## JOINT ECONOMIC COMMITTEE





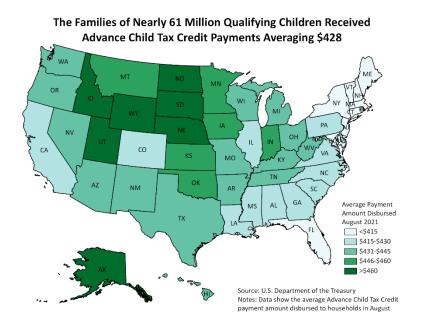
## **Update:** New Data Show Expanded Child Tax Credit Will Inject Nearly \$19.3 Billion Into Local Economies Each Month

The expanded Child Tax Credit helped almost 61 million children and gave eligible families an average of \$428 in August 2021

In August 2021, the second round of monthly payments from the newly expanded Child Tax Credit (CTC) hit families' bank accounts. The American Rescue Plan (ARP) dramatically increased the value of the CTC, from \$2,000 per child to up to \$3,600 per child under six and \$3,000 per child six and older. The ARP also expanded the CTC so that it is now fully refundable, and previously ineligible low-income families will receive the full credit. Half of the expanded CTC will be distributed via monthly payments, helping families meet their financial needs in real time. The second round of monthly payments distributed over \$15 billion to families across the United States, averaging \$428 per qualifying family and reaching almost 61 million children. The number of children in families receiving the CTC grew by 1.6 million from July to August.

## The local economic impact of the monthly expanded CTC is likely to total nearly \$19.3 billion each month

The Treasury Department released <u>information</u> on how much money went to each state, which allows us to estimate the impact of the newly expanded CTC on local economies. Using an <u>estimated</u> multiplier of 1.25—or how much additional spending each \$1 in CTC payments will generate, as people use their funds to buy goods and services that in turn generate income for other people and businesses—implies that the expanded CTC will generate nearly \$19.3 billion in spending in local economies each month. This increased economic activity is a boon to local businesses, creating jobs in communities across the United States.



The expanded Child Tax Credit is expected to cut child poverty in half, leading to big longterm benefits for families and communities

The expanded CTC is expected to cut childhood poverty in half, which research shows will have long-term benefits for families and communities. For example, <u>research</u> has found that an extra \$3,000 in a family's annual income when a child is younger than five leads to 19% higher future earnings. Other research on investments in early childhood finds that increasing family incomes has tangible outcomes for children, including <u>higher test scores</u> and high school and college <u>graduation rates</u>, improved <u>health outcomes</u>, lower rates of <u>incarceration</u> and <u>reduced</u> need for future income support. Overall, a growing body of academic research finds that public investments in children yield <u>significant</u> long-term returns with economy-wide benefits, as healthier, more-educated kids grow up to be more productive workers with higher earnings, which in turn generates higher future revenues.

In a review of the academic literature on childhood poverty, the nonpartisan National Academies of Sciences, Engineering and Medicine <u>found</u> that childhood poverty costs the U.S. economy between \$800 billion and \$1.1 trillion in lost economic output annually. By cutting the childhood poverty rate in half, the expanded CTC will boost both families' current incomes and children's future earnings, and, in turn, the economy's future economic potential.

Data from the Census Bureau <u>show</u> the expanded CTC is already having a major impact with dramatic declines in food insufficiency and financial hardship. Households with children experienced a 2.6 percentage point decline in food insufficiency in July 2021, after the first round of monthly payments was disbursed. Similarly, the number of households with children reporting difficulty paying for household expenses declined by 2.5 percentage points that month. Families who received expanded CTC payments in July overwhelmingly spent the money on essentials for their children: 57% spent it on school expenses, 47% spent it on food and nearly 10% (and 17% of those with at least one child under age 5) spent it on child care.

Advance Child Tax Credit Payments Disbursed August 2021				
State	Number of Qualifying Children (Thousands)	Total Payment Amount (Thousands of \$)	Average Payment Amount (\$)	Total Payment Immediate Fiscal Impact (Thousands of \$)
Alabama	926	\$238,321	\$426	\$297,901
Alaska	154	\$38,769	\$468	\$48,461
Arizona	1,382	\$352,961	\$444	\$441,201
Arkansas	594	\$153,254	\$441	\$191,568
California	7,088	\$1,791,473	\$418	\$2,239,341
Colorado	1,024	\$254,878	\$425	\$318,598
Connecticut	580	\$142,342	\$395	\$177,928
Delaware	175	\$44,571	\$420	\$55,714
District of Columbia	93	\$23,045	\$383	\$28,806
Florida	3,648	\$933,467	\$407	\$1,166,834
Georgia	2,101	\$536,573	\$424	\$670,716
Hawaii	255	\$64,774	\$432	\$80,968
Idaho	398	\$101,326	\$488	\$126,658
Illinois	2,297	\$578,639	\$425	\$723,299
Indiana	1,322	\$338,458	\$447	\$423,073
lowa	619	\$157,298	\$459	\$196,623
Kansas	579	\$147,248	\$459	\$184,060
Kentucky	856	\$220,036	\$437	\$275,045
Louisiana	897	\$229,787	\$418	\$287,234
Maine	213	\$54,113	\$415	\$67,641
Maryland	1,117	\$277,883	\$408	\$347,354
Massachusetts	1,067	\$256,820	\$387	\$321,025
Michigan	1,773	\$449,614	\$439	\$562,018
Minnesota	1,093	\$271,601	\$450	\$339,501
Mississippi	597	\$154,414	\$418	\$193,018
Missouri	1,152	\$293,004	\$444	\$366,255
Montana	196	\$49,810	\$456	\$62,263
Nebraska	410	\$104,134	\$467	\$130,168
Nevada	594	\$154,047	\$435	\$192,559
New Hampshire	215	\$52,721	\$399	\$65,901
New Jersey	1,606	\$392,920	\$400	\$491,150
New Mexico	394	\$102,026	\$438	\$127,533
New York	3,295	\$828,283	\$412	\$1,035,354
North Carolina	1,953	\$499,362	\$422	\$624,203
North Dakota	153	\$38,361	\$461	\$47,951
Ohio	2,151	\$546,944	\$436	\$683,680
Oklahoma	803	\$207,272	\$455	\$259,090
Oregon	714	\$180,501	\$432	\$225,626
Pennsylvania	2,210	\$554,211	\$424	\$692,764
Rhode Island	173	\$43,692	\$401	\$54,615
South Carolina	959	\$245,810	\$426	\$307,263
South Dakota	183	\$46,421	\$477	\$58,026
Tennessee	1,287	\$329,990	\$432	\$412,488
Texas	6,231	\$1,594,468	\$443	\$1,993,085
Utah	797	\$201,009	\$515	\$251,261
Vermont	97	\$24,590	\$410	\$30,738
Virginia	1,563	\$388,076	\$416	\$485,095
Washington	1,378	\$343,950	\$431	\$429,938
West Virginia	302	\$77,475	\$431	\$96,844
Wisconsin	1,056	\$267,545	\$445	\$334,431
Wyoming	114	\$29,027	\$465	\$36,284
Other areas	87	\$22,469	\$480	\$28,086
United States	60,918	\$15,429,789	\$428	\$19,287,236

Source: U.S. Department of the Treasury, JEC Democratic staff calculations, Bernard Yaros, Jr. and Mark Zandi ("The Biden Fiscal Rescue Package: Light on the Horizon," 2021)

Note: "Total Payment Immediate Fiscal Impact" is calculated using an assumed multiplier of 1.25 on federal

Note: "Total Payment Immediate Fiscal Impact" is calculated using an assumed multiplier of 1.25 on federal spending on the Child Tax Credit at the state level from Yaros and Zandi (2021).