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Congress' failure to reup expanded child tax credit displays longtime favoritism toward higher income

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As the months slip by, Congress' continuing failure to extend changes that made child tax credits more equitable for one year reveals a longtime bias toward subsidizing higher-income people to have children. If judged by its actions in setting [spending priorities](#), our national legislature must think children and families at the bottom of the economic pecking order are worth less than those with incomes above them.

As Covid ravaged the country last year, Congress made the child tax credit more equitable and inclusive. The 2021 American Rescue Plan temporarily raised the credit to \$3,000 (\$3,600 for each child under age 6) and made it fully refundable, which allowed many more low-income families to benefit. These changes expired at the end of 2021.

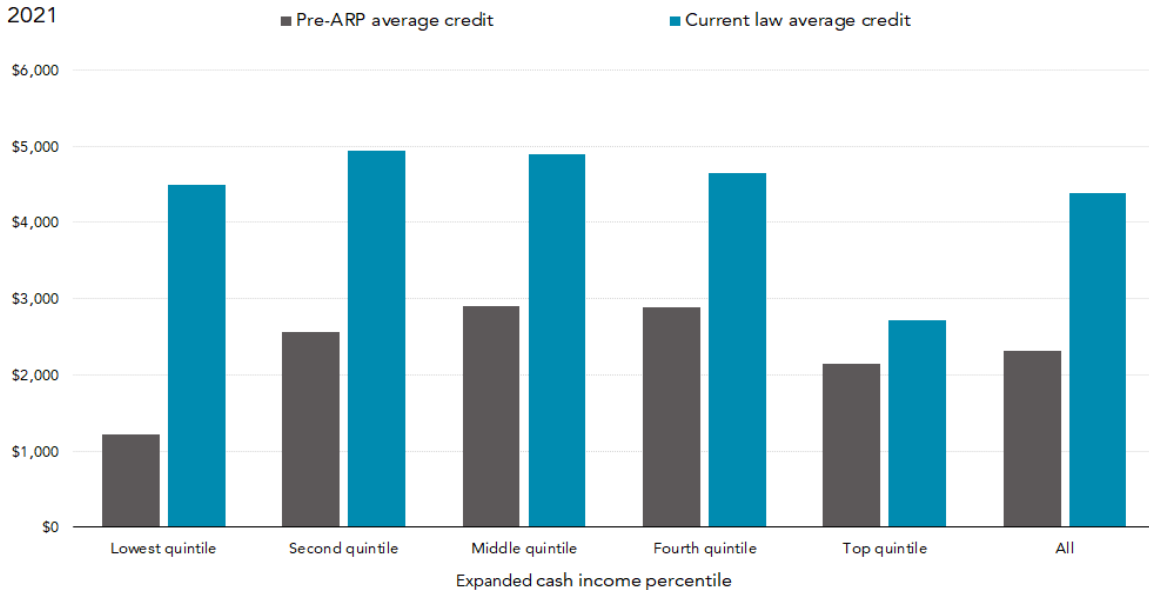
Since then, the law [reverted](#) to provisions of the 2017 Tax Cuts and Jobs Act, through which Congress increased the credit from \$1,000 to \$2,000 per child for couples making as much as \$400,000. As before, those too poor to pay income tax in 2022 can receive up to a maximum of only \$1,400. Those making \$2,500 or less are not eligible for any benefit.

As before 2021, child tax credit spending once again is heavily tilted in favor of middle- and higher-income families. The [Tax Policy Center](#) (TPC) estimated in 2019 that taxpayers with income between \$100,000 and \$200,000 received the largest child tax credit, more than \$3,000 on average. Taxpayers with income under \$20,000 received a credit of less than \$1,000. Families with incomes under \$10,000 received an average of only \$250.

The [chart below](#) shows how the one-year expansion of the child tax credit temporarily made it larger, more equitable, less regressive, and more inclusive of low-income families.

FIGURE 2

Average Benefits of Child Tax Credit for Tax Units with Children: Pre-ARP and Current Law



Source: Urban-Brookings Tax Policy Center. "TPC Microsimulation Model, version 0920-2."
 Note: Includes the \$500 nonrefundable portion of the child tax credit, also referred to as the credit for other dependents.

Unless Congress acts, a low-income family with two kids still waiting for its last installment of a \$6,000 to \$7,200 credit for tax year 2021 will be eligible for only a small fraction of that amount for 2022. Many low-income families might get nothing at all if Congress decides to impose work requirements as Sen. Manchin (D-WV) and others demand.

The American Rescue Plan temporarily increased tax credits for more than 65 million children — roughly 90 percent of U.S. children. Previously, 27 million children — including about half of Black and Latino children and half of children in rural communities — received less than the full credit amount.

If continued, the child tax credit expansion was projected to reduce annual child poverty by more than 40 percent, mostly because it became fully refundable. Letting the expansion lapse puts about 10 million children at risk of slipping back below the poverty line or deeper into poverty, according to the [Center on Budget and Policy Priorities](#).

While the [consequences of Congressional inaction](#) will be negligible for high-income families and manageable for those with middle incomes, they will be severe for most low-income families. Both political parties bear responsibility.

Many Republicans support cutting assistance to low-income families and some favor strict work requirements to receive the child tax credit. Sen. Mitt Romney (R-UT), a pro-family advocate, is an exception. Romney [has proposed](#) replacing the child tax credit with a near-universal subsidy for raising children administered by the Social Security Administration.

For their part, Democrats nested extension of the expanded child tax credit inside [the now-defunct Build Back Better bill](#), an arguably undisciplined conglomeration of initiatives, many of which primarily would benefit people of middle-income and above. Both parties historically have supported tax breaks and [exclusions](#), particularly for employee benefits, that re-cycle tax dollars back to higher income groups while providing much less benefit to families with lower income.

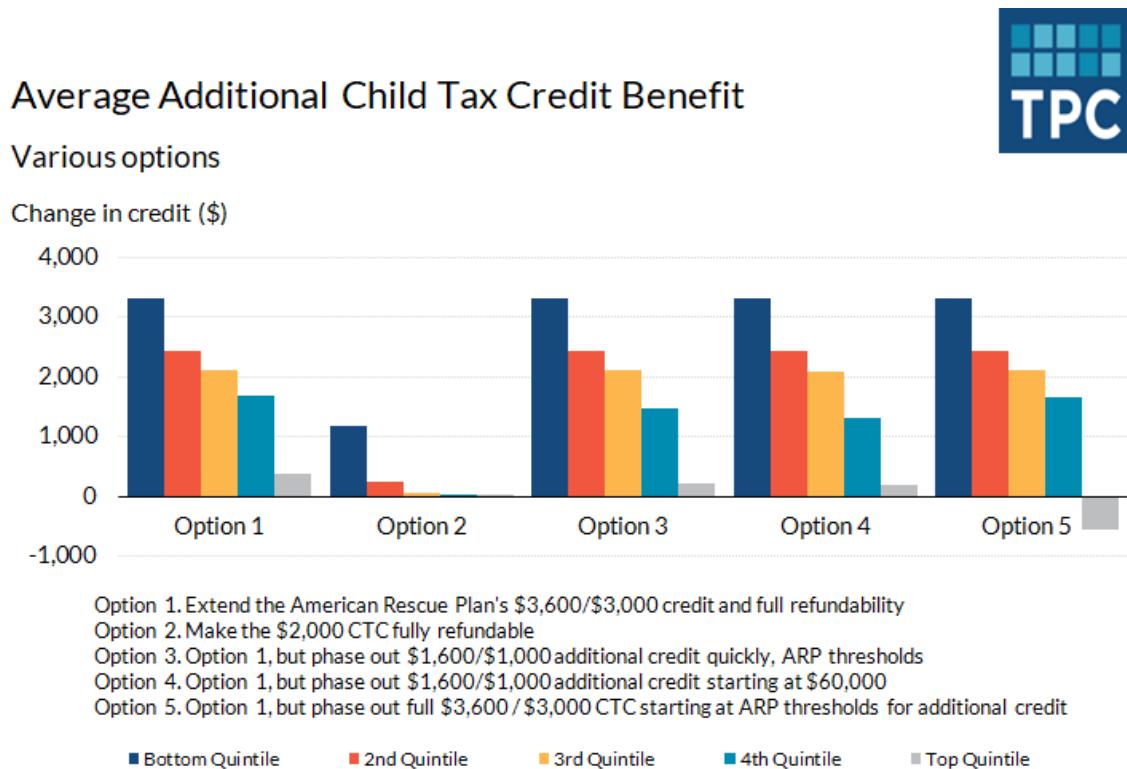
Asked about his repeated refusal to support relief to struggling families, Sen. Ron Johnson (R-WI), one of the wealthiest members of Congress, [recently said](#) he's "never really felt it was society's responsibility to take care of other people's children." If Sen. Johnson really believes that, why doesn't he lead a charge to get rid of the child tax credit altogether – especially since the lion's share of the spending is going to families that don't need it? The national debt just climbed over \$30 trillion. There's a strong case to target spending wisely, particularly among Republicans. Providing subsidies to people that don't need them also can spur inflation.

Making sure low-income families have the resources to raise functional children matters a great deal for national productivity, health, and security. Almost half of the future U.S. work force under age six is growing up in [poor or near-poor families](#). Families in the lowest 10th percentile have 15 times less annual income than children in the 90th percentile. About 42% of U.S. births are paid for by [Medicaid](#), public health insurance for low-income Americans.

Congress shouldn't let any more time pass before getting back to work on the child tax credit. Money could be saved by dropping the amounts to somewhere between \$2,000 and \$3,000 per child and progressively targeting funds to low-income families. Tax credits (or other subsidies) also could be weighted toward children of younger ages who require the most parenting time and costly daycare so parents can work. Parents with young children are usually in the early stages of

their careers and, on average, have [lower earnings compared to parents with older children](#).

The Tax Policy Center recently [modeled five ways](#) Congress could expand the child tax credit more modestly and still help low-income families. “If Congress simply restored the American Rescue Plan (ARP) version (option 1 in the figure below), all but the highest income families would receive a higher credit than they do today. The lowest income households would get the biggest increase.,” write Elaine Maag and Lillian Hunter.



Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0721-2).
 Note: See <https://www.taxpolicycenter.org/simulations/options-reforming-child-tax-credit-april-2022> for complete description of options.

“Alternatively, Congress could choose to keep just ARP’s full refundability (option 2). That would deliver an average new benefit of about \$1,200 to families with children in the lowest one-fifth of the income distribution. That’s much less than the over \$3,300 average new benefit if the higher credit amounts were also in place – but almost all the (new) benefits would go to the lowest income families.

If Congress wanted a lower-cost expansion of the CTC, it could phase the credit out more quickly than the ARP did.”

If lawmakers decide to add a work mandate, it could be softened to require only part-time paid employment for low-income single parents who have the hardest time earning a living wage since they have no partner. Alternatively, low-income parents facing work requirements could be provided with adequate [subsidies for childcare](#), which incidentally would be far more costly for taxpayers than the expanded 2021 credit amounts.

Sen. Romney and other leaders realize that work does not have to be paid to have great value to a society. Raising children is hard work – and perhaps the most important contribution that parents make to the country’s health and wellbeing. Having enough time to raise their children should not disqualify a [mother](#) or father from getting government assistance that better-off parents receive.

Karl Polzer is founder of the [Center on Capital & Social Equity](#).