

New Data and Studies Confirm the Enormous Economic Benefits Provided by the Expanded Child Tax Credit

Millions of families across the country will receive the second half of the expanded Child Tax Credit (CTC) when they file their 2021 taxes during the current filing season. In addition, many others may be eligible to receive the full credit now if they did not receive advance payments in 2021. Multiple studies and recent data have confirmed the economic benefits of the expanded CTC, which is credited with lowering child poverty levels by 30%.

The CTC expansion included in President Biden's American Rescue Plan, was one of the largest-ever single-year tax cuts for families with children. It made the CTC fully refundable and dramatically increased the value of the credit from \$2,000 per child to up to \$3,600 per child under age 6 and \$3,000 per child between ages 6 and 17, enabling many previously ineligible low-income families to receive the full credit and putting money in the pockets of working families to pay for household expenses.

As part of the expansion, half of the CTC was distributed in advance via monthly payments, helping families meet their financial needs in real time. Qualifying families received monthly checks from July through December 2021 with over 36 million families that include [more than 61 million children](#) receiving a total of nearly \$93 billion in advance CTC payments. To receive the rest of the credit, families must submit their 2021 tax returns in the current filing season. Qualifying families who did not receive advance payments must submit their 2021 tax returns to receive the full credit.

The expanded CTC will reach 40 million families with 65 million children

The expanded CTC was the primary driver of record-low child poverty levels in 2021. The expanded CTC, alone, reduced monthly child poverty [by 30%](#), keeping 3.7 million children out of poverty in December 2021. [More than 80%](#) of the CTC's poverty reduction came from making the credit fully refundable for families with little or no income.

The White House estimates that in total the expanded CTC will reach 40 million families with [65 million children](#)—an even higher number than those who received advance payments. Some households opted out of the advance payments (and to receive the full credit when they file their 2021 taxes), while the IRS did not have information for others if they did not file a 2019 or 2020 tax return or submit their information to the IRS non-filer tool. Households from both groups must file their 2021 taxes to receive the full credit.

Research shows that advance CTC payments did not disincentivize parents from working

While it has been widely acknowledged that the expanded CTC substantially decreased child poverty and food hardship, some critics contended that the credit's potential negative employment effects would offset its poverty-reduction effects. Real-world data has not borne that out. Instead,

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research shows that the expanded CTC has provided huge economic benefits without any measurable declines in employment.

Researchers at Columbia University recently confirmed what multiple studies showed last year: The expanded CTC [did not drive any decline in employment](#). Using Census data from April through December 2021 to evaluate employment effects, the Columbia University researchers find “very small” and “statistically insignificant impacts of the CTC both on employment in the prior week and on active participation in the labor force among adults living in households with children,” leading them to conclude that the expanded CTC had no negative short-term employment effects that offset its benefits.

Census data show that many households used the CTC portion of their tax refund to pay off debt or spent it on household necessities immediately after receiving it

Census Household Pulse Survey data showed that advance CTC payments provided much-needed income support to families with most immediately spending their advance CTC payments on [household necessities](#) or using them to pay off debt. Similarly, families who have received the CTC portions of their 2021 federal tax refunds have used these funds to pay off debt or cover household necessities soon after receiving them.

Many households have yet to file their taxes, but early data highlight how the expanded CTC has helped boost family economic security. Data from the Census Household Pulse Survey show that in early March, 19 million adults reported receiving their tax refund, including their CTC portion, in the last four weeks. Among that group, more than half—11 million—reported using their CTC portion to pay off debt. In addition, 3.5 million adults reported spending the CTC portion of their refund on necessities like food, clothing, rent/mortgage, utilities and child care.

Research demonstrates that every \$1 invested to expand the CTC provides \$10 in benefits

Another set of Columbia University researchers found that child allowance policies, including the expanded CTC, [generate](#) “very high net returns for the U.S. population.” The researchers also estimated that a permanent expansion of the CTC would cost \$97 billion per year and generate social benefits of \$982 billion per year—or \$10 in benefits for every \$1 of investment. This study showed even greater benefits than 2021 research from some of the same authors who estimated the CTC would provide [\\$8 in social and economic benefits](#) for every \$1 of investment.

Public investments in children yield economy-wide benefits

The expanded CTC is an investment in the current well-being and [future mobility](#) and success of children, which also leads to economy-wide returns. Over the long term, research has found that an extra \$3,000 in a family’s annual income when a child is younger than age 5 leads to [19% higher future earnings](#) when they grow up.

Other research on investments in early childhood finds that increasing family incomes has tangible outcomes for children, including [higher test scores](#), [higher graduation rates](#) for high school and college, [improved health outcomes](#), [lower rates of incarceration](#) and [reduced need](#) for future income support.

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Overall, a growing body of academic research finds that public investments in children yield [significant long-term returns](#) with economy-wide benefits, as healthier, more educated kids grow up to be more productive workers with higher earnings. This, in turn, also generates higher future revenues.