# Record Rise in Poverty Highlights Importance of Child Tax Credit;
# Health Coverage Marks a High Point Before Pandemic Safeguards Ended

*Statement of Sharon Parrott, CBPP President, on 2022 Census Poverty, Health, and Income Data:*

Today's stunning rise in poverty is the direct result of policy choices — including Congress's decision to allow the successful Child Tax Credit expansion to expire. Policymakers should expand the Child Tax Credit this year and reverse this troubling trend.

The number of people with incomes below the poverty line in 2022 rose a sobering 15.3 million, today's Census data show, reflecting the expiration of pandemic relief programs including the expanded Child Tax Credit. The poverty rate for children more than doubled from a historic low of 5.2 percent in 2021 to 12.4 percent in 2022, erasing all of the record gains made against child poverty over the previous two years. Progress made in 2021 in narrowing the glaring differences between the poverty rates of Black and Latino children compared to white children was largely reversed.

The rise in the poverty rate, the largest on record in over 50 years both overall and for children, underscores the critical role that policy choices play in the level of poverty and hardship in the country.

If Congress had continued the American Rescue Plan's Child Tax Credit increase in 2022, about 3 million additional children would have been kept out of poverty, preventing *more than half* of the 5.2 million increase in the number of children in poverty last year, CBPP analysis shows; the child poverty rate would have been about 8.4 percent rather than 12.4 percent. Even a more modest compromise expansion this year focused on children with low incomes could have a significant impact and partially reverse the stunning spike in child poverty the nation saw in 2022. Expanding the Child Tax Credit should be the top tax policy priority for lawmakers this year and during the 2025 tax debate.

Pre-tax cash incomes of lower-income households held roughly steady between 2021 and 2022, and the official poverty measure — which only considers pre-tax cash income and excludes resources from the Child Tax Credit, Earned Income Tax Credit, and the Supplemental Nutrition Assistance Program (SNAP) — was unchanged in 2022 as compared to 2021. This further demonstrates that the loss of pandemic-related assistance, including the expanded Child Tax Credit,

drove the increase in poverty under the more comprehensive Supplemental Poverty Measure, which considers tax credits and non-tax benefits.

Progress on health coverage was a much brighter spot in 2022. The share of people who lack health coverage matched its record low of 7.9 percent, thanks chiefly to pandemic-related Medicaid protections and the Rescue Plan's enhanced premium tax credits helping people afford coverage, along with expanded marketplace enrollment periods and increased outreach and enrollment assistance.

But some of that progress is now at risk, as Medicaid protections expire. State government data show that about 6 million people have already lost coverage, including many who have not been able to navigate the administrative hurdles required to keep Medicaid. To regain lost ground on coverage, we need to adopt long-term policies and processes that reduce Medicaid coverage disruptions, close the Medicaid coverage gap in states that have not implemented the Affordable Care Act's (ACA) Medicaid expansion, eliminate immigration-related barriers to affordable health coverage, and make the enhanced premium tax credits, now slated to expire after 2025, permanent.

## Record Rise in Child Poverty Highlights Congressional Failure to Raise Child Tax Credit

In 2022, 12.4 percent of people (40.9 million) lived below the poverty line ($34,500 for a two-adult, two-child family renting in an average-cost community), according to the Supplemental Poverty Measure (SPM), the more comprehensive of the government's two poverty measures. This was up 4.6 percentage points (from 7.8 percent) in 2021, the largest increase on record in federal SPM data that start in 2009 or in historical estimates back to 1967 that we calculate using data from Columbia University researchers. The number of children in families with incomes below the poverty line rose by 5.2 million, increasing the child poverty rate from 5.2 percent to 12.4 percent, marking the largest increase for children (7.2 percentage points) in the data back to 1967.

Poverty rates rose most in 2022 for those groups that had the highest likelihood of poverty before the pandemic, as old patterns returned. This included children (up 7.2 percentage points) and Black and Latino individuals (6.0 and 8.1 percentage points, respectively), reflecting racial and ethnic discrimination in the labor market and elsewhere as well as federal, state, and local governments' underinvestment in families, schools, and communities. The increases in poverty among Black and Latino children were especially large, with the Black child poverty rate rising from 8.3 percent to 18.3 percent, and Latino child poverty rising from 8.4 percent to 19.5 percent.

One of the largest causes of this year's jump in children's poverty was the expiration of the 2021 Child Tax Credit expansion. Renewing this 2021 credit would have kept about 3 million children above the poverty line in 2022 — including 975,000 white children, 603,000 Black children, 988,000 Latino children, and 57,000 Asian children — avoiding *more than half* of the actual jump in the child poverty rate, we calculate using data Census released today.

The 2021 expansion temporarily fixed a flaw in the tax code that bars families with low incomes from receiving the full Child Tax Credit while allowing a married couple making up to $400,000 to receive the full amount. For many families who have experienced discrimination, inadequate schooling, a layoff, or poor health, and for families whose parents work in low-paid jobs like child care or home health care, the design of the Child Tax Credit compounds the inequities they face and

does less than it should to help them make ends meet. Since the expiration of the Child Tax Credit expansion at the end of 2021, the credit has reverted to a maximum of $2,000 per child and no longer is fully available to all low-income children. Some 19 million children live in families whose incomes are too low to qualify for the full credit. This includes nearly half (46 percent) of Black children, 1 in 3 Latino and American Indian and Alaska Native children, about 1 in 6 white and 1 in 7 Asian children, and 1 in 3 children in rural counties.

If the full Rescue Plan Child Tax Credit had remained in effect in 2022, the child poverty rate would have stood at about 8.4 percent, substantially below the 12.4 percent child poverty rate announced today. Children across racial and ethnic groups would have had significantly lower poverty rates, and the large differences in child poverty rates between Black and white and Latino and white children would have narrowed. But more modest reforms would also reduce poverty substantially. Just giving low-income children access to the full $2,000 credit (without lifting the credit maximum as the 2021 expansion did) would have kept 1.3 million children above the poverty line in 2022, we estimate using today's Census data.

Another major factor in the increase in poverty in 2022 was the expiration of pandemic stimulus payments, known as Economic Impact Payments, which were meant to be temporary. The Rescue Plan's stimulus payments provided $1,400 per person and kept a similar number of children above the poverty line in 2021 as the Child Tax Credit expansion.

Policy choices that reduce poverty — or allow poverty to surge — matter. When low-income families receive more income assistance, babies are more likely to be born at healthy birthweights, elementary school reading and math scores tend to rise, and children grow up with higher earnings and better health outcomes.

Expanding the Child Tax Credit should be the top tax policy priority both this year and during the 2025 tax debate. President Biden has made clear that expanding the Child Tax Credit to reduce child poverty is a top priority; and there have been encouraging signs of bipartisan interest in reaching a compromise on an expansion this year.

Policymakers should also use other tools for advancing economic security, such as restoring the Rescue Plan improvements in the Earned Income Tax Credit for workers without minor children at home, modernizing unemployment insurance so workers have dependable access to adequate assistance when they are laid off, and both strengthening SNAP, the nation's most important food assistance program, and rejecting harmful proposals that would cut it.

The poverty figures above use the SPM, the poverty measure most analysts favor because it is more comprehensive. In a striking contrast, poverty remained flat under the official poverty measure, Census' older poverty measure that counts cash but not taxes or non-cash benefits, and therefore does not capture the income losses families incurred from the expiration of Economic Impact payments and the Child Tax Credit. The fact that cash-only poverty held steady, but the more complete SPM poverty measure rose, further underscores the role of falling government assistance in pushing SPM poverty higher.

Data from the Bureau of Labor Statistics show that the economy added 4.8 million jobs over the course of 2022 as the country continued to recover from the pandemic. Even with strong job growth, the income data released today were disappointing. While more people were working and

nominal wages rose, high inflation in 2022 eroded those gains for many, causing median income to fall by 2.3 percent after inflation as compared to 2021. Average incomes of the 20 percent of households with the lowest incomes held steady, reflecting strong job gains that offset inflation for many, as well as wages that largely kept pace with inflation for low-paid workers. For 2023, Bureau of Labor Statistics data show that average weekly earnings grew more than inflation from July 2022 to July 2023 with gains for non-management workers exceeding those for all workers. Real average hourly earnings this year have exceeded pre-pandemic levels.

## Record Low Uninsured Rate Predates Expiring Coverage Protections, Highlights Needed Policies

The share of people who lacked health insurance in 2022 fell to 7.9 percent, down from 8.3 percent in 2021 and matching the record low rate achieved in comparable Census estimates for 2017 and 2016. This historic achievement is due chiefly to recent government policies and coverage protections, and is broadly consistent with the record low uninsured rate indicated in preliminary data from the National Health Interview Survey, released in August. It is very likely that the American Community Survey, set for release on Thursday and the largest of the three surveys, will also show a record low.

The declines in the uninsured rate were particularly steep among Latino and Black adults under age 65, who historically have higher uninsured rates due to factors such as labor market discrimination that makes Latino and Black people less likely to have jobs that provide employer coverage. For Latino people aged 19-64, the uninsured rate dropped from 25.1 percent in 2021 to 23.4 percent in 2022. The uninsured rate for Black people aged 19-64 fell from 12.7 percent to 11.4 percent. The change in the uninsured rate for Asian people was not statistically significant, and the rate for white people fell from 7.5 to 6.8 percent.

The coverage achievements in 2022 are mostly due to the Medicaid continuous coverage protection, which barred states from disenrolling people from Medicaid from March 2020 through March 2023, and the Rescue Plan's enhanced ACA marketplace premium tax credits, along with expanded marketplace enrollment periods and increased outreach and enrollment assistance. Administrative data show that both ACA marketplace and Medicaid enrollment in 2022 far surpassed their previous record highs.

But the continuous coverage protection has now ended, and as of April 1, 2023, states began redetermining eligibility for their Medicaid enrollees. In this "unwinding" process, about 6 million people have lost Medicaid coverage and millions more are expected to follow well into 2024 (but projections are uncertain). Some states have reported long call center wait times and faulty systems and processes that have contributed to high numbers of people being disenrolled despite continuing to meet eligibility requirements. Many people who are no longer eligible for Medicaid and lose coverage during unwinding likely have affordable coverage options through either the marketplace or an employer, but they may need assistance connecting to this coverage or risk becoming uninsured.

States must fix their systems and processes to minimize coverage loss during the unwinding. And while continuous coverage was a pandemic-era protection, policymakers must use its lessons to strengthen people's access to Medicaid and other affordable insurance options going forward. The continuous coverage protection virtually eliminated churn in Medicaid, which occurs when eligible

people lose coverage at renewal and have to reapply, often leading to harmful gaps in coverage. We need policy and process changes that transform our system to one that is far simpler and more streamlined. For example, states can reduce churn by renewing people's Medicaid coverage using data they already have on hand and improving communication with enrollees. States also can seek federal approval — or Congress could authorize states — to implement continuous eligibility periods for children up to age 6 or one-year continuous eligibility for adults.

Policymakers should also make the enhanced marketplace premium tax credits permanent. These improvements made marketplace coverage far more affordable and accessible for the vast majority of enrollees. They helped fuel a marketplace enrollment increase from 11.2 million in February 2021, pre-enactment, to a record 15.7 million people in February 2023. The enhancements are set to expire after 2025, and Congress must extend them to prevent spikes in people's premium costs and sharp declines in enrollment.

Finally, policymakers should eliminate immigration-related barriers to affordable health coverage and also close the Medicaid coverage gap to provide a pathway to coverage for people with incomes below the poverty level in the states that still refuse to enact the ACA Medicaid expansion.

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