



Addressing Child Poverty through an Expanded Child Tax Credit

BY ANDREW STETTNER

Growing up in poverty, especially in an advanced economy like ours, is a significant tragedy. No child should have to go without the necessities of sufficient shelter, nourishment, and opportunity to make a meaningful life for themselves. For this reason our country, in particular since the 1960s, has fought mightily to eliminate child poverty once and for all, instituting programs like the Earned Income Tax Credit, Children's Health Insurance, food stamps, and Head Start—lifting millions of kids out of destitution along the way.¹ Yet many of those measures have either halted or eroded, and child poverty remains far from over. With children more vulnerable to poverty than any other group of Americans, and U.S. child poverty worse than all but four of thirty-seven major industrialized nations, the time is certainly now for action on child poverty.²

Leading poverty researchers have coalesced around the key missing link in the U.S. anti-poverty strategy: a modest \$2,500 to \$3,000 per year, per child cash allowance to families raising children.³ Such child allowances are a central part of poverty fighting strategies across the world, and a child allowance was a major part of the child poverty campaign in Britain that cut child poverty by half in ten years.⁴ The closest thing in the United States to a child allowance is the Child Tax Credit. Here's how it works: tax filers are eligible for up to \$2,000 per child, and the credit is partially refundable, meaning that even workers who do not owe any taxes to the federal government can receive funds back from the government. TCF's research has found that the child tax credit alone lifts 1.7 million children out of poverty, and contributes to better health and school performance.⁵

A Child Tax Credit is in place, but it doesn't do enough for low-income families. For example, families need to earn \$2,500 per year to get any help from the Child Tax Credit, and then only get 15 cents for each additional dollar they earn. As a result, the credit pays little to the very poorest families and has little impact on deep poverty (families earning less than half the poverty rate).⁶ Despite much fanfare about the child tax credit, this past winter's tax bill did little to improve the situation. While the nonrefundable credit was doubled to \$2,000 per child, only \$400 of that increase applied to the refundable credit and families still get none of the credit for their first \$2,500 in earnings. As a result, 27 million kids are part of families that won't get the full child tax credit increase,⁷ and the tax bill completely eliminated access to the child tax credit among 1 million immigrant children whose working parents lack a social security number.⁸

Congress is uniquely positioned to change this policy, and there already exists bipartisan support to do so.⁹ From the left, Senators Michael Bennet and Sherrod Brown have proposed to more than triple the size of the tax credit, increase the benefit awarded, and make the credit fully refundable.¹⁰ Their bill embodies the research-based child allowance proposed by The Century Foundation and other leading policy researchers, and would bring the United States in line with Canada, the United Kingdom, Australia, and other leading nations. It is estimated that this bill would cut child poverty in half and eliminate extreme poverty (children in families surviving on less than \$1 cash per day). On the right, Senators Marco Rubio and Mike Lee had proposed to improve on the existing CTC by making it partially refundable at

the first dollar of earnings but all of their ideas did not make into the final tax bill; conservative thinkers at the Institute of Family Studies, the Family Research Council, and others have argued that a more robust child credit would encourage marriage and family formation.¹¹ As Congress considers whether to modify or extend tax cuts enacted in the Tax Cuts and Jobs Act, a top priority should be to bring the child tax credit up to the level proposed by Bennett and Brown (and Rep. Rosa Delauro and many House co-sponsors). At the very least, Congress should increase the refundable child tax credit from \$1,400 to \$2,000, in line with the non-refundable credit and allow workers to start earning that credit on their first day of work.¹²

Notes

1 Michael McCormack, "Highlights from the "Building on the Child Tax Credit to Help All Children Thrive" Event," The Century Foundation, July 18, 2016, <https://tcf.org/content/commentary/highlights-building-child-tax-credit-help-children-thrive-event/>.

2 Julie Kashen, Halley Potter, and Andrew Stettner, "Quality Jobs, Quality Child Care: The case for a well-paid, diverse early education workforce," The Century Foundation, June 13, 2016, <https://tcf.org/content/report/quality-jobs-quality-child-care/>.

3 H. Luke Shaefer et al., "A Universal Child Allowance: A Plan to Reduce Poverty and

Income Instability Among Children in the United States," *Russell Sage Foundation Journal of the Social Sciences* 4, no. 2 (February 2018), <https://www.rsfjournal.org/doi/abs/10.7758/RSF.2018.4.2.02>.

4 Dylan Matthews, "Child poverty in the US is a disgrace: Experts are embracing this simple plan to cut it," *Vox*, April 27, 2017, <https://www.vox.com/policy-and-politics/2017/4/27/15388696/child-benefit-universal-cash-tax-credit-allowance>.

5 Julie Kashen, Halley Potter, and Andrew Stettner, "Quality Jobs, Quality Child Care: The Case for a Well-paid, Diverse Early Education Workforce," The Century Foundation, June 13, 2016, <https://tcf.org/content/report/quality-jobs-quality-child-care/>.

6 *Ibid.*

7 Robert Greenstein, Elain Maag Chye-Ching Huang, Emily Horton, and Chloe Cho, "Improving the Child Tax Credit for Very Low-Income Families," Center on Budget and Policy Priorities, April 5, 2018, <https://www.cbpp.org/research/federal-tax/improving-the-child-tax-credit-for-very-low-income-families>.

8 Jacob Leibenluft, "Tax Bill Ends Child Tax Credit for About 1 Million Children," Center on Budget and Policy Priorities, December 18, 2017, <https://www.cbpp.org/blog/tax-bill-ends-child-tax-credit-for-about-1-million-children>.

9 Andrew Stettner, "The Kids Say: Tax Reform Is Missing the Boat," The Century Foundation, November 3, 2017, <https://tcf.org/content/commentary/kids-say-tax-reform-missing-boat/>.

10 *Ibid.*

11 *Ibid.*

12 Robert Greenstein, Elain Maag Chye-Ching Huang, Emily Horton, and Chloe Cho, "Improving the Child Tax Credit for Very Low-Income Families," Center on Budget and Policy Priorities, April 5, 2018, <https://www.cbpp.org/research/federal-tax/improving-the-child-tax-credit-for-very-low-income-families>.