

The Potential Poverty Reduction Effect of the American Rescue Plan

Legislation Could Cut Child Poverty by More Than Half

Zachary Parolin, Sophie Collyer, Megan A. Curran, and Christopher Wimer

Center on Poverty and Social Policy at Columbia University

This fact sheet provides an analysis of the poverty reduction effects of a set of policy elements in the [American Rescue Plan Act of 2021](#), legislation to provide economic relief amidst the ongoing COVID-19 crisis. The projected annual poverty rates for 2021 are listed below.

Table 1. 2021 Poverty Projections Under American Rescue Plan Act

	Poverty Rate, 2021			Poverty Impact, 2021		
	Without December 2020 relief	Baseline (with Dec. 2020 relief)	With American Rescue Plan (to baseline)	Percentage Point Reduction	Percent Change	Number of People
<i>US Population</i>	13.6%	12.3%	8.5%	-3.8%	-30.8%	12,250,000
<i>Under 18</i>	15.1%	13.5%	5.9%	-7.5%	-56.0%	5,550,000
<i>18-64</i>	12.7%	11.3%	8.2%	-3.0%	-26.9%	6,000,000
<i>65+</i>	14.6%	14.2%	12.7%	-1.5%	-10.4%	780,000
<i>Asian</i>	13.6%	12.8%	9.7%	-3.1%	-24.2%	650,000
<i>Black</i>	21.9%	19.2%	12.1%	-7.1%	-37.1%	3,050,000
<i>Hispanic</i>	21.8%	18.9%	11.4%	-7.5%	-39.8%	4,510,000
<i>White</i>	9.2%	8.6%	6.7%	-1.9%	-22.4%	3,770,000
<i>Asian Children</i>	12.7%	12.1%	6.5%	-5.6%	-46.1%	220,000
<i>Black Children</i>	24.8%	21.5%	9.7%	-11.8%	-54.8%	1,190,000
<i>Hispanic Children</i>	22.3%	19.5%	9.2%	-10.3%	-52.9%	1,940,000
<i>White Children</i>	9.0%	8.3%	3.1%	-5.2%	-63.0%	1,900,000

Note: Percentage point reduction, percent change, and number of people moved out of poverty compare the "Baseline (with Dec. 2020 relief)" and "With American Rescue Plan" columns. Due to rounding, some totals may not correspond with the sum of the separate figures.

Our model incorporates the anti-poverty impacts of a set of items from the [American Rescue Plan Act of 2021](#).

The proposed policy elements featured in this analysis include (see Assumptions & Policy Details):

- Extension of SNAP benefit increases through the end of 2021
- One-time direct payment at a value of \$1,400 per eligible adult and child recipient
- Extension of current unemployment insurance expansions through September 6, 2021 (with a \$300 per week national supplement)
- A fully refundable Child Tax Credit valued at \$3,000 (ages 6-17) and \$3,600 (under 6)
- An expanded Earned Income Tax Credit for workers without children
- An expansion of the Child and Dependent Care Tax Credit

The American Rescue Plan Act includes a number of other items likely to impact poverty, including additional child care funding, rental assistance, and more. This analysis does not account for these items. Our results are based on policy parameters available at the time of the modeling

Our analysis uses the *Supplemental Poverty Measure (SPM)* framework to project an annual poverty rate for 2021. The SPM which accounts for cash and noncash government benefits, necessary expenses like taxes, health care, commuting, and child care, and adjusts for family size and local housing costs. For a two-parent, two-child family in an average cost city, the SPM income threshold is about \$28,000 per year.

Methodology

Calculated by the Center on Poverty and Social Policy at Columbia University following methods introduced in Parolin, Curran, and Wimer. 2020. “[The CARES Act and Poverty in the COVID-19 Crisis: Promises and Pitfalls of the Recovery Rebates and Expanded Unemployment Benefits.](#)” Poverty & Social Policy Brief, Vol. 4, No. 8. New York, NY: Center on Poverty and Social Policy and Parolin, Curran, Matsudaira, Waldfogel and Wimer. 2020. “[Monthly Poverty Rates in the United States during the COVID-19 Pandemic.](#)” Poverty and Social Policy Discussion Paper. New York, NY: Center on Poverty and Social Policy.

Note

This is an update to the last brief released on February 25, 2021. We have since updated our analysis to reflect the final elements included in H.R.1319-[American Rescue Plan Act of 2021](#), as well as to account for small adjustments in our simulation model.

Assumptions & Policy Details

Our model assumes a 6.0% average unemployment rate for 2021. Our baseline accounts for H.R. 133, the Consolidated Appropriations Act, 2021, otherwise known as the December 2020 short-term COVID-19 relief package.

- The Supplemental Nutrition Assistance Program (SNAP) benefit increases include a continuation (through December 31, 2021) of the 15% monthly benefit increase passed in H.R. 133 in December 2020 and the SNAP administrative flexibilities that enable states to raise households up to the maximum SNAP benefit passed earlier in H.R. 8337.
- The one-time \$1,400 direct payments are allocated to each eligible adult and child under the same income parameters as the CARES Act and H.R. 133 direct payments; the baseline in our model incorporates the \$600 direct payments from H.R. 133. Similar to H.R. 133, the \$1,400 payments are allocated to adults and children with Social Security Numbers (SSNs) in mixed-status households; undocumented individuals are not allocated payments here. H.R. 133 made adults and children with SSNs in mixed-status households retroactively eligible for the CARES Act direct payments (\$1200 per adult/\$500 per child). Because these individuals must claim these payments on their next tax returns and estimates of take-up and receipt are not yet available, these payments are not included in our model. President Biden's plan extends the \$600 direct payments to dependents aged 17 and over left out of previous rounds of relief; our analysis accounts for this.
- With respect to unemployment insurance, the baseline in our model includes the 11-week H.R. 133 extensions of the Pandemic Emergency Unemployment Compensation (PEUC) and Pandemic Unemployment Assistance (PUA), plus a \$300 per week Pandemic Unemployment Compensation (PUC) supplement through March 14, 2021. Our model adds 28 more weeks of PEUC, PUA, as well as a \$300 per week PUC, through September 06, 2021.
- The Child Tax Credit (CTC) expansion modeled here assumes a fully refundable maximum annual benefit of \$3000 for dependents aged 6 to 17 and \$3600 for dependents aged under 6. The Earned Income Tax Credit (EITC) modeled here expands benefits for childless workers aged 19 and over along the parameters of the EITC change included in the first HEROES Act, H.R. 6800, passed by the US House of Representatives on May 15, 2021.
- The Child and Dependent Care Tax Credit expansion would make the credit fully refundable and offer families a credit worth up to half of their child care spending, with a maximum credit value of \$4000 for one child and \$8000 for two or more children. The full credit would be available to families with annual incomes up to \$125,000; above this income level, a partial credit is available for families up to annual incomes of \$400,000.

Suggested Citation

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