

Expanding the Child Tax Credit would Cut Child Poverty Nearly in Half

Christopher Wimer and Sophie Collyer, Columbia University

Policymakers on both sides of the aisle are currently pushing for reforms to the tax code. As part of this effort, legislators are proposing multiple ideas for strengthening the Child Tax Credit (CTC), a program designed to support families raising children in the United States. As it currently stands, the CTC provides up to \$1,000 per child for qualifying families, either as a reduction in tax liability

or as a partially refundable credit. A recent proposal introduced by Senators Michael Bennet (D-CO) and Sherrod Brown (D-OH) would expand access to the CTC to those at the bottom of the income distribution and boost the value of the CTC for all credit-eligible families. In this brief, we present results from a simulation of the Bennet-Brown bill in terms of how it would impact poverty rates among families with children.

Findings

(1) The Bennet-Brown proposal would cut the total poverty rate in the U.S. substantially -- from 14.3% to 11.3%.

(2) The proposal would have an even greater impact on child poverty, cutting it from 16.1% to 8.9%, or nearly in half.

(3) The share of children living in deep poverty (with family incomes below half the poverty line) would also be cut in half, and extreme poverty among children (defined as having less than \$2 a day per person) would be virtually eliminated.

Such a proposal would obviously entail budgetary costs, but those costs can be offset through changes in the tax code or spending reductions that have a minimal impact on low-income families with children. In addition, the results of our simulations suggest that substantial reductions in child poverty would result from reforms to the CTC that expand the program to America’s most vulnerable families with children. Reducing child poverty can substantially improve health, educational outcomes, and incomes, while reducing the likelihood that children born into poverty end up entangled in the criminal justice system as adults. All of these elements have substantial positive economic and budgetary effects over the long-run. We caution, however, that these gains would be greatly diminished if other benefits to such families were cut.

Table 1. Anti-Poverty Effects of the Bennet-Brown Child Tax Credit Reform Proposal

<i>Overall Poverty Rate (Whole Population)</i>	<i>Pre-Reform Poverty Rate</i>	<i>Post-Reform Poverty Rate</i>
SPM Poverty	14.3%	11.3%
Deep Poverty	4.9%	3.9%
Extreme Poverty (<\$2/Day)	2.2%	1.5%
<i>Child Poverty Rate (Children Under 18)</i>	<i>Pre-Reform Poverty Rate</i>	<i>Post-Reform Poverty Rate</i>
SPM Poverty	16.1%	8.9%
Deep Poverty	4.9%	2.4%
Extreme Poverty (<\$2/Day)	1.7%	0.2%

