



U.S. Senate Committee on Finance

Hearing: "Anti-Poverty and Family Support Provisions in the Tax Code"

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Written Testimony of

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Chair Wyden, Ranking Member Crapo, and Members of the Committee, thank you for the opportunity to testify. My name is Amy K. Matsui, and I am the Director of Income Security and Senior Counsel at the National Women’s Law Center (NWLC).

NWLC fights for gender justice—in the courts, in public policy, and in our society—working across the issues that are central to the lives of women and girls. We use the law in all its forms to change culture and drive solutions to the gender inequity that shapes our society and to break down the barriers that harm all of us—especially women of color, LGBTQ people, and women and families with low incomes.

My testimony today will address the historic impact of the American Rescue Plan Act’s expansion of refundable tax credits in reducing poverty and supporting families through the tax code, and why it is critical for the well-being and economic security of women and families that these expansions are restored.

### The Impact of COVID-19 on the Economic Security of Women, Households of Color, and Families with Low Incomes

Even before the pandemic, many women, households of color, and families with low incomes struggled to make ends meet from paycheck to paycheck. In 2019, women in the U.S. who worked full-time, year-round were typically paid only 82 cents for every dollar paid to their male counterparts, and wage gaps were even larger for Black women, Native women, and Latinas.<sup>1</sup> Black and Latinx households have only a fraction of the wealth owned by white households, and single women of color likewise face a significant and persistent wealth gap compared to white men.<sup>2</sup> Predictably but unfortunately, the women and communities of color who experienced the greatest disadvantages before the pandemic were hit the hardest by the COVID-19 health and economic crisis.<sup>3</sup>

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<sup>1</sup> Brooke LePage and Jasmine Tucker, “The Wage Gap: The Who, How, Why, and What to Do” (National Women’s Law Center, October 2020), <https://nwlc.org/wp-content/uploads/2019/09/Wage-Gap-Who-how.pdf>.

<sup>2</sup> Amy Matsui, Kathryn Menefee, and Amy Royce, “Advancing Gender and Racial Equity by Taxing Wealth” (National Women’s Law Center, April 2022), <https://nwlc.org/wp-content/uploads/2022/04/NWLC-4.-Advancing-Gender-And-Racial-Equity-By-Taxing-Wealth.pdf>.

<sup>3</sup> National Women’s Law Center, “A Year of Strength and Loss: The Pandemic, The Economy, & The Value of Women’s Work” (March 2021), [https://nwlc.org/wpcontent/uploads/2021/03/Final\\_NWLC\\_Press\\_CovidStats.pdf](https://nwlc.org/wpcontent/uploads/2021/03/Final_NWLC_Press_CovidStats.pdf); Dominique Derbigny, “On the Margins: Economic Security for Women of Color through the Coronavirus Crisis and Beyond” (Women’s Wealth Gap, April 28, 2020), [https://womenswealthgap.org/wp-content/uploads/2020/04/OnTheMargins\\_April2020\\_CWWG.pdf](https://womenswealthgap.org/wp-content/uploads/2020/04/OnTheMargins_April2020_CWWG.pdf); Danyelle Solomon and Derrick Hamilton, “The Coronavirus Pandemic and the Racial Wealth Gap” (American Progress, March 19, 2020), <https://www.americanprogress.org/issues/race/news/2020/03/19/481962/coronavirus-pandemic-racial-wealth-gap/>; Guillermo Cantor and Lebaron Sims Jr., “The Unequal Impact of the COVID-19 Crisis on Households’ Financial Stability: Who is More Likely to be Immediately Hurt and Why” (Prosperity Now, April 2020), <https://prosperitynow.org/resources/unequal-impact-covid-19-crisis-households-financial-stability>; Connor Maxwell, “The Coronavirus Crisis Is Worsening Racial Inequality” (Center for American Progress, June 10, 2020),

As the American Rescue Plan Act was being debated in early 2021, it was clear that women, households of color, and families with low incomes were bearing the brunt of the pandemic's economic consequences. Women and people of color were overrepresented in the front-line workforce, making up the vast majority of workers risking their lives to provide health care, child care, and other essential services.<sup>4</sup> Between February 2020 and February 2021, moreover, 2.3 million women left the labor force altogether, meaning they were not working or looking for work.<sup>5</sup> Increased caregiving responsibilities are likely to have been a major factor for many of these women, with schools operating remotely, child care providers closed or at reduced capacity, ill or elderly family members also needing care—and women disproportionately shouldering family caregiving responsibilities.<sup>6</sup> U.S. Census Bureau data show a strong correlation between the caregiving crisis and women's plummeting workforce participation.<sup>7</sup>

Even before the pandemic, many families struggled to access affordable, high-quality child care that met their family's needs. In more than half of states, care for an infant in a child care center costs more than in-state college tuition,<sup>8</sup> and in one study, over 80 percent of two-child

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[https://www.americanprogress.org/issues/race/news/2020/06/10/486095/coronavirus-\(crisis-worsening-racial-inequality/](https://www.americanprogress.org/issues/race/news/2020/06/10/486095/coronavirus-(crisis-worsening-racial-inequality/); Amanda M. Gutierrez, Jacob Hofstetter, and Mary Majumder, "COVID-19 is a Perfect Storm of Hardship for US Immigrant Communities" (Petrie-Flom Center at Harvard Law School, May 4, 2020), <https://blog.petrieflom.law.harvard.edu/2020/05/04/immigrant-communities-us-covid19-coronavirus/>.

<sup>4</sup> National Women's Law Center, "Women Make Up the Majority of Front Line Workers of the COVID 19 Crisis" (March 2020), [https://nwlc.org/wp-content/uploads/2020/05/final\\_NWLC\\_Frontlines\\_FactSheet-002.pdf](https://nwlc.org/wp-content/uploads/2020/05/final_NWLC_Frontlines_FactSheet-002.pdf); Hye Jin Rho, Hayley Brown, and Shawn Fremstad, "A Basic Demographic Profile of Workers in Frontline Industries" (Center for Economic and Policy Research, April 7, 2020), <https://cepr.net/a-basic-demographic-profile-of-workers-in-frontline-industries/>.

<sup>5</sup> Claire Ewing-Nelson and Jasmine Tucker, "A Year Into the Pandemic, Women Are Still Short Nearly 5.1 Million Jobs" (National Women's Law Center, March 2021), <https://nwlc.org/wp-content/uploads/2021/03/Feb-Jobs-Day-v2.pdf>.

<sup>6</sup> Diana Boesch and Shilpa Phadke, "When Women Lose All the Jobs: Essential Actions for a Gender-Equitable Recovery" (Center for American Progress, February 1, 2021), [https://cdn.americanprogress.org/content/uploads/2021/01/29041540/WomenLoseJobs-brief.pdf?\\_ga=2.176240101.1575381012.1616382378-895177019.1605122818](https://cdn.americanprogress.org/content/uploads/2021/01/29041540/WomenLoseJobs-brief.pdf?_ga=2.176240101.1575381012.1616382378-895177019.1605122818); Megan Cerullo, "Nearly 3 million U.S. women have dropped out of the labor force in the past year," CBS News, February 5, 2021, <https://www.cbsnews.com/news/covid-crisis-3-million-women-labor-force/>; Helaine Olen, "The pandemic is devastating a generation of working women," The Washington Post, February 5, 2021, <https://www.washingtonpost.com/opinions/2021/02/05/pandemic-is-devastating-generation-working-women/>.

<sup>7</sup> In August 2020, the Census Bureau found, "around one in five (19.6%) of working-age adults said the reason they were not working was because COVID-19 disrupted their childcare arrangements." Of those not working, "women ages 25–44 are almost three times as likely as men to not be working due to childcare." Misty L. Heggeness and Jason M. Fields, "Working Moms Bear Brunt of Home Schooling While Working During COVID-19" (United States Census Bureau, August 18, 2020), <https://www.census.gov/library/stories/2020/08/parents-juggle-work-and-child-care-during-pandemic.html>; Child Care Aware of America, "Repairing our Child Care System" (2021), [https://info.childcareaware.org/hubfs/2022-03-FallReport-FINAL%20\(1\).pdf?utm\\_campaign=Budget%20Reconciliation%20Fall%202021&utm\\_source=website&utm\\_content=22\\_demandingchange\\_pdf\\_update332022](https://info.childcareaware.org/hubfs/2022-03-FallReport-FINAL%20(1).pdf?utm_campaign=Budget%20Reconciliation%20Fall%202021&utm_source=website&utm_content=22_demandingchange_pdf_update332022).

<sup>8</sup> Child Care Aware of America, "Price of Care: 2022 Child Care Affordability Analysis" (2022), [https://info.childcareaware.org/hubfs/2022\\_CC\\_Afford\\_Analysis.pdf](https://info.childcareaware.org/hubfs/2022_CC_Afford_Analysis.pdf), 24-25.

families spent more on child care than rent.<sup>9</sup> Additionally, low-income families spend an average of 35 percent of their income on child care, which amounts to five times what is considered affordable.<sup>10</sup> Child care is especially unaffordable for Black and Latinx working families with low incomes.<sup>11</sup> Only one in six children eligible for child care assistance under federal law were served by the Child Care and Development Block Grant (CCDBG) and related federal child care programs in 2019 (the most recent year for which data are available).<sup>12</sup> The pandemic laid bare and exacerbated the deep inequities of a child care system that relies on families paying unaffordable sums and early educators being paid poverty-level wages, and that leaves too many communities across the country without a sufficient workforce or facilities to meet child care demands. In early 2021, families faced even more challenges finding and paying for child care, millions of child care workers had lost their jobs, and providers—who operate on razor-thin margins—were struggling to keep their doors open. Child Care Aware of America report found that nearly 16,000 child care providers across the U.S. permanently closed between December 2019 and March 2021 in 37 states with data.<sup>13</sup>

The COVID-19 pandemic further revealed alarming racial disparities in access to health care. Latinx, Black, and Native American communities have experienced significantly higher rates of COVID-19 infection, hospitalization, and death.<sup>14</sup> Sizeable shares of Latinx, Black, and Native American households were unable to get medical care when they needed it during the pandemic, resulting in negative health and economic consequences.<sup>15</sup>

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<sup>9</sup> Elise Gould and Tanyell Cooke, “High Quality Child Care is Out of Reach for Working Families” (Economic Policy Institute, October 2015), <http://www.epi.org/publication/child-care-affordability/>, 2.

<sup>10</sup> Rasheed Malik, “60 Percent of Families Are Spending More than Twice as Much on Child Care as What the U.S. Government Considers Affordable” (Center for American Progress, June 2019), <https://www.americanprogress.org/issues/early-childhood/reports/2019/06/20/471141/working-families-spending-big-money-child-care/>, 3.

<sup>11</sup> Maura Baldiga, Pamela Joshi, Erin Hardy, and Dolores Acevedo-Garcia, “Data-for-Equity Research Brief: Child Care Affordability for Working Parents” (Diversity Data Kids, November 2018), <https://www.diversitydatakids.org/research-library/research-brief/child-care-affordability-working-parents>.

<sup>12</sup> Nina Chien, “Factsheet: Estimates of Child Care Eligibility & Receipt for Fiscal Year 2019” (U.S. Department of Health & Human Services, September 2022), <https://aspe.hhs.gov/sites/default/files/documents/1d276a590ac166214a5415bee430d5e9/cy2019-child-care-subsidy-eligibility.pdf>.

<sup>13</sup> Child Care Aware of America, “16,000 childcare providers shut down in the pandemic It’s a really big deal,” February 9, 2022, <https://info.childcareaware.org/media/16000-childcare-providers-shut-down-in-the-pandemic-its-a-really-big-deal>.

<sup>14</sup> Centers for Disease Control and Prevention, “Hospitalization and Death by Race/Ethnicity” (May 25, 2023), <https://www.cdc.gov/coronavirus/2019-ncov/covid-data/investigations-discovery/hospitalization-death-by-race-ethnicity.html>.

<sup>15</sup> Robert Wood Johnson Foundation, “The Impact of Coronavirus on Households, by Race/Ethnicity” (Harvard University T.H. Chan School of Public Health, September 2020), [https://www.hsph.harvard.edu/wp-content/uploads/sites/94/2020/09/NPR-Harvard-RWJF-Race-Ethnicity-Poll\\_091620.pdf](https://www.hsph.harvard.edu/wp-content/uploads/sites/94/2020/09/NPR-Harvard-RWJF-Race-Ethnicity-Poll_091620.pdf).

In sum, the pandemic put millions of families on the brink of full-fledged economic disaster. The pandemic and related job losses were especially devastating for Black and Latinx households,<sup>16</sup> who have historically suffered from higher unemployment rates, lower wages, and lower incomes. Majorities of Latinx, Black, and Native American households (72 percent, 60 percent, and 55 percent respectively) reported facing serious financial problems, such as depleting their savings, in the first year of COVID.<sup>17</sup> Households with low incomes were especially likely to accrue debt, with more than three in four (77 percent) SNAP recipients reporting incurring some kind of new debt during the early months of the pandemic-induced shutdown.<sup>18</sup>

This is the context in which the American Rescue Plan Act was enacted.

### ARPA's Expansion of Refundable Tax Credits Reduced Poverty and Supported the Financial Security of Women and Their Families.

The American Rescue Plan Act of 2021 (ARPA) was a historic piece of legislation that provided needed relief for women and families. This relief included temporary expansions of three federal income tax credits that benefit families, including the refundable Child Tax Credit (CTC), the refundable Earned Income Tax Credit (EITC), and the temporarily refundable Child and Dependent Care Tax Credit (CDCTC).

Tax credits wipe out tax liability, and a refundable tax credit provides a refund if the tax filer lacks sufficient tax liability to use up the full amount of the credit. This allows families with low and moderate incomes, among whom women supporting families on their own and households of color are overrepresented, to benefit. Both the EITC and CTC have a long track record of supporting women, families of color, and families with low incomes. Both credits serve a greater proportion of households of color, though a larger number of white households receive the credits.<sup>19</sup> The income boosts from the CTC and EITC have been proven to support working

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<sup>16</sup> NWLC Analysis of U.S. Census Bureau COVID-19 Household Pulse Surveys, <https://nwlc.org/resource/nwlc-analysis-of-u-s-census-bureau-covid-19-household-pulse-surveys/>.

<sup>17</sup> Robert Wood Johnson Foundation, "The Impact of Coronavirus on Households, by Race/Ethnicity" (Harvard University T.H. Chan School of Public Health, September 2020), [https://www.hsph.harvard.edu/wp-content/uploads/sites/94/2020/09/NPR-Harvard-RWJF-Race-Ethnicity-Poll\\_091620.pdf](https://www.hsph.harvard.edu/wp-content/uploads/sites/94/2020/09/NPR-Harvard-RWJF-Race-Ethnicity-Poll_091620.pdf).

<sup>18</sup> Diana Enriquez and Adam Goldstein, "COVID-19's Socioeconomic Impact on Low-Income Benefit Recipients: Early Evidence from Tracking Surveys," *Socius: Sociological Research for a Dynamic World* 6 (2020), <https://doi.org/10.1177/2378023120970794>.

<sup>19</sup> Chye-Ching Huang and Roderick Taylor, "How the Federal Tax Code Can Better Advance Racial Equity" (Center on Budget & Policy Priorities, July 25, 2019), <https://www.cbpp.org/research/federal-tax/how-the-federal-tax-code-can-better-advance-racial-equity>.

women, especially single working mothers.<sup>20</sup> Additionally, refunds from the credits have been shown to improve children’s well-being, health outcomes, and education outcomes.<sup>21</sup>

Policymakers have expanded refundable tax credits during economic downturns in order to support families as well as stimulate the economy. Researchers in 2021 “estimate[d] that the CTC expansion will boost consumer spending by \$27 billion, generate \$1.9 billion in revenues from state and local sales taxes, and support the equivalent of over 500,000 thousand full time jobs at the median wage.”<sup>22</sup> In 2021, the ARPA expanded and strengthened the CTC, EITC, and CDCTC.

### *The Child Tax Credit*

The CTC helps families with the cost of raising children and has long been a critical source of income support for women and families. For tax year 2023, the CTC is worth up to \$2,000 per child under age 17, and families can receive up to \$1,600 of that amount as a refundable tax credit if they have at least \$2,500 in earned income.<sup>23</sup> Due to their overrepresentation among families with low incomes, families headed by women of color especially benefit from the refundable portion of the CTC. In 2019, the refundable portion of the CTC benefited the families of 7 million women of color, with 21 percent of Latinas and 14 percent of Black women benefiting respectively, compared to 6 percent of white women.<sup>24</sup> However, because the CTC is not fully refundable, families with low incomes who have limited or no tax liability—including a disproportionate number of women-headed households and households of color—cannot receive the full value of the CTC.

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<sup>20</sup> Chuck Marr, Chye-Ching Huang, Arloc Sherman, and Brandon Debot, “EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children’s Development, Research Finds” (Center on Budget and Policy Priorities, October 1, 2015), <https://www.cbpp.org/research/federal-tax/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens>.

<sup>21</sup> Hilary Hoynes, Doug Miller, and David Simon, “Income, the Earned Income Tax Credit, and Infant Health” *American Economic Journal: Economic Policy* 7, no. 1 (2015), <https://www.aeaweb.org/articles?id=10.1257/pol.20120179>; Irwin Garfinkel, Laurel Sariscsany, Elizabeth Ananat, Sophie M. Collyer, Robert Paul Hartley, Buyi Wang, and Christopher Wimer, “The Benefits and Costs of a U.S. Child Allowance” (National Bureau of Economic Research, March 2022), [https://www.nber.org/system/files/working\\_papers/w29854/w29854.pdf](https://www.nber.org/system/files/working_papers/w29854/w29854.pdf); Andrew Barr, Jonathan Eggleston, and Alexander A. Smith, “Investing in Infants: The Lasting Effects of Cash Transfers to New Families” *Quarterly Journal of Economics* 137, no. 4 (2022), <https://academic.oup.com/qje/article-abstract/137/4/2539/6571263?redirectedFrom=fulltext>.

<sup>22</sup> Samuel Hammond and Robert Orr, “Report: Measuring the Child Tax Credit’s Economic and Community Impact” (Niskanen Center, August 2, 2021), <https://www.niskanencenter.org/report-measuring-the-child-tax-credits-economic-and-community-impact/>.

<sup>23</sup> Elaine Maag, “Options to Improve the Child Tax Credit for Low-Income Families,” Tax Policy Center, December 14, 2022, <https://www.taxpolicycenter.org/taxvox/options-improve-child-tax-credit-low-income-families#:~:text=To%20receive%20the%20full%20%241%2C600,refundable%20portion%20of%20the%20credit.>

<sup>24</sup> Chuck Marr and Yixuan Huang, “Women of Color Especially Benefit From Working Family Tax Credits” (Center on Budget and Policy Priorities, September 9, 2019), <https://www.cbpp.org/research/federal-tax/women-of-color-especially-benefit-from-working-family-tax-credits>.

For tax year 2021, the ARPA made the CTC fully refundable, allowing families with low incomes to benefit from the full credit. The size of the credit was also increased: families received up to \$3,600 per qualifying child ages 0 to 5 and up to \$3,000 per child ages 6 to 17 (up from the previous age limit of 16). Finally, the ARPA allowed families to receive up to half their CTC credit amount in monthly installments between July and December 2021, with the second half received when they filed their tax returns in early 2022.

Almost 38 million families received the first half of their CTC as advance monthly payments, and the average total amount (across the six payments) was \$2,466.<sup>25</sup> In 2022, nearly 47 million families received the CTC when they filed their tax returns for the 2021 tax year, and the average amount was \$2,569.<sup>26</sup> For many families, this amount represented half of their total CTC, as they had received the first half in advance payments. In comparison, families in tax year 2020—before the ARPA expansion—received the entirety of their CTC in their tax returns with an average amount of \$2,441.<sup>27</sup>

The expanded CTC had a tremendous anti-poverty impact, especially for families of color. It lifted 1.5 million women above Supplemental Poverty Measure (SPM)<sup>28</sup> poverty in 2021, including 575,000 Latinas and 351,000 Black women.<sup>29</sup> Additionally, the monthly payments reduced child poverty by about 30 percent during the six months of 2021 when they were being issued.<sup>30</sup>

This reduction in poverty was also associated with an increased ability for families to meet their basic needs. Analysis of the Census Household Pulse Survey demonstrated that, while families were receiving advance payments, food insufficiency dropped by almost 20 percent among families with children.<sup>31</sup> Families used their payments to help pay for necessities like groceries, rent, and child care, and Black women and Latinas were especially likely to report using their

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<sup>25</sup> Sarah Hassmer, Amy Matsui, Kathryn Menefee, and Shengwei Sun, “By The Numbers: Data on Key Programs for the Well-Being of Women & Their Families” (National Women’s Law Center, May 2023), <https://nwlc.org/resource/by-the-numbers-data-on-key-programs-for-the-well-being-of-women-lgbtq-people-and-their-families/>.

<sup>26</sup> Ibid.

<sup>27</sup> National Women’s Law Center calculations based on the Joint Committee on Taxation, “Estimates of Federal Tax Expenditures for Fiscal Years 2020-2024” (November 5, 2020), <https://www.jct.gov/publications/2020/jcx-23-20/>.

<sup>28</sup> U.S. Census Bureau, “Supplemental Poverty Measure” (last reviewed October 31, 2022), <https://www.census.gov/topics/income-poverty/supplemental-poverty-measure.html>.

<sup>29</sup> Hassmer et al., “By the Numbers.”

<sup>30</sup> Zachary Parolin, Sophie Collyer, and Megan A. Curran, “Absence of Monthly Child Tax Credit Leads to 3.7 Million More Children in Poverty in January 2022” (Center on Poverty and Social Policy, February 17, 2022), <https://www.povertycenter.columbia.edu/news-internal/monthly-poverty-january-2022>.

<sup>31</sup> Zachary Parolin, Elizabeth Ananat, Sophie Collyer, Megan A. Curran, and Christopher Wimer, “The Differential Effects of Monthly and Lump-Sum Child Tax Credit Payments on Food and Housing Hardship” (Center on Poverty and Social Policy, September 2, 2022), <https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/632dec8900629f3bdf310b91/1663954058776/CTC-Payments-on-Food-and-Housing-CPSP-2022.pdf>.

payments to purchase food.<sup>32</sup> This increased economic security was also associated with improved mental health. Another analysis of the Census Household Pulse survey demonstrated that adults with low incomes who received the CTC payments experienced fewer anxiety and depressive symptoms.<sup>33</sup> Finally, a national survey found that nearly seventy percent of families who received the advance payments reported that the payments reduced their financial stress—and this percent was even larger among Latinx respondents.<sup>34</sup>

The advance payments also helped parents balance caregiving needs and work. This balance is especially critical to women, who disproportionately shoulder caregiving responsibilities and are more likely than men to take time off paid work to provide care for family members.<sup>35</sup> In a national survey, over one-quarter of families who received the payments reported that the payments helped them work more, and Black respondents were twice as likely as white respondents to do so.<sup>36</sup> Parents interviewed for the survey specified that the advance payments helped them pay for transportation and cover the child care they needed to work additional hours.<sup>37</sup> In October 2021, three million fewer CTC-eligible parents reported they were unemployed because they had to care for children, than in the months before the CTC was expanded. Low- and moderate-income parents were more likely to report this shift.<sup>38</sup>

### *The Earned Income Tax Credit*

The EITC is a refundable tax credit that benefits workers with low and moderate incomes. For tax year 2023, the EITC is worth a maximum of \$7,430 for families with children and \$600 for families not claiming children for the credit.<sup>39</sup> Eligibility and credit amounts depend on a worker's income, number of children claimed, and marital status. Women of color and single mothers, who are more likely to be paid low wages, especially benefit from this credit: in 2019, 21 percent of Black women and Latinas benefited (more than double the 9 percent of white,

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<sup>32</sup> Brooke LePage and Sarah Javaid, "Black, non-Hispanic Women and Latinas Use Advance Child Tax Credit to Cover Necessities and Pay Down Debt in the Last Month of Payments" (National Women's Law Center, January 2022), <https://nwlc.org/wp-content/uploads/2022/01/PulseWeek40FS-1.pdf>.

<sup>33</sup> Akansha Batra, Kaitlyn Jackson, and Rita Hamad, "Effects of the 2021 Expanded Child Tax Credit on Adults' Mental Health: A Quasi-Experimental Study," *Health Affairs*, 41, no. 1 (January 2023), <https://www.healthaffairs.org/doi/10.1377/hlthaff.2022.00733>.

<sup>34</sup> Center for Law and Social Policy, "The Expanded Child Tax Credit is Helping Families, But National Survey Shows Continued Outreach Remains Essential" (April 2022), [https://www.clasp.org/wp-content/uploads/2022/04/2022\\_National-CTC-Survey-Round-2\\_Full-Report.pdf](https://www.clasp.org/wp-content/uploads/2022/04/2022_National-CTC-Survey-Round-2_Full-Report.pdf).

<sup>35</sup> Tanya Byker, Elena Patel, and Shanthi Ramnath, "Who Cares? Paid Sick Leave Mandates, Care-Giving, and Gender" (Federal Reserve Bank of Chicago, April 2023), <https://www.chicagofed.org/publications/working-papers/2023/2023-14>.

<sup>36</sup> Center for Law and Social Policy, "The Expanded Child Tax Credit."

<sup>37</sup> Ibid.

<sup>38</sup> Humanity Forward, "Study Finds the Expanded, Monthly Child Tax Credit Supports Work and Promotes Small Business Formation" (November 2022), <https://humanityforward.com/wp-content/uploads/2021/11/Humanity-Forward-Report-One-Pager-v4.pdf>.

<sup>39</sup> Center on Budget and Policy Priorities, "Policy Basics: The Earned Tax Income Credit" April 28, 2023, <https://www.cbpp.org/research/federal-tax/the-earned-income-tax-credit>.



non-Hispanic women who did so).<sup>40</sup> In 2019, the EITC boosted the incomes of 9 million women of color above the poverty line.<sup>41</sup> And single mothers receive almost half of EITC credit amounts.<sup>42</sup>

However, the EITC only provides a very small benefit—or no benefit at all—to workers who do not claim children, including noncustodial parents and parents with older children. In 2020, the average benefit for this group was \$295.<sup>43</sup> The EITC for childless workers, moreover, is limited to those ages 25-64, meaning that many younger and older workers are prevented from receiving the credit at all. This harms young adults trying to get a foothold in the workforce; they are generally ineligible for other state and federal benefits and face high rates of poverty.<sup>44</sup> Older adults are also impacted: one in 5 older adults over age 65 is still in the workforce, many for financial reasons,<sup>45</sup> and the earnings of women over age 65 are only 77 percent of older men's.<sup>46</sup> In fact, childless workers with low incomes are the only group that is pushed into—or further into—poverty by their federal taxes, largely because their EITC is too small to offset their income and payroll taxes. It is estimated that this group comprises almost 6 million workers ages 19 and older—who, among other things, do essential work as cashiers, home health aides, child care workers, and more.<sup>47</sup>

In 2021, the ARPA addressed these shortcomings by expanding the EITC for workers not claiming children.<sup>48</sup> The maximum credit was tripled, from around \$500 to \$1,502, and the income limits for claiming the credit were increased from about \$16,000 to around \$21,000 for single adults (\$27,000 for married couples). Additionally, the lower age limit was reduced to 19

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<sup>40</sup> Marr and Huang, “Women of Color Especially Benefit.”

<sup>41</sup> Ibid.

<sup>42</sup> Bruce Meyer, “The Effects of the Earned Income Tax Credit and Recent Reforms,” *Tax Policy and the Economy* 24, no. 1 (2010),

<https://www.journals.uchicago.edu/doi/full/10.1086/649831#:~:text=In%20addition%20to%20directly%20raising,liability%20that%20the%20credit%20offsets.>

<sup>43</sup> Center on Budget and Policy Priorities, “Policy Basics.”

<sup>44</sup> Teon Dolby, Ashley Burnside, and Whitney Bunts, “EITC for Childless Workers: What’s at Stake for Young Workers” (Center for Law and Policy, June 2022), <https://www.clasp.org/publications/report/brief/eitc-childless-workers-2022/>.

<sup>45</sup> S. Kathi Brown, “Widespread Support of Tax Relief for Workers Ages 65-Plus,” AARP Research, April 2023, <https://www.aarp.org/research/topics/economics/info-2023/earned-income-tax-credit.html>.

<sup>46</sup> National Council on Aging, “Get the Facts on Economic Security for Seniors,” June 8, 2023, <https://ncoa.org/article/get-the-facts-on-economic-security-for-seniors>; Brooke LePage and Jasmine Tucker, “A Window Into the Wage Gap: What’s Behind It and How to Close It” (National Women’s Law Center, January 2023), <https://nwlc.org/wp-content/uploads/2023/01/2022-Wage-Gap-Factsheet-1.10.23.pdf>.

<sup>47</sup> Center on Budget and Policy Priorities, “Policy Basics.”

<sup>48</sup> Chuck Marr, “Another Tax Day Message for Congress: Time to Expand EITC for Adults Without Children,” Center on Budget and Policy Priorities, April 12, 2022, <https://www.cbpp.org/blog/another-tax-day-message-for-congress-time-to-expand-eitc-for-adults-without-children>.

in most cases and the upper age limit was removed. These expansions made 11 million people newly eligible for the credit,<sup>49</sup> including 2 million older adults.<sup>50</sup>

For tax year 2021, 31 million workers and families received the EITC overall (both those claiming children and those who did not).<sup>51</sup> The credit reached roughly 6 million more workers and families than in 2020.<sup>52</sup> The 2021 EITC also moved 2.6 million people out of SPM poverty, including 946,000 women (180,000 of whom are Black and 434,000 of whom are Latina).<sup>53</sup>

### *The Child and Dependent Care Tax Credit*

The CDCTC is a nonrefundable tax credit that helps families meet their out-of-pocket, work-related child and dependent care expenses. In tax year 2023, the CDCTC allows families to claim \$3,000 in expenses for one child or dependent, and \$6,000 for two or more children or dependents. The percentage of eligible expenses that a family may claim—ranging from 20 to 35 percent—is based on a sliding scale that declines with income.<sup>54</sup> Currently, the CDCTC is theoretically worth a maximum of \$1,050 for one child or dependent, and \$2,100 for two or more children or dependents.

But because the CDCTC is nonrefundable under current law, the credit provides little actual benefit to families with low incomes who incur out-of-pocket expenses for child care, even though these expenses represent a significant share of their household budgets. Indeed, a 2022 analysis by the Tax Policy Center showed that less than 1 percent of the benefits from the CDCTC went to families with Adjusted Gross Income of \$30,000 or less.<sup>55</sup> This limits the credit's benefit to many households of color and women-headed households, who are overrepresented among households with low incomes.

The ARPA expanded and improved the CDCTC for tax year 2021, most importantly by making it refundable. This meant that more low- and moderate-income families were able to benefit from the credit, and in fact, some families were able to claim the CDCTC for the first time. The ARPA also increased the amount of expenses that could be claimed for the credit, and families

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<sup>49</sup> Ibid.

<sup>50</sup> Nancy A. LeaMond, "An Age Cap in the Tax Code Harms Older Workers," AARP, April 13, 2023, <https://blog.aarp.org/fighting-for-you/eitc-age-cap-older-workers>.

<sup>51</sup> Internal Revenue Service, "Statistics for Tax Returns with the Earned Income Tax Credit (EITC)," March 17, 2023, <https://www.eitc.irs.gov/eitc-central/statistics-for-tax-returns-with-eitc/statistics-for-tax-returns-with-the-earned-income>.

<sup>52</sup> Ibid.

<sup>53</sup> Hassmer et al., "By the Numbers."

<sup>54</sup> Tax Policy Center, "How Does the Tax System Subsidize Child Care Expenses?" (May 2020), <https://www.taxpolicycenter.org/briefing-book/how-does-tax-system-subsidize-child-care-expenses>.

<sup>55</sup> Tax Policy Center, "T22-0246 - Tax Benefit of the Child and Dependent Care Credit (CDCTC), Baseline: Current Law, Distribution of Federal Tax Change by Expanded Cash Income Percentile, 2022" (December 28, 2022), <https://www.taxpolicycenter.org/model-estimates/individual-income-tax-expenditures-december-2022/t22-0246-tax-benefit-child-and>.

could claim up to 50 percent of these expenses for the credit.<sup>56</sup> Under the ARPA, the CDCTC was worth a maximum of \$4,000 for one child or dependent, and \$8,000 for two or more children or dependents. In 2022, nearly 6.5 million families received the expanded CDCTC when they filed their tax returns for the 2021 Tax Year.<sup>57</sup> This was 288,000 more families than received the CDCTC in 2020, before the ARPA expansions.<sup>58</sup>

*The Expiration of ARPA’s Tax Credit Expansions Increased Poverty, Harmed the Economic Security and Well-Being of Women and Families, and Once Again Limited the Support the Tax Code Provides to the Families that Need It Most.*

The ARPA’s expansions to the CTC, EITC, and CDCTC expired at the end of 2021, and the impact on women and families was immediate and severe. In early 2022, after the CTC payments had expired, poverty among children and families had already begun to increase. The overall monthly child poverty rate rose sharply between December 2021 and January 2022, from 12.1 percent to 17 percent. This means there were 3.7 million more children living below the poverty line in January 2022 than in December 2021.<sup>59</sup> Children of color were hit the hardest: 1.25 million more Latinx children and 600,000 more Black children experienced poverty in the months after the payments expired.<sup>60</sup> These elevated poverty rates, after a brief dip in March when families received their tax refunds, remained high throughout 2022.<sup>61</sup>

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<sup>56</sup> Congressional Research Service, “The American Rescue Plan Act of 2021 (ARPA; P.L. 117-2): Title IX, Subtitle G— Tax Provisions Related to Promoting Economic Security” (March 16, 2021), <https://crsreports.congress.gov/product/pdf/R/R46680>, 8-9.

<sup>57</sup> Hassmer et al., “By the Numbers.”

<sup>58</sup> National Women’s Law Center calculations based on U.S. Congress, “Estimates of Federal Tax Expenditures for Fiscal Years 2020-2024” (Joint Committee on Taxation, November 5, 2020), <https://www.jct.gov/getattachment/ec4fb616-771b-4708-8d16-f774d5158469/x-23-20.pdf>, 40 (Table 3). There is reason to believe even more families would claim the credit if these expansions were restored. Because the credit was previously unavailable to families with low incomes, it is likely that many eligible families did not know to claim the credit in 2021; a barrier that could be remedied with awareness campaigns. Additionally, the child care industry experienced massive job losses in 2021 and child care was more difficult to access, meaning that fewer families may have incurred out-of-pocket child care costs during that time. Claire Ewing-Nelson, “Another 275,000 Women Left the Labor Force in January” (National Women’s Law Center, February 2021), <https://nwlc.org/wp-content/uploads/2021/02/January-Jobs-Day-FS.pdf>, 2. Finally, some tax returns from 2021 still have not been processed. Kelly Phillips Erb, “IRS Processing Updates Include Up To 20-Week Wait For Amended Tax Returns,” Forbes, May 22, 2023, <https://www.forbes.com/sites/kellyphillipserb/2023/05/22/irs-issues-processing-updates-including-20-week-wait-for-amended-tax-returns/?sh=3c8e8658176e>.

<sup>59</sup> Parolin, Collyer, and Curran, “Absence of Monthly Child Tax Credit.”

<sup>60</sup> Megan A. Curran, “Research Roundup of the Expanded Child Tax Credit: One Year On,” *Poverty and Social Policy Report* 6 no. 9 (November 15, 2022), <https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/63732dd8efcf0e5c76aea26e/1668492763484/Child-Tax-Credit-Research-Roundup-One-Year-On-CPSP-2022.pdf>, 20.

<sup>61</sup> Center on Poverty and Social Policy at Columbia University, “Monthly Poverty Data” (December 2022), <https://www.povertycenter.columbia.edu/forecasting-monthly-poverty-data>.

The expiration of the CTC has also made it more difficult for families to meet their basic needs. After the CTC payments stopped, households with children experienced a 25 percent increase in food insufficiency.<sup>62</sup> Nearly two in three parents reported that it has been more difficult for their families to meet expenses after the payments expired, with Latinx and low-income parents especially likely to report difficulty. Parents also reported more challenges affording high quality foods and visiting food banks or pantries more frequently.<sup>63</sup>

The fact that the CTC is no longer fully refundable is especially harmful to the families most in need of support. About 19 million children under age 17 live in families that do not receive the full CTC under current law because their family is not paid enough<sup>64</sup>—including almost half of Black and Latinx children.<sup>65</sup> A majority of children in households headed by a single parent, who are most often women, also do not receive the full credit now that the expansions have expired.<sup>66</sup>

Additionally, the expiration of the EITC's and the CDCTC's expansions made these credits less beneficial, or even inaccessible, to many families and workers with low incomes. The more than 17 million people estimated to have received additional benefit from the expanded EITC in 2021—including 3.6 million Latinx workers and 2.7 million Black workers—are now only eligible for much smaller credits or no credit at all.<sup>67</sup> And families with low incomes are effectively shut out of the CDCTC entirely, despite the increasingly high cost of child care. Limiting the benefit these credits provide to families with low incomes, moreover, disproportionately impacts women and families of color.

### Congress Should Reinstate the ARPA's Expansions to Refundable Tax Credits.

The ARPA's expansion of the CTC, EITC, and CDCTC provided effective and targeted relief during a devastating economic downturn. In 2021, the three expanded credits boosted nearly 9.7

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<sup>62</sup> Bovell-Ammon, Allison, Nicole C. McCann, Martha Mulugeta, Stephanie Ettinger de Cuba, Julia Raifman, and Paul Shafer, "Association of the Expiration of Child Tax Credit Advance Payments with Food Insufficiency in US Households," *JAMA Network Open* 5, no. 1 (2022),

<https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2797549>.

<sup>63</sup> Ashley Burnside, Bruce Fuller, and Qifan Zhang, "How Parents Use the Child Tax Credit and Implications of Ended Monthly Payments: Key Findings, July 2022 Continental U.S. Survey" (The Center for Law and Social Policy, September 12, 2022), <https://www.clasp.org/wp-content/uploads/2022/09/Continental-CTC-Survey-3-Topline-Findings-1-1.pdf>, 2.

<sup>64</sup> Tax Policy Center, "T22-0123 - Distribution of Tax Units and Qualifying Children by Amount of Child Tax Credit (CTC), 2022" (October 18, 2022), <https://www.taxpolicycenter.org/model-estimates/children-and-other-dependents-receipt-child-tax-credit-and-other-dependent-tax>.

<sup>65</sup> Jacob Goldin and Katherine Michelmor, "Who Benefits from the Child Tax Credit," *National Tax Journal* 75, no 1 (2022).

<sup>66</sup> Zachary Parolin, Elizabeth Ananat, Sophie M. Collyer, Megan Curran, and Christopher Wimer, "The Initial Effects of the Expanded Child Tax Credit on Material Hardship" (National Bureau of Economic Research, September 2021), <http://www.nber.org/papers/w29285>.

<sup>67</sup> Marr, "Another Tax Day Message."

million people out of SPM poverty, including nearly 2.9 million adult women and over 4.9 million children.<sup>68</sup>

The relief provided by the ARPA and other legislation helped mitigate the worst impacts of the pandemic on women, communities of color, and families with low incomes. But inequities in the job market and other economic systems that predated the pandemic have persisted, and in some cases have grown. The economic recovery has been uneven for many women, households of color, and families with low incomes. Women,<sup>69</sup> including women of color<sup>70</sup> and older women,<sup>71</sup> lagged behind in job gains. In May 2023, over 1 in 5 unemployed women were long-term unemployed, meaning they had been out of work for six months or longer.<sup>72</sup> In addition, many women—especially Latinas and Black women—continue to work part-time involuntarily, because they cannot find full-time work or for other economic reasons.<sup>73</sup>

With federal relief expiring, families are struggling to make ends meet, with households of color and those with low and moderate incomes reporting larger declines in their financial well-being in 2022.<sup>74</sup> In 2022, a substantial minority of households were unable to cover their monthly bills in full, or would have been unable to meet an unexpected emergency of \$400.<sup>75</sup> There is also evidence that women of color continue to face higher rates of material hardship. In November 2022, nearly one in five Latinas and over one in seven Black women were in households that lost employment income, and nearly one in five Black women and over one in seven Latinas did not have enough food to eat.<sup>76</sup> This exacerbates the pandemic’s impact on mental health:

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<sup>68</sup> Hassmer et al., “By the Numbers.”

<sup>69</sup> Beth Almeida and Isabela Salas-Betch, “Fact Sheet: The State of Women in the Labor Force in 2023” (Center on American Progress, February 6, 2023), <https://www.americanprogress.org/article/fact-sheet-the-state-of-women-in-the-labor-market-in-2023/>.

<sup>70</sup> Sarah Jane Glynn and Mark DeWolf, “Black Women’s Economic Recovery Continues to Lag,” (U.S. Department of Labor, February 9, 2022), <https://blog.dol.gov/2022/02/09/black-womens-economic-recovery-continues-to-lag>; Jared Bernstein and Janelle Jones, “The Impact of the COVID-19 Recession on the Jobs and Incomes of Persons of Color” (Groundwork Collaborative, May 13, 2020), [https://groundworkcollaborative.org/wp-content/uploads/2020/05/Groundwork-Bernstein-Jones-paper\\_5.13.pdf](https://groundworkcollaborative.org/wp-content/uploads/2020/05/Groundwork-Bernstein-Jones-paper_5.13.pdf); Megan Cassella, “Black Workers, Hammered by Pandemic, Now Being Left Behind in Recovery,” POLITICO, March 23, 2021, <https://www.politico.com/news/2021/03/23/black-workers-pandemic-recovery-477640>.

<sup>71</sup> Catherine Hill and Gretchen Livingston, “Two Years into the Pandemic, Women Aged 65 and Older Had Yet to Recover Their COVID-Related Employment Losses” (Women’s Bureau, U.S Department of Labor, (2021), [https://www.dol.gov/sites/dolgov/files/WB/media/Two%20Years%20into%20the%20Pandemic\\_Women%20Ages%2065.pdf](https://www.dol.gov/sites/dolgov/files/WB/media/Two%20Years%20into%20the%20Pandemic_Women%20Ages%2065.pdf).

<sup>72</sup> Sarah Javaid and Brooke LePage, “Despite Strong Job Gains in May, Black Women’s Unemployment Rate Jumps Nearly a Full Percentage Point” (National Women’s Law Center, June 2023), <https://nwlc.org/wp-content/uploads/2023/06/May-Jobs-Day-6.2.23v2.pdf>.

<sup>73</sup> Ibid.

<sup>74</sup> The Federal Reserve, “Economic Well-Being of U.S. Households in 2022” (May 2023), <https://www.federalreserve.gov/publications/files/2022-report-economic-well-being-us-households-202305.pdf>.

<sup>75</sup> Ibid, 2.

<sup>76</sup> Sarah Javaid and Shengwei Sun, “Lacking Robust Supports, Black, Non-Hispanic Women, Latinas, LGBT Adults, and Disabled Women Endure Persistent Hardship” (National Women’s Law Center, March 2023),

Between July 2021 and May 2022, one in three women had anxiety or depressive symptoms, and this share was much higher among women who did not have food, could not afford rent, or did not have child care.<sup>77</sup>

Negative long-term effects of the pandemic on the incomes, wealth, health and well-being, and overall economic security of women, children, and families will likely continue to reveal themselves. For example, an estimated 245,000 children across the United States have been orphaned during COVID,<sup>78</sup> and may well face significant mental health, educational, and financial needs in the coming years. Researchers have also found that long COVID is impacting people's employment<sup>79</sup> and have estimated that people with long COVID face average additional health costs of about \$9,000 per year.<sup>80</sup> In addition, research suggests that younger workers entering the job market in a period of high unemployment, such as that which occurred during the pandemic, may experience reduced earnings for up to 10 years and reduced job mobility, both of which will affect lifetime earnings.<sup>81</sup> Women can ill-afford these reductions: based on today's wage gap, women will already lose almost \$400,000 over a 40-year career, with the lifetime loss of earnings for Black women totaling nearly \$1 million and the lifetime losses for Latinas exceed \$1 million.<sup>82</sup> Moreover, many families exhausted their savings, fell behind on bills, or accrued debt.<sup>83</sup> It will take time and resources for these families to dig themselves out of this financial hole, and the accumulated debt may impact their credit, and their future ability to purchase a car or a home, invest in their children's education, or save for their own retirement.

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<https://nwlc.org/resource/lacking-robust-supports-black-non-hispanic-women-latinas-lgbt-adults-and-disabled-women-endure-persistent-hardship/>.

<sup>77</sup> Sarah Javaid, "A Mental Health Epidemic: The COVID-19 Pandemic's Effect on Anxiety and Depression Among Women and LGBT Adults" (National Women's Law Center, 2022), [https://nwlc.org/wp-content/uploads/2023/06/NWLC\\_Report\\_MentalHealthReport-1.pdf](https://nwlc.org/wp-content/uploads/2023/06/NWLC_Report_MentalHealthReport-1.pdf).

<sup>78</sup> Timothy Pratt, "Covid has Left Thousands of US Children Orphans. Few States are Addressing the Crisis," The Guardian, April 8, 2023, <https://www.theguardian.com/world/2023/apr/08/covid-orphans-us>.

<sup>79</sup> New York State Insurance Fund, "NYSIF Releases Report on Long-Term Impacts of Covid-19" (January 24, 2023), [https://ww3.nysif.com/en/FooterPages/Column1/AboutNYSIF/NYSIF\\_News/2023/20230124LongCovid](https://ww3.nysif.com/en/FooterPages/Column1/AboutNYSIF/NYSIF_News/2023/20230124LongCovid).

<sup>80</sup> Greg Iacurci, "Millions Suffer from Long Covid and It Costs Them \$9,000 a Year in Health-care Expenses, on Average" (CNBC, December 1, 2022), <https://www.cNBC.com/2022/12/01/long-covid-costs-patients-an-average-9000-a-year-in-medical-expenses.html>.

<sup>81</sup> Catherine Bosley, Max Reyes, Jeff Green, and Bloomberg, "How Millennials Are Being Set Back by Back-to-Back Financial Crises," Fortune, April 11, 2020, <https://fortune.com/2020/04/11/millennials-coronavirus-great-recession-economy-personal-finance/>; N.Y. Times, "Facing Adulthood With an Economic Disaster's Lasting Scars," May 19, 2020, <https://www.nytimes.com/2020/05/19/business/economy/coronavirus-young-old.html>; Janet Adamy, "Millennials Slammed by Second Financial Crisis Fall Even Further Behind," Wall Street Journal, August, 9, 2020, <https://www.wsj.com/articles/millennials-covid-financial-crisis-fall-behind-jobless-11596811470>.

<sup>82</sup> National Women's Law Center, "The Lifetime Wage Gap, State by State" (March 2023), <https://nwlc.org/resources/the-lifetime-wage-gap-state-by-state/>.

<sup>83</sup> Kim Parker, Rachel Minkin, and Jesse Bennett, "Economic Fallout From COVID-19 Continues to Hit Lower-Income Americans the Hardest" (Pew Research Center, September 24, 2020).

Accordingly, in order to reduce poverty and support families through the tax code, policymakers should reinstate the ARPA’s expansions to the CTC, EITC, and CDCTC.

In particular, the full refundability of the CTC should be a priority. The limits on the CTC’s refundability exclude those who are most disadvantaged in the labor market—for example, those who face gender, racial, or other discrimination and harassment in the workplace, have work-limiting disabilities, have significant unpaid caregiving responsibilities, or experience extended spells of unemployment during a particular tax year. Permanently removing those limits would benefit households headed by women of color, who have higher poverty rates, face wide and persistent wage gaps, have limited access to caregiving supports, and are overrepresented in poorly paid jobs. Additionally, evidence from the ARPA showed that full refundability greatly reduces child poverty; it is estimated that full refundability drove 87 percent of the expanded CTC’s anti-poverty impact in 2021.<sup>84</sup> Restoring full refundability for the CTC would once again drive historic reductions in child poverty and ensure millions of children in low-income households could receive the full benefit of the CTC.<sup>85</sup> One 2022 study estimated that restoring the ARPA’s CTC expansions would increase the number of children eligible for the full credit from 64 percent to nearly 97 percent of all children, including 98 percent of Black and Latinx children.<sup>86</sup>

Policymakers should consider making the ARPA’s other expansions to the CTC, which especially benefited women, households of color, and families with low incomes, permanent as well. For example, providing families with the option of monthly payments would help many families better manage their expenses, compared to waiting for a lump-sum payment after taxes are filed.<sup>87</sup> In a national survey, 55 percent of respondents preferred the monthly payments compared to 26 percent who didn’t (and 19 percent who did not know).<sup>88</sup> Families with lower incomes were more likely to prefer the monthly payments, with survey responses indicating that the predictability and flexibility of the payments allowed these families to fill gaps in their

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<sup>84</sup> Chuck Marr, Kris Cox, and Arloc Sherman, “Build Back Better’s Child Tax Credit Changes Would Protect Millions From Poverty — Permanently” (Center on Budget and Policy Priorities, November 2021), <https://www.cbpp.org/research/federal-tax/build-back-better-child-tax-credit-changes-would-protect-millions-from#:~:text=Altogether%20Build%20Back%20Better's%20Child,would%20be%20without%20the%20expansion.>

<sup>85</sup> Gregory Acs and Kevin Werner, “Expanding the Child Tax Credit Could Lift Millions of Children out of Poverty” (Urban Institute, June 2022), <https://www.urban.org/sites/default/files/2022-06/expanding-the-child-tax-credit-could-lift-millions-of-children-out-of-poverty.pdf>.

<sup>86</sup> Goldin and Michelmore, “Who Benefits from the Child Tax Credit?”

<sup>87</sup> Leah Hamilton, Stephen Roll, Mathieu Despard, Elaine Maag, Yung Chun, Laura Brugger, and Michal Grinstein-Weiss, “The Impacts of the 2021 Expanded Child Tax Credit on Family Employment, Nutrition, and Financial Well-Being: Findings from the Social Policy Institute’s Child Tax Credit Panel (Wave 2)” (Brookings Institute, April 13, 2022), <https://www.brookings.edu/research/the-impacts-of-the-2021-expanded-child-tax-credit-on-family-employment-nutrition-and-financial-well-being/>.

<sup>88</sup> Amy Matsui, “Families Prefer Receiving Monthly CTC Payments” (National Women’s Law Center, January 14, 2022), <https://nwlc.org/families-prefer-receiving-monthly-ctc-payments/>.

budget and put the money toward their most pressing expenses.<sup>89</sup> Women of color were especially likely to use the payments to pay for basic expenses, such as groceries and rent payments, and monthly cash payments are more useful than a lump sum delivered once yearly to meet such ongoing needs as they arise.<sup>90</sup> The increased credit amounts for young children, moreover, will help ameliorate the impact of the higher costs of raising very young children-- which show no signs of abating—on families with low and moderate incomes.

Research conducted during the ARPA expansions found that the advance CTC payments allowed many parents to work more hours.<sup>91</sup> Moreover, the vast majority of families who received the monthly credit payments in 2021 did not work less than other families.<sup>92</sup> A national survey found no statistically significant changes in employment between CTC-eligible households and CTC-ineligible households over the six months of advance CTC payments.<sup>93</sup> Another analysis found that adults that received the CTC had similar changes to employment and hours of work from 2020 to 2021 as those who did not.<sup>94</sup>

Similarly, numerous studies have shown that making the CTC expansion permanent would not greatly impact employment. One 2022 study surveyed programs that provide benefits similar to the CTC—including the EITC and annual income supports in Alaska—and found that there is “not much empirical evidence that moderately-sized shocks to household income led to substantial declines in labor supply.” The study further modeled the impact of a permanently expanded CTC and estimated that less than one percent of working parents would leave the workforce.<sup>95</sup> An Urban Institute study likewise estimated that any reduction of employment

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<sup>89</sup> Elaine Maag and Michael Karpman, “Many Adults with Lower Incomes Prefer Monthly Child Tax Credit Payments” (Urban Institute, July 27, 2022), <https://www.taxpolicycenter.org/publications/many-adults-lower-income-prefer-monthly-child-tax-credit-payments>.

<sup>90</sup> LePage and Javid, “Black, non-Hispanic Women.”

<sup>91</sup> Humanity Forward and Washington University in St. Louis Social Policy Institute, “Child Tax Credit: Promoting Work, Responsibility, and Economic Growth” (September 2022), <https://humanityforward.com/wp-content/uploads/2021/10/humanity-forward-report-9-17-1.pdf>; Stephen Roll, Leah Hamilton, and Yung Chun, “Expanded Child Tax Credit Payments Have Not Reduced Employment” (Humanity Forward, January 2022), <https://humanityforward.com/wp-content/uploads/2022/01/CTC-and-Employment-012620221.pdf>.

<sup>92</sup> Elizabeth Ananat, Benjamin Glasner, Christal Hamilton, and Zachary Parolin, “Effects of the Expanded Child Tax Credit on Employment Outcomes: Evidence from Real-world Data from April to December 2021” (National Bureau of Economic Research, March 2022), [https://www.nber.org/system/files/working\\_papers/w29823/w29823.pdf](https://www.nber.org/system/files/working_papers/w29823/w29823.pdf).

<sup>93</sup> Leah Hamilton, Stephen Roll, Mathieu Despard, Elaine Maag, Yung Chun, Laura Brugger, and Michal Grinstein-Weiss, “The Impacts of the 2021 Expanded Child Tax Credit on Family Employment, Nutrition, and Financial Well-Being: Findings from the Social Policy Institute’s Child Tax Credit Panel (Wave 2)” (Brookings Institute, 2022), [https://www.brookings.edu/wp-content/uploads/2022/04/Child-Tax-Credit-Report-Final\\_Updated.pdf](https://www.brookings.edu/wp-content/uploads/2022/04/Child-Tax-Credit-Report-Final_Updated.pdf).

<sup>94</sup> Michael Karpman, Elaine Maag, Stephen Zuckerman, and Doug Wissoker, “Child Tax Credit Recipients Experienced Larger Decline in Food Insecurity and a Similar Change in Employment as Nonrecipients between 2020 and 2021” (Urban Institute, May 9, 2022), <https://www.urban.org/research/publication/child-tax-credit-recipients-experienced-larger-decline-food-insecurity-and>.

<sup>95</sup> Jacob Goldin, Elaine Maag, and Katherine Michelmore, “Estimating the Net Fiscal Cost of a Child Tax Credit Expansion,” *Tax Policy and the Economy* 36 (2022), <https://www.journals.uchicago.edu/doi/abs/10.1086/718953?journalCode=tpe#:~:text=We%20find%20that%20making%20the,cost%20approximately%20%2421%20billion%20annually>. Other studies modeling the employment



would be minimal and would not affect the credit's anti-poverty impact.<sup>96</sup> Further, recent research by Barnard College, Columbia University, and the Open Sky Policy Institute estimates that making the ARPA CTC expansions permanent would provide \$982 billion in social benefits by improving children's future earnings, health, and longevity, outweighing any losses from employment reductions and translating into up to 10 dollars of social benefit for every dollar invested in the CTC.<sup>97</sup> Given the positive effects of the expanded CTC on children, families, and society more broadly, expanding this policy is warranted.

Restoring the ARPA's expansions to the EITC for workers not claiming children would also help many low-income households, among whom women and people of color are overrepresented. It is estimated that the expanded EITC would provide additional benefit to 17.4 million workers,<sup>98</sup> including 5 million young workers. This group of younger workers is comprised of many young workers of color: nearly a million young Latinx individuals and 600,000 young Black people would have their incomes lifted by \$765 million and \$470 million in total EITC benefits, respectively.<sup>99</sup> Additionally, 204,000 Black and 187,000 Latinx workers over the age of 65 would have their EITC eligibility restored.<sup>100</sup> The expansion would also benefit a broad range of women workers, including working mothers with older children, women workers caring for family members who are seniors or people with disabilities, and older women who are approaching retirement.

Policymakers should also restore expansions to the CDCTC. Families with low and moderate incomes continue to struggle to access and afford child care in the absence of sustained public investments that would strengthen the fragile and inequitable child care system. The lack of affordable, available child care has hampered women's return to the workforce.<sup>101</sup> Reinstating some of the ARPA's improvements to the CDCTC, most especially refundability, would benefit families with children who are struggling to meet child care expenses. It should be noted that increased support *to individual families* through the tax code would not supplant the need for

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impact of a permanent CTC have had similar findings. Jacob Bastian, "How Would a Permanent 2021 Child Tax Credit Expansion Affect Poverty and Employment?" (April 23, 2023),

[https://drive.google.com/file/d/1H5iNZZO\\_YFRIDz-3Tip4C-BpnD85bUjH/view](https://drive.google.com/file/d/1H5iNZZO_YFRIDz-3Tip4C-BpnD85bUjH/view); Alex Brill, Kyle Pomerleau, and Grant M. Seiter, "CTC Labor Response" (2021), <https://grantseiter.com/CTC-Labor-Response/content.html>.

<sup>96</sup> Gregory Acs and Kevin Werner, "How a Permanent Expansion of the Child Tax Credit Could Affect Poverty" (Urban Institute, July 29, 2021), <https://www.urban.org/research/publication/how-permanent-expansion-child-tax-credit-could-affect-poverty>.

<sup>97</sup> Garfinkel et al., "The Benefits and Costs."

<sup>98</sup> Marr, "Another Tax Day Message."

<sup>99</sup> Aidan Davis, "Federal EITC Enhancements Help More Than One in Three Young Workers" (Institute on Taxation and Economic Policy, February 8, 2022), <https://itep.org/federal-eitc-enhancements-help-more-than-one-in-three-young-workers/>.

<sup>100</sup> LeaMond, "An Age Cap."

<sup>101</sup> Liana Christin Landivar and Mark deWolf, "Mothers' Employment Two Years Later: An Assessment of Employment Loss and Recovery During the COVID-19 Pandemic" (U.S. Department of Labor, May 2022), <https://www.dol.gov/sites/dolgov/files/WB/media/Mothers-employment-2%20-years-later-may2022.pdf>; Mitchell Hartman, "Women's Return to Work a Stop-and-Start Struggle," Marketplace, October 6, 2022, <https://www.marketplace.org/2022/10/06/womens-return-to-work-a-stop-and-start-struggle/>.

robust public investments in child care, home- and community-based services. While tax credits can relieve some of the financial burden of care, they alone cannot make care affordable nor build the needed supply and workforce to provide that care.<sup>102</sup>

Finally, policymakers should restore and increase IRS funding—including the funding from the Inflation Reduction Act that was recently reduced. The IRS will need to hire and train staff and develop agency initiatives to improve experiences for taxpayers more generally, but specifically to help ensure that low- and moderate-income tax filers know about, and can access, tax benefits for which they are eligible. In addition, increasing funding for IRS enforcement with an emphasis on the wealthiest will ensure that the country is not deprived of tax revenues from unpaid taxes—an estimated \$600 billion per year—<sup>103</sup>and that EITC claimants are not audited at disproportionate rates.<sup>104</sup>

## Conclusion

The evidence is clear that expanded refundable tax credits are a targeted and effective way to reduce poverty and support families through the tax code. While the ARPA expansions provided substantial relief to families in the depth of the COVID recession, decades of research, bolstered by recent evidence about the impact of the expanded credits in 2021, show the irrefutable benefit of these credits in all economic circumstances, especially for families with low and moderate incomes, families headed by women, and Black and Latinx families. For example, the Urban Institute estimates that in a typical year the expanded CTC, by itself, would reduce child poverty by over 40 percent—and would cut Black child poverty in half.<sup>105</sup> Moreover, expanded refundable tax credits can correct for systemic inequities—especially if combined with robust public investments in the care infrastructure, health care, affordable and accessible housing, and a livable wage.<sup>106</sup> In short, women and families needed the expanded refundable tax credits

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<sup>102</sup> Katherine Gallagher Robbins, Melissa Boteach, and Julie Kashen, “Why Child Care Needs Direct Spending, Not Just Tax Credits, During COVID and Beyond” (Center for Law and Social Policy, January 28, 2021), <https://www.clasp.org/publications/fact-sheet/child-care-direct-spending-tax-credits/>; “Cutting Costs for Women and Families Depends on Public Investments” (National Women’s Law Center, March 2022), <https://nwlc.org/wp-content/uploads/2022/03/PublicInvestmentFS-1.pdf>.

<sup>103</sup> Julia Cusick, “RELEASE: 88 Organizations Call for Stronger Tax Enforcement for Wealthy Individuals and Corporations,” (Center for American Progress, February 18, 2021), <https://www.americanprogress.org/press/release/2021/02/18/496075/release-88-organizations-call-stronger-tax-enforcement-wealthy-individualscorporations/>; Galen Hendricks and Seth Hanlon, “Better Tax Enforcement Can Advance Fairness and Raise More than \$1 Trillion of Revenue” (Center for American Progress, April 19, 2021), <https://www.americanprogress.org/issues/economy/reports/2021/04/19/498311/better-tax-enforcement-can-advance-fairness-raise1-trillion-revenue/>.

<sup>104</sup> U.S. Government Accountability Office, “Tax Compliance: Trends of IRS Audit Ratios and Results for Individual Taxpayers by Income” (May 2022), <https://www.decligao.gov/assets/gao-22-104960.pdf>; Congressional Research Service, “EITC Audits: By the Numbers” (June 13, 2022), <https://crsreports.congress.gov/product/pdf/IN/IN11952>.

<sup>105</sup> Acs and Werner, “How a Permanent Expansion.”

<sup>106</sup> Melissa Boteach, Amy K. Matsui, Indivar Dutta-Gupta, Kali Grant, Funke Aderonmu, and Rachel Black, “A Tax Code for the Rest of Us: A Framework & Recommendations for Advancing Gender & Racial Equity Through Tax Credits” (National Women’s Law Center, November 2019), <https://nwlc.org/wp-content/uploads/2019/11/NWLC-GCPI-Tax-Code-for-the-Rest-of-Us-Nov14.pdf>.

before the pandemic, especially benefited from them in 2021 and 2022, and continue to need them today and in the foreseeable future.

Policymakers should reduce poverty and support families by expanding refundable tax credits that women and families rely on, following the successful model of the American Rescue Plan Act.