

Sixth Child Tax Credit Payment Kept 3.7 Million Children Out of Poverty in December

Child poverty set to spike in January 2022 after expiration of monthly payments

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FINDINGS

- The Child Tax Credit reached 61.2 million children in December 2021, an increase of 2 million children over six months from the rollout to 59.3 million children in July.
- Increasing coverage increased its anti-poverty effects: the first payment kept 3 million children from poverty in July and the sixth Child Tax Credit payment kept 3.7 million children from poverty in December.
- On its own, the Child Tax Credit reduced monthly child poverty by close to 30 percent.
- In absence of a January payment, the monthly child poverty rate could potentially increase from 12.1 percent to at least 17.1 percent—the highest monthly child poverty rate since December 2020.

This brief includes:

- Monthly poverty numbers and the impact of the December 2021 Child Tax Credit payment
- Impact of the Child Tax Credit on monthly child poverty rates from July to December 2021
- An indication of monthly poverty levels in January 2022 without a Child Tax Credit payment

The American Rescue Plan made three important changes to the Child Tax Credit for 2021: increasing benefit levels, expanding access to reach children in families with the lowest incomes, and paying the benefit out in monthly installments. As of December 2021, the Internal Revenue Service (IRS) has paid out six months of advance Child Tax Credit payments worth up to \$250 per child aged 6 to 17 and up to \$300 per child aged under 6. These payments have reached over 61 million children in more than 36 million households. Under current law, families will receive the balance of their 2021 Child Tax Credit—the value of the remaining six months—in a single payment at tax time in 2022. The Build Back Better package, passed by the US House of Representatives in November 2021, would continue the monthly Child Tax Credit payments through 2022.

The sixth Child Tax Credit payment kept 3.7 million children from poverty in December 2021

The advance Child Tax Credit reached [61.2 million children](#) in December 2021. On its own, the Child Tax Credit contributed to a 5 percentage point (29.4 percent) reduction in child poverty compared to what monthly poverty in December would have been in its absence. As seen below, the Child Tax Credit kept 3.7 million children from poverty in December 2021—including 163,000 Asian children, 737,000 Black children, 1.4 million Latino children, and 1.4 million White children.

Effect of Child Tax Credit on Monthly Poverty Rate in December 2021 by Children's Race and Ethnicity

SPM POVERTY RATE (%)

| Children | Pre-COVID Relief | With COVID Relief/ No CTC | With COVID Relief +CTC | Percentage Pt. Reduction (CTC only) | Percent Reduction (CTC only) | Percentage Pt. Reduction (COVID Relief +CTC) | Percent Reduction (COVID Relief + CTC) |
|----------|------------------|---------------------------|------------------------|-------------------------------------|------------------------------|----------------------------------------------|----------------------------------------|
| All | 18.9% | 17.1% | 12.1% | -5.0% | -29.4% | -6.8% | -36.1% |
| White | 12.4% | 11.2% | 7.5% | -3.7% | -33.3% | -4.9% | -39.6% |
| Black | 29.2% | 26.1% | 19.5% | -6.6% | -25.3% | -9.7% | -33.3% |
| Latino | 26.4% | 23.9% | 16.8% | -7.2% | -30.0% | -9.6% | -36.4% |
| Asian | 16.8% | 15.7% | 11.9% | -3.8% | -23.9% | -4.9% | -29.0% |

NUMBER OF CHILDREN IN POVERTY

| Children | Pre-COVID Relief | With COVID Relief/ No CTC | With COVID Relief +CTC | Number Moved Out of Poverty (CTC only) | Number Moved Out of Poverty (COVID Relief + CTC) |
|----------|------------------|---------------------------|------------------------|----------------------------------------|--------------------------------------------------|
| All | 13,953,000 | 12,631,000 | 8,912,000 | 3,720,000 | 5,041,000 |
| White | 4,556,000 | 4,121,000 | 2,750,000 | 1,370,000 | 1,805,000 |
| Black | 3,261,000 | 2,913,000 | 2,175,000 | 737,000 | 1,086,000 |
| Latino | 4,979,000 | 4,520,000 | 3,165,000 | 1,356,000 | 1,814,000 |
| Asian | 731,000 | 682,000 | 519,000 | 163,000 | 212,000 |

Parolin and Curran (2022), Center on Poverty and Social Policy at Columbia University, Monthly SPM Poverty for December 2021.

**Numbers rounded to the nearest thousand.*

***According to the IRS, families who missed earlier payments (e.g. July through November) received their total advance payment (equal to six months' of their annual Child Tax Credit value) in their December payment.*

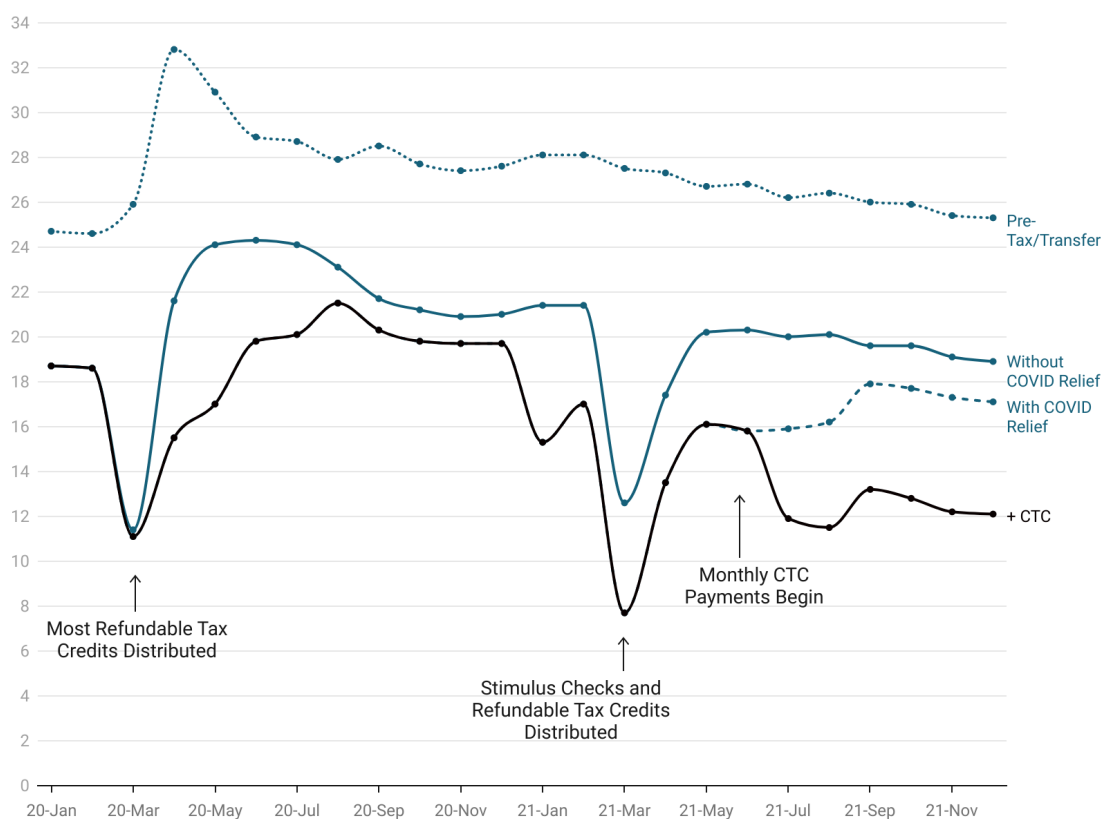
The overall monthly child poverty rate decreased slightly between November and December, from 12.2 percent to 12.1 percent. Continuing forms of COVID-19 economic relief (including the Child Tax Credit available nationwide and Supplemental Nutrition Assistance Program (SNAP) emergency allotments still in place in many states) altogether kept 5 million children from poverty, resulting in a December monthly poverty rate for children that was 7 percentage points, or 36.1 percent, lower than it would have been without these policy items. As of October 1, 2021, recipients of SNAP also saw an increase in their SNAP benefits with the [new adjustments to the Thrifty Food Plan](#); our analysis accounts for these new additional benefits as part of the permanent social safety net, rather than as part of temporary COVID-19-related relief.

Six months of the Child Tax Credit payments led to large reductions in monthly child poverty

A recent roundup of the available research on the implementation and impact of the first six months of the expanded Child Tax Credit reveals that the weight of the evidence is clear: the monthly Child Tax Credit payments have buffered family finances amidst the continuing COVID-19 pandemic, have increased families' abilities to meet their basic needs, have reduced child poverty and food insufficiency, and have had no discernable negative effects on parental employment.

From the first payment in July 2021, the expanded Child Tax Credit kept **3 million children from poverty**. In June 2021, just prior to the monthly Child Tax Credit rollout, the child poverty rate was 20.3 percent before accounting for COVID-related economic relief and 15.8 percent after accounting for COVID-related relief. In July 2021, upon distribution of the first monthly payment, the monthly child poverty rate fell from 15.8 percent to 11.9 percent. The first Child Tax Credit payment in July 2021, on its own, reduced the monthly child poverty rate by 3.9 percentage points, or 26 percent.

Figure 1: Trends in Monthly Poverty Rates among Children (Jan. 2020–December 2021)



Access a version of this table and all related data at: povertycenter.columbia.edu/forecasting-monthly-poverty-data

The IRS reached 59.3 million children in July and 61.2 million children in December, an increase of 2 million children in six months. Poverty reduction effects increased with coverage. The monthly Child Tax Credit kept **3.5 million children from poverty** in August; **3.4 million children from poverty** in September; **3.6 million children from poverty** in October; and **3.8 million children from poverty** in November 2021. Over six months, the total number of children kept from poverty by the Child Tax Credit rose by more than 700,000 children, an increase of over 23 percent.¹

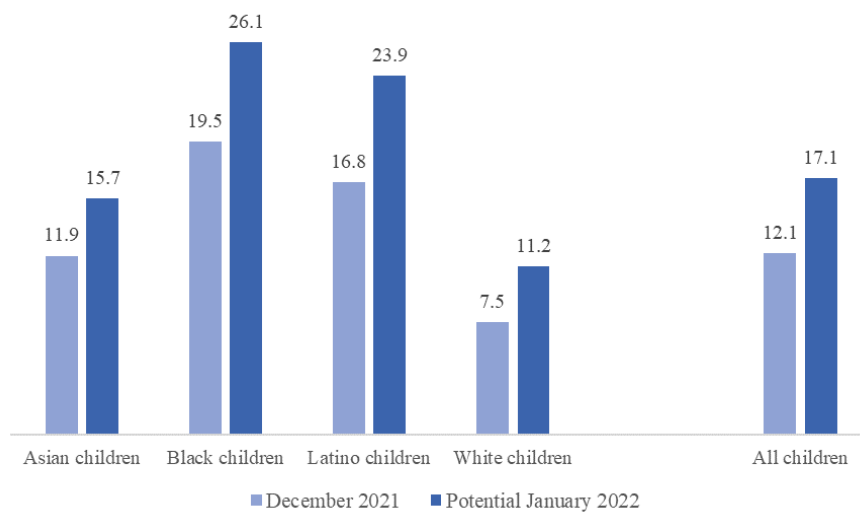
¹ According to the IRS, November 2021 marked the highest point of coverage, with the monthly payment reaching 61.3 million children (versus 61.2 million children in December). From July to November 2021, the total number of children kept from poverty by the Child Tax Credit payments rose by 800,000, an increase of 27 percent.

Increasing coverage also meant that Black and Latino children, who had been [disproportionately left out of the Child Tax Credit](#) prior to the 2021 expansion, saw important anti-poverty gains over time: the first payment reduced child poverty among Black children by 21 percent in July, but the sixth payment, on its own, reduced Black child poverty by 25 percent in December. Similarly, the first payment reduced child poverty among Latino children by 25 percent in July, but the sixth payment, on its own, reduced Latino child poverty by 30 percent in December. Families who may have missed out on monthly payments in 2021 still have an opportunity to file a return and receive their entire 2021 Child Tax Credit in a single payment at tax time in 2022. If the monthly payments are continued through 2022, efforts to continue outreach and enrollment of communities at greatest risk of missing out on these payments can help realize greater anti-poverty results moving forward.

January 2022 monthly poverty will likely increase with expiration of monthly Child Tax Credit

Congress has not currently acted to extend monthly Child Tax Credit payments into 2022. As such, January 2022 is the first month since June 2021 without the monthly payment. Though we will not have a new monthly poverty estimate for January 2022 until February, we can safely project that the monthly child poverty rate will increase without the Child Tax Credit payments. Our initial projection suggests that the monthly child poverty rate could increase from 12.1 percent in December 2021 to at least 17.1 percent (what the monthly child poverty rate might have been in absence of the Child Tax Credit payment in December 2021). This would be equivalent to 3.7 million additional children living in poverty at the start of 2022. In June 2021, just prior to the rollout of the new monthly Child Tax Credit payments, the monthly child poverty rate was 15.8 percent. Other forms of substantive COVID-19 economic relief in place at that time, including expanded unemployment benefits, have since expired. A potential monthly child poverty rate of 17.1 percent in January 2022 would be higher than monthly child poverty rates throughout 2021 and would be the highest monthly child poverty rate since December 2020.

Figure 2: Monthly Child Poverty Rates (%) Projected to Increase in Absence of January Child Tax Credit Payment



Note: Potential January 2022 monthly child poverty rates based on December 2021 child poverty rates in absence of the Child Tax Credit. January 2022 figures are subject to change based on final January 2022 employment data and any other changes in COVID-related relief (ex. number of states continuing their SNAP emergency allotment in January 2022).

In addition to its anti-poverty effects, the [monthly Child Tax Credit payments have strongly reduced food insufficiency among families with children on low incomes](#). Our past work has demonstrated that [our monthly poverty rates closely track month-to-month trends in food insufficiency, housing hardship, and subjective well-being](#), as observed in the Census Household Pulse Survey. If this holds in January 2022, we can expect that, in addition to rising monthly poverty, the absence of the Child Tax Credit payments will lead to rising levels of food hardship and declining well-being more broadly in the months to come.

Methods

In 2020, we established a novel method of forecasting poverty to provide monthly projections of poverty using the Supplemental Poverty Measure (Parolin, Curran, Matsudaira, Waldfogel, and Wimer, 2020). Using a monthly framework, we are able to track poverty amid changing economic circumstances as the COVID-19 pandemic and federal policy responses continue to unfold. Our monthly poverty estimates for the US population, including by race/ethnicity and age groups, will be regularly updated at: povertycenter.columbia.edu/forecasting-monthly-poverty-data.

Our monthly poverty framework estimates monthly child poverty rates based on the income a family unit ([as defined by the Supplemental Poverty Measure](#)) receives in a given month. Other estimates of the poverty reduction effect of the CTC focus almost exclusively on annual poverty rates (see Acs and Werner, 2021; Parolin, Collyer, Curran, and Wimer, 2021; Wheaton, Minton, Giannarelli, and Dwyer, 2021; Marr, Cox, Hingtgen, and Windham, 2021). In the annual framework, estimates (including our own past annual poverty estimates estimating a Child Tax Credit expansion on its own, or as part of the broader American Rescue Plan) generally assume 100 percent coverage among eligible family tax units; the assumption of perfect coverage matches the U.S. Census Bureau's approach when estimating annual poverty rates in the CPS ASEC. Our analysis of monthly poverty rates, in contrast, does not assume perfect coverage of the Child Tax Credit. In an annual poverty framework, many families in 2021 would also receive benefits from the Earned Income Tax Credit (EITC), stimulus checks (also known as Economic Impact Payments), unemployment benefits, and other transfers (including food and housing assistance and more) that lift families closer to the poverty line. As a result, the effect of the Child Tax Credit often appears stronger when examined in conjunction with these other income transfers. Our focus on monthly poverty may, in most months, understate the poverty reduction effect of the CTC compared to its effect on annual poverty.

For full methodological details on our framework for measuring monthly poverty rates, please see [Parolin, Curran, Matsudaira, Waldfogel, and Wimer 2020](#).

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