

A permanent monthly Child Tax Credit creates lasting financial security

A permanent monthly CTC will drive a sustainable recovery and promote racial equity

The fiscal response to the COVID recession has proven the power of unrestricted cash to families. The expanded monthly Child Tax Credit will not only be a critical component of an equitable and sustained recovery, it will start to rebalance economic power and strengthen financial security in the long term. A permanent monthly CTC will:

- △ **Drastically cut poverty and reduce racial disparities**, providing an income floor for kids, with outsized benefits for kids of color.
- △ **Target relief to those most in need while benefiting families across the income spectrum**, building a foundation of economic security and equity.

A FULL AND EQUITABLE RECOVERY IS THE FIRST STEP TOWARD AN EQUITABLE ECONOMY

Recessions magnify and deepen racial inequities – and this recession is no different. The recovery from the Great Recession was [uneven](#), largely favoring Wall Street [at the expense](#) of Black and Latinx families and [wiping away](#) three decades of gains in household wealth. Before COVID hit, Black and Latinx Americans had [5-8 times less wealth](#) than white families and were forced into financial precarity at [higher rates](#) because of [racist policies](#).

In this recession, by almost any measure, people of color have been hit hardest. [Black and Latinx households](#) are having a very difficult time meeting household expenses at [twice the rate](#) of white households, as well as experiencing higher levels of [food insecurity](#), COVID-related [mortality](#), and [business closures](#). To undo these inequities, policymakers must prioritize economic policies – both for the recovery and beyond – that promote racially equitable outcomes. Unrestricted monthly cash through a permanent expanded CTC is one of the most powerful tools to do that.

The American Rescue Plan strengthened the CTC by:

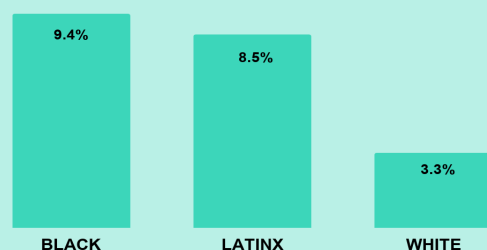
- △ Making it fully refundable, which means families earning very little or no income now qualify;
- △ Providing advance monthly payments;
- △ Increasing the credit amount for families earning up to \$150,000 from \$2,000 to \$3,000 a year, and to \$3,600 for kids under 6; and
- △ Extending eligibility to children up to age 17.

Everyone should have the ability to provide for and care for their families. This expansion of the CTC – essentially a tax credit of \$150 to \$300 per child every month for most families with children – will help all families succeed, from working families struggling with basic needs like food, rent, and bills, to middle-class families that need help with childcare and college savings. This helps Main Street and the whole community thrive.

MONTHLY CTC CUTS POVERTY, PROMOTES RACIAL EQUITY, AND SMOOTHS INCOMES

The one-year expansion of the CTC will lift 4.1 million children out of poverty. Under the ARP, the CTC will give the lowest-income households an annual [10% income boost](#), an average of \$4,570. These monthly checks to [92% of families with children](#) will cut child poverty by [nearly half](#) – with greater [income boosts](#) and [larger reductions in poverty](#) for Black and Latinx families. [If the credit is not made permanent, these 4.1 million children](#) – 1.6 million Latinx children, 1.2 million white children, 930,000 Black children, and 132,000 Asian children – are likely to fall back into poverty when the credit expires.

PERCENTAGE OF CHILDREN LIFTED OUT OF POVERTY
Share of all children moved above poverty, by race/ethnicity



Full refundability means ending the unfair exclusion of children of color. Before it was expanded under ARP, more than one in three kids lived in families who didn't qualify for the full CTC because their family income was *too low*. This exclusion of the lowest-income families locked [nearly half of Black and Latinx kids](#) out of the credit. Making the credit available to all families, even those with no earnings, means more kids of color in need will receive these critical benefits.

To ensure all families get the credit, policymakers should permanently [reinstate the eligibility for immigrant children](#) lacking SSNs that existed before 2017. Now, more than [1 million immigrant children](#) are unfairly excluded from this critical benefit.

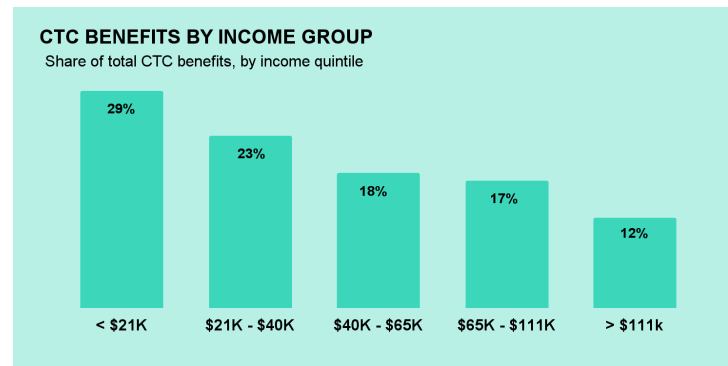
Permanent monthly checks ensure that families who experience income volatility can get help as they need it. Even before the pandemic, [too many families](#) were struggling to stay afloat, and the pandemic created a financial shock that left many without recourse as bills come due every month. When the pandemic is over and Congress stops sending relief, families will again be at risk of falling behind each month.

Income volatility – destabilizing swings in income from month to month – [disproportionately affects](#) Black, Latinx and families with low incomes. Monthly cash payments through the CTC will smooth this unpredictability and give families the tools to meet their changing needs. [The recent Stockton Economic Empowerment Demonstration \(SEED\)](#) showed that this kind of consistent direct cash assistance resulted in increased financial stability, improved physical and mental health, and more and better full-time employment. The consistency of monthly support makes it possible for people to get a foothold and move forward.

THE CHILD TAX CREDIT BUILDS A FOUNDATION FOR BROAD & EQUITABLE ECONOMIC POWER

Monthly cash through the CTC is broad enough to reach middle-class and upper-income families, while it is targeted toward those who need it most. Even though those at the very bottom have suffered the [most harm](#) because of this recession, millions in the middle class have lost jobs, health care, child care, and income. In the ARP, the benefits of CTC are [concentrated](#) among low- and

middle-income households, but middle-class and higher-income households aren't excluded. Under the ARP, the credit is increased to \$3,000 (or \$3,600 for young kids) for families earning up to \$150,000 (with amounts phasing out after that), but a full \$2,000 credit per child is still available for families earning up to \$400,000, with a reduced credit even above that income. That means the credit is nearly universal – available to nearly all families with kids, even those in the top income groups.



Permanent monthly cash keeps people from having to rely on credit cards and payday loans. Families that struggle with income volatility are [much more likely](#) to turn to credit-based financial services like payday loans to get by. [Seven in 10](#) payday loan borrowers use them to cover regular monthly expenses like rent and utilities. The [data show](#) that as relief ran out in the summer, with boosted spending [leveling off after two months](#), families had to rely more on credit cards and loans just to meet basic needs – because one-time checks ran out. Ensuring that help comes monthly through the CTC will keep families away from debt traps like payday loans and high-interest credit cards.

