

Expanded Child Tax Credit and Earned Income Tax Credit boost local economies

How expanded tax credits support work and put more money into small businesses

EXPANDED TAX CREDITS STRENGTHENED THE ECONOMY

Monthly Child Tax Credit payments offset inflation costs for working-class families.

The benefits of the expanded Child Tax Credit and Earned Income Tax Credit are well documented – a [sharp, historic drop in child poverty rates](#), less food insecurity, and more financial stability. Last year’s expansion of the EITC for workers without kids at home meant \$700 more in the pockets of [17 million workers](#), and the expanded monthly Child Tax Credit raised family incomes, cut child poverty, and significantly reduced hardship. So far, these credits have fueled a stronger and faster recovery than what Americans experienced after the Great Recession. Jobs have bounced back and business revenue is [recovering](#). But the economy is at risk of losing that progress if the expanded CTC and EITC are not extended this year.

Monthly CTC payments helped families keep up with rising costs and keep local businesses afloat. The payments put nearly [\\$20 billion](#) into local economies each month, raising family incomes by \$444 – nearly equal to the [cost of rising inflation](#) each month for the typical family. More than [130 economists](#) have called for restarting the monthly CTC payments to offset the toll of

inflation, while making clear that it would not drive further inflation. The program has the potential to pay for itself [8 times over](#) in lifetime social and economic benefits, with families using their payments to buy goods and services that benefit local small businesses.

Census data show the monthly Child Tax Credit payments caused no drop in employment and made it easier for more low-income parents to work and gain job skills.

EXPANDED TAX CREDITS HELPED PARENTS WORK

The expanded Child Tax Credit did not negatively impact employment. Before the expanded CTC was launched, economists from across the political spectrum modeled wide-ranging predictions of CTC outcomes, some predicting correctly that the CTC wouldn’t impact parents’ employment decisions, and others including dire warnings that parents would leave the workforce in droves. The actual data on the impacts of the payments show conclusively that concerns

about negative employment impacts were unsubstantiated.

The Census data that tracked the real-world impacts of payments over the course of the program show the monthly Child Tax Credit payments caused [no drop in employment](#) and in fact made it easier for more low-income parents to work and gain job skills. A survey by the American Enterprise Institute showed [no net effect](#) on employment: 90 percent of recipient parents reported no change to their work, with 5 percent working more and 5 percent working less. In fact, parents eligible for the CTC [were much less likely to report](#) being unemployed due to child care responsibilities after monthly CTC payments began. People who were eligible for CTC were 1.3 times more likely to [start new professional training](#). Many families reported using CTC payments for child care, reducing a large barrier to employment.

Monthly Child Tax Credit payments made it easier for recipients to work. In one national survey, one-quarter of respondents reported that the monthly payments made it [easier](#) for them to engage in paid work or work more hours. Black respondents were twice as likely as white respondents to say so, and lower-income respondents were more likely to say so than higher-income counterparts.

Another study found that 94% of parents said they planned to [continue working](#) or even work more once they started receiving monthly payments. Of the 6% who said they would change jobs or work less, respondents were more likely to have young children to care for at home.

Monthly Child Tax Credit payments raised family incomes by \$444 a month – nearly the same cost of rising inflation for a typical family.

Monthly Child Tax Credit payments made it easier for families to plan their finances.

Families can't plan for financial security when a large (and often uncertain) amount of their annual income is delivered just once a year. Recent [research](#) by the Tax Policy Center found that families in poverty receive at least 22% (and nearly half under the expanded CTC) of their annual income in one lump sum at tax time through the EITC and CTC.

Monthly payments, in contrast, help families keep from falling behind throughout the year. For example, a recent study by Columbia University found that monthly payments were [more effective](#) at reducing food hardship in real time, whereas annual payments were often used to catch up on late rent payments.

The Child Tax Credit creates jobs and encourages entrepreneurship. Support from these tax credits puts more money into local economies and helps burgeoning business owners by helping cover some of the costs of food, child care, and gas – allowing more freedom to take a risk. According to recipient data, 21.3% of former tax credit recipients were either currently [running their own business or planning to start one](#). The Niskanen Center found that extending the Child Tax Credit for a year would support the equivalent of [500,000 private-sector jobs](#).