



Getty / Mike Kemp

# The Expanded Child Tax Credit is Helping Families, But National Survey Shows Continued Outreach Remains Essential

April 2022



## Introduction

The expanded Child Tax Credit (CTC) provided monthly payments to nearly 9 in 10 children in the United States, and it dramatically reduced child poverty in 2021.<sup>1,2</sup> According to an October survey of over 1,000 parents with children, the monthly CTC payments reached a wide majority of families and improved family wellbeing. Parents reported spending their CTC payments on necessities like food, rent, and clothing. At the same time, some parents surveyed reported that they were not receiving the payments, did not understand why, and struggled to use the tool available for “non-filers” to access the credit. For the CTC to have its full impact, lawmakers, government agencies, and community organizations must do more to ensure that all eligible families are able to access it.

U.S. child poverty rates were high long before the COVID-19 pandemic, disproportionately impacting Black and Latinx children. This phenomenon is due to numerous systemic factors, including the generational racial wealth gap; discriminatory policies in housing, health care, and access to higher education; hiring discrimination in employment; and wage gaps and other factors. The public health crisis magnified existing disparities, hitting Black and Latinx individuals and families especially hard.<sup>3,4</sup> Child poverty for Black and Latinx children increased at higher rates than that of white and Asian American children.<sup>5</sup>

Many lawmakers and scholars have proposed a child allowance to financially support children and caregivers and reduce child poverty. In 2021, the American Rescue Plan Act of 2021 (ARP) temporarily provided many families with a monthly cash benefit per child through the expanded CTC.

Under the ARP, lawmakers temporarily increased the CTC to \$3,600 per child ages 0 through 5, and to \$3,000 for children ages 6 through 17. The ARP also made half of the CTC amount available to families as advance monthly payments from July through December 2021, rather than a lump sum paid as a tax refund after filing a tax return. Those payments were a maximum of \$300 per month per child ages 0 through 5, and \$250 per month for children ages 6 through 17.

The ARP also made the CTC temporarily available to families with little to no income. This provision especially benefitted children of color, who were more likely to be denied the full CTC benefit under prior law due to not having enough income to owe federal income taxes or to receive the full CTC benefit.<sup>6</sup> These CTC expansions apply only for tax year 2021. Despite its temporary nature, the program had dramatic impacts on improving a family’s ability to afford necessities, in reducing hunger and decreasing financial stress among parents.

Our nationally representative survey of CTC-eligible parents evaluated the reach and impact of the CTC. The survey was designed and distributed in consultation with colleagues at the Children’s Defense Fund, the Center for the Study of Social Policy (CSSP), the Center for Law and Social Policy (CLASP), ideas42, the National Women’s Law Center (NWLC), Prosperity Now, the Urban Institute-Brookings Institution Tax Policy Center, and UnidosUS. Those organizations

collaborated with Ipsos, an international polling firm, and researchers at the University of California, Berkeley who provided technical guidance in formatting and analyzing the survey. The online survey was conducted in the second and third weeks of October 2021, after the IRS had distributed up to three months of advanced monthly CTC payments to families.<sup>7</sup>

This October survey builds on the previous research conducted by the team through a similar survey in July 2021, prior to the distribution of the advance monthly payments. The July survey asked about respondents' awareness of the upcoming CTC payments, their prior tax filing behavior, and how parents planned on spending their CTC payments.<sup>8</sup>

This October national survey reached 1,012 families earning under \$75,000 yearly and with children under 18 years old living in the household. Survey respondents were weighted statistically to yield nationally representative results. The topline averages reflect a margin of error equaling 2 to 3.5 percentage points. The October national survey did not include respondents from Puerto Rico or other U.S. territories due to their ineligibility for the advance CTC payments. Upcoming CTC research will include Puerto Rican families.

The October survey aimed to gauge awareness of the monthly CTC payments and the reach of the payments, and to measure how the payments were impacting family wellbeing. We also gauged the variation in access to the CTC among demographic groups and its impacts on family wellbeing depending on the family's race, income, and educational attainment.

An earlier report documented the initial findings from our October 2021 CTC survey.<sup>9</sup> In this report, we provide additional findings from that survey, along with detailed analyses for subgroups, including race, income, and educational attainment.

Berkeley researchers conducted follow-up, in-depth phone interviews with consenting survey respondents about their awareness of the CTC and how their CTC payments have impacted their lives. We illustrate this impact on families with quotes gained from these follow-up phone interviews throughout this report.

The key survey findings include:

- The CTC monthly payments reached a wide majority of eligible parents.
- The monthly CTC payments improved reported wellbeing for parents.
- Families – including Black, Hispanic,\* and white respondents – are spending their monthly CTC payments on necessities like food, rent, and clothing.
- The most common reasons respondents reported for not receiving the monthly CTC were confusion or opting for a lump-sum CTC refund at tax time.
- Very few families accessed the IRS non-filer portal, and those who utilized the tool often reported confusion when using it.

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\* We are using the phrase "Hispanic" when referring to the survey respondents because this is the label that the Ipsos polling firm uses to classify this demographic of respondents.

- Hispanic families, households with the lowest incomes, and eligible taxpayers with lower educational attainment have higher barriers to claim the expanded CTC compared to their counterparts.
- Other tax credits – like the Economic Impact Payments, the Earned Income Tax Credit (EITC), and the Child and Dependent Care Tax Credit (CDCTC) – are also being claimed at high rates by families with children.

These findings demonstrate the importance of the expanded CTC for families with children. Without the expanded monthly payments, parents will lack critical financial support that helped them afford essential bills, food, and rent. This means that children and families will have a harder time meeting their ongoing basic needs. Caregivers will face increased financial stress, some parents will face problems keeping child care and other barriers to holding down a job, and children will have fewer books, toys, and enrichment activities because of the CTC expansions expiring. Simply put, families are better off with this investment.

Filing a 2021 tax return, which families were able to do as early as January 24, 2022, offers the opportunity for families that received the advanced payments to receive the rest of the CTC they are eligible for. It also provides an opportunity for eligible families that have not received the advanced credit to get the entire CTC. In many cases, these will be the families with the lowest income.<sup>10</sup> Families with children in Puerto Rico will have to claim their full CTC when they file a 2021 tax return. In the case of other eligible territories, families might have to contact their local U.S. territory tax agency.<sup>11</sup>

***“It certainly helps to get [the CTC]. It would be a mistake to cut it. I know several people who really rely on it.”***

*– Rick, Father of 6-year-old and 2-week-old infant in West Virginia*

## The CTC is Reaching the Majority of Parents

One of the biggest concerns of implementing the CTC expansions in 2021 was ensuring all eligible parents knew about the program and received the monthly payments. This was especially pertinent for parents with the lowest incomes, who were newly eligible for the full credit in 2021, though may not have benefitted from it or been required to file tax returns in the past. Because the credit was made temporarily fully refundable in 2021, even families with the very lowest incomes could receive the full credit.

Some families with very low income who had not filed a tax return in either 2019 or 2020 received the advanced CTC payments automatically because they had used a non-filer portal to access the



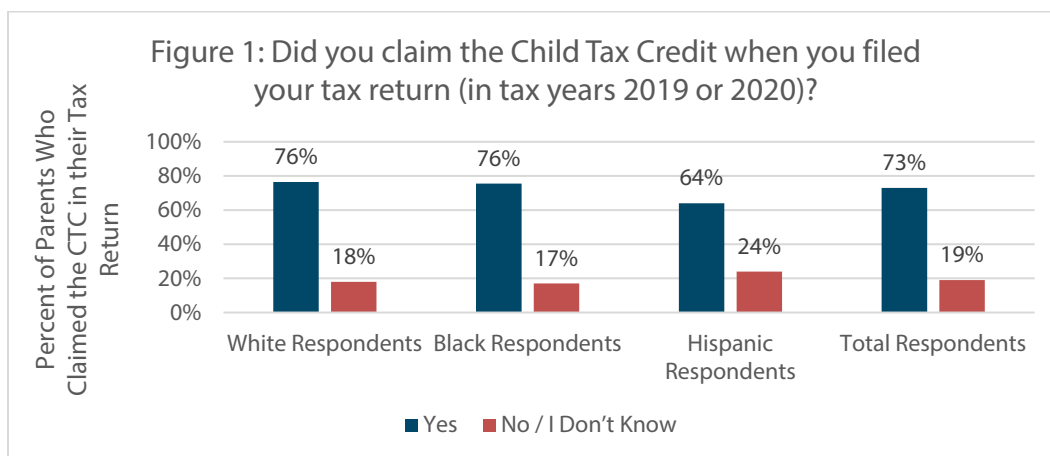
Economic Impact Payments (EIPs, or stimulus payments) in 2021. If they had not claimed an EIP, the parent would typically need to sign up for the CTC online using a non-filer portal or wait until early 2022 to file a 2021 tax return. If parents waited to file a tax return, they would not receive the advance monthly CTC payments. (Please see the section on the non-filer portal below to learn more about our findings on parents' usage of the non-filer portal to sign up for the CTC.)

### **Receipt of the Monthly CTC Payment**

We found that a majority of parents, about 78 percent of those who filed a tax return in the past two years, reported receiving the CTC monthly benefit at the time of the survey. Of those who had reported claiming the CTC on their tax return in the past, 66 percent of respondents reported receiving the monthly payments.

White respondents were likelier to report receiving the monthly payments compared to Hispanic respondents (67 percent compared to 61 percent). Black respondents were also less likely to report receiving them (62 percent), but this difference did not reach statistical significance. We know from other research that public benefit receipt is underreported in surveys, and the actual rate of monthly advance CTC receipt may have been higher than what was reported by survey respondents.<sup>12</sup>

Hispanic respondents were less likely to report that they claimed the CTC on their tax return in prior years and were less likely to report getting the CTC monthly payments compared to white and Black respondents. (See Figure 1.) This is consistent with findings from our national CTC survey conducted in July 2021, when Hispanic respondents also were less likely to report claiming the CTC on their taxes in prior years and were less likely to have received a stimulus payment.<sup>13</sup>



A variety of factors could explain the disparity in access to the monthly CTC payments for the Latinx community and in claiming the CTC on prior tax returns. A lack of Spanish-language resources about the CTC, as well as a lack of community tax preparation organizations available with Spanish-speaking staff, are potential factors. As a result of the anti-immigrant policies from the Trump Administration, many immigrants are still afraid to apply for benefits or share information with the government.<sup>14</sup> This “chilling effect” could make Latinx communities reluctant to sign up to receive the CTC benefits, despite their eligibility for the credit.

These barriers are further amplified by the differentiation of rules by legality, extending eligibility exclusions, benefit limitations, and administrative burdens not only to undocumented immigrants, but also to lawful permanent residents and U.S. citizens in immigrant families. As an example, the requirement for children to have a Social Security number (SSN) to be claimed for the CTC was a rule enacted in 2017 by the Tax Cuts and Jobs Act. Prior to that year, a child with an Individual Taxpayer Identification Number (ITIN) could be claimed as a qualifying child for CTC purposes. Moreover, access to the federal EITC is prohibited for taxpayers with ITINs. This unequal treatment of taxpayers across the tax system contributes to a form of structural discrimination for mixed-immigration-status families in particular.<sup>15</sup>

Differences in respondents’ income did not have a statistically significant impact on whether people received the monthly CTC payments, or whether respondents claimed the CTC on prior tax returns, except for the lowest income respondents (those with incomes under \$10,000 per year). Respondents with incomes under \$10,000 per year were less likely to file a tax return in prior years and less likely to report receiving the monthly CTC payments at the time of the survey. This is not surprising given that respondents with the lowest incomes are not legally required to file a tax return and therefore would be less likely to have been included in the IRS database.

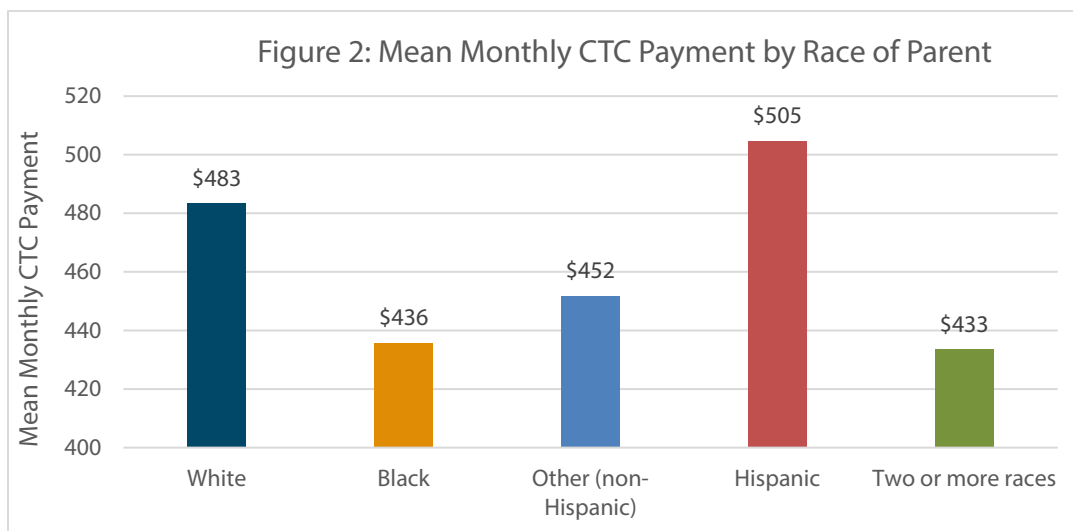
When comparing the educational attainment of the respondents, those without a high school diploma or a GED were least likely to have filed for the CTC in a prior tax return when compared to respondents with higher educational attainment. This is consistent with findings from our July 2021 CTC survey.<sup>16</sup> These discrepancies based on educational attainment in claiming and accessing the CTC point to the importance of creating more tax filing outreach resources in easy-to-understand language. These resources should be tested among parents across a range of educational backgrounds for understanding and clarity.

### ***Average Monthly CTC Payment***

The survey asked respondents receiving advance CTC payments how much their monthly payment was in the prior month. The average monthly CTC payment received by respondents was higher for those with the highest incomes in the survey sample pool (\$50,000 - \$74,999) than it was for the lowest income respondents (those making under \$10,000.) For the lowest income respondents, the average monthly payment received was \$464, compared to \$520 for the respondents with higher incomes. These differences are the result of more children residing in

households with incomes between \$50,000-\$74,999. This may be due to parents in this higher income bracket being older and having more children as a result.

The CTC is a per-child benefit. As such, families with more children receive larger benefits than families with fewer children. Hispanic and white respondents reported receiving an average higher monthly payment compared to Black parents, parents of other racial backgrounds,<sup>†</sup> and parents of two or more races. Hispanic parents received an average of \$505 per month in CTC payments, compared to \$483 for white parents, and only \$436 for Black parents. (See Figure 2.) These differences essentially disappear after taking into account the number of children in the household.



## Of Families that Didn't Get Monthly CTC Payments, Confusion and Opting Out are Main Drivers

Confusion about CTC eligibility rules was a large reason why respondents had not claimed the CTC on a prior tax return and factored into respondents' replies when asked why they were not receiving monthly payments at the time of the survey. Survey respondents selected options from a list of why they did not claim the CTC on prior tax returns. Those who had not received the monthly payments could write in a response for why they believed they weren't receiving it.

<sup>†</sup> The Ipsos polling firm classified about 6 percent of all survey respondents as "other," which includes Asian-American respondents.

## ***Why Respondents Haven't Filed for the CTC***

The most common reason respondents had for not claiming the CTC on a previously filed tax return was because they believed that they were not eligible for the credit. Other common responses included that they did not know about the CTC and worries that they would have to pay the money back to the government. These responses all emphasize the importance of creating and distributing more CTC informational materials that specifically address those common concerns, such as whether parents would be required to pay back the CTC payments that they receive. It also shows that constantly changing tax policy can be difficult for families to keep track of.

Some respondents also wrote in answers that their tax advisors had warned them to opt out of receiving the monthly payments because there was a risk that they would have to pay back the payment. This advice seemed misguided for many families with low incomes. The ARP created safe harbors to protect low- and moderate-income parents from repaying errant payments that had been made to them.<sup>17</sup> But a lack of awareness of this provision – including among tax professionals – caused fear and confusion among parents and caregivers, resulting in some ultimately opting out of the monthly payments. This response may have also stemmed from tax preparers warning clients that they would receive a smaller lump-sum refund after getting the advance payments.

***“The IRS needs to verify my identity and they are impossible to get a hold of. I feel completely cheated that I haven't received anything yet. Not fair!”***

*– Write-in response to question asking why the respondent believe they had not received their monthly CTC payment yet*

## ***Why Respondents Believe They Haven't Received the Monthly CTC Payments***

For the survey question asking respondents why they believed they were not receiving the monthly CTC payments, the two most common answers that parents wrote in were: 1) They did not know why they were not getting the monthly CTC payments, representing the confusion and uncertainty about the eligibility rules for the CTC, and 2) they opted out of the monthly payments because they preferred to get a lump-sum payment during tax time.

Some respondents who reported that they did not understand why they were not getting the monthly payments said they had received the payments during some months but not others. This



inconsistent delivery of the payments could be due to a reported glitch from the IRS in September that caused a small share of families to not receive the payment that month. Our survey was distributed in October, one month after up to 2 percent of CTC recipients faced a delay in receiving their September monthly payment due to that IRS technical issue.<sup>18</sup>

For respondents who said they had chosen to opt out of receiving monthly payments, some said it was simply because they prefer to receive a lump-sum payment rather than getting the payment monthly. Others reported being advised by tax advisors to opt out of the monthly payment so they would not have to pay it back later. Common fears and misconceptions about the CTC monthly payments that have been reported anecdotally and in focus groups include that parents will be taxed on it, they will owe the money back later, or the payments will impact their eligibility for means-tested public benefit programs.<sup>19</sup> These all could be deterring factors for parents opting out of the monthly payments.

***“I was advised not to in order to have a better return.”***

*– Write-in response for question asking respondent why they believe they had not received their monthly CTC payment yet*

Other reasons that respondents wrote in for why they believed they had not received the CTC monthly payment at the time of the survey included:

- A delay in the IRS processing their tax return or in their return being submitted.
- The child’s other parent receives the CTC payment, or ongoing child custody conflicts.
- Believing they are not CTC-eligible and not signing up as a result.
- Needing identity verification through the IRS, delaying the receipt of payments.
- Their child turning 18 that year and therefore no longer being CTC-eligible.
- Owing money for past debts.
- Having the CTC payment sent to an incorrect address after moving.

## **The IRS Non-Filer Portal was Minimally Used and Hard to Access**

The IRS developed a website that families could use in 2021 to sign up for the monthly advance CTC payments if they had not previously filed a tax return and if they had eligible children in their household. The goal of the portal was to expedite and simplify the receipt of payments for the households who have the greatest financial need and who are likely to be disconnected from the tax system.

Unfortunately, the IRS's non-filer portal for parents included wonky language, was not mobile-friendly, and required complicated verification steps for users. The portal also was not available in any language other than English. (Code for America later developed a separate portal for non-filers to file for CTC payments that was more user-friendly and accessible.<sup>20</sup>) The national survey asked about respondents' experiences with the portal to gauge whether caregivers were aware of the existence of the portal and whether they were able to successfully use it to sign up for their monthly payments.

### ***Successfully Using the CTC Non-Filer Portal***

Only a very small subset of the survey pool – 26 respondents – reported successfully using the non-filer portal to claim the CTC payments. In comparison, 57 respondents reported not filing a tax return in the prior two years and would likely need to use the non-filer portal because the IRS had no recent record of their information. Of those 26 respondents who used the portal, 21 said they experienced difficulty applying for the payments online.

The non-filer portal closed when the monthly CTC payments ended in 2021, but if such a portal is re-opened in the future, it must be simpler and more accessible. Ensuring the portal is mobile-friendly, available in easy-to-understand language, has simplified documentation and verification requirements, and is available in multiple languages is critical to ensuring that families with very low incomes who usually do not file tax returns are able to use it to claim the CTC.

### ***How Respondents Heard about the CTC Non-Filer Portal***

The survey asked respondents who reported successfully claiming the CTC by applying for it using the online CTC tool how they learned about the portal. The most common response was learning about the portal from an IRS letter (36 percent of total respondents to the question), from the TV or in the news (27 percent), or from social media, such as Facebook, Twitter, Instagram, or TikTok (21 percent). Some respondents reported hearing about the portal from friends or family members (10 percent), and fewer learned about the portal from community groups, child care providers, or from schools (4 percent.)

## **How Families Report Spending their CTC Payments**

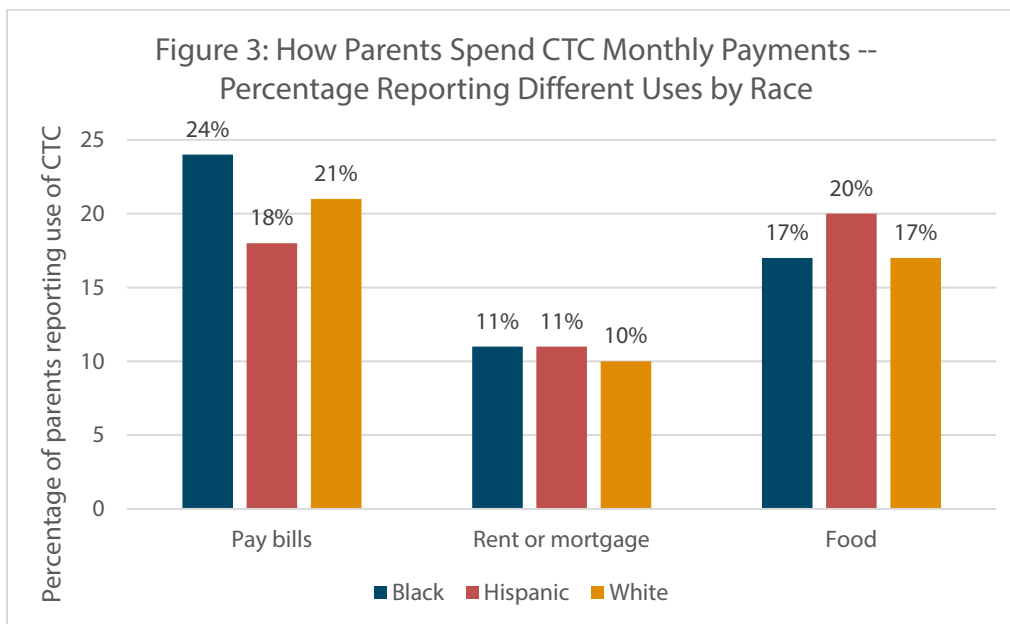
The CTC provides families a cash payment to cover whatever costs best meets their family's needs. It can be spent however the family chooses. This differs from other public benefit programs, like Supplemental Nutrition Assistance Program (SNAP), which can only be used toward food costs in participating stores. This gives parents the agency to decide how best to use their money to meet the needs of their families. Such a model is more empowering to recipients and is ultimately more effective at serving the multi-faceted needs of families.<sup>21</sup> While these payments have been a lifeline for families during the COVID-19 recession and uneven recovery, many families were struggling even before the pandemic to make ends meet, living paycheck to paycheck.

Research from multiple sources, such as the U.S. Census Bureau Household Pulse Survey, have found that the monthly CTC payments were being spent on necessities like food, child care, and school supplies.<sup>22, 23</sup> The Center on Budget and Policy Priorities reports that over 90 percent of families with incomes below \$35,000 reported using the CTC to pay for necessities and education, according to an analysis of Census Bureau data.<sup>24</sup>

Our survey also found that parents are largely spending their CTC payments on necessities. The most common response of how parents reported spending their payments in the October survey was toward paying bills, followed by food and groceries and help with paying rent or mortgage.

Black, Hispanic, and white respondents all reported spending their monthly payments on necessities. Black respondents were more likely to spend their CTC payment to pay bills, with nearly one-quarter (24 percent) of respondents reporting that type of spending, compared to white respondents (21 percent) and Hispanic respondents (18 percent). This could be due to the various structural barriers – such as low wages, the racial wealth gap, and discrimination in home ownership opportunities – that have prevented Black families from accumulating savings. Hispanic respondents were likelier to report spending their CTC payments on food (20 percent) compared to white and Black respondents (17 percent.) (See Figure 3).

In our July 2021 CTC survey, Black and Hispanic respondents were more likely to report planning to spend their upcoming monthly CTC payments on bills, expenses, and utilities (31 percent and 28 percent respectively) compared to white respondents (17 percent.) White families were likelier to report planning to save or invest the payments (22 percent), compared to Black and Hispanic respondents (17 percent).<sup>25</sup>



There was not a significant difference in how parents reported spending the monthly CTC payments based on the income of respondents. Spending the payments on necessities, such as paying bills, rent and mortgage, and food, was the most common response regardless of the income of the respondent. In the July survey, higher income respondents making between \$100,000 and \$150,000 per year were more likely to report planning to save or invest their upcoming monthly CTC payment (20 percent) compared to respondents making under \$50,000 (13 percent).<sup>26</sup> The October survey only included respondents making under \$75,000 per year.

During our in-depth phone interviews with selected respondents, many parents reported spending their monthly CTC payments on essentials like household supplies, clothing for their children, school costs, and car repairs. Some parents also reported putting the CTC payments toward enrichment activities for their children, like a musical instrument for their child participating in the marching band.

Given these findings, it's clear that parents with low and moderate incomes will face economic uncertainty now that the monthly CTC payments have expired. The expenses that the monthly payments were largely going toward for these families – bills, rent or mortgage, and food – are not annual expenses but, rather, costs that parents must cover monthly. And they are expenses that remain essential for families to cover on an ongoing basis, even as the pandemic ends. Allowing the CTC advance monthly payments to expire means parents will be forced to reconfigure their budgets, go without meals, and allow bills to go unpaid or take out costly loans to pay their upcoming bills.

*“[The CTC] helps me out, getting my bills caught up, buying essentials around the house. And for my boy, I’m buying him jeans, t-shirts, a haircut. I don’t have a car, but pay [friends] for gas money, which is going up.”*

*– Clarissa, Mother in Tennessee*

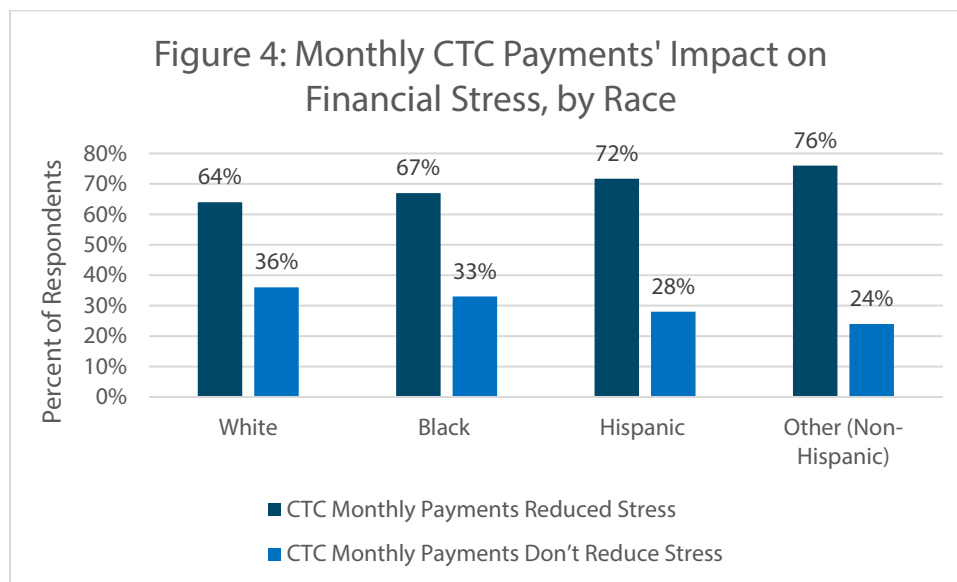
## Monthly Payments Improve Wellbeing of Parents

The survey asked parents how receiving the monthly CTC payments has impacted family wellbeing and found that the payments are supporting parents and their children. Nearly 70 percent of respondents who received monthly payments said the payments made them a lot or a little less stressed about money.

### Monthly CTC Payments Reducing Financial Stress

Respondents of color were likelier to say the monthly CTC payments reduced their financial stress, compared to white respondents, in part given the correlation between race and household income. (See Figure 4.) Hispanic respondents were more likely to say that the monthly payments made them feel a lot less stressed about money (24 percent of respondents receiving monthly payments), as were Black respondents (21 percent), compared to white respondents (16 percent). For respondents of other races, 27 percent reported the monthly payments reduced their financial stress a lot.

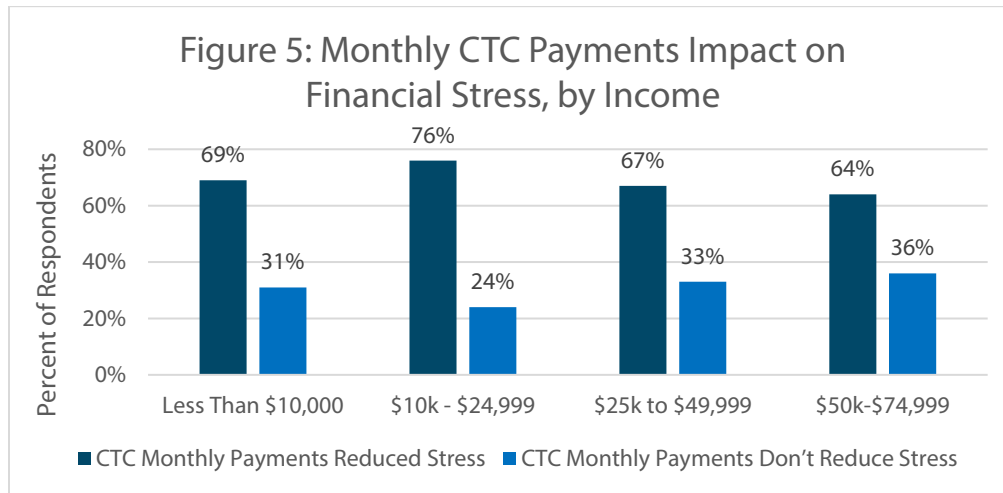
Over 7 in 10 Hispanic respondents who received monthly payments said getting them reduced financial stress by either a lot or a little (72 percent). Two-thirds of Black respondents (67 percent) said the same, compared to fewer white respondents (64 percent). The difference between Hispanic and white respondents reached statistical significance. For respondents of other races, over three-quarters (76 percent) reported the monthly payments reduced their financial stress by a lot or a little.



When reviewing the responses to this question, broken out by household income, respondents with incomes under \$50,000 said the payments reduced their stress at higher rates than sampled respondents with the higher incomes (\$50,000-\$74,999). The income bracket in which respondents were most likely to report that the monthly payments reduced their financial stress was between \$10,000 and \$24,999. (See Figure 5.) It is possible that the CTC payments were not large enough to reduce financial stress for the parents with the lowest incomes. Reducing stress for parents has positive health benefits not just for the parent, but also for their children. Research has found that reducing stress levels, especially for infants during times of critical brain



development, can have positive impacts on their health, learning outcomes, and the home environment for the child.<sup>27</sup>



### ***Additional Ways the Monthly CTC Payments Support Family Wellbeing***

The survey asked respondents whether receiving the additional money from the monthly payments had altered their daily life in certain ways, such as being able to buy higher quality food or allowing them to buy toys, gifts, or activities for their children. Respondents could select as many options as applied to them. Below is the list of response options and the percent of respondents who answered the question that selected each statement:

***Do you feel the additional money from the Child Tax Credit has altered your daily life in any of the following ways:***

<b>Has reduced my financial stress overall</b>	<b>38%</b>
<b>Allows me to buy toys, gifts, or activities for my child(ren)</b>	<b>19%</b>
<b>Has allowed me to buy more or higher quality food</b>	<b>17%</b>
<b>Freed up time that I can spend with my child(ren)</b>	<b>7%</b>
<b>Improved my relationship with spouse, friends, or family</b>	<b>5%</b>
<b>Helps me pursue my own education or training</b>	<b>2%</b>

Being able to afford more enrichment activities, toys, and gifts for children is an important outcome of the monthly payments. This provides joy for the child and for the parent, as well as opportunities for educational enrichment for the child during key stages of child development.

During a phone interview of a survey respondent, a mother of one child who lives in Missouri discussed how she was spending the monthly CTC payments: largely toward bills, groceries, home loan payments, and a couple of vehicle payments, as well as paying off the bank. But the payment also provides her with a little extra cash to put directly toward her child. “It [the CTC payment] gives us a little cash – she’s [her daughter] gonna have a pretty decent Christmas this year.” Being able to provide additional holiday gifts for their children brings joy that benefits both the child and parent.

Being able to afford higher quality food is critical for improving the health and wellbeing of children and their parents. Nutritious foods like fruits and vegetables are often more expensive than fast food or less nutritious snacks, especially for families living in regions with fewer accessible grocery store options. With the additional income coming from the monthly CTC payments, parents can afford to provide a wider variety in their child’s diet while reducing the likelihood that the parent will have to skip meals to provide for the child.<sup>28</sup>

Receiving the CTC payments can also reduce families’ reliance on charity for food, such as food pantries and food banks. One parent wrote in the survey that receiving the monthly CTC payment means no longer needing to rely on a food bank to get the food they need. This will save the family time, energy, and stress, as well as give them access to a greater variety of foods of their choice.

***“Actually been able to buy food for my family versus having to go to food banks.”***

*– Write-in response from parent when asked for additional ways that the CTC monthly payment has altered their daily life*

Being able to afford more food is especially important as inflation has increased the price of groceries. Parents in phone interviews discussed the recent jump in monetary inflation and how it has increased costs for essentials. Jason, a father of two children living in Wisconsin, explained that “Groceries, gas prices are going up, and shoes and clothes as well.”

Hispanic respondents were more likely to report that the additional money helped with buying more food and higher quality food (23 percent) compared to white and Black respondents (14 percent). Hispanic parents were also likelier to say the additional money freed up time that they can spend with their children (11 percent) compared to white and Black parents (7 percent). Black

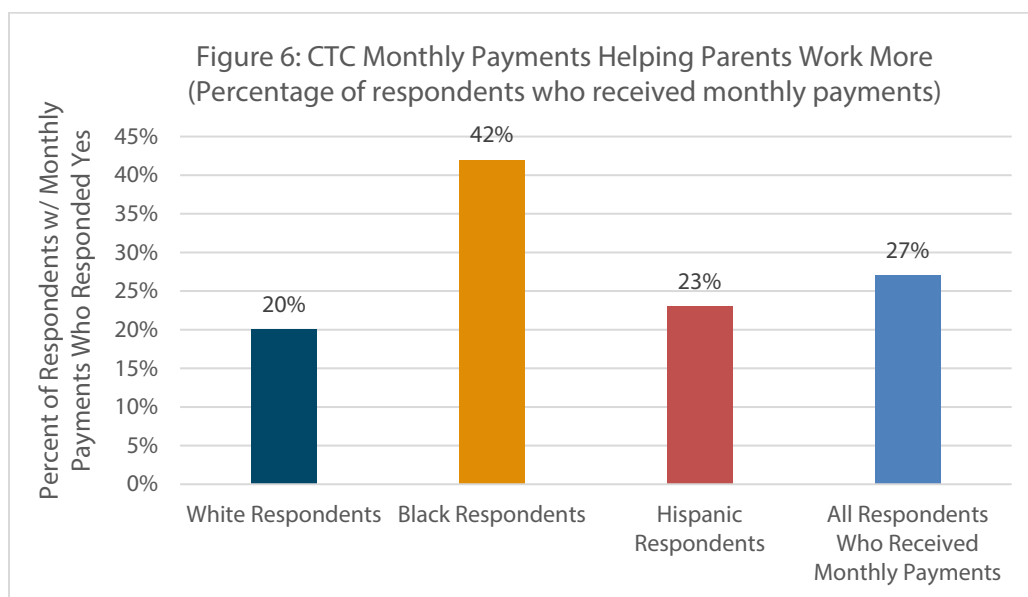
parents were more likely to respond that the additional money from the CTC payments allowed them to buy toys, gifts, or activities for their children (23 percent) compared to white respondents (18 percent) and Hispanic respondents (17 percent).

When reviewing the responses based on income, we found no significant differences: responses were essentially the same between households with lower incomes (incomes up to \$49,999) and higher incomes (\$50,000 to \$74,999).

### **CTC Monthly Payments and Engaging in Paid Work**

The survey also asked respondents whether receiving the monthly payments made it easier to engage in paid work or to work more hours. This question proved timely given concerns from lawmakers that the monthly payments would disincentivize parents from working outside the home. About one-quarter of all survey respondents receiving the monthly payments agreed that the payments helped them work. Black respondents were twice as likely to say the monthly payments helped them work compared to white respondents. (See Figure 6.)

During the phone interviews with respondents, parents commented how the monthly payments helped them afford transportation to get to work and covered the cost of child care that allowed them to work additional hours. One mom named Jasmin, who has two kids and lives in New Jersey, explained how transportation costs take up a large portion of her monthly budget. “Between Uber, the bus, and walking, I get to work; two miles away and six days a week. Often, the buses don’t run on time. I can spend one paycheck each month just on transportation.” The monthly CTC payments provided her with more resources to pay for the transportation to get to and from her job.



## Survey Respondents also Receive the EITC and CDCTC

### ***Claiming the Earned Income Tax Credit***

The federal Earned Income Tax Credit (EITC) is another important refundable tax credit that supports low- and moderate-income families with children. The EITC is worth a maximum of \$6,728 in 2021 (for married couples with three or more eligible children). About 37 percent of survey respondents overall reported claiming the EITC on their tax return in the past two years. White respondents (39 percent) and Black respondents (51 percent) were more likely to have reported claiming the EITC, compared to Hispanic respondents (29 percent).

Families with incomes between \$25,000 and \$49,999 were the most likely to report claiming the EITC (44 percent). This is consistent with the income cutoff of \$56,000 for married couples with three or more children for the EITC in 2020. The EITC available for workers *not claiming children* was expanded under the American Rescue Plan Act for tax year 2021. Filers with children may claim this credit if their children do not count as qualifying children for the EITC, for example, if they are claimed by another parent or do not have Social Security numbers.

The most common reason respondents reported for not claiming the EITC was believing they were not eligible for the credit (11 percent of all survey respondents). Five percent of respondents reported not knowing about the EITC as the reason for not claiming it.

### ***Claiming the Child and Dependent Care Tax Credit***

The federal Child and Dependent Care Tax Credit (CDCTC) helps families meet their work-related child and dependent care expenses for children under age 13, or for dependents and spouses with disabilities. Unfortunately, because the credit has been nonrefundable for most of its history, families with little or no tax liability – who tend to be those with low or moderate incomes – received little benefit from the credit prior to 2021.

About 29 percent of respondents overall reported claiming the CDCTC on their tax return in the past two years. Black respondents (37 percent) were more likely to have reported claiming the CDCTC on prior year tax returns than respondents overall and when compared to white or Hispanic respondents (27 and 26 percent). Respondents with incomes between \$25,000 and \$49,999 also were more likely to report having claimed this credit (32 percent).<sup>29</sup>

The ARP expanded the CDCTC and made the credit refundable for tax year 2021. The CDCTC for tax year 2021 is worth up to \$4,000 for one child or dependent and up to \$8,000 for two or more children or dependents. Given the significant expansion of the credit for tax year 2021 and the relatively low rates of claiming it among families who may have child or dependent care expenses in this income range, it will be important for advocates and policymakers to provide information and tax filing support to such families during the tax filing season for tax year 2021 returns.<sup>30</sup>

The most commonly reported reason for respondents not claiming the CDCTC was due to not paying for any child care expenses during that year (23 percent of respondents). Seven percent of respondents did not think they were eligible for the CDCTC, and 6 percent did not know about the credit. It will also be essential for advocacy organizations, tax preparation clinics, and government agencies to create more tax outreach resources that include information on the CTC, EITC, and CDCTC in the 2021 tax season and after the season ends as more targeted outreach is done for hard-to-reach populations.

## Implications for the CTC

At the writing of this report, passage of an economic reconciliation package with investments in families has stalled due to disagreements among U.S. Senators on which investments to include in the final package. Disagreements also persist among lawmakers about how to structure an extension of the expanded CTC in such a package and how long to extend the expansions.

It is critical that the CTC expansions continue beyond tax year 2021. As the survey results demonstrate, the monthly payments have helped low- and moderate-income parents afford necessities, reduced their financial stress, and enabled parents to work additional hours outside the home. The increased monthly CTC payments also could help support parents in affording the costs of rising goods as inflation increases the prices of necessities like groceries and gas. For the parents with the lowest incomes, the additional money from the CTC helps them afford necessities more easily. Through the phone interviews we conducted, we heard directly from parents that the CTC monthly payments have made a huge difference in their budgets and their ability to afford essentials and enrichment activities for their children. The monthly payments therefore benefit children's health and educational opportunities.

Now that the payments have expired, families with children have faced an immediate drop in income, increasing poverty back to pre-CTC expansion levels. This leaves basic necessities out of reach for some, especially for Black and Latinx children.<sup>31</sup> Parents will have to return to food banks or skip meals to ensure their children can eat. Caregivers will lose the ability to afford transportation to get to work. Children will lose access to enrichment activities like sports and music that benefit their development. And rent will be left unpaid as bills continue despite the expiration of the expanded monthly CTC benefit.

In the midst of working toward a permanent expansion of the CTC, community partners, lawmakers, and Biden Administration officials must make sure that families who are eligible for the CTC know to file a 2021 tax return, even if they have very low incomes and have traditionally not filed a tax return. For those who received an advanced payment, this allows them to receive the second half of the CTC. For those left out of the monthly payments, filing a tax return will trigger receipt of the full CTC payment. This is especially important for the Latinx community, for parents with the lowest incomes, for those without a high school diploma or GED, and for Puerto Rican families that are newly eligible for the CTC in tax year 2021. Tax outreach materials should



be centered in race equity. This includes developing materials that are in easy-to-understand language, available in multiple languages, address concerns parents often have about receiving the expanded credit, and include information about likely eligibility for the EITC and CDCTC. Our tax system matters for racial equity, and we have an opportunity to drive an equitable economic recovery that works for all of us.

## Endnotes

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