
Reported Proposal to Expand Child Tax Credit Would Lift as Many as 400,000 Children Above the Poverty Line

Statement of Sharon Parrott, CBPP President, on proposed Child Tax Credit expansion in reported tax agreement:

The bipartisan Child Tax Credit compromise proposal described in press reports would be an important step forward, though far smaller than the now-expired expansion enacted as part of the American Rescue Plan. The proposal would lift as many as 400,000 children above the poverty line and make an additional 3 million children less poor in its first year. The impact would be larger in 2025 when the changes are fully in effect.

Here's an example of how the proposal would work: a mother with two children who earns \$15,000 would receive a \$3,600 Child Tax Credit in 2023, up from \$1,875 under current law. While not the full \$2,000 per-child credit, an increase of \$1,725 could help put food on the table or pay for school clothes or diapers.

The proposal rightly prioritizes, within a package with a modest cost, getting more help to children who don't now get the full credit. The proposal would benefit about 80 percent of the 19 million children who now get a partial credit or none at all because their families' earnings are too low.

The proposal's largest policy change relates to how the credit phases in for families with more than one child. Today, low-income families often get a much smaller credit — or no credit — for a second child than for a first child. Under the proposal, all children (under age 17) in a family would receive their own same-sized credit — just like in higher-income families.

The Rescue Plan made the full credit available to low-income children regardless of their families' income. That change, even without a large increase in the maximum credit, would reduce poverty significantly more. But the bipartisan proposal moves meaningfully in the right direction.

The Child Tax Credit proposal is paired with corporate tax breaks that, unfortunately, were politically necessary to get a deal. It's worth remembering that corporations already receive very large tax breaks from the 2017 tax law. Corporations pay too little, not too much, in taxes. And two of the corporate provisions feature timing gimmicks that hide their true cost well beyond their temporary nature.

In a positive development, the tax package is offset by ending new claims for the Employee Retention Credit, a credit enacted as a pandemic relief measure for certain businesses that has faced concerns about

fraud and abuse in recent months. Republicans have often rejected calls to offset tax cuts, so it is a good sign that there is growing recognition of the importance of paying for them.

Bipartisan tax deals are hard to craft and rarely fully satisfy anyone. But the number of children in poverty spiked by 5 million in 2022 and starting to reverse this trend and drive down poverty among children is critical. Poverty shortchanges children's futures. Providing income support to children in low-income families improves their health and education outcomes, an investment that benefits the nation as a whole.

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