September 15, 2021

The Honorable Chuck Schumer 
U.S. Senate 
Washington, DC 20510

The Honorable Nancy Pelosi 
U.S. House of Representatives 
Washington, DC 20510

The Honorable Mitch McConnell 
U.S. Senate 
Washington, DC 20515

The Honorable Kevin McCarthy 
U.S. House of Representatives 
Washington, DC 20515

Dear Majority Leader Schumer, Speaker Pelosi, Minority Leader McConnell, and Minority Leader McCarthy:

We, the undersigned economists, strongly support making permanent the 2021 expansion of the Child Tax Credit. The expanded Child Tax Credit can dramatically improve the lives of millions of children growing up in the United States and promote our country’s long-term economic prosperity.

Childhood poverty is a staggering problem in the United States, affecting approximately one in seven children, and one in five children of color, even before the Covid-19 pandemic began. Children growing up in poverty begin life at a disadvantage: on average they attain less education, face greater health challenges, and are more likely to have difficulty obtaining steady, well-paying employment in adulthood. A panel of experts convened by the National Academy of Sciences estimated that because of such effects, childhood poverty costs the country between $800 billion and $1.1 trillion each year.

Economic research suggests that expanding the Child Tax Credit (CTC) would be beneficial for the following reasons:

- **Poverty Reduction.** Expanding the CTC would dramatically reduce childhood poverty in the United States. In doing so, it would improve children’s lives in important and lasting ways. Research shows that reducing child poverty improves educational attainment, as reflected in fewer school absences, higher standardized test scores, and more high school completion and college attainment. It also improves health in infancy, during childhood, and in adulthood, as well as reducing mortality and crime. The financial gains from reducing childhood poverty have been found to persist long past childhood: low-income children who benefit from safety net programs are more likely to be employed, earn more as adults and less likely to be poor.
• **Long-Term Investment.** Expanding the CTC would yield a long-term fiscal payoff. Because reducing child poverty has a positive effect on earnings in adulthood, expanding the CTC would bring in more tax revenue down the road. By improving low-income families’ health, it would reduce government medical expenditures for this group. Once the full effects of the CTC expansion are accounted for, the net cost to taxpayers of the expansion has been estimated to be as little as approximately 16 cents for every $1 of new benefits.

• **Minimal Work Reduction.** Some have argued an expanded CTC would erode incentives to work. However, a design feature that limits such effects is that the expanded CTC amount would not phase out until high levels of earnings; thus, most families would not see their CTC amount decline if their income rises. In addition, recent empirical studies suggest that the income provided through the program is unlikely to meaningfully reduce parental labor supply. Indeed, the panel of experts who reviewed this issue for the National Academy of Sciences concluded that a universal child allowance would have a negligible effect on employment.

• **Credit Pays for Necessities.** The vast majority of cash payments are used to pay for basic needs. In Canada, the introduction of a child allowance increased spending on education, food, transportation, and childcare, and reduced purchases of cigarettes and alcohol. And with the first monthly payments of the temporary CTC expansion in the United States, families increased spending on food, clothes, utilities, school supplies, and reduced debt, and food insecurity declined dramatically.

In summary, a permanently expanded CTC would yield tremendous immediate and long-term benefits for children and their families and would be unlikely to meaningfully reduce employment. For these reasons, we believe that the benefits of an expanded CTC far outweigh the costs.

NOTE: Institutions are listed for identification purposes and should not be viewed as signatories to the letter.
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