The Effect of the Expanded Child Tax Credit on Child and Family Well-being: Evidence from New York City

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Policy Context: The Expanded Child Tax Credit under the American Rescue Plan

Three key changes:

- Expanded eligibility to include those with moderate, low, or no earnings previously left out

- Increased annual benefit levels to a maximum of $3,000 per child aged 6 to 17 and $3,600 per child under age 6

- Delivered payments on a monthly, rather than annual, basis between July and December 2021—reaching more than 61 million children in over 36 million households
The potential effects of the expanded CTC

- The monthly CTC payments moved millions of children out of poverty in the months that payments were made (Parolin et al., 2021).

- The monthly payments also had the potential to improve the well-being of families and children in other domains:
  - material hardship
  - the need to use emergency food assistance
  - parents’ mental health
  - ability to make child-related investments
  - parents’ employment

Data and Methods

Poverty Tracker
- Longitudinal study with surveys every three months

Early Childhood Poverty Tracker (ECPT)
- A parallel longitudinal study of families with young children (3-7 years old during expanded CTC payments)

Both provide critical information on poverty, material hardships, psychological distress, and other factors related to well-being.
Data and Methods: Estimating effects

With each $100 increase in monthly income from the CTC, how did outcomes change for families with children?

• Employed a difference-in-differences framework (Parolin et al., 2021).

\[ y_i = \beta_1 PostCTC_i + \beta_2 Treatment_i + \beta_3 (PostCTC \ast Treatment)_i + \beta_4 X_i + \varepsilon_i \]

- Binary indicator of pre- or post-treatment (July 15)
- Net gain in monthly income from the CTC
- Estimates the effect of the CTC on the outcome of interest
- Control variables & fixed effect for survey month

• Presenting intent-to-treat results of our outcomes, using continuous treatment for the full sample of New Yorkers.

Results: Material hardships (across 5 total)

<table>
<thead>
<tr>
<th>Hardship Type</th>
<th>Pre-treatment Mean</th>
<th>Change per $100 Increase in CTC Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Any hardship</td>
<td>52.4%</td>
<td>-0.019*</td>
</tr>
<tr>
<td>Multiple hardships</td>
<td>33.9%</td>
<td>-0.024*</td>
</tr>
</tbody>
</table>

Average net gain from CTC: $230

*p<0.05
**Results: Material hardship**

Pre-treatment mean: 39.9%

2.9 p.p. reduction per $100 increase in monthly income from the CTC

-0.04 -0.03 -0.02 -0.01 0 0.01 0.02 0.03 0.04

Financial  Food  Housing  Medical  Utilities

**Results: Use of food pantries**

Pre-treatment mean: 9.1%

0.7 p.p. reduction per $100 increase in monthly income from the CTC

-0.005 -0.007*

Visited a food pantry in the last month  Visited a food pantry weekly+
**Results: Mental health**

![Graph showing the change in psychological distress (continuous K6) per $100 increase in CTC payment. The range for continuous K6 is 0-24. The graph indicates a decrease of -0.032.]

**Results: Child-related spending**

![Graph showing the change in child-related spending per $100 increase in CTC payment for books, clothes, and toys, extracurriculars, and childcare. The changes are -0.039, 0.067, and -0.042 respectively.]


**Results: Labor force participation**

<table>
<thead>
<tr>
<th>Change per $100 increase in CTC payment</th>
<th>Full- or part-time employment</th>
<th>Hours worked</th>
</tr>
</thead>
<tbody>
<tr>
<td>+p&lt;0.10</td>
<td>0.000</td>
<td>0.307+</td>
</tr>
</tbody>
</table>

Pre-treatment mean: 32.9 hours

0.3 hours increase per $100 increase in monthly income from the CTC

**Summary**

**Material hardship**

<table>
<thead>
<tr>
<th>Financial hardship</th>
<th>↓</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food hardship</td>
<td>↓</td>
</tr>
<tr>
<td>Housing hardship</td>
<td>↓</td>
</tr>
<tr>
<td>Medical hardship</td>
<td>↓</td>
</tr>
<tr>
<td>Utilities hardship</td>
<td>↓</td>
</tr>
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<tr>
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<td>↓</td>
</tr>
</tbody>
</table>

**Use of food pantries**

<table>
<thead>
<tr>
<th>Used a food pantry in last 30 days</th>
<th>↓</th>
</tr>
</thead>
<tbody>
<tr>
<td>Used a food pantry weekly+</td>
<td>↓</td>
</tr>
</tbody>
</table>

**Mental health**

| Psychological distress | ↓ |

**Child-related expenditures**

| Childcare | ↓ |
| Extracurriculars | ↓ |
| Books, clothes, and toys | ↑ |

**Employment**

| Current employment status | ≠ |
| Hours worked last week   | ↑ |
Thank you!