

HUMANITY FORWARD

CHILD TAX CREDIT: PROMOTING WORK, RESPONSIBILITY, AND ECONOMIC GROWTH

 **Washington University in St. Louis**
SOCIAL POLICY INSTITUTE

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ABOUT THE STUDY [Click here to access the full study.](#)

To understand how families were responding to the Child Tax Credit (CTC), Humanity Forward partnered with a team of researchers from Washington University in St. Louis, Appalachian State University, University of North Carolina, Greensboro, and the Urban Institute to survey a nationally representative group of 1,514 American parents eligible for the credit.

The researchers utilized a probability-based online panel survey, which was administered between July 8 - July 13, 2021— immediately before the first CTC payments were delivered. The sample was limited to those with household incomes below \$150,000, as the credit begins to phase out at this level for married couple families.

In this summary report, we highlight key findings from the first wave of the study, focusing specifically on how families plan to use CTC payments and their early perceptions of the expanded credit. The full report, examining the impacts of the CTC on families relative to a comparison group of households that are ineligible for the CTC, is forthcoming in early 2022.



ABOUT THE CHILD TAX CREDIT (CTC)

The 2021 temporary expansion of the Child Tax Credit provides families with \$3,600 for every child in the household under the age of six and \$3,000 for every child between the ages of six and 17. This is both unprecedented in its reach and its efficacy. The CTC is predicted to cut American child poverty by more than half.

Almost all middle- and low-income families with children are eligible for the CTC.

Married parents making less than \$150,000 and single parents making less than \$112,500 per year will receive the full amount of the credit, which begins to phase out slowly after these income cut-offs.

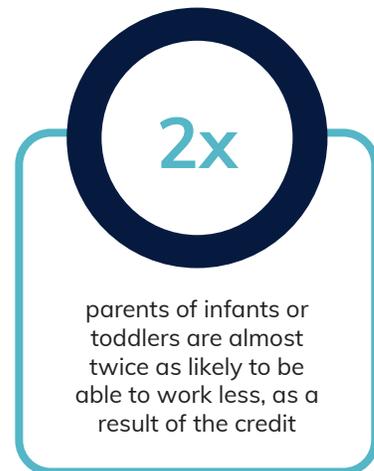
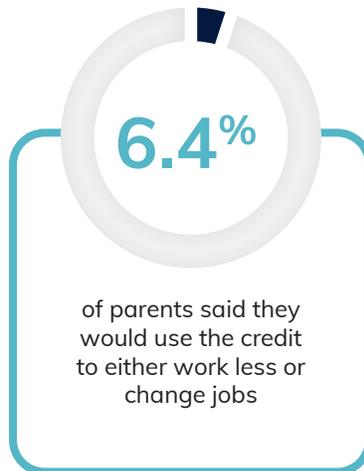
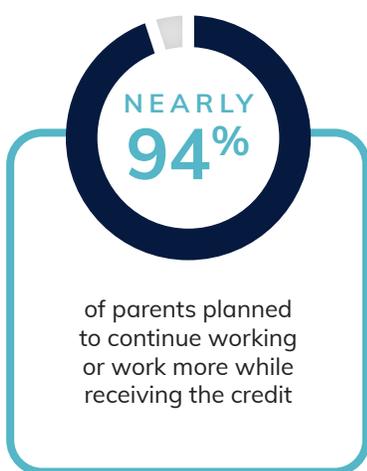
“Living paycheck to paycheck is a survival skill I would rather not see families need, but it’s a harsh reality for many of us. The CTC has not only enabled me to stress less about finances, but it has allowed me the opportunity to gain a safe and reliable vehicle and provide better food options for my family. Most importantly, it has allowed me to hire a babysitter at what I believe should be the minimum wage at \$15 per hour. This gives me time to practice self-care and has allowed me to get even more involved in my community and pursue a seat on the Nashua Board of Education in the election this November.”

— CHRISTINA, NH



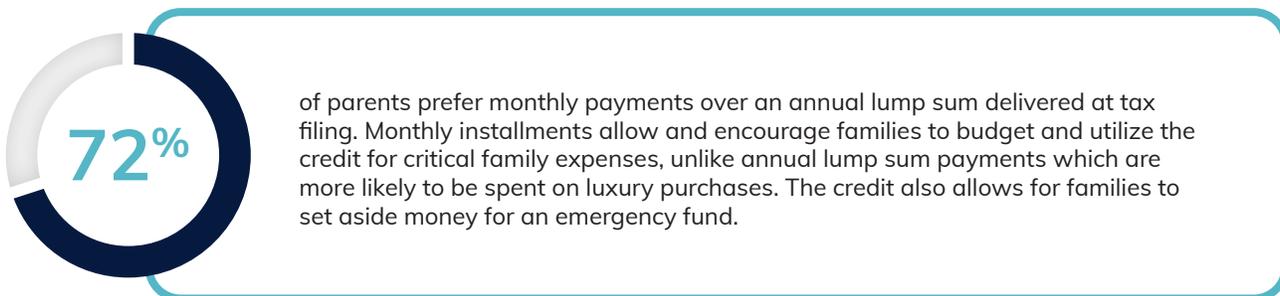
INCENTIVIZING WORK AND FINANCIAL RESPONSIBILITY

Incentivizing Work and Reducing Labor Shortages



The expanded credit is providing families greater freedom in making their own work and child-care decisions, thus empowering parents to choose what’s best for their families. Additional data is already tracking the correlation between the CTC and a mass return to work, as seen in the July jobs report.

Encouraging Responsibility Through Monthly Installments





EMPOWERING PARENTAL FREEDOM

The Top 5 uses for the Child Tax Credit were:



Saving for emergencies



Applying the money towards housing, food, and utilities



Purchasing clothing or other essentials for their children

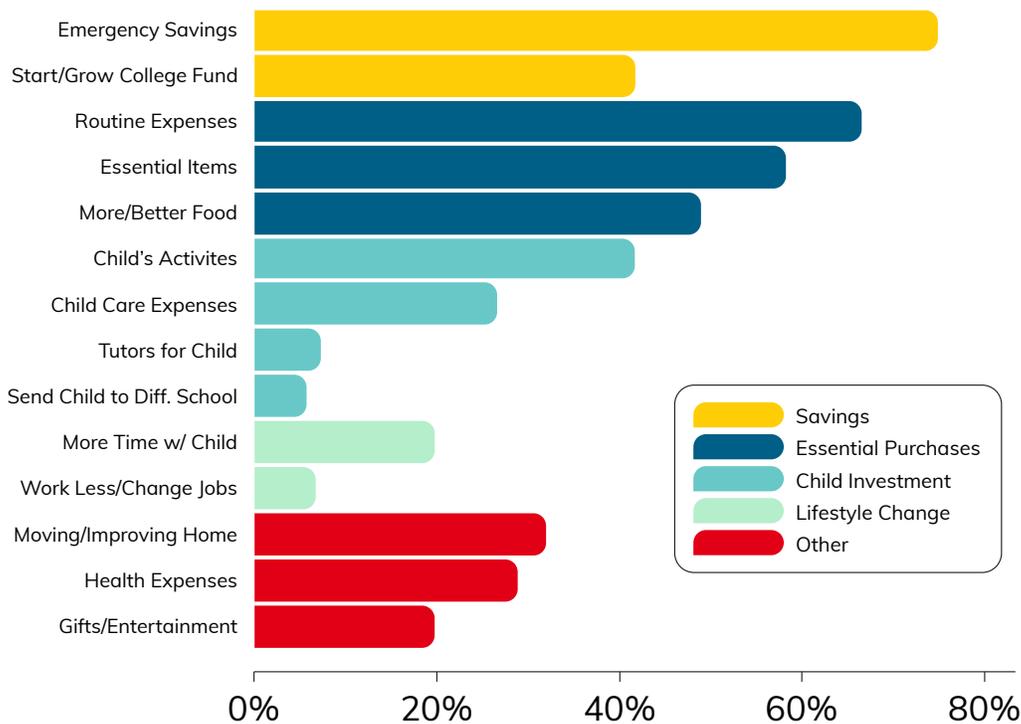


Purchasing more or better-quality foods for their family



Contributing to a college fund for their child/ren

Child Tax Credit Usage



“We are using the money towards small business expenses (construction costs, website development, etc.) and will now be using it to supplement my wife’s income as she will be unable to work as before given her heart related diagnosis.”

— BRIAN, DAVIS COUNTY, UT



PROVIDING FINANCIAL SUPPORT TO THOSE WHO NEED IT MOST

21.3%

of respondents either owned a small business or intended to launch one in the next 12 months



“I was out 2 weeks with an illness and couldn’t go to work. My account had a negative balance. If it weren’t for the Child Tax Credit recurring payments, I would not have the gas money to get to work.”

— ROBERT, WATERFORD, NY

Encouraging Entrepreneurship and Small Business Formation

The credit provides budding entrepreneurs with additional support as they get their businesses off the ground. It also means that CTC recipients are more likely to run or want to run a small business — with **just 10%** of all Americans operating a small business. The stability of the monthly CTC allows for parents to follow their dreams and become successful small business owners, while knowing their children are provided for.

Helping Families Who Need It Most

The credit was spent most responsibly by the families who need it the most. Households with \$50,000 or less in income were more likely than higher-income households to:

- Apply the credit for clothing or other essentials for their children
- Spend more time with their children
- Spend more on academic support for their children

Critical to very low-income families is that the CTC is fully refundable, which eliminates the earnings requirement to receive the refundable portion of the credit. For the initial year, even very low-income families qualify for the full credit. The credit was also extended to families with children aged 17, helping families support children throughout their K-12 education.

Encouraging Caretaking and Strong Families

19.7% said the credit would enable greater quality time with their children. By not requiring work to receive the expanded credit, the policy allows parents to make the child-care decisions that work best for their families. It will also create a critical safety net for children whose parents may be vulnerable to volatility in the low-wage labor market, or have disabilities, health issues or low levels of education. Inversely, [data about the Temporary Assistance to Needy Families \(TANF\) program](#) has found that work requirements, rather than incentivizing families towards economic independence, have simply excluded the most vulnerable children from assistance due to their parents’ complex barriers to employment.



ADDITIONAL CTC TAKEAWAYS TO DATE



Strong ROI and Economic Impact

The newly expanded CTC is projected to **generate over \$18.6 billion** in economic activity in local economies against a cost of just \$14.9 billion — an ROI of 25% — according to Moody's Analytics.



The CTC Reduces the Deficit Without Raising Taxes

The economic growth spurred by the CTC will **generate over \$1.9 billion** in additional revenue for state and local governments — reducing deficits without raising taxes on hard-working Americans, according to the Niskanen Center.



The CTC is a Job Creator

In the next 12 months, the CTC is projected to support over 500,000 private sector jobs, enabling policymakers to shift away from traditional job-creation programs in favor of smarter, more innovative, and more efficient, **according to the Niskanen Center**.



The CTC Reduces Demand on Other Strained, Bureaucratic Government Spending Programs

The new CTC sets the gold standard for an efficient, streamlined, low-bureaucracy intervention. Within 48 hours of the expanded monthly CTC's initiation, 86% of target families nationwide received their tax credit payments directly, according to **Internal Revenue Service** data. Within two weeks, most of the remaining families received their payments.



Rural Communities Will Get an Economic Boost

The expanded CTC is projected to deliver a significant economic boost to rural states. Rural economies stand to benefit from an injection of **“relative purchasing power equivalent to 1.35% non-metro GDP.”**



Direct Cash Payments Reduce Substance Abuse and Spending on Temptation Goods

Sixty years of data shows that participants of direct cash policy intervention pilots have a lower crime and drug usage rates, in addition to improved physical and mental health. There is also **research and analysis suggesting** that direct cash transfers promote behavioral incentives to avoid temptation goods, unlike programs like SNAP, that are not tied to the welfare of a child.



We Can Permanently Slash Poverty Rates, Reduce Hunger, and Close Racial Gaps

The new CTC will reduce the share of children in poverty from **13.7% to 11.3%**. If made permanent, the results could be even more significant. Hunger rates, **according to the U.S. Census Survey**, have dropped since the first CTC payment. Lastly, the new CTC is **projected to narrow the racial poverty gap dramatically** — slashing poverty in half for Black children, and by 30% and 24% for Hispanic and AAPI children respectively.

“The monthly Child Tax Credit payments make it easier for us to save for needed home repairs and prepare for the long-term future of our family. It’s also helping with the decision for my wife’s career change towards a fully remote job, allowing her to trade time on the road for time with our 19-month-old son. If these payments were made permanent, it would also be easier to fulfill my dream of starting a business of my own.”

— TRAVIS, DALLAS, TX



WHAT THE CTC MEANS FOR AMERICAN FAMILIES

Even before the COVID-19 pandemic, families across the country struggled to make ends meet, cover the rising costs of child care, build up their emergency funds, and make investments in things like college and small businesses that can improve economic mobility across generations.

“We would be able to afford essentials for the kids and save for their future.”

— **REPUBLICAN, UTAH**

“It would allow our family to stop living month to month and be able to better our family life entirely.”

— **REPUBLICAN, UTAH**



“It would help us fix things and allow me to get things I am not able to get for her right now. It will also allow us to get her ready for school and fix my transportation. We’re a low-income family.”

— **INDEPENDENT, ARIZONA**

“It will give our family more cushion to not have to struggle to pay for activities and extras every month.”

— **REPUBLICAN, ARIZONA**



“It would give me the income I need to provide for my kids. I can do a little more by saving or trying to move so they can live in a better place.”

— **DEMOCRAT, ALABAMA**

“It would help us stay afloat.”

— **DEMOCRAT, ALABAMA**



“We can pay bills and have enough left over for gas in our vehicles and actual brand-new school supplies for the kids.”

— **INDEPENDENT, COLORADO**

“It would ensure that we are able to provide financial security for our children.”

— **INDEPENDENT, FLORIDA**

“It’s going to be life changing. We’ll be able to afford enough food and medicine and doctors. It won’t solve all the problems, but it’ll take some serious weight off.”

— **INDEPENDENT, ILLINOIS**

“We would be able to save most for their college years and use some for the fun things we don’t normally do, living paycheck to paycheck.”

— **REPUBLICAN, WISCONSIN**

“It would be a big impact for making sure my children deserve the healthcare they need.”

— **REPUBLICAN, TEXAS**

“It will allow us to catch up and pay ahead on some bills that we would otherwise still be behind on.”

— **REPUBLICAN, OKLAHOMA**

“It would provide us some much-needed breathing room due to recent financial hardships.”

— **REPUBLICAN, MISSOURI**

“Will help us have money left after our paychecks pay the bills each month - I want to have an emergency fund.”

— **REPUBLICAN, KENTUCKY**

“Our family is struggling at the moment. Getting the credit would allow us to do more for our kids and put money into savings.”

— **REPUBLICAN, INDIANA**

