000 | N/A |
| **Ohio** | 575,000 | 55,000 | 306,000 | 150,000 | 8,000 | 8,000 | 50,000 |
| **Oklahoma** | 232,000 | 63,000 | 86,000 | 29,000 | N/A | 45,000 | 13,000 |
| **Oregon** | 162,000 | 59,000 | 77,000 | N/A | 4,000 | 9,000 | 9,000 |
| **Pennsylvania** | 506,000 | 119,000 | 228,000 | 112,000 | 15,000 | 8,000 | 27,000 |
| **Rhode Island** | 35,000 | 18,000 | 10,000 | 5,000 | N/A | N/A | N/A |
| **South Carolina** | 282,000 | 41,000 | 84,000 | 138,000 | N/A | 3,000 | 15,000 |
| **South Dakota** | 41,000 | 3,000 | 17,000 | N/A | N/A | 18,000 | N/A |
| **Tennessee** | 385,000 | 63,000 | 184,000 | 114,000 | N/A | 4,000 | 17,000 |
| **Texas** | 1,921,000 | 1,332,000 | 259,000 | 245,000 | 38,000 | 18,000 | 41,000 |
| **Utah** | 142,000 | 50,000 | 71,000 | N/A | N/A | 5,000 | 9,000 |
| **Vermont** | 15,000 | N/A | 14,000 | N/A | N/A | N/A | N/A |

TABLE 1

**About 16 Million Children in Low-Income Families — More than 1 in 5 Children Under 17 Overall — Would Gain in First Year of Bipartisan Child Tax Credit Expansion**

Children under 17 currently left out of the full $2,000 Child Tax Credit who would benefit from proposed bipartisan Child Tax Credit expansion in the first year, by state, race, and ethnicity

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Virginia** | 298,000 | 61,000 | 100,000 | 106,000 | 9,000 | 3,000 | 20,000 |
| **Washington** | 273,000 | 111,000 | 104,000 | 17,000 | 11,000 | 15,000 | 19,000 |
| **West Virginia** | 87,000 | N/A | 73,000 | 6,000 | N/A | N/A | 5,000 |
| **Wisconsin** | 224,000 | 48,000 | 107,000 | 43,000 | 7,000 | 10,000 | 11,000 |
| **Wyoming** | 19,000 | 5,000 | 12,000 | N/A | N/A | 2,000 | N/A |

Notes: Children under 17 currently "left out" of the full $2,000 Child Tax Credit are those eligible for less than the full $2,000 per child under current law because their families lack earnings or have earnings that are too low. Estimates reflect a pre-pandemic economy and tax year 2023 tax rules. Figures are approximations based in part on Census Bureau data and may differ from those based solely on IRS data. Figures are rounded to the nearest 1,000. N/A indicates reliable data are not available due to small sample size. Figures may not sum to totals due to group overlap, lack of reliable data in certain cells, and/or rounding. Individuals are classified as Latino (any race); white only, not Latino; Black only, not Latino; Asian only, not Latino; American Indian or Alaska Native alone or in combination with other races, regardless of Latino ethnicity (AIAN); or another race or multiple races, not Latino. Latino includes all people of Hispanic, Latino, or Spanish origin regardless of race. AIAN estimates are particularly sensitive to definition; AIAN figures here include those who share another race or ethnicity. (A total of 1.5 million children under 17 are identified as AIAN alone or in combination with other races, regardless of Latino ethnicity. If we apply the non-overlapping categories this report uses for other groups, about 520,000 children under 17 are considered AIAN alone, not Latino; an estimated 168,000 of these children are currently left out of the full Child Tax Credit and benefit from the expansion.)

Source: CBPP analysis of 2015 IRS Statistics of Income Public Use File for national total, allocated by state and race or ethnicity based on CBPP analysis of the American Community Survey (ACS) for 2017-2019.

## Endnotes

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[1] CBPP analysis of IRS Public Use File (PUF) for 2015, adjusted for income growth. Note that larger numbers of parents report low (rather than $0) earnings in IRS data than in Census data. Consequently, IRS data show larger numbers of families and children benefiting from the proposed Child Tax Credit expansion for families with low or moderate earnings than do analyses of Census data. This paper uses IRS data, which are generally considered more complete than Census data, where possible. Poverty estimates are based on Census data and use the Supplemental Poverty Measure.

[2] These estimates are based on IRS data. Note that because gains are larger for families with more than one child, to understand how much children typically gain, we analyze family gains each child experiences and measure the distribution of gains across children rather than across families. Median and mean gains for families without "weighting" by children understates how much a typical child's family gains.

[3] At a cost of roughly $1.3 trillion over ten years, the 2017 law's steep cut in the corporate tax rate — to 21 percent from 35 percent — was the most expensive part of the law and heavily benefited high-income people.

[4] Chuck Marr and Samantha Jacoby, "Policymakers Should Focus on the True Cost of an Item on Corporate Lobby's Tax Break Wish List," CBPP, updated November 30, 2023, https://www.cbpp.org/blog/policymakers-should-focus-on-the-true-cost-of-an-item-on-corporate-lobbys-tax-break-wish-list.

[5] IRS News Release, "To protect taxpayers from scams, IRS orders immediate stop to new Employee Retention Credit processing amid surge of questionable claims, concerns from tax pros," September 14, 2023, https://www.irs.gov/newsroom/to-protect-taxpayers-from-scams-irs-orders-immediate-stop-to-new-employee-retention-credit-processing-amid-surge-of-questionable-claims-concerns-from-tax-pros

[6] The Tax Policy Center estimated that roughly 19 million children were left out of the full credit in 2022. Tax Policy Center table T22-0123, https://www.taxpolicycenter.org/model-estimates/children-and-other-dependents-receipt-child-tax-credit-and-other-dependent-tax.

[7] We estimate that about 15.9 million children currently left out of the full credit would benefit, using IRS PUF data for 2015.

[8] CBPP analysis of IRS data for numbers of children benefiting and Census Bureau's 2017-2019 American Community Survey for child populations and distribution by race and ethnicity.

[9] CBPP analysis of the Census Bureau's March 2019 and March 2023 Current Population Survey. In 2025 we project that the maximum credit and the refundability cap would both be $2,100 due to indexing and the effective elimination of the refundability cap in that year. We model the impact of the lookback provision on poverty in 2025 using Survey of Income and Program Participation data for 2014-2016.

[10] Kalee Burns and John Creamer, "Poverty Measure That Includes Government Assistance Increased to 12.4% in 2022, When Pandemic Relief Ended," U.S. Census Bureau, September 12, 2023, https://www.census.gov/library/stories/2023/09/supplemental-poverty-measure.html

[11] See, e.g., Andrew Barr, Jonathan Eggleston, and Alexander A. Smith, "Investing in Infants: The Lasting Effects of Cash Transfers to New Families," *Quarterly Journal of Economics*, Vol. 137, No. 4, April 20, 2022, https://doi.org/10.1093/qje/qjac023.

[12] Under current law families with different numbers of children are subject to the same phase-in rate, but families with more children are eligible for a higher maximum credit amount. As a result, the credit effectively phases in sequentially, one child at a time; for instance, the credit for a second child begins to phase in once the credit for the first child is fully phased in. Under a per-child phase-in, the credits for each child would phase in *simultaneously*, rather than one after the other.

[13] This lower maximum credit amount for families with low incomes (the "refundability cap") was created in the 2017 tax law and originally set at $1,400 per child in 2018. The cap is indexed to inflation and has since risen to $1,600 for tax year 2023; it will rise to $1,700 for tax year 2024.

[14] Children aged 16 years and younger are eligible for the Child Tax Credit. This figure reflects families with more than one child within this age range. CBPP analysis of the Census Bureau's March 2019 and March 2023 Current Population Survey.

[15] Families with more than one child whose credit amount would be *less* than the refundability cap under current law would see their credit double with two children or triple with three children. Families with more than one child whose credit under current law is impacted by the refundability cap (that is, if the cap were not in place their Child Tax Credit would be higher than what they actually receive) will see a credit increase that is somewhat less than double or triple their current law credit because of the interaction between the per-child phase-in and the refundability cap.

[16] The refundability cap is indexed under current law.

[17] Recent CBO inflation projections suggest that the refundability cap would be $1,700 in 2025 under current law. When the proposal is fully in effect in 2025, the refundability cap would match the maximum credit amount, which we estimate at $2,100 using CBO inflation projections.

[18] The lookback provision allows a household to use the prior year's earnings when calculating the Child Tax Credit. Some families' credit is based on both their earnings and their tax liability. If a family's tax liability is lower in the current year than in the prior year, their credit could, in theory, decline even with the lookback. This could happen for tax year 2024 because the refundability cap would still be in place, so a family that had been eligible for the full credit in tax year 2023 through a combination of their earnings and their tax liability might only be eligible up to the refundability cap with the lookback for tax year 2024. For tax year 2025, families whose 2024 income all comes from earnings are fully protected by the lookback, as are families with earnings and too little in unearned income in 2024 to generate tax liability.

[19] We calculate the indexed maximum credit in 2024 and 2025 using recent CBO inflation projections. With these assumptions and the indexing rule to round down to the nearest $100 we estimate that the maximum credit would be $2,000 in 2024 and $2,100 in 2025.

[20] Under the proposal, the refundability cap is also effectively eliminated in 2025 because it is set to equal the maximum credit amount; in addition to the projected increase in the maximum credit amount to $2,100, the effective elimination of the refundability cap would benefit families with low incomes who had previously been subject to that cap.

[21] Laura Weiss, "Tax writers search for year-end deal amid dwindling vehicles," *CQ*, November 14, 2023, https://plus.cq.com/doc/news-7880346%3F92%26searchId%3DgzJRmczW.

[22] We will soon release a piece detailing these flaws of the corporate tax rate cut in the 2017 tax law.

[23] Marr and Jacoby, *op. cit.*

[24] IRS, *op. cit.*