



The Child Tax Credit Must Be Expanded to Fight Rising Child Poverty

The COVID-19 pandemic has laid bare the consequences of allowing so many children and families in America to live in poverty. Even before coronavirus arrived in the U.S., 11.9 million children, including 7.5 million Black and Latino children, were growing up in poverty. Now [millions more could fall into poverty](#) due to the pandemic. [Four in ten adults have reported lost jobs, work hours or wages](#) since the COVID crisis began.

Our nation is more stable, more secure, and more prosperous when all children and families can meet their basic needs. Expanding and increasing the Child Tax Credit and creating a new Young Child Tax Credit will help reduce rapidly rising child poverty, provide meaningful assistance for working families, and help stabilize the economy during and beyond this pandemic.

[MacKenzie Nicholson](#) of Nottingham, NH has relied on the Child Tax Credit to care for her 6-year-old and 2-year-old children. With MacKenzie and her husband working full-time, childcare has been a major expense, leaving little left for housing, student loans, or any emergency savings. “We still receive the CTC every year, and it’s a huge help for us. Right now we’re using it to pay down debt,” she said, “The CTC also helped us pay off our medical bill from our daughter’s C-section. She was born two years ago, and we just finished paying it off.”

An increased CTC “could definitely help us get ahead on our bills so we could help build savings, pay off student loan debt, and prepare for our future,” MacKenzie said.

The Child Tax Credit reduces poverty for children and families—but too many are left behind.

The Child Tax Credit (CTC), enacted in 1997 and updated several times since, helps families cover the costs of raising children by providing a tax credit of up to \$2,000 per child under the age of 17 and up to \$500 for other dependents. The CTC is not only one of the largest federal expenditures for children, but also a powerful poverty reduction program. In 2018, [the Child Tax Credit lifted 2.3 million children out of poverty entirely and reduced poverty for 5.8 million more](#). However, many children and families in need miss out on these effects due to unjust rules built into the current CTC.

In 2017, through the [Tax Cuts and Jobs Act](#), Congress increased the maximum credit up to \$2,000, but left out many children and families. In total, [26 million](#)

[low-and moderate-income families were left out of the \\$1,000 increase](#), while families earning up to \$400,000 per year are still eligible for the full \$2,000 CTC. In other words, a program meant to benefit children leaves out our nation’s lowest-income families while benefiting wealthier families much more. [On average, low-income families receive \\$1,700 less from the CTC than middle-income families](#).

Under current law, **the lowest income families do not qualify for the full CTC because they make too little**. Families earning less than [\\$2,500 are ineligible for the CTC](#) and those earning between \$2,500 and \$30,000 are eligible for only partial credits due to the flawed phase-in rate. In addition, many low-income families are subjected to a harsh [cap on the refundable portion of the credit at \\$1,400](#), **which means that if the value of the credit exceeds a family’s tax liability, the family receives a check for the difference rather than the full credit**.

Despite working five jobs, [Ciera Dismuke](#) of Monroe, LA made only \$15,000 last year. With two children and a third on the way, the 2017 increase to the maximum Child Tax Credit could have made healthy meals and childcare more accessible for Ciera and her children. However, like millions of parents, Ciera earned too little to qualify for the full tax credit.

Due to these shortcomings in the current law, more than **one-third of American children—23 million in total**—miss out on the full value of the CTC, primarily because their families do not make enough money to qualify. Children of color are more likely to miss out on the full benefit; more than **50 percent of Black and Hispanic children are ineligible for the full CTC, compared with only 23 percent of white children.**

Shamefully, almost one in five Black children receives nothing at all through the CTC.

With low-income families and families of color disproportionately impacted by the COVID-19 crisis, **Congress must quickly correct these flaws and ensure that these families receive the full value of the credit.**

Fixing the Child Tax Credit will help families during the current economic downturn and beyond.

With the country poised to enter a prolonged period of economic insecurity, Congress has an opportunity to unleash the full potential of the CTC to lift more families out of poverty. At the height of the Great Recession in 2009, Congress provided relief to families with children by expanding the refundable portion of the [CTC in the American Recovery and Reinvestment Act \(AARA\)](#). So far, Congress has not included improvements to the CTC in its COVID-19 relief packages. In March, House Democrats released the [Take Responsibility for Workers and Families Act](#), which included a proposal to raise the value of the credit from \$2,000 to \$3,000 per child, increase the credit to \$3,600 for young children under six, and make it fully refundable through 2025. **These proposals and more should be included in the next COVID legislative package.**

Congress must expand the Child Tax Credit to protect children from the impacts of this crisis.

[As unemployment continues to rise](#) and our economy crumbles, expanding and increasing the CTC is more important than ever. An expanded CTC will reduce child poverty and racial disparities and bolster our economy during this crisis and beyond. Any COVID

relief package from Congress must include the following changes to the Child Tax Credit and make them permanent:

- **Turn the CTC into a child allowance by making the credit fully refundable; eligibility would no longer be tied to earnings so all families with children would qualify;**
- **Increase the value of the credit up to at least \$3,000 for all children with an additional young child tax credit of up to \$3,600 for children under six;**
- **Eliminate the refundability cap of \$1,400;**
- **Eliminate the requirement that children have a Social Security Number (SSN) to qualify;**
- **Allow advanced monthly payments for all children and families; and**
- **Index the credit to inflation and include a lookback provision during economic downturns.**

Beyond this pandemic, children living in poverty need long-term solutions.

An expanded CTC, as outlined in the [American Family Act](#), will significantly help fight child poverty, reduce inequality, and provide a much-needed boost to the economy. When families have more money in their pockets, they can afford to meet their basic needs and help our economy bounce back.

Congress and the administration have not yet done enough to help low-income families, especially families of color, through this economic crisis. The [CTC is overwhelmingly successful at reducing child poverty](#). But a temporary expansion of the CTC will not suffice when it is clear who is bearing the brunt of this crisis: low-income children and families. This pandemic shows that we must put our children first, and expanding the CTC is an important step forward to protect the most vulnerable.