The Quorum
April 2022

The Expanded Child Tax Credit

The expanded child tax credit was passed by the Biden Administration via the American Rescue Plan in March 2021, but payments swiftly ceased in December 2021. So what were the impacts of the child tax credit, and why did it already stop? In this edition of the Quorum, we'll cover child poverty in the US and the ongoing push to expand the child tax credit.

Child Poverty in the US by the Numbers

$20,598: Poverty threshold the US Census Bureau calculated in 2019 for a family of three with two children under the age of 18

11,000,000: The number of children living in poverty in 2020 (1 in 7 children)

>4 in 10: Number of children that live in a household struggling to meet basic expenses

73%: Percent of children living in poverty who are children of color

History of the Child Tax Credit

Historically, the child tax credit has had bipartisan support. It was first established as part of the 1997 Taxpayer Relief Act, where the tax credit was $400 per child under the age of 17 and nonrefundable for most families. In 1999, the tax credit was increased to $500 per child under the age of 17. The tax credit increased in subsequent years to a max of $1,000 per child per year with an increased income ceiling to expand eligibility. Then the Trump administration, via the Tax Cuts and Jobs Act of 2017, doubled the tax credit to $2,000 per child per year, however this credit was non-refundable – meaning non-working families who needed money the most, didn’t receive funds.

On March 11, 2021, the Biden administration passed the American Rescue Plan Act, a $1.9 trillion economic stimulus bill, which included an expansion of the child tax credit. The expansion made specific changes: 1. It made the credit fully refundable, 2. It increased payments to $3,600/year for children aged 0-6 and $3,000/year for children aged 6-17, and 3. It changed payments so that recipients would receive monthly payments as opposed to waiting until tax season to receive a lump-sum of money. This one policy was estimated to cut the rate of child poverty by half, which is nothing short of remarkable.
Starting in July 2021, the federal government sent 61 million children monthly payments of $300 per child under 6, and $250 per child 6-17. But the expanded tax credit was only authorized until the end of 2021, and the last payments went out in December. The child tax credit hasn’t disappeared, but is back to the 2017 era non-refundable, once-a-year, credit. Democrats planned to continue the expanded tax credit via the Build Back Better bill, however, as we know, they failed to pass this legislation.

Effects of Losing the Expanded Child Tax Credit

Without continuing the expanded Child Tax Credit:

- Nearly 10 million children are at risk of falling back below the poverty line or slipping deeper into poverty
- 27 million children will lose all or part of the credit
- 65 million children are still eligible, but will get reduced payments

If the expanded tax credit was continued, child poverty could have been reduced from 14.2% to 8.4%, a fall of roughly 40%.

Next Steps

The AAP notes that the best evidence available indicates that unrestricted cash transfers (as with the expanded child tax credit), which allows families to spend the money however they choose, improve health outcomes. Democrats had hoped to pass legislation to continue the expanded child tax credit, but due to political gridlock in Washington, the Build Back Better bill, the vessel to continue this policy, died in the Senate. There is hope that smaller social spending bills, along with public support for the tax credit in the face of rising inflation, will include an extension of the expanded tax credit – but we’ll have to wait and see.

Sources:
https://www.americanprogress.org/article/basic-facts-children-poverty/
https://www.nytimes.com/2022/01/05/upshot/biden-child-tax-credit.html
https://publications.aap.org/pediatrics/article/146/5/e20193386/75306/A-National-Prescription-for-Health-Tax-Credits

The Quorum is a monthly policy spotlight. For any inquiries, please email Chapter 2 legislative and policy analyst, Karinne Van Groningen, at KVanGroningen@mednet.ucla.edu

Past Issues:
March 2022: Threats to the Health of Transgender Youth
February 2022: The CA Legislative Vaccine Work Group
January 2022: The Legislature is Back in Session
December 2021: An Update on School Based Vaccine Mandates
November 2021: The Pediatric Mental Health Crisis