

# The Impact of the 2021 Expanded Child Tax Credit on Child Poverty in the United States

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*This presentation is released to inform interested parties of research and to encourage discussion. Any views expressed are those of the authors and not those of the U.S. Census Bureau. All comparative statements in this presentation have undergone statistical testing, and, unless otherwise noted, all comparisons are statistically significant at the 10 percent significance level. This presentation meets all of the U.S. Census Bureau's Disclosure Review Board (DRB) standards and has been assigned DRB approval number CBDRB-FY23-SEHSD003-011. More information on confidentiality protection, methodology, sampling and nonsampling error, and definitions is available at <[www2.census.gov/programs-surveys/cps/techdocs/cpsmar22.pdf](http://www2.census.gov/programs-surveys/cps/techdocs/cpsmar22.pdf)>.*

# COVID-19 Relief Benefits in 2020 and 2021

## 2020

- Two rounds of economic stimulus payments totaling \$400 billion
- Expanded nutritional assistance benefits (Supplemental Nutritional Assistance Program, Pandemic EBT)
- Expanded unemployment insurance benefits

## 2021

- Third round of economic stimulus payments
- Continued expansion of nutritional assistance/UI programs
- Major expansion of Child Tax Credit

# Child Tax Credit (CTC) Changes in 2021

- American Rescue Plan Act (ARPA) temporarily modified the Child Tax Credit (CTC) for calendar year 2021
  - ARPA increased the value of the CTC from \$2,000 to \$3,600 for children under 6 years of age and to \$3,000 for children between ages 6 and 17
  - The credit was made fully refundable and no longer limited by the taxpayer's income tax liability
- The CTC lifted 5.3 million people out of poverty in 2021
  - 2.9 million children lifted out of poverty
  - Lowest Supplemental Poverty Measure (SPM) child poverty rate on record

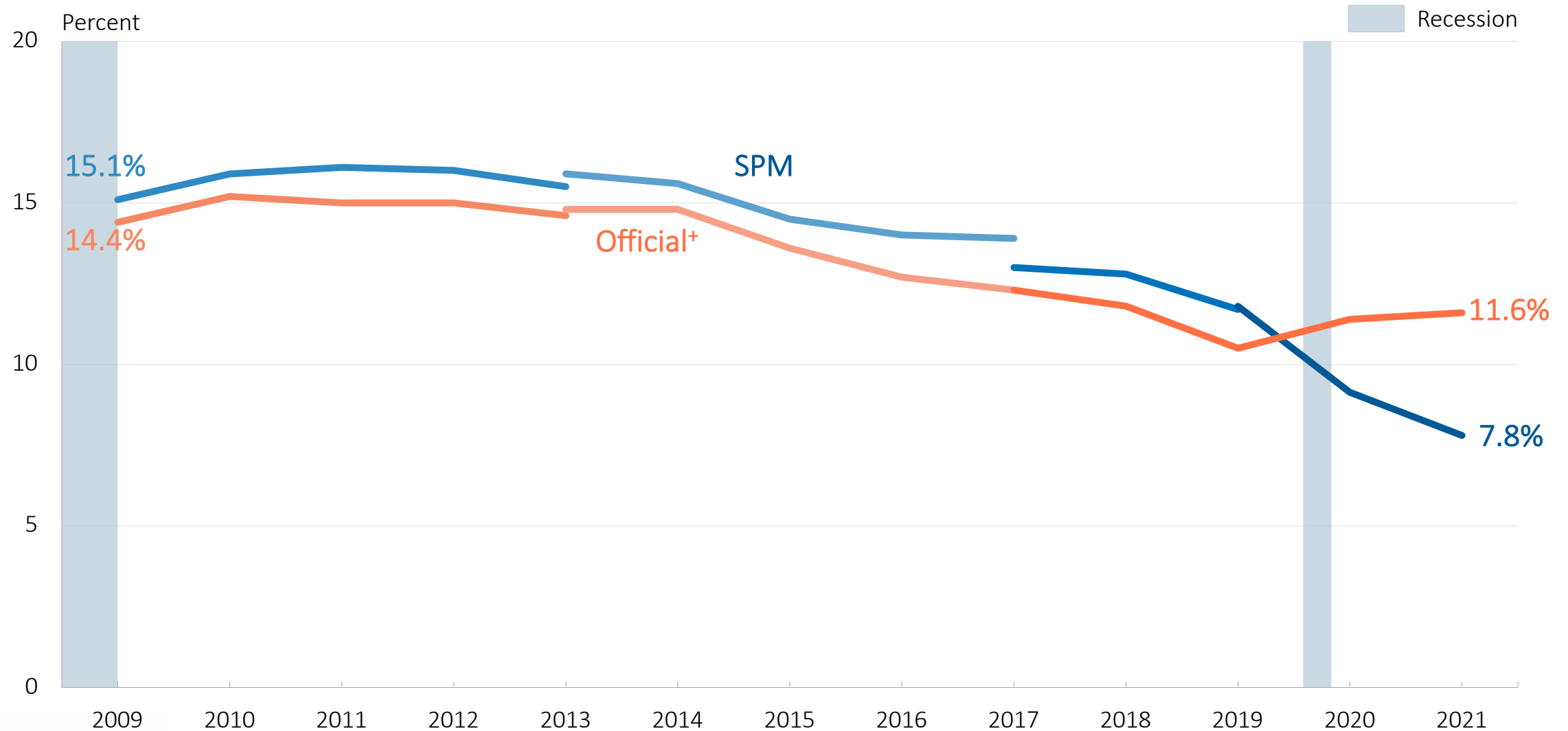
# Child Tax Credit Policy: 2020 and 2021

Year	2020 (Tax Cuts and Jobs Act—TCJA)	2021 (American Rescue Plan Act—ARPA)
Credit	\$2,000 credit per child aged 0-16	\$3,600 credit for children aged 0-5; \$3,000 for children aged 6-17
Refundability	Partially refundable, up to \$1,400/child	Fully refundable
Eligibility	Must have at least \$2,500 in earned income	No minimum earned income
Phase Out	The credit begins to phase out at a rate of \$50 for every \$1,000 in additional income over income thresholds	Gradually phases out at a rate of 5 percent as income exceeds specified thresholds until the credit amount equals the TCJA-law maximum of \$2,000 per child
Phase-Out Income Thresholds	<ul style="list-style-type: none"> <li>• \$200,000 for single/head-of-household filers; and</li> <li>• \$400,000 for married-joint filers</li> </ul>	<ul style="list-style-type: none"> <li>• \$75,000 for single filers;</li> <li>• \$112,500 for head of household filers; and</li> <li>• \$150,000 for married joint filers</li> </ul>

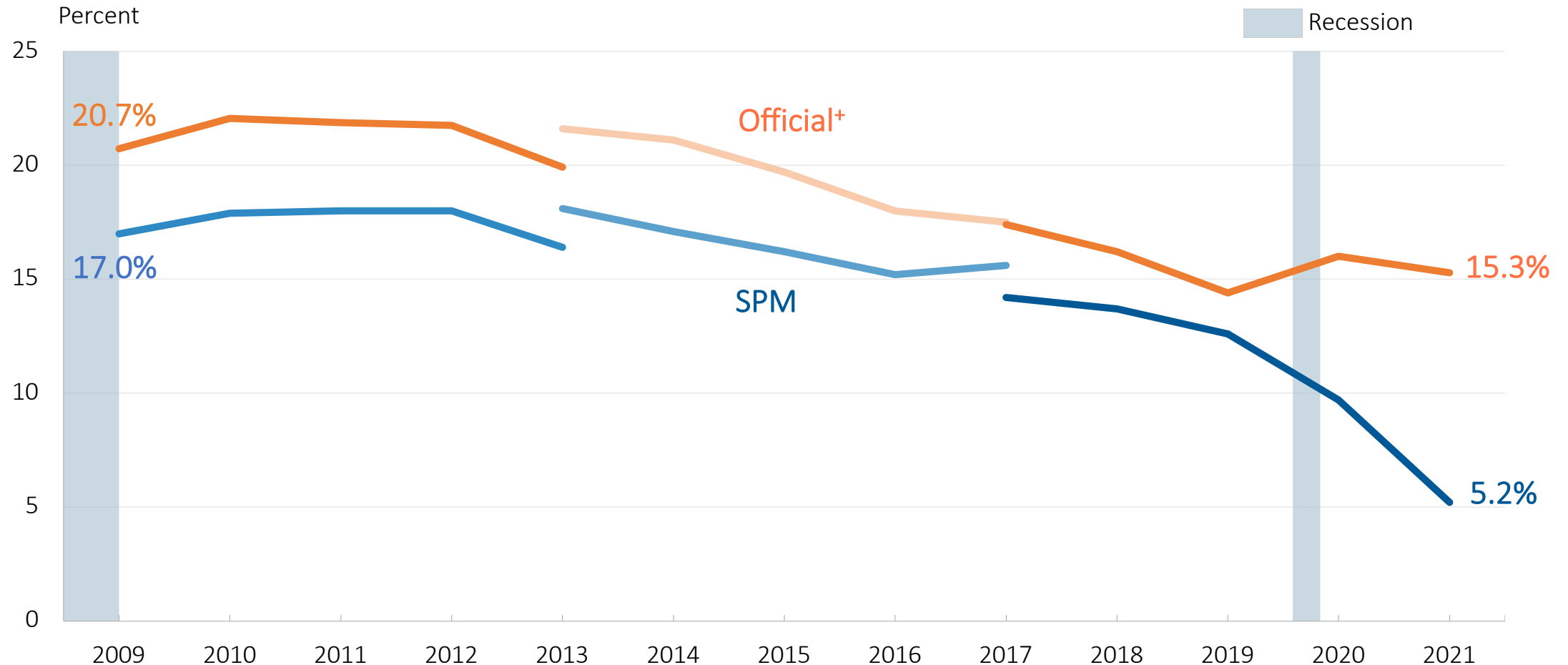
# Two Poverty Measures in the United States

- Official Poverty Measure
  - Money Income
  - Pre-tax, no in-kind benefits
  - Family unit (related by birth, marriage, and adoption)
  - No geographic adjustments to thresholds
  - Available back to 1959
- Supplemental Poverty Measure
  - Disposable Income
  - Post-tax, post-transfer
  - Resource-sharing unit includes cohabiting partners and foster children
  - Geographically-adjusted thresholds
  - Available back to 2009

# Poverty Rates Using Official+ and the SPM: 2009 to 2021



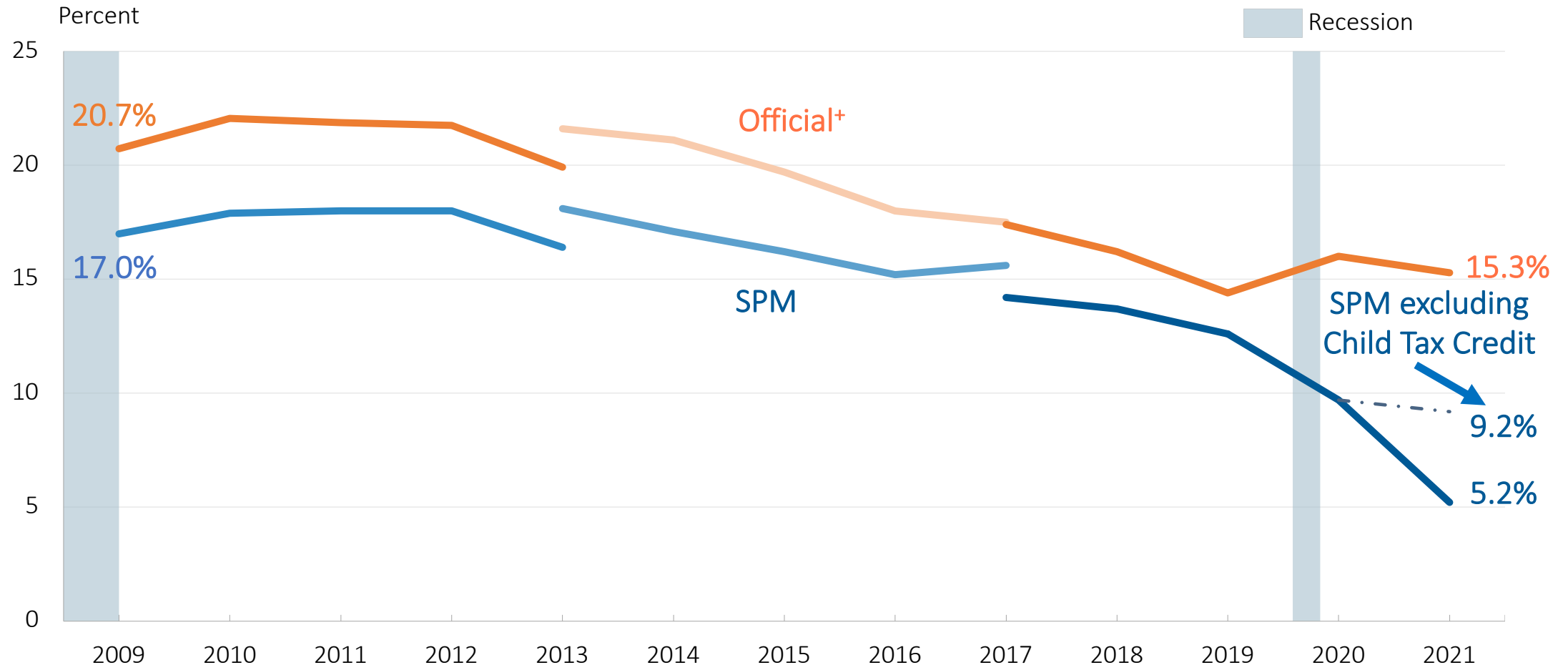
# Poverty Rates for Children Using Official+ and the SPM: 2009 to 2021



Notes: People as of March of the following year. Official+ includes unrelated individuals under the age of 15. The Supplemental Poverty Measure (SPM) estimates for 2019 and beyond reflect the implementation of revised SPM methodology. The data for 2017 and beyond reflect the implementation of an updated processing system. The data for 2013 and beyond reflect the implementation of the redesigned income questions. The data points are placed at the midpoints of the respective years.

Source: U.S. Census Bureau, Current Population Survey, 2010 to 2022 Annual Social and Economic Supplements (CPS ASEC).

# Child Poverty Rates Excluding CTC: 2009 to 2021



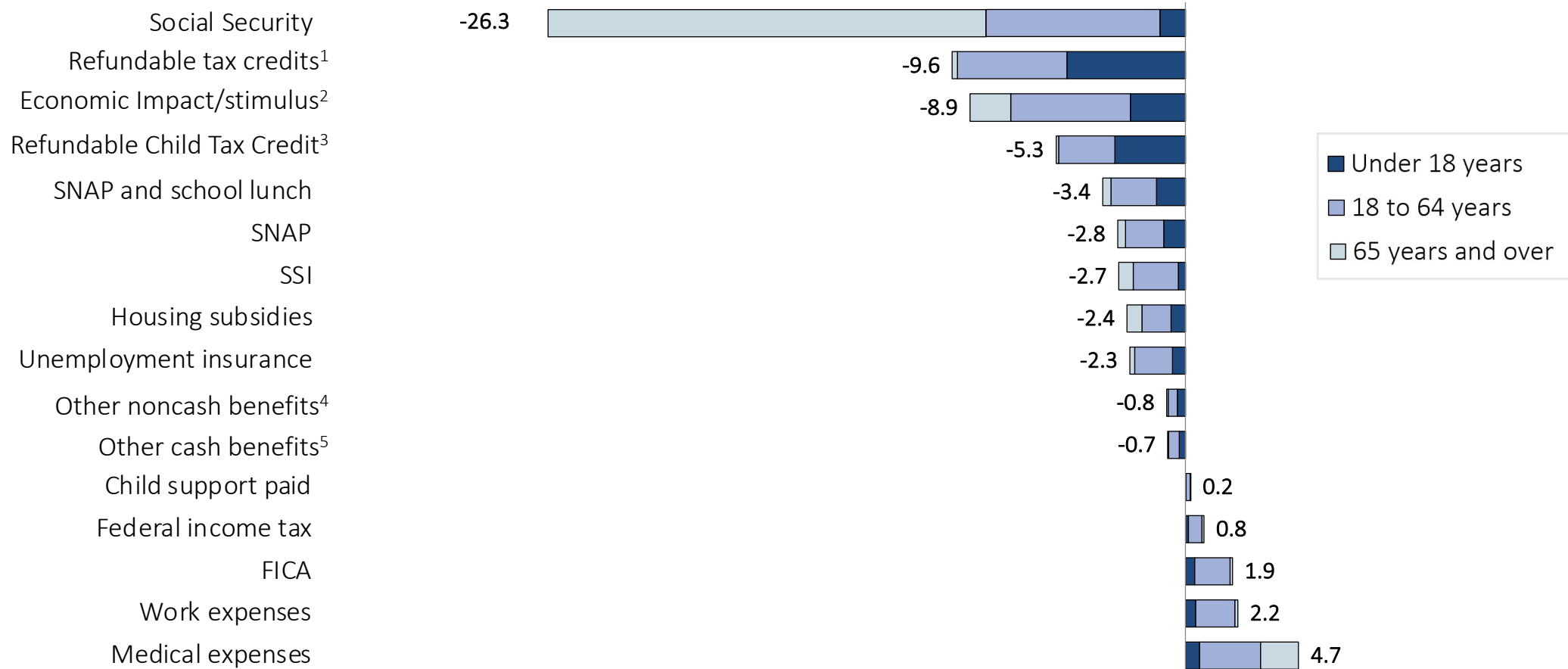
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Source: U.S. Census Bureau, Current Population Survey, 2010 to 2022 Annual Social and Economic Supplements (CPS ASEC).



# Change in Number of People in Poverty After Including Each Element: 2021

Numbers in millions



<sup>1</sup> Refundable tax credits include the Earned Income Tax Credit, Child Tax Credit, and the Child and Dependent Care Credit.

<sup>2</sup> Includes the third stimulus payment.

<sup>3</sup> In 2021, the entire Child Tax Credit was refundable.

<sup>4</sup> Other noncash benefits include utility assistance, Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), and school lunch.

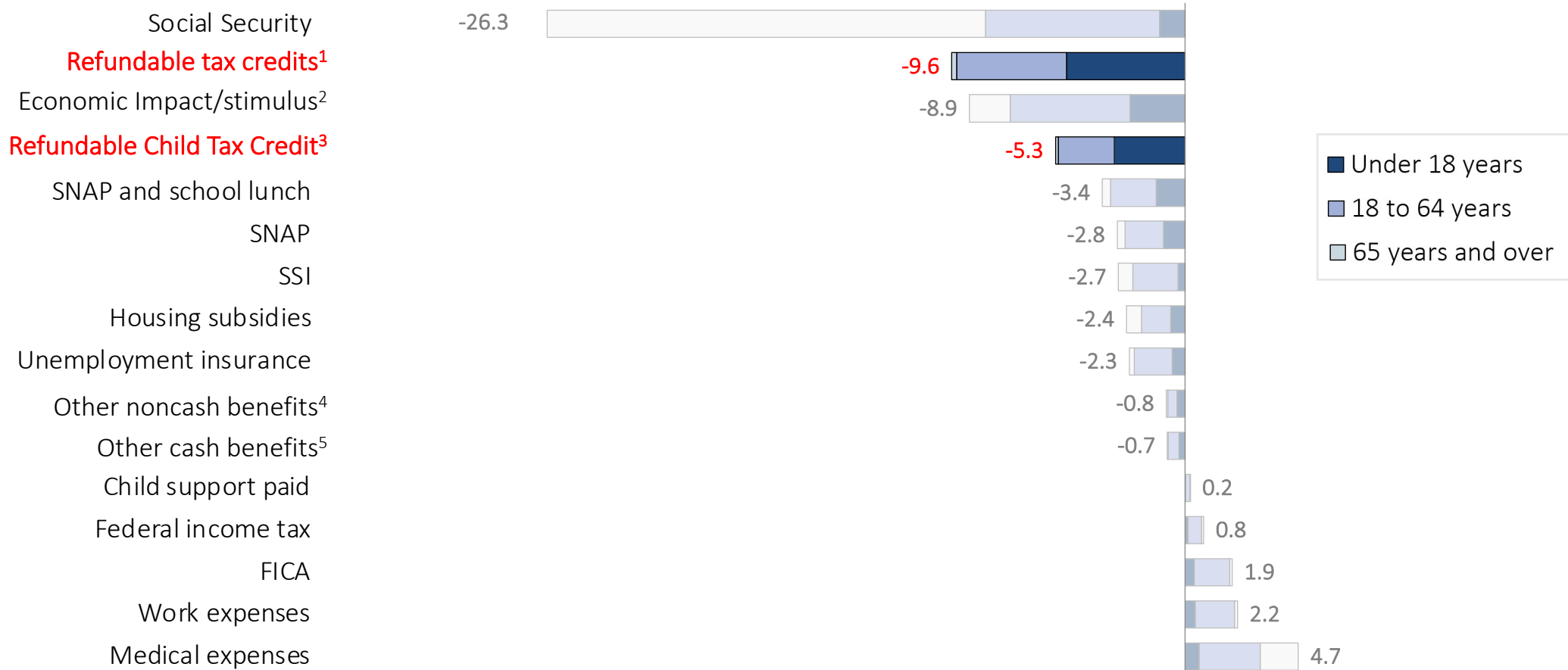
<sup>5</sup> Other cash benefits include workers' compensation, Temporary Assistance for Needy Families (TANF)/general assistance, and child support received.

Note: People as of March of the following year. SNAP: Supplemental Nutrition Assistance Program; SSI: Supplemental Security Income; FICA: Federal Insurance Contributions Act.

Source: U.S. Census Bureau, Current Population Survey, 2022 Annual Social and Economic Supplement (CPS ASEC).

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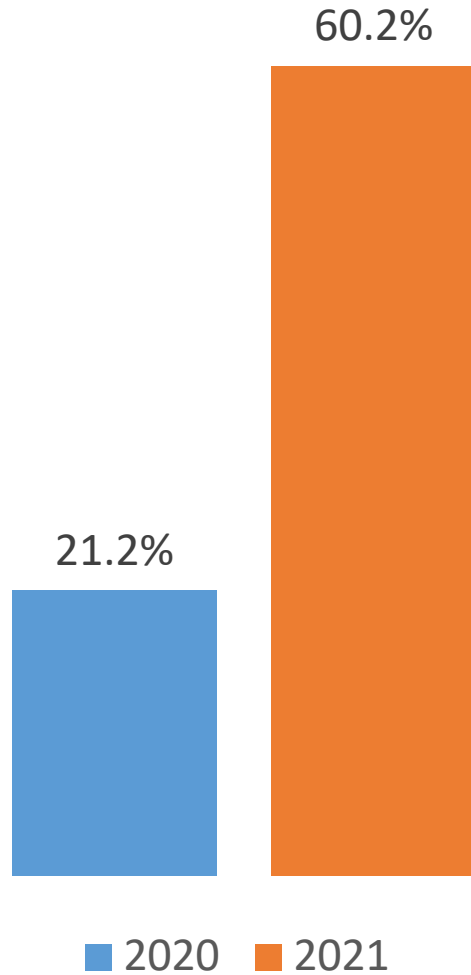
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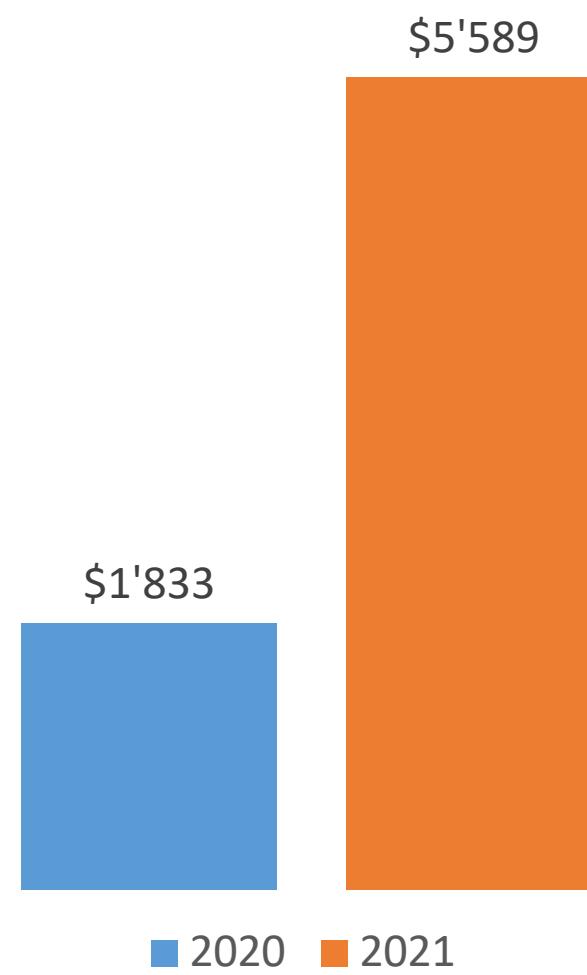
## Share of SPM Units Receiving Refundable CTC

(Percent)



## Average Nominal Value of CTC, Conditional on Receipt

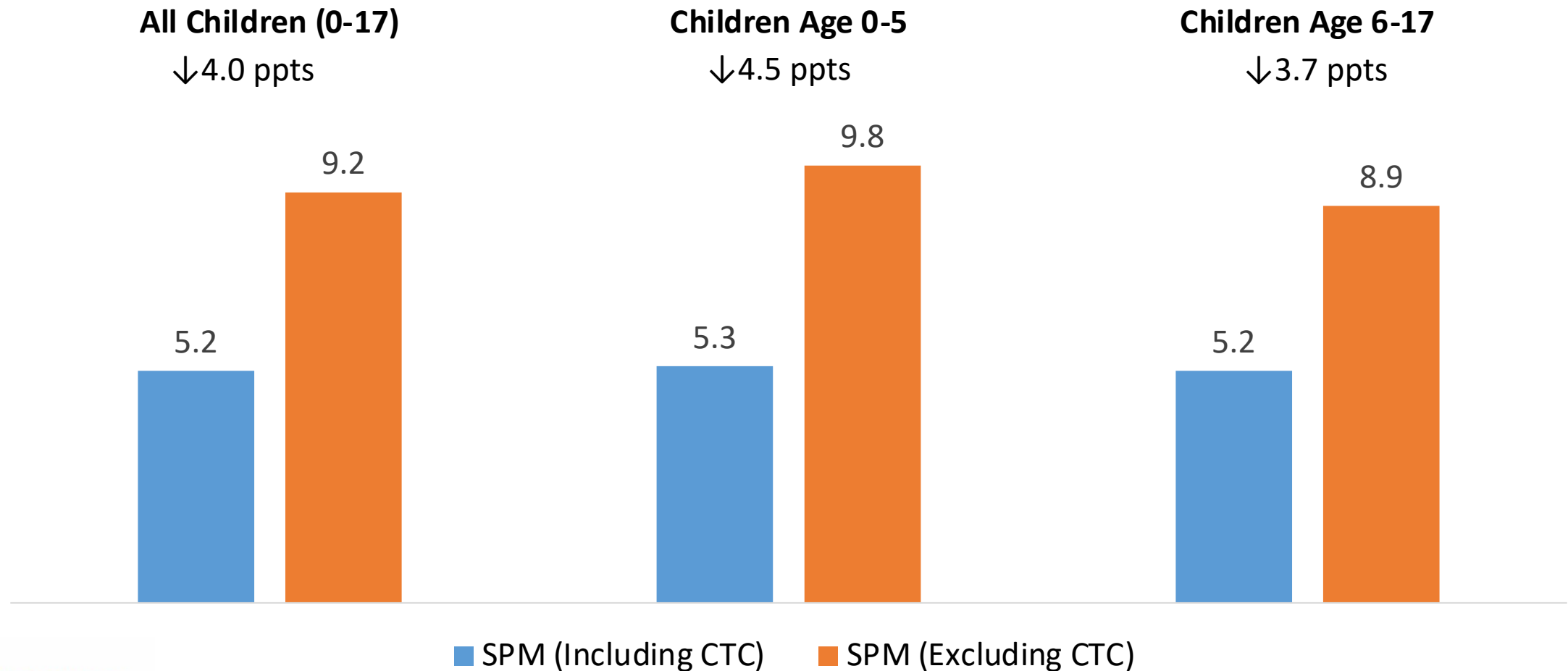
(In nominal dollars)



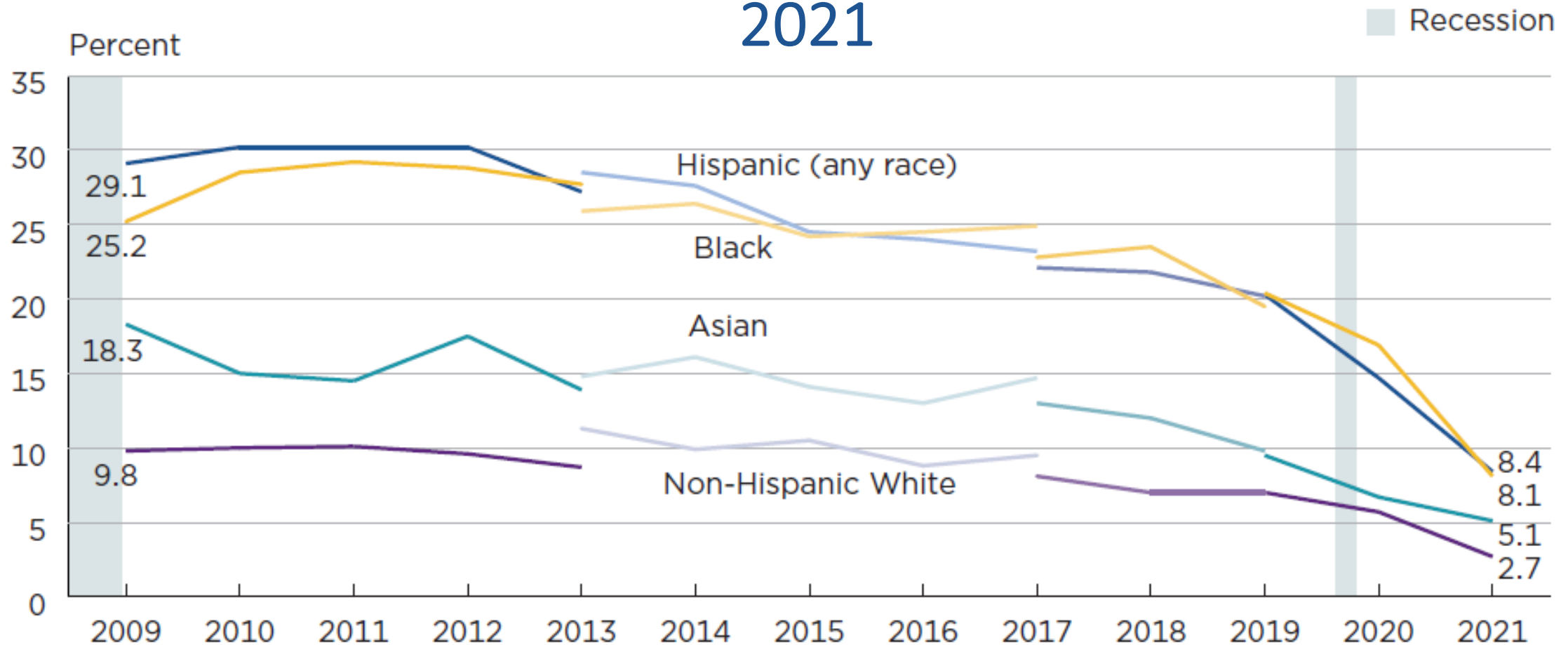
# Total Impact of CTC on Child Poverty

# Impact of CTC on Child SPM Poverty by Age: 2021

(Percent in poverty)



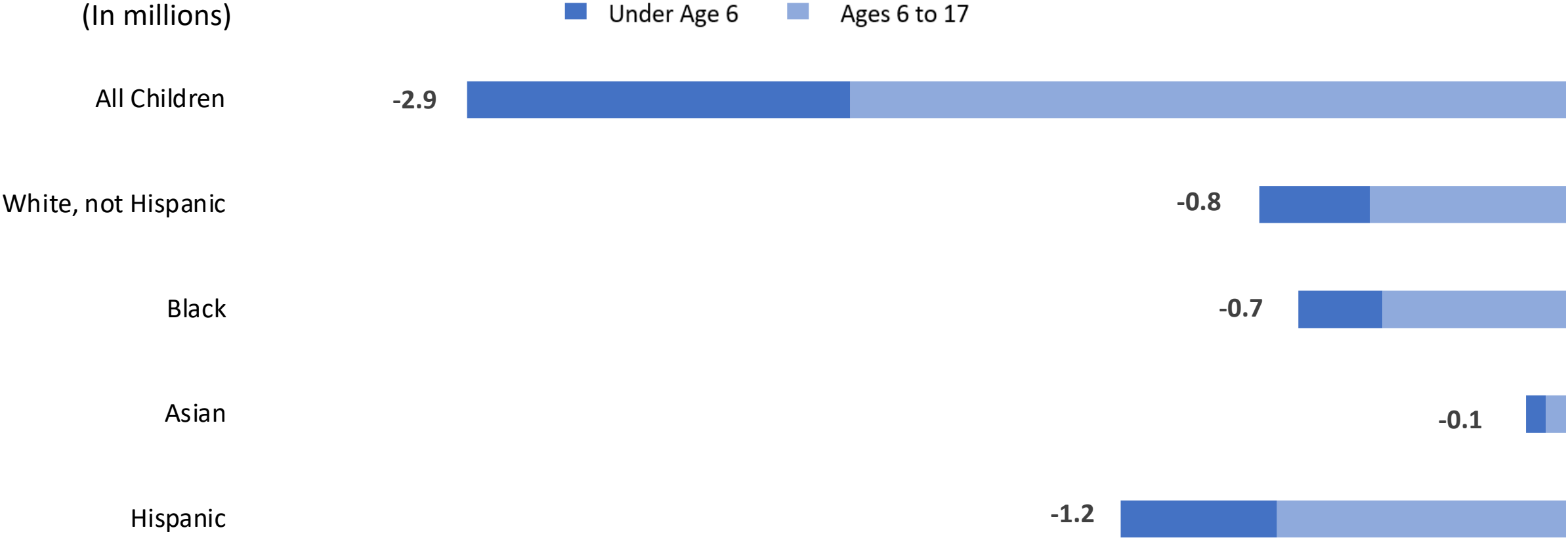
# Child SPM Rates by Race and Hispanic Origin: 2009 to 2021



Notes: People as of March of the following year. Official\* includes unrelated individuals under the age of 15. The Supplemental Poverty Measure (SPM) estimates for 2019 and beyond reflect the implementation of revised SPM methodology. The data for 2017 and beyond reflect the implementation of an updated processing system. The data for 2013 and beyond reflect the implementation of the redesigned income questions. The data points are placed at the midpoints of the respective years.

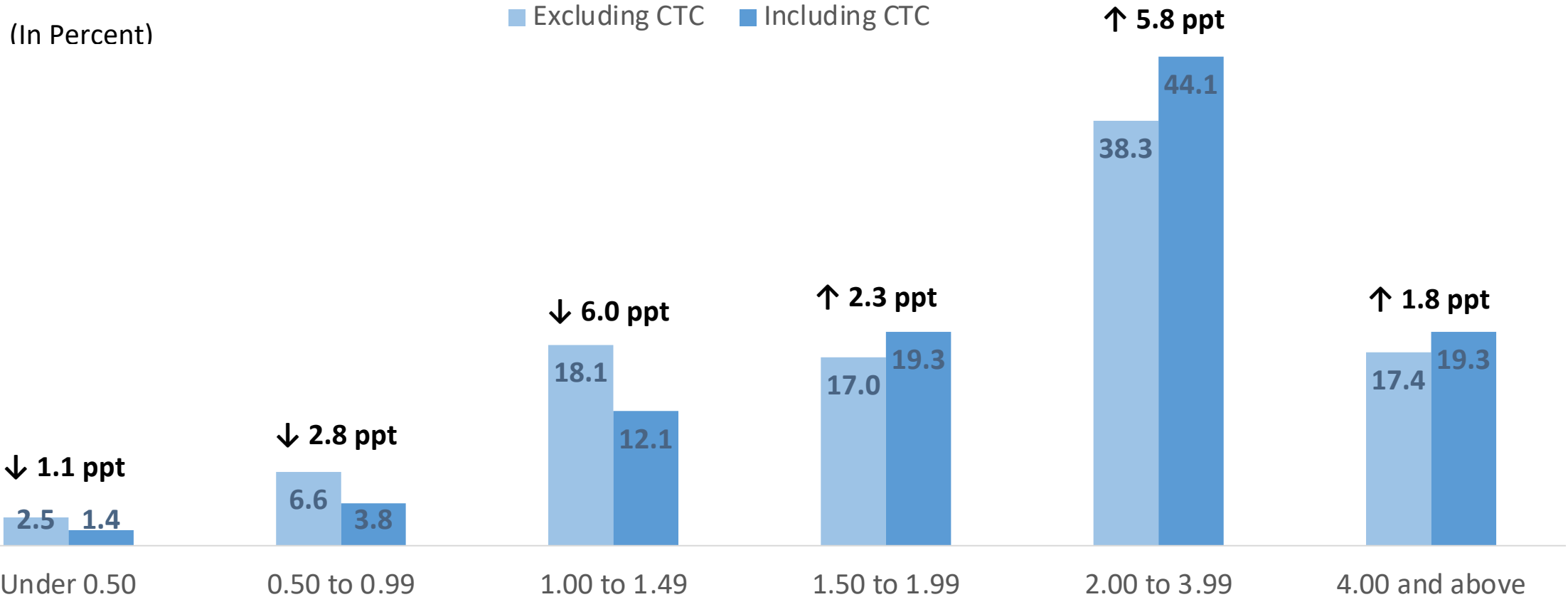
Source: U.S. Census Bureau, Current Population Survey, 2010 to 2022 Annual Social and Economic Supplements (CPS ASEC).

# Children Lifted out of Poverty by the CTC: 2021



Note: Population as of March of the following year. All estimates significantly different from zero at the 90<sup>th</sup> confidence level.  
Source: U.S. Census Bureau, Current Population Survey, 2022 Annual Social and Economic Supplement (CPS ASEC).

# Percentage of Children by Income-to-Poverty Ratio With and Without CTC : 2021





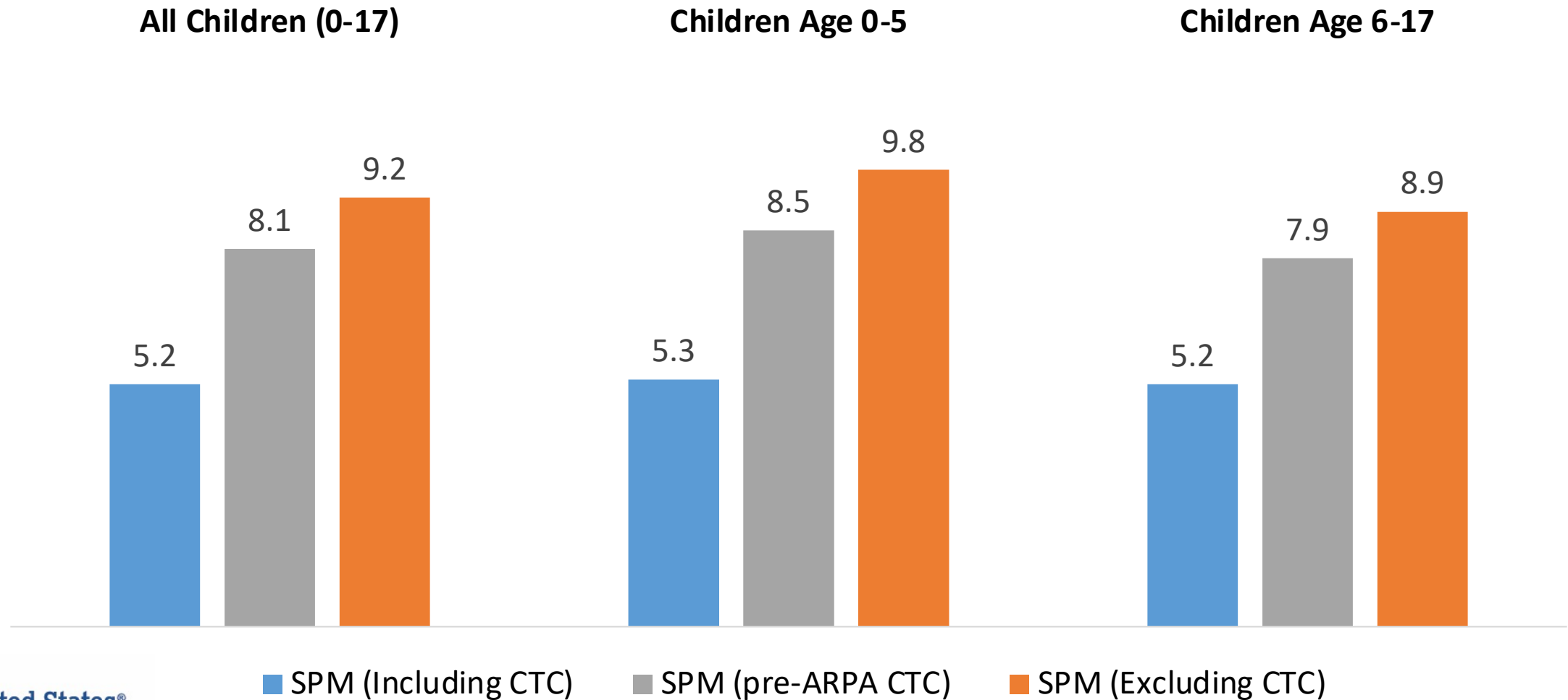
# Marginal Impact of CTC Expansion on Child Poverty

# Counterfactual CTC Analysis

- ARPA temporarily expanded CTC for 2021
- Counterfactual: What if CTC policy had remained constant from 2020?
- CPS ASEC Tax Model using 2021 income, employment, tax policy, EXCEPT, 2020 CTC policy (partial refundability, lower credits, minimum earned income for eligibility)
- Research extract available at:  
<https://www.census.gov/data/datasets/2022/demo/income-poverty/child-tax-credit.html>

# Impact of CTC on Child SPM Poverty by Age: 2021

(Percent in poverty)



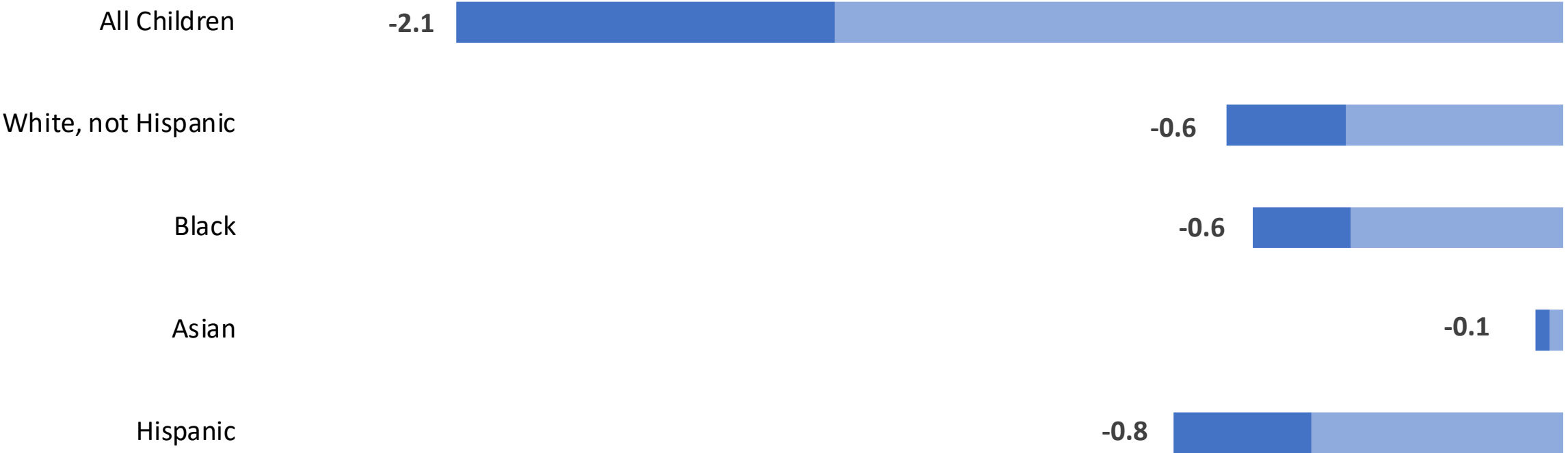
Note: Population as of March of the following year. All estimates significantly different from zero at the 90<sup>th</sup> confidence level. CTC—Child Tax Credit; ARPA—American Rescue Plan Act.

Source: U.S. Census Bureau, Current Population Survey, 2022 Annual Social and Economic Supplement (CPS ASEC).

# Children Lifted out of Poverty by the CTC Expansion: 2021

(In millions)

■ Under Age 6   ■ Ages 6 to 17



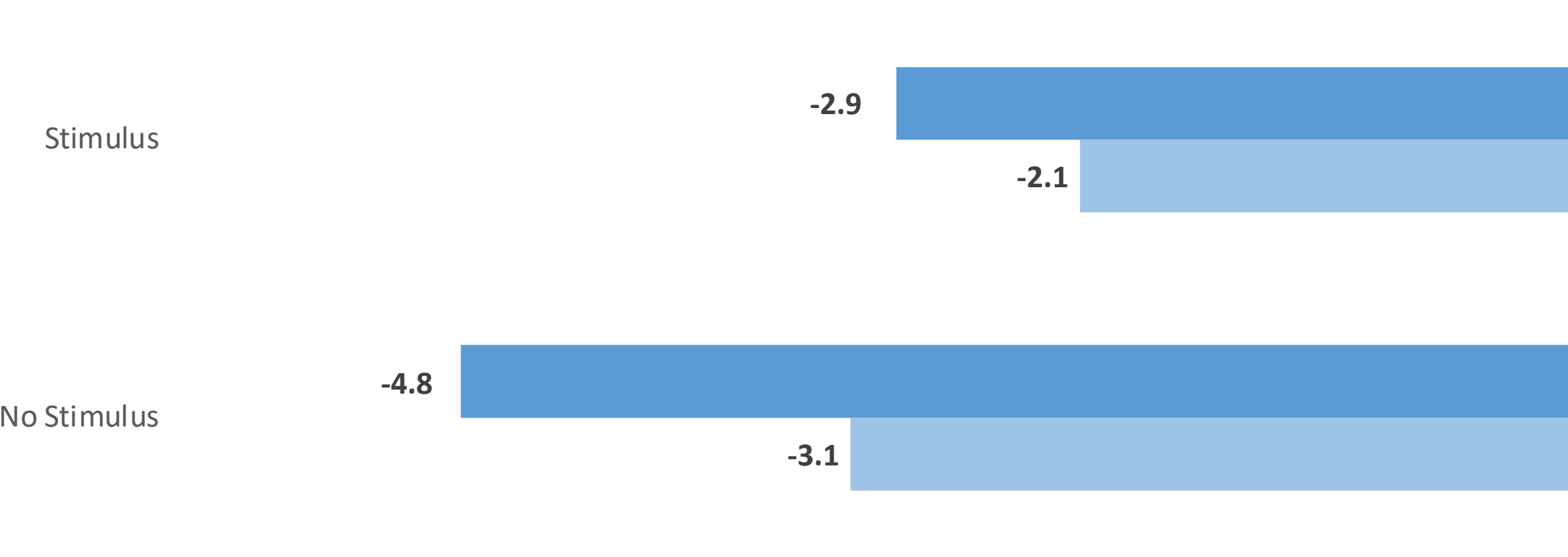
Note: Population as of March of the following year. All estimates significantly different from zero at the 90<sup>th</sup> confidence level.  
Source: U.S. Census Bureau, Current Population Survey, 2022 Annual Social and Economic Supplement (CPS ASEC).

# Robustness: Impact of CTC on Child Poverty Excluding Stimulus

# Change in the Number of Children in Poverty Due to Child Tax Credit Expansions with and without Stimulus Payments: 2021

(In millions)

■ Full CTC Impact   ■ Expansion CTC Impact



## Poverty in the United States: 2021

Current Population Reports

By John Creamer, Emily A. Shrider, Kalee Burns, and Frances Chen  
Issued September 2022  
P60-277



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# For more information:

- [\*Poverty in the United States: 2021\*](#)
- Working Papers:
  - [The Impact of the 2021 Expanded Child Tax Credit on Child Poverty \(census.gov\)](#)
  - [School Lunch and P-EBT Benefit Valuation in the 2021 Supplemental Poverty Measure](#)
- Research Matters Blog
  - [What's the Difference Between the Supplemental and Official Poverty Measures?](#)
- America Counts: Stories Behind the Numbers
  - [Child Poverty Falls to Record Low 5.2% in 2021](#)
  - [Government Assistance Lifts 45.4 Million Out of Poverty in 2021](#)

# Contact

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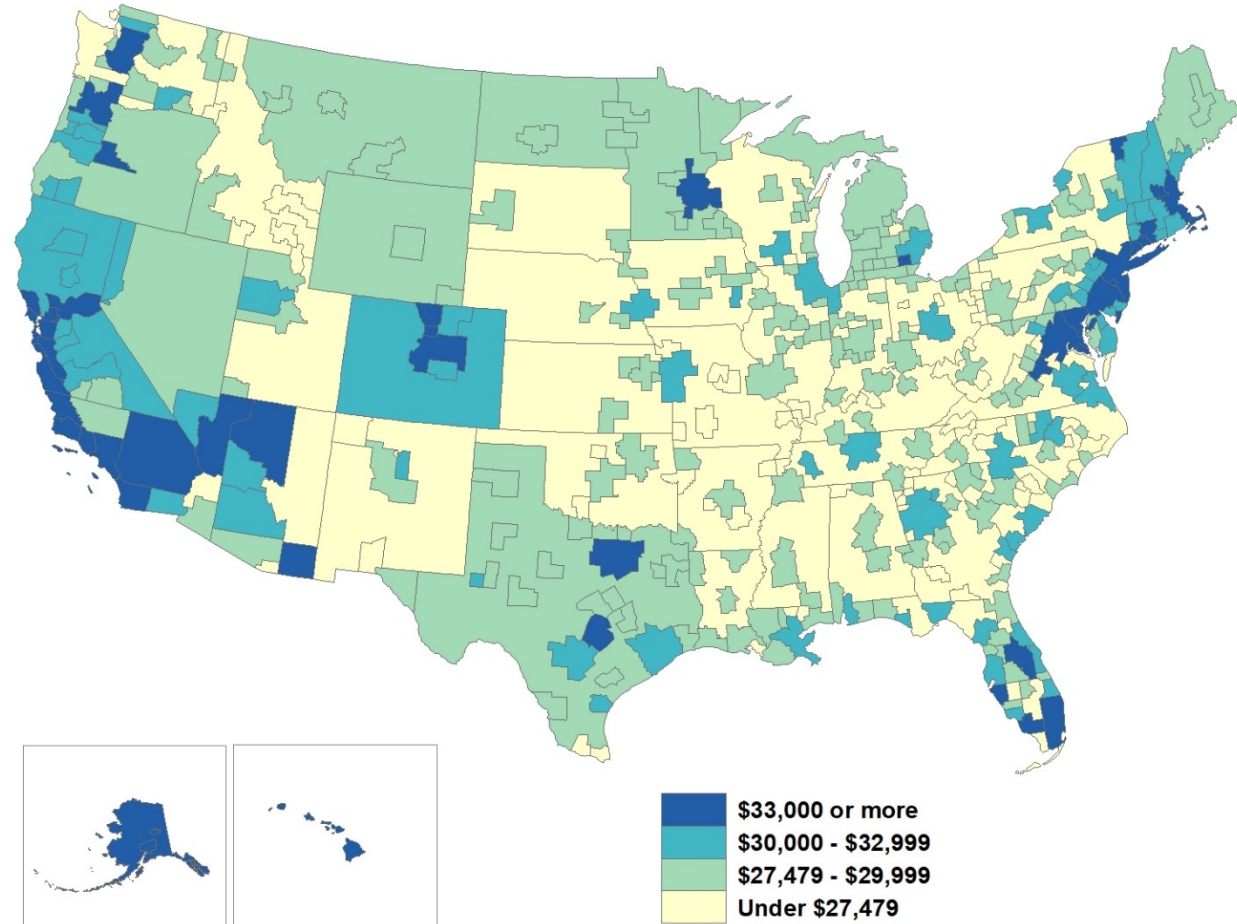
# Extra Slides

# Official and SPM Thresholds for Units with Two Adults and Two Children

Supplemental Poverty Measure Thresholds, 2021



Supplemental Poverty Measure Thresholds for Renters: 2021



# How the Census Bureau Measures Poverty: Official Poverty

## **INCLUDES:**

- Wages & earnings
- Social Security
- Unemployment
- Retirement
- Interest & dividends
- Public Assistance



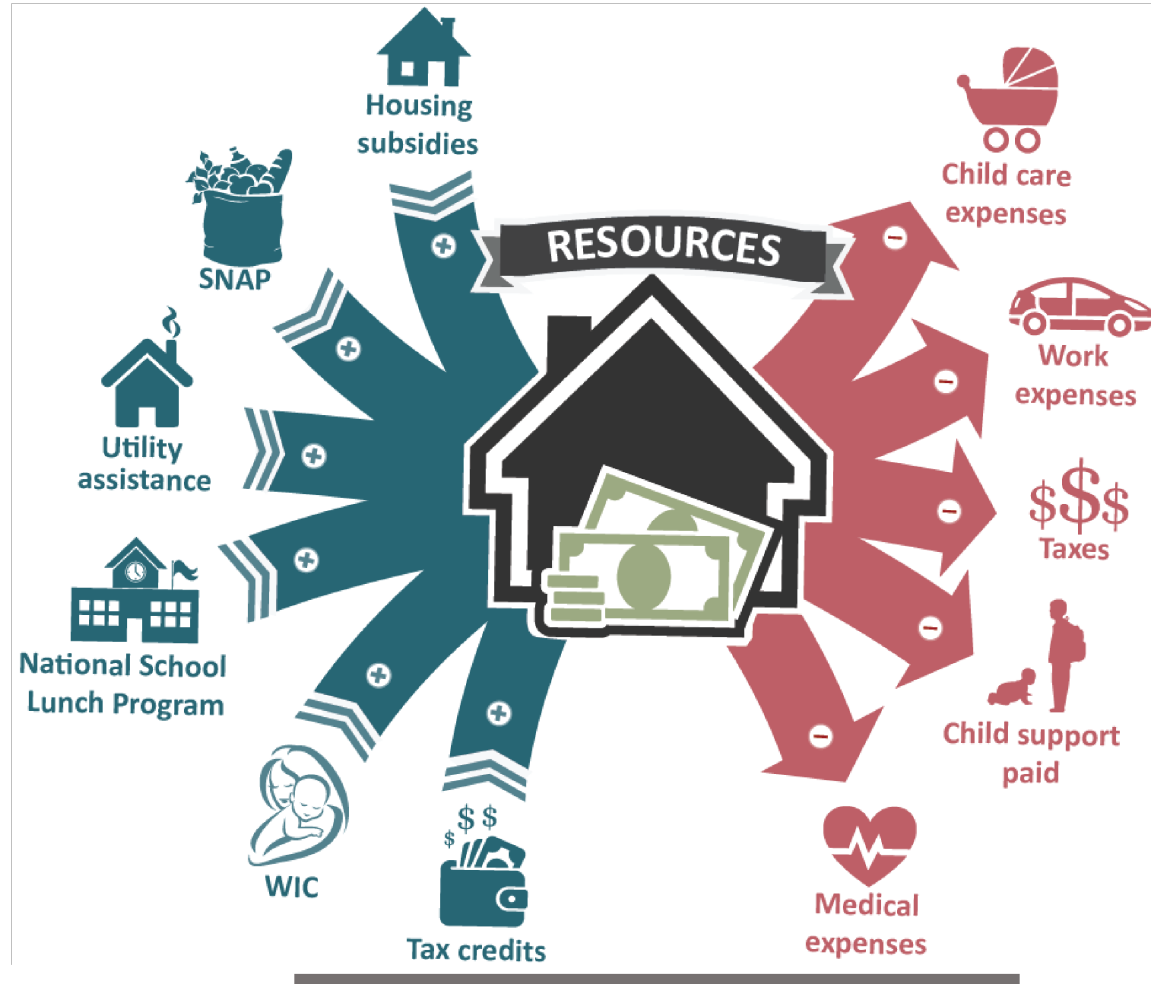
## **DOES NOT INCLUDE:**

- Taxes Paid
- Tax Credits
- Stimulus payments
- Noncash assistance (SNAP, Medicaid, etc.)

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Threshold adjusted for  
family composition

# How the Census Bureau Measures Poverty: Supplemental Poverty Measure



Threshold adjusted for family composition, housing tenure, and geographic variation