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Year-End Tax Policy Priority: Expand the Child Tax Credit for the 19 Million Children Who Receive Less Than the Full Credit

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The American Rescue Plan's expansion of the Child Tax Credit, which made the full credit available to children in families with the lowest incomes for the first time, succeeded in driving child poverty sharply downward in 2021, recent Census data showed. But that expansion has expired, once again leaving an estimated 19 million children in the lowest-income families — or more than 1 in 4 children under age 17 — ineligible for the full Child Tax Credit.

The Rescue Plan's temporary expansion of the credit — which made the full credit available to all children except those with the highest incomes, increased the maximum credit amount, and included 17-year-olds — produced historic results. The expanded credit in combination with other relief efforts drove the child poverty rate to a record low of 5.2 percent. Without the Child Tax Credit expansion (but with other pandemic relief measures in place), the child poverty rate would have been 8.1 percent.

The success of the 2021 expansion showed us that high child poverty rates are a policy choice, not an inevitability. In the congressional lame duck session, policymakers will have the opportunity once again to expand the Child Tax Credit, so that more families get help they need to afford the basics. Indeed, Congress will likely consider tax legislation during this time, as business interests are pressing for corporate tax breaks that would undo some of the modest business tax increases that were enacted as part of the 2017 tax cuts, which gave extremely large net tax cuts to corporations. Expanding the Child Tax Credit is more important than undoing a few provisions of the 2017 tax law that were used to offset some of the massive corporate tax cuts. At a minimum, policymakers should not enact any year-end corporate tax breaks without expanding the Child Tax Credit.

Policymakers should prioritize expanding the Child Tax Credit for children who receive a partial credit or none at all because their families' incomes are too low. These families face the greatest challenges in making ends meet and coping with recent high inflation.

The current Child Tax Credit has a major design flaw: millions of children are prevented from receiving the full credit because their families' incomes are too low. In total, an estimated 19 million children under age 17 receive less than the full $2,000-per-child credit or no credit at all because their families' earnings are too low or because the adults were out of work that year. For example, a single mom with two children, earning $15,000, receives less than *half* the credit amount of a similar family where a parent has a higher-paying job, while a family whose parent is unable to work in a year because, for example, they were laid off or an illness kept them from working receives no Child Tax Credit at all.

Making the full $2,000 credit available to these children would substantially lower poverty, reducing the number of children living in a family with income below the poverty line by roughly 16 percent — or about 1.7 million children — in 2022 relative to current law. By contrast, increasing the maximum credit amount without making the credit more available to the lowest-income children would do far less to lift children above the poverty line, and at a higher cost than making the credit fully refundable. To make the greatest impact on child poverty, any future expansion should prioritize expanding the credit to children in families with low incomes.

The estimated 19 million children under 17 who do not receive the full credit are disproportionately Black, Latino, and American Indian or Alaska Native (AIAN). Due to historical and ongoing racial discrimination, many people of color are overrepresented in low-paid work and face more limited economic opportunities. Roughly 45 percent of Black children, 39 percent of Latino children, 38 percent of AIAN children, 17 percent of white children, and 16 percent of Asian children currently cannot receive the full credit because their families' incomes are too low. Making the credit more available to these children would push back against these long-standing inequities and, by advancing family income security, help ensure that all children can thrive.

The Child Tax Credit is important to families in every part of the U.S. Roughly 1 in 3 children living in rural areas get less than the full credit or no credit at all. And among veteran and active-duty families, roughly 670,000 children get less than the full credit or no credit at all.

Making the full credit available to children in families with the lowest incomes should be the priority in year-end tax legislation because they stand to benefit the most from an expanded credit. Living in a family with income below the poverty line as a child is associated with lower levels of educational attainment, poorer health in adulthood, and lower earnings. But research also finds that providing families with low incomes additional income significantly improves children's long-term health and school performance, making it more likely they will finish high school and attend college and earn more as adults.

Without an expansion of the Child Tax Credit (and with the expiration of various other relief measures), child poverty is likely to return to about the same level as it was pre-pandemic — pushing millions of children back into poverty.

The stakes are high. Policymakers can expand the Child Tax Credit, or they can fail to act and see the Rescue Plan's historic gains against child poverty evaporate. During year-end deliberations, they should choose on a bipartisan basis to expand the Child Tax Credit for children in families with low incomes.

19 Million Children Receive Less Than the Full Child Tax Credit

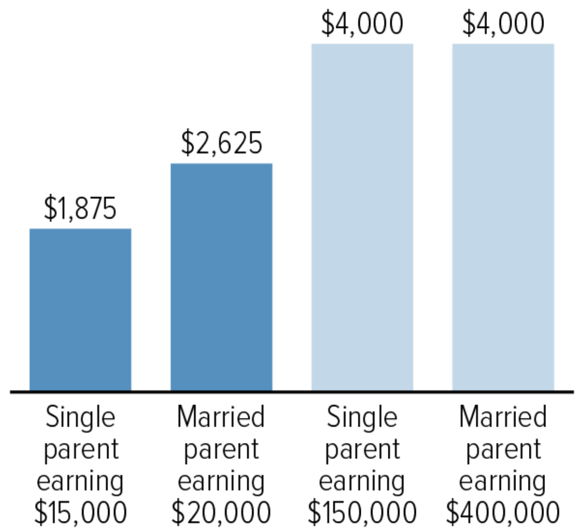
Under current law an estimated 19 million children under 17 receive less than the full credit or no credit at all because their families' incomes are too low.[1] This is because the credit phases in with earnings at 15 cents per dollar, for earnings above $2,500, and the refundable portion of the credit (the amount a family can receive if their credit exceeds their income tax liability) is capped at $1,500 per child. This slow phase-in rate results in the children whose families most need the credit receiving a smaller credit than children in families with higher incomes, or no credit at all. Furthermore, the credit phases in largely based on income, not the number of children a family has. So, a family with low income often receives the same total credit whether they have one, two, or more children, whereas families with higher incomes receive $2,000 per child.

For example, a single mother with a toddler and a second grader, who earns $15,000 as a home health aide helping older adults meet their basic needs, would receive a total of $1,875 in Child Tax Credit, less than what other families would receive for just one child. In contrast, a family with two children and earnings of $150,000 would receive the full $2,000 per child, or $4,000 in total. In fact, families with much higher incomes — including married couples with incomes of up to $400,000 — get the full credit for each child, while the lowest-income families are partially or completely shut out of the credit. (See Figure 1.)

FIGURE 1

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

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



Source: CBPP calculations

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Black, Latino,[2] and AIAN individuals contribute immensely to every aspect of our nation. But they continue to face racial and ethnic discrimination and other systemic barriers to

[1] The Tax Policy Center (TPC) has updated their estimate of the number of children under age 17 who receive less than the full credit or no credit at all because their families have low or no earnings in a given year from 27 million in 2018 to 18.7 million in 2022. CBPP attributes this change primarily to the decline in the real value of the credit between 2018 and 2022, as the $2,000 maximum credit amount is not indexed for inflation. Other factors include real income growth over this period and the increase in the refundability cap from $1,400 to $1,500 in 2022. In addition, the 27 million figure included children without Social Security numbers (SSNs), since they were eligible for the credit until tax year 2018; the 18.7 million figure excludes them as current law requires an SSN. Tax Policy Center, "T22-0123 - Distribution of Tax Units and Qualifying Children by Amount of Child Tax Credit (CTC), 2022," October 18, 2022, https://www.taxpolicycenter.org/model-estimates/children-and-other-dependents-receipt-child-tax-credit-and-other-dependent-tax; Robert Greenstein *et al*, "Improving the Child Tax Credit for Low-Income Families," US Partnership on Mobility from Poverty, April 2018, https://www.mobilitypartnership.org/improving-child-tax-credit-very-low-income-families.

[2] This report uses the term "Latino" to refer to people of any race who identify as Hispanic or Latino in Census surveys. This language does not necessarily reflect how everyone who is part of this community would describe themselves.

opportunity that together limit economic opportunities and result in them being overrepresented in low-paid work. Larger shares of Black, Latino, and AIAN children are left out of the full credit than children of other races and ethnicities. The 19 million children who get less than the full credit or no credit at all include, among children under 17, an estimated 45 percent of Black children, 39 percent of Latino children, 38 percent of AIAN children, 17 percent of white children, and 16 percent of Asian children.[3] That's 4.1 million Black children, 6.8 million Latino children, 5.9 million white children, 570,000 AIAN children, and 539,000 Asian children who are left out of the full credit. (See Appendix Table 1 for state-specific estimates by race/ethnicity.) Making the credit more available to children in families with lower incomes would push back against these long-standing inequities.

The credit's current structure also disproportionately disadvantages children who live in rural (that is, non-metropolitan) areas. An estimated 32 percent of children under 17 living in rural areas receive less than the full credit or no credit at all because their families' incomes are too low or because the adults were out of work this year, compared with a still sizable 26 percent living in metro areas, largely because pay is generally lower in rural areas.[4]

Rural communities are diverse,[5] and so are the children living in those communities who are currently left out of the full credit: about 56 percent are white, 15 percent are Black, 18 percent are Latino, 7 percent are AIAN, and less than 1 percent are Asian. For *each* of these groups, higher shares of *rural* children than *metro* children are left out of the full credit because their families' incomes are too low. For example, white children living in rural areas are more likely to be left out of the full credit than white children living in metro areas, just as Black, Latino, AIAN, and Asian children living in rural areas are more likely to be left out of the full credit than Black, Latino, AIAN, and Asian children living in metro areas.[6]

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[3] Most of the racial and ethnic categories used in this report are mutually exclusive and exhaustive. Individuals are classified as Black only, not Latino; Latino (any race); white only, not Latino; Asian only, not Latino; or American Indian or Alaska Native alone or in combination with other races, regardless of Latino ethnicity (AIAN). AIAN estimates are particularly sensitive to definition; AIAN figures in this report 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; 44 percent of these children are left out of the full Child Tax Credit.) Due to limitations of the Census data, figures in this report showing the number and share of children under 17 in each racial or ethnic group who do not receive the full credit do not reflect IRS rules that require children to have a Social Security number to qualify for the Child Tax Credit. This omission likely has little effect on most of the estimates shown here; the number and share of Latino children left out may be somewhat overstated. CBPP analysis of U.S. Census Bureau's 2017-2019 American Community Survey (ACS), using 2022 tax parameters and incomes adjusted for inflation to 2022 dollars, and Tax Policy Center.

[4] The federal government defines metropolitan areas in general as cities of 50,000 or more people (or larger, Census-defined urbanized areas of 75,000 or more people in New England or 100,000 or more people in other states), as well as surrounding counties that contain this central core or are connected to it by a high level of commuting. Connecting (often "suburban") counties must also have a certain population density and other required characteristics. All other counties are considered non-metropolitan. (See https://www2.census.gov/geo/pdfs/reference/GARM/Ch13GARM.pdf.) This report uses rural and non-metro interchangeably to refer to these counties.

[5] Roughly 30 percent of children under 17 living in rural areas are identified as Black, Latino, Asian, AIAN, Native Hawaiian or other Pacific Islander, or identify with more than one race.

[6] CBPP analysis of U.S. Census Bureau's 2017-2019 American Community Survey (ACS), using 2022 tax parameters and incomes adjusted for inflation to 2022 dollars, and Tax Policy Center.

Children in families with veteran or active-duty members are also among those left out of the full credit. An estimated 670,000 children in these families do not get the full credit because their families' incomes are too low.[7]

FIGURE 2

Child Tax Credit Expansion Would Provide Large Gains for Children and Society

- Lower neo-natal mortality
- Greater health and longevity for children and parents
- Higher future earnings of child beneficiaries
- Lower costs of protecting children from abuse & neglect
- Greater safety from reductions in crime
- Increased future tax payments by child beneficiaries
- Reduced expenditures on children's and parents' health care costs

Source: Irwin Garfinkel et al., "The Costs and Benefits of a Child Allowance," Center on Poverty and Social Policy at Columbia University, 2021

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Expanding the Credit to Families With the Lowest Incomes Would Not Meaningfully Reduce Employment and Would Advance Equity

As part of any year-end tax bill, Congress should prioritize expanding the Child Tax Credit — in particular for the 19 million children who stand to benefit most from such an investment because they currently receive a partial credit or none at all because their families' incomes are too low. Research links additional income, like money from the Child Tax Credit, to better outcomes for children in families with low incomes. The added income can significantly improve their long-term health and their school performance, making it more likely they will finish high school and attend college, as well as boost their earnings as adults.[8] (See Figure 2.)

Under current law a family's Child Tax Credit amount is tied to their earnings and income tax liability, which denies the full credit to children in households with the lowest incomes. This withholds help from the children who need it most, hurting their long-term health, educational, and economic outcomes while doing virtually nothing to boost parental employment:

- Most families who are denied the full credit work and would continue to do so under an expanded Child Tax Credit. In more than 95 percent of families who are left out of the full credit, the parent or other caretaker is working, worked in recent years, is ill or disabled or aged 65 or older, or has a child under age 2.[9]

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[7] CBPP analysis of U.S. Census Bureau's March 2019 Current Population Survey, using 2022 tax parameters and incomes adjusted for inflation to 2022 dollars.

[8] Irwin Garfinkel *et al.*, "The Costs and Benefits of a Child Allowance," Center on Poverty and Social Policy at Columbia University, *Poverty and Social Policy Brief,* Vol. 5, No. 1, February 18, 2021, https://static1.squarespace.com/static/5743308460b5e922a25a6dc7/t/602ec9c7ddddd01cd29430e1/1613679049611/Child-Allowance-CBA-brief-CPSP-2021.pdf; Andrew Barr, Jonathan Eggleston, and Alexander A. Smith, "Investing in Infants: the Lasting Effects of Cash Transfers to New Families," *Quarterly Journal of Economics*, April 20, 2022, https://doi.org/10.1093/qje/qjac023.

[9] Arloc Sherman *et al.*, "Earnings Requirement Would Undermine Child Tax Credit's Poverty-Reducing Impact While Doing Virtually Nothing to Boost Parents' Employment," CBPP, September 23, 2021,

- Most estimates suggest around 99 percent of working parents in the U.S. would continue to work under an expanded credit.[10]
- Evidence from abroad also suggests that giving the full credit to all children, including those whose families don't have earnings in a given year, won't affect adults' work participation to any large degree. For example, France, Canada, the United Kingdom, and Germany all had higher labor force participation rates than the U.S. before the pandemic, even though all have long had a child allowance.[11] A study of Canada's implementation of its recent child benefit expansion also found no detectable influence on employment for single mothers, the adults most likely to be affected.[12]

New research on the response to the fully refundable Child Tax Credit in 2021 bolsters earlier evidence and should ease concerns about the risk of substantial downside labor force participation risks. One University of Michigan study noted:

> We examined overall employment, full-time employment, part-time employment and general labor force participation and found no significant effects for any outcome… That we find no effects on employment in this population should provide some reassurance to policy makers who are concerned that individuals with very low incomes may leave the labor force, or reduce their labor supply as a result of the [Child Tax Credit].[13]

Similarly, Columbia University researchers recently concluded that "real-world data on employment during the [Child Tax Credit] expansion do not support claims that the elimination of the phase-in portion of the [credit] discouraged work among parents in any meaningful way."[14] A number of other analyses found no meaningful impact on employment as well.[15]

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https://www.cbpp.org/research/federal-tax/earnings-requirement-would-undermine-child-tax-credits-poverty-reducing-impact.

[10] Jacob Bastian, "Investigating the Effects of the 2021 Child Tax Credit Expansion on Poverty and Employment," February 14, 2022, https://drive.google.com/file/d/1H5iNZZO_YFRIDz-3Tip4C-BpnD85bUjH/view; and Jacob Goldin *et al.*, "Estimating the Net Fiscal Costs of a Child Tax Credit Expansion," NBER Working Paper No. 29342, October 2021, https://www.nber.org/papers/w29342. An outlier among these studies estimates that 97 percent of working parents would continue to work; see Kevin Corinth *et al.*, "The Anti-Poverty, Targeting, and Labor Supply Effects of the Proposed Child Tax Credit Expansion," NBER Working Paper No. 29366, October 6, 2021, https://bfi.uchicago.edu/wp-content/uploads/2021/10/BFI_WP_2021-115-1.pdf.

[11] Sherman *et al.*

[12] Michael Baker, Derek Messacar, and Mark Stabile, "The Effects of Child Tax Benefits on Poverty and Labor Supply: Evidence from the Canada Child Benefit and Universal Child Care Benefit," National Bureau of Economic Research Working Paper 28556, March 2021, https://www.nber.org/papers/w28556. Note that Canada's child benefit phases out at much lower income levels than the Child Tax Credit.

[13] Natasha Pilkauskas *et al.*, "The Effects of Income on the Economic Wellbeing of Families with Low Incomes: Evidence from the 2021 Expanded Child Tax Credit," NBER, October 2022, https://www.nber.org/system/files/working_papers/w30533/w30533.pdf.

[14] Elizabeth Ananat *et al.*, "Effects of the Expanded Child Tax Credit on Employment Outcomes: Evidence from Real-World Data from April to December 2021," NBER, March 2022, https://www.nber.org/system/files/working_papers/w29823/w29823.pdf.

[15] 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)," Brookings Institution,

Census Bureau data show that 2021 was a year of record growth in year-round employment as the economy recovered from the pandemic, and further analysis of those data shows this increase was as large for adults living with children as those not living with children. That is not the pattern one would expect to see if the Child Tax Credit were pushing large numbers of parents out of the workforce.[16]

Policymakers — especially proponents of earnings requirements — should also consider the current policy and economic climate, which highlights the inequity in restricting full participation in the Child Tax Credit to those with greater earnings. The Federal Reserve is aggressively raising interest rates to fight inflation. One possible consequence will be an increase in unemployment, in which people will lose their jobs through no fault of their own. *Any* increase in the unemployment rate will likely hit hardest among those groups that have historically faced the greatest labor market barriers, including Black and Latino people. Given our nation's history of racial discrimination, the unemployment rates for Black and Latino people are typically much higher than the overall unemployment rate, even during economic expansions.[17]

A parent who loses a job as a result of rising unemployment should not also lose some or all of their Child Tax Credit because their earnings fall too low to qualify for the full credit, which would further strain their ability to meet their children's basic needs.

Parents have earnings too low to qualify for the full credit for many reasons, including that they work in jobs that pay low wages and they have periods of joblessness due to a myriad of circumstances, including layoffs that happen in good and bad economic times alike, illness, and the need to care for a new child or sick family member. These families struggle to afford the basics, face significant hardships — including being unable to pay their rent and afford food — and their children face long-term negative consequences as a result.

The vast majority of parents who are denied the full credit work, but their earnings are low enough that they can only get a partial credit, and not the full $2,000-per-child credit that families with higher earnings get. In the example described above of the home health aide with two children, the family receives less than half of the maximum Child Tax Credit under current law. Even a parent working full time as a cashier at a wage of $10 per hour, earning $20,000 per year, would not earn enough to get the full credit for two children.

April 2022, https://www.brookings.edu/wp-content/uploads/2022/04/Child-Tax-Credit-Report-Final_Updated.pdf; and Michael Karpman *et al.*, "Child Tax Credit Recipients Experienced a Larger Decline in Food Insecurity and a Similar Change in Employment as Nonrecipients Between 2020 and 2021," Tax Policy Center, May 9, 2022, https://www.taxpolicycenter.org/publications/child-tax-credit-recipients-experienced-larger-decline-food-insecurity-and-similar.

[16] The number of full-time year-round workers aged 18-64 rose by more than 10 million in 2021, Census said — the most since at least the 1980s. Further CBPP analysis of the survey data also showed that the share of working-age adults working over 1,000 hours a year (e.g., 40 hours for more than 25 weeks; or over 20 hours for 50 weeks) rose to 67.6 percent from about 64.2 percent in 2020 — larger than any one-year increase on record. The increase in the share of working-age adults who worked full-time year-round was quite similar for those living in families with related children under 18, compared with those without children. (The increase was non-significantly larger for those with children.)

[17] Chad Stone, "Robust Unemployment Insurance, Other Relief Needed to Mitigate Racial and Ethnic Unemployment Disparities," CBPP, August 5, 2020, https://www.cbpp.org/research/economy/robust-unemployment-insurance-other-relief-needed-to-mitigate-racial-and-ethnic.

EITC Expansion Needed for Adults Not Raising Children at Home

Policymakers should also expand the Earned Income Tax Credit (EITC) for working adults not raising children at home. The Rescue Plan temporarily expanded the credit by raising the maximum credit amount from roughly $540 to about $1,500, expanding the age range to include adults aged 19-24 (excluding students under 24 who are attending school at least part time) as well as people aged 65 and over, and increasing the income limits for eligibility. These changes were long overdue as prior to the Rescue Plan the EITC for adults without children had not been changed (other than adjusting for inflation) since its creation in 1993. The Rescue Plan expansion expired at the end of 2021 along with the Child Tax Credit expansion.

The Rescue Plan expanded the credit for an estimated 17.4 million low-paid adults without children, including roughly 9.7 million white, 3.6 million Latino, 2.7 million Black, 816,000 Asian, and 365,000 AIAN working adults.[a] These adults work as cashiers, home health aides, child care workers, and in other roles crucial to people's daily lives. Roughly 11 million of those eligible to benefit were eligible for the credit for the first time.[b]

Those eligible to benefit from the Rescue Plan's expansions included nearly 6 million working adults aged 19 and older who aren't caring for children and who will again be taxed into, or deeper into, poverty under current law because their EITC will be zero or paltry. This group includes about 3 million white, 1.3 million Latino, and 1 million Black workers (but excludes full-time students under age 24), many of them young and trying to gain a toehold in the labor market.[c]

These working adults also include some non-custodial parents, many with financial and parenting obligations to their children. An expanded EITC would boost these parents' incomes and could provide additional support to their children.

a See footnote 3 for a description of racial and ethnic category definitions used in this report. The AIAN figure presented here reflects working adults without children who identify as AIAN alone or in combination with other races, regardless of Latino ethnicity. If we apply the non-overlapping categories used for other groups, about 140,000 working adults without children who identify as AIAN alone, not Latino were eligible for the expanded Rescue Plan credit. Chuck Marr *et al.*, "Congress Should Adopt American Families Plan's Permanent Expansions of Child Tax Credit and EITC, Make Additional Provisions Permanent," CBPP, May 24, 2021, https://www.cbpp.org/research/federal-tax/congress-should-adopt-american-families-plans-permanent-expansions-of-child.
b Chuck Marr, "Another Tax Day Message for Congress: Time to Expand EITC for Adults Without Children," CBPP, April 12, 2022, https://www.cbpp.org/blog/another-tax-day-message-for-congress-time-to-expand-eitc-for-adults-without-children.
c *Ibid*.

The Year-End Choice: Act or See Millions of Children Fall Back Into Poverty

Census Bureau data released in September illustrated what success looks like: the child poverty rate for 2021 fell to a record low of 5.2 percent.[18] Without the Rescue Plan's fully refundable and

[18] Kalee Burns, Liana Fox, and Danielle Wilson, "Child Poverty Fell to Record Low 5.2% in 2021," U.S. Census Bureau, September 13, 2022, https://www.census.gov/library/stories/2022/09/record-drop-in-child-poverty.html.

expanded Child Tax Credit (but with other pandemic relief measures in place), the child poverty rate would have stood at 8.1 percent. Policymakers prioritized investing in the futures of millions of children — and it worked. But the expanded credit expired at the end of 2021, and by one estimate, 3.7 million more children fell back into poverty in January of this year.[19]

Annual child poverty in 2022 is likely to return to levels closer to those before the pandemic — 13.7 percent in 2018[20] — because of the expiration of the Child Tax Credit expansion and other relief measures. If policymakers fail to expand the Child Tax Credit before year-end, the sharp rise in child poverty will persist.

Making the full $2,000-per-child credit available to the 19 million children under 17 who receive less than the full credit or no credit at all would substantially lower child poverty. It would reduce the number of children in families with incomes below the poverty line by roughly 16 percent — or about 1.7 million children — in 2022 relative to where it would be under current law.[21] This wouldn't restore all of the poverty-fighting power of the Rescue Plan's larger Child Tax Credit expansion, but it would reclaim a sizable share.

Increasing the maximum size of the credit, after making it fully available, would further reduce child poverty. But if policymakers increase the maximum credit amount to the Rescue Plan levels *without* making the credit fully available (or changing other current-law parameters), the number of children in families with incomes below the poverty line would fall by just 2 percent — or just 222,000 children — relative to current law, at more than twice the cost of making the $2,000 credit fully available.[22]

Pairing an increase in the maximum credit to Rescue Plan levels with more modest adjustments to make the credit more available to the lowest-income children — phasing in the credit from the first dollar of earnings and removing the $1,500 refundability cap — would lead to less than half the child poverty reduction and would cost substantially more than leaving the credit at $2,000 and making it fully refundable.[23]

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[19] Zachary Parolin, Sophie Collyer, and Megan A. Curran, "Absence of Monthly Child Tax Credit Leads to 3.7 Million More Children in Poverty in January 2022," Center on Poverty and Social Policy, February 17, 2022, https://www.povertycenter.columbia.edu/publication/monthly-poverty-january-2022.

[20] See Table B-2 in John Creamer *et al*, "Poverty in the United States: 2021," U.S. Census Bureau, September 13, 2022, https://www.census.gov/library/publications/2022/demo/p60-277.html. We use here the Supplemental Poverty Measure child poverty rate for 2018 published by Census because the pandemic made Census figures for 2019, collected in 2020, less reliable.

[21] CBPP analysis of U.S. Census Bureau's March 2019 Current Population Survey, reflecting a pre-pandemic economy, with incomes adjusted for inflation to 2022 dollars and applying 2022 tax rules. Poverty figures include children under 18 and use the Supplemental Poverty Measure, which counts more forms of income than the official poverty measure, among other differences.

[22] For poverty figures, CBPP analysis of U.S. Census Bureau's March 2019 Current Population Survey, using 2022 tax parameters and incomes adjusted for inflation to 2022 dollars. For cost estimate, CBPP calculations using Tax-Calculator release 3.2.1 and the 2011 IRS SOI Public Use File, with 2022 tax parameters.

[23] *Ibid.*

In any future expansion of the Child Tax Credit, the most important feature for ensuring a strong reduction in child poverty is to expand the credit for children in families with the lowest incomes. Full refundability does the most to reduce child poverty.

Why Cutting Child Poverty Is So Important

Poverty and the hardships that come with it — unstable housing, frequent moves, inadequate nutrition, and high levels of stress in the family — can take a heavy toll on children; they are associated with lower levels of educational attainment, poorer health in adulthood, and lower earnings in adulthood, a 2019 National Academies of Science, Engineering, and Medicine report on reducing child poverty found. "[T]he weight of the causal evidence indicates that income poverty itself causes negative child outcomes, especially when it begins in early childhood and/or persists throughout a large share of a child's life," the report concluded.[24]

Fortunately, research also finds that shoring up low-income families' incomes has positive long-term effects on children — that is, providing tax credits and other forms of assistance reduces those hardships and stressors and helps pave a path of more opportunity for children. That's good for those children and for the nation as a whole.

An expansion of the Child Tax Credit that focuses on the 19 million children who are shut out of the full credit because their families' incomes are too low would come at a modest cost. For example, making the current law $2,000 credit fully available to these children would cost roughly $12 billion per year in 2022, according to the Joint Tax Committee estimates.[25] Potential arguments that this will exacerbate inflation aren't credible; the amount is too small in the context of our $26 trillion economy to matter in the global fight to reduce inflation.

The stakes are very high. Policymakers can come together and expand the Child Tax Credit this year, or unnecessarily push more children back into poverty.

[24] National Academies of Sciences, Engineering, and Medicine. "A Roadmap to Reducing Child Poverty," 2019, https://nap.nationalacademies.org/catalog/25246/a-roadmap-to-reducing-child-poverty.

[25] Joint Committee on Taxation, "Estimated Budget Effects of the Revenue Provisions of Title XIII - Committee on Ways and Means, of H.R. 5376, The 'Build Back Better Act,'" JCX-46-21, November 19, 2021, https://www.jct.gov/publications/2021/jcx-46-21/.

APPENDIX TABLE 1

Estimated Children Under 17 Left Out of the Full $2,000 Child Tax Credit, by State and Race/Ethnicity

State	Total	Latino	White	Black	American Indian or Alaska Native	Asian	Another race or multiple races
Total U.S. (Of all children in race/ethnic group, percent left out)	18,662,000 (27%)	6,805,000 (39%)	5,927,000 (17%)	4,126,000 (45%)	570,000 (38%)	539,000 (16%)	863,000 (26%)
Alabama	349,000	41,000	130,000	161,000	4,000	2,000	13,000
Alaska	36,000	N/A	10,000	N/A	17,000	N/A	N/A
Arizona	471,000	278,000	100,000	28,000	61,000	5,000	13,000
Arkansas	223,000	37,000	108,000	62,000	5,000	N/A	10,000
California	2,362,000	1,662,000	298,000	159,000	65,000	143,000	77,000
Colorado	226,000	116,000	76,000	14,000	12,000	5,000	9,000
Connecticut	145,000	69,000	36,000	28,000	3,000	4,000	7,000
Delaware	48,000	12,000	14,000	19,000	N/A	N/A	N/A
District of Columbia	39,000	6,000	N/A	32,000	N/A	N/A	N/A
Florida	1,202,000	458,000	316,000	349,000	12,000	17,000	55,000
Georgia	723,000	159,000	176,000	339,000	13,000	14,000	32,000
Hawai'i	62,000	14,000	6,000	N/A	N/A	10,000	31,000
Idaho	98,000	29,000	61,000	N/A	6,000	N/A	N/A
Illinois	671,000	231,000	200,000	190,000	6,000	19,000	29,000
Indiana	385,000	66,000	210,000	75,000	3,000	8,000	25,000
Iowa	136,000	24,000	78,000	20,000	3,000	N/A	N/A
Kansas	152,000	45,000	73,000	16,000	5,000	3,000	11,000
Kentucky	296,000	25,000	207,000	40,000	2,000	4,000	18,000
Louisiana	391,000	31,000	117,000	220,000	6,000	4,000	14,000
Maine	49,000	N/A	41,000	N/A	3,000	N/A	N/A
Maryland	249,000	58,000	55,000	110,000	3,000	10,000	15,000
Massachusetts	251,000	103,000	84,000	34,000	4,000	13,000	14,000

APPENDIX TABLE 1

Estimated Children Under 17 Left Out of the Full $2,000 Child Tax Credit, by State and Race/Ethnicity

State	Total	Latino	White	Black	American Indian or Alaska Native	Asian	Another race or multiple races
Michigan	554,000	66,000	272,000	161,000	13,000	10,000	33,000
Minnesota	216,000	37,000	82,000	59,000	16,000	14,000	11,000
Mississippi	259,000	13,000	74,000	160,000	3,000	N/A	N/A
Missouri	345,000	31,000	203,000	79,000	7,000	3,000	23,000
Montana	53,000	N/A	33,000	N/A	15,000	N/A	N/A
Nebraska	89,000	29,000	40,000	9,000	4,000	N/A	N/A
Nevada	188,000	96,000	38,000	31,000	6,000	8,000	12,000
New Hampshire	39,000	N/A	30,000	N/A	N/A	N/A	N/A
New Jersey	389,000	177,000	94,000	87,000	3,000	15,000	15,000
New Mexico	168,000	114,000	22,000	N/A	35,000	N/A	N/A
New York	1,074,000	396,000	324,000	224,000	17,000	79,000	41,000
North Carolina	645,000	171,000	201,000	212,000	22,000	12,000	31,000
North Dakota	26,000	N/A	12,000	N/A	8,000	N/A	N/A
Ohio	678,000	64,000	360,000	181,000	10,000	8,000	58,000
Oklahoma	276,000	68,000	106,000	37,000	57,000	3,000	13,000
Oregon	192,000	64,000	98,000	8,000	10,000	5,000	10,000
Pennsylvania	627,000	144,000	281,000	143,000	10,000	18,000	35,000
Rhode Island	45,000	21,000	14,000	6,000	N/A	N/A	N/A
South Carolina	335,000	45,000	106,000	161,000	4,000	2,000	18,000
South Dakota	44,000	N/A	18,000	N/A	22,000	N/A	N/A
Tennessee	450,000	67,000	219,000	132,000	5,000	4,000	24,000
Texas	2,155,000	1,422,000	320,000	313,000	22,000	43,000	47,000
Utah	151,000	50,000	80,000	N/A	6,000	2,000	9,000
Vermont	20,000	N/A	18,000	N/A	N/A	N/A	N/A
Virginia	368,000	68,000	130,000	130,000	5,000	12,000	25,000

APPENDIX TABLE 1

Estimated Children Under 17 Left Out of the Full $2,000 Child Tax Credit, by State and Race/Ethnicity

State	Total	Latino	White	Black	American Indian or Alaska Native	Asian	Another race or multiple races
Washington	324,000	117,000	131,000	22,000	21,000	14,000	25,000
West Virginia	119,000	N/A	100,000	7,000	N/A	N/A	N/A
Wisconsin	248,000	52,000	112,000	54,000	11,000	7,000	N/A
Wyoming	22,000	5,000	14,000	N/A	2,000	N/A	N/A

Notes: 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. Percentages in the "Total U.S." row represent the share of all children under 17 in that race/ethnic group left out of the full $2,000 Child Tax Credit. Estimates reflect a pre-pandemic economy, using tax year 2022 tax rules and incomes adjusted for inflation to 2022 dollars. Children under 17 left out of the full $2,000 Child Tax Credit are eligible for less than the full $2,000 per child because their families lack earnings or have earnings that are too low. Individuals are classified as Latino (any race); white only, not Latino; Black only, not Latino; American Indian or Alaska Native alone or in combination with other races, regardless of Latino ethnicity (AIAN); Asian only, not Latino; or another race or multiple races, not Latino. 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 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 are considered AIAN alone, not Latino; an estimated 230,000 of these children are left out of the full Child Tax Credit.) Latino includes all people of Hispanic, Latino, or Spanish origin regardless of race. Due to limitations of the Census data, the figures by state and by race/ethnicity do not reflect IRS rules that require children to have a Social Security number to qualify for the Child Tax Credit. This omission likely has little effect on most of the estimates shown here; the Latino share of children left out may be somewhat overstated.

Source: Tax Policy Center national estimate allocated by state and by race or ethnicity based on CBPP analysis of American Community Survey (ACS) data for 2017-2019. Shares of children use an average of the 2017-2019 ACS population.

APPENDIX TABLE 2

Estimated Children Under 17 Left Out of the Full $2,000 Child Tax Credit, by State and Rural or Metro Residence

	Children in rural areas left out	Of children living in rural areas, percent left out	Of children living in metro areas, percent left out
Total U.S.	3,028,000	32%	26%
Alabama	95,000	40%	32%
Alaska	16,000	27%	17%
Arkansas	95,000	39%	30%
California	46,000	31%	28%
Colorado	32,000	23%	18%
Connecticut	5,000	15%	21%
Delaware	N/A	N/A	25%
District of Columbia	N/A	N/A	33%
Florida	53,000	38%	30%
Georgia	150,000	39%	29%
Hawai'i	18,000	31%	19%
Idaho	37,000	26%	22%
Illinois	78,000	27%	25%
Indiana	88,000	27%	26%
Iowa	57,000	21%	19%
Kansas	53,000	26%	22%
Kentucky	140,000	37%	28%
Louisiana	77,000	45%	36%
Maine	26,000	28%	16%
Michigan	96,000	28%	27%

APPENDIX TABLE 2

Estimated Children Under 17 Left Out of the Full $2,000 Child Tax Credit, by State and Rural or Metro Residence

	Children in rural areas left out	Of children living in rural areas, percent left out	Of children living in metro areas, percent left out
Minnesota	56,000	21%	17%
Mississippi	152,000	43%	34%
Missouri	109,000	34%	24%
Nebraska	32,000	21%	19%
Nevada	14,000	25%	29%
New Hampshire	17,000	20%	14%
New Jersey	N/A	N/A	21%
New Mexico	61,000	39%	36%
New York	75,000	30%	28%
North Carolina	165,000	37%	28%
North Dakota	15,000	17%	14%
Ohio	146,000	30%	27%
Oklahoma	98,000	34%	29%
Oregon	40,000	30%	22%
Pennsylvania	76,000	29%	25%
Rhode Island	N/A	N/A	24%
South Carolina	68,000	45%	30%
South Dakota	28,000	26%	16%
Tennessee	105,000	34%	31%
Texas	255,000	37%	30%
Vermont	15,000	22%	14%

APPENDIX TABLE 2

Estimated Children Under 17 Left Out of the Full $2,000 Child Tax Credit, by State and Rural or Metro Residence

	Children in rural areas left out	Of children living in rural areas, percent left out	Of children living in metro areas, percent left out
Virginia	63,000	33%	19%
Washington	44,000	30%	20%
West Virginia	50,000	39%	32%
Wisconsin	62,000	21%	21%
Wyoming	17,000	18%	16%

Note: Estimates exclude Arizona, Massachusetts, Maryland, Montana, and Utah due to lack of reliable data on metro/non-metro residence.

Source: CBPP estimates based on U.S. Census Bureau's 2017-2019 American Community Survey (ACS), using 2022 tax parameters and incomes adjusted for inflation to 2022 dollars, and Tax Policy Center. We started with a Tax Policy Center-based estimate of children left out and allocated it to states and metro/non-metro areas using the ACS (column 2); to estimate state-level metro/non-metro population (for calculating columns 3 and 4), we used an average of the 2017-2019 ACS population. For each of 982 local geographic areas identified in the Census files, we used data from the Missouri Census Data Center on whether the area was metropolitan, non-metropolitan, or a mix; and, if mixed, what share of the population was non-metro under the Office of Management and Budget's 2015 area definitions.