

JOINT ECONOMIC COMMITTEE
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Family Finances Improved Significantly After the First Monthly Expanded Child Tax Credit Payments in July 2021

The expanded Child Tax Credit (CTC) passed into law under the American Rescue Plan, or Rescue Plan, is already having a significant impact on family budgets. The expanded CTC provides a monthly payment worth up to \$300 for each child under age 6 and up to \$250 for each child age 6 to 17. Eligible families received an average payment of \$423 in July 2021, covering 59 million children.

Families used the first round of monthly CTC payments to pay for necessities such as food, school expenses and child care. Data from the Census Bureau show that following the first round of monthly CTC payments, the number of households that reported having trouble paying for usual household expenses declined by 2.5 percentage points. Similarly, the number of households with children reporting that they sometimes or often did not have enough to eat dropped by 2.6 percentage points.

The data provide further evidence that the expanded CTC is helping families recover from the economic effects of the COVID-19 pandemic and providing a boon to communities, generating nearly \$19.3 billion in spending in local economies each month.

Households with children that received CTC payments in July spent the money on necessities such as food, school expenses and child care

Families reported to the Census Bureau that they are using the income from the expanded CTC to cover household costs such as food, school expenses and child care. The Rescue Plan 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. It 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 July payments [covered over 59 million children](#) and averaged \$423 per household, while the August payments [covered nearly 61 million children](#) and averaged \$428 per household.

Families are using the expanded CTC payments to meet the needs of their household. Among those who responded to the Census Bureau's Household Pulse Survey, which was administered following the first round of payments, [47%](#) spent their CTC payment on food; [28%](#) spent it on internet, electricity and other utilities; 26% spent it on educational expenses such as school supplies and tutoring; 25% spent it on mortgage or rent payments; [25%](#) spent it on clothing; and [10%](#) (and 17% of those with at least one child under age 5) spent it on child care. Overall, [about 67%](#) immediately spent their CTC payment on goods or services or used it to pay off debt.

The expanded CTC payments are helping families navigate the high and rising cost of caring for children. Many families cannot afford basic expenses, much less unexpected bills. A recent brief by the Council of Economic Advisors and the Office of Management of Budget found that [80% of families](#) experienced a significant increase in the portion of their budgets going toward basic needs like housing, food and health care between 1984 and 2014. A Federal Reserve report found that [35%](#)

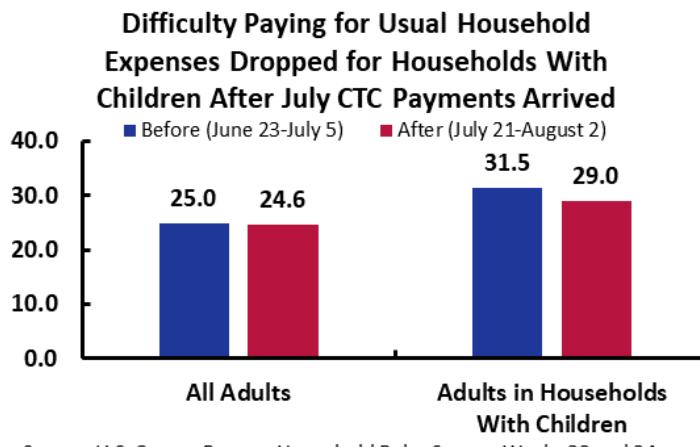
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of U.S. adults said that they either would be unable to afford an unexpected \$400 expense or would need to borrow money or sell possessions to cover it.

India Hatcher, a 37-year-old mother who lives in Atlanta and is receiving \$250 per month for her 11-year-old son, told CBS News the CTC payments would help her afford food and school expenses: “Right now, I was in a desperate situation, wondering would I get his back-to-school stuff or food. I can get his uniforms, his supplies and it helps—it’s not a million dollars, but for some people, like myself, that doesn’t have anybody, it’s very helpful.”

The share of families reporting difficulty paying for household expenses dropped by 2.5 percentage points after the first round of CTC payments in July 2021

The share of households with children reporting that it was somewhat or very difficult to pay for their usual household expenses in the previous week declined by 2.5 percentage points following the first round of CTC payments in July. This drop was significantly larger than the 0.4-percentage-point drop reported among all adults, suggesting the enhanced CTC is providing vital economic support to households with children.



Parents across the country have attested to how the expanded CTC will provide them with a much-needed boost. Tanya Street, a self-employed mother of one from Iowa, told Cedar Rapids' *The Gazette* that the expanded CTC will help her get by: “Although it’s not 100% peace of mind, just having that little extra each month is going to give me a little more flexibility, and that’s huge. The last year has been tough, and I’ve had to deal with the majority of it on my own. Staying afloat has been a huge stress.”

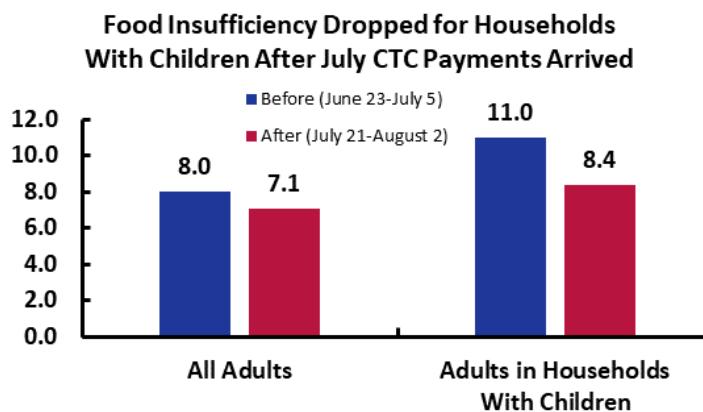
Brianne Walker, a 29-year-old mother who cares for three children and two young siblings in New Hampshire, told the *Associated Press* that “the additional money does help alleviate the pressure.” She said she would use the \$800 monthly payments to replace income she lost after quitting her job to care for her five dependents during the pandemic.

The share of families reporting that they sometimes or often did not have enough to eat dropped by 2.6 percentage points after the July 2021 CTC payments

The share of households with children that reported they sometimes or often did not have enough to eat, which the Census Bureau refers to as *food insufficiency*, dropped 2.6 percentage points following

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the first round of CTC payments in July. During the same period, households without children reported no significant change in food insufficiency. Overall, the share of families reporting food insufficiency has fallen to its lowest level since the pandemic began.



Source: U.S. Census Bureau, Household Pulse Survey, Weeks 33 and 34

Initial data confirm that the expanded CTC will help bring millions of families out of poverty

About 11 million children are living in poverty in the United States, and researchers estimate the expanded CTC will cut child poverty [almost in half](#). The Urban Institute estimated that the Rescue Plan and bipartisan emergency relief efforts helped keep [50 million people](#) out of poverty in 2021. They estimate that the advanced CTC payments alone will keep over 1.7 million people out of poverty in 2021. Research on investments in early childhood finds that increasing family incomes has tangible outcomes for children, including [higher test scores](#) and high school and college graduation rates, improved [health outcomes](#), [lower rates of incarceration](#) and reduced need for future income support. Overall, a growing body of academic research finds that public investments in children yield [significant](#) long-term economic benefits.

The expanded CTC will also have major economic benefits for communities, including almost \$19.3 billion in local economic spending from monthly payments

Based on August data from the Treasury Department, the Joint Economic Committee expects that the expanded CTC will generate [nearly \\$19.3 billion](#) in spending in local economies each month. As families use the monthly payment to pay for household expenses, local businesses will benefit from the increased spending, creating jobs in communities throughout the country.

Over the long term, by dramatically reducing childhood poverty, the expanded CTC will also benefit the entire economy. A paper published in the journal *Child Development* 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](#). In addition, the nonpartisan National Academies of Sciences, Engineering and Medicine found 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, children's future earnings and, in turn, the economy's future economic potential.