

# PROGRESSIVE POLICIES ARE GOOD FOR THE ECONOMY: CHILD TAX CREDIT & EARNED INCOME TAX CREDIT

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During the Great Recession, our government learned the hard way that we should spend more—not less—in times of crisis. The response to the Great Recession was too small and ended too soon, especially for the Black and brown families that never recovered, and our economy was made less resilient as a result. The government can boost our economy right now by helping struggling families and investing in all of us. Investing in people will benefit everyone, with new jobs, higher wages, and a stronger economy overall. One way to support communities is by increasing the Child Tax Credit (CTC) and expanding the Earned Income Tax Credit (EITC).

**Because of the American Rescue Plan, the increased Child Tax Credit will provide families with an additional \$116 billion for the year and will make the full allowance available to 27 million more children. Nearly 39 million people will experience real benefits, totaling an additional \$13 billion, from the expanded Earned Income Tax Credit.**

President Biden’s historic [American Rescue Plan](#) is going to provide a much-needed stimulus for the economy and relief to families across the country. In addition to many other relief measures, the law increases the Child Tax Credit to \$3,600 per child aged 0-5 and \$3,000 per child aged 6-17 and allows the Credit to be distributed monthly. The American Rescue Plan also expands the Earned Income Tax Credit (EITC). “Childless” adults can now receive close to \$1,500 instead of roughly \$530, and the income limit will be raised from about \$16,000 to about \$21,000. The age cap for older workers as well as younger adults, ages 19-24, who aren’t full-time students, has also been repealed.

**Expanding the Child Tax Credit and Earned Income Tax Credit is good for children, families, and the economy:**

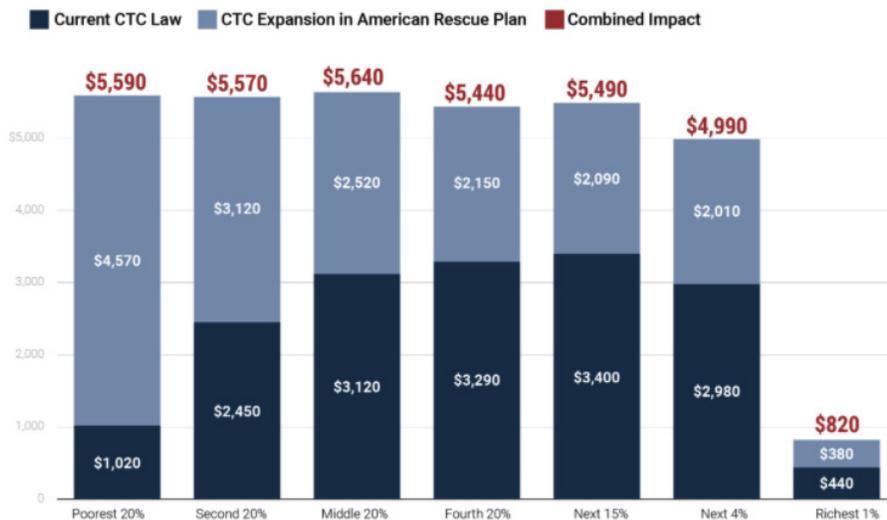
- **Both the Child Tax Credit and the Earned Income Tax Credit support work and increase labor force participation:** Research [has found](#) that working families tax credits increase labor force participation of parents. One study finds that nearly 60 percent of the [8.7 percent increase](#) in annual employment for single mothers between 1984 and 1996 was because of the Earned Income Tax Credit.
- **Expanding the Child Tax Credit and the Earned Income Tax Credit will infuse cash into the economy, reducing poverty and helping families that need relief the most to make ends meet and support their local economies:** The expansion of the CTC will provide families with children [\\$116 billion](#) for the year. Furthermore, the poorest 20 percent of families in the country with children under 17 will see their incomes rise by an average of [37 percent](#). Family incomes for over a million children would be lifted above [50 percent](#) of the poverty line, lifting these children out of “deep poverty.” Under the expansion of the EITC, childless workers would see an additional [\\$13 billion](#) in benefits, and nearly [39 million people](#) would experience real benefits with the expansion of the EITC.

- **A fully refundable Child Tax Credit reduces poverty for both adults and children:** Research from the Columbia Center on Poverty and Social Policy finds that expanding the Child Tax Credit would lift [6.7 million people](#) out of poverty this year alone, including nearly 4 million children. They also find that increasing the Child Tax Credit would drive the Black poverty rate down to [14.5 percent](#) and the child poverty rate to 8.1 percent, both historic lows.
- **Increasing the Child Tax Credit will generate huge economic benefits for society:** Research analyzing the highest-quality evidence finds that income transfers to families with children, like the CTC, pay huge dividends for families and society by increasing children’s future earnings, decreasing their interaction with the criminal justice system, and improving the health of both children and their parents. One meta-analysis finds that the impact from an expanded Child Tax Credit is over [eight times](#) the annual cost for the proposal, including an increase in children’s future earnings of more than [\\$80 billion](#) per year.

## Here’s who will benefit from increasing the Child Tax Credit and expanding the Earned Income Tax Credit:

- Making the Child Tax Credit fully refundable means that [27 million children](#) will gain access to the full credit, including [half of all Black and Latinx](#) children.
- The expansion of the Earned Income Tax Credit will reach over [17 million](#) low-income working people.
- Expanding the Child Tax Credit is imperative for the lowest-income earners and their families. The lowest-income families can expect to see a jump in their average benefit from [\\$1,000 to over \\$5,000](#). Families across the income scale will also see substantial gains in their benefits.

**How the American Rescue Plan Builds upon the Existing Child Tax Credit: Average Benefit by Income Group**



*Impacts of American Rescue Plan provisions making the Child Tax Credit fully refundable (no dollar cap or earnings limit) and increasing to \$3,000/\$3,600 in 2020 in the United States. (Limited to Taxpayers with Children Under Age 17)*

Source: Institute on Taxation and Economic Policy microsimulation model, January 2021

