2021 Legislative Agenda

Lessons Learned from 2020: Reaching New Heights for Children and Families

Celebrating 100 YEARS 1920-2020

HOT TOPIC

Make the Child Tax Credit Permanent

Action

- Make the Child Tax Credit permanent. Maintain the current child allowance provisions, including $3,600 a year for children under age six and $3,000 for children age six through 17 years old, with refundability for families who are low-income.

In March 2021, a one-year expansion of the Child Tax Credit (CTC) was passed by Congress and signed into law by President Biden. The Center on Poverty and Social Policy at Columbia University estimates that the expansion could cut child poverty overall by almost 45 percent and reduce racial disparities in child poverty—cutting Black child poverty by 52 percent, Hispanic child poverty by 45 percent, Native American child poverty by 62 percent, Asian American and Pacific Islander child poverty by 37 percent, and White child poverty by 39 percent.

In a separate analysis, that same Center tells us that converting the current Child Tax Credit to a child allowance—by making it fully refundable, increasing its value to $3,600 per child ages 0-5, $3,000 per child ages 6-17, and distributing it monthly—would cost about $100 billion but would generate about $800 billion in benefits to society.

Child Welfare Impact and Child Neglect Prevention

Raising the incomes of children growing up in poverty through policies such as the Child Tax Credit can make an important difference in children's lives now and in the long term. In 2019, the National Academies of Sciences, Engineering, and Medicine was appointed by Congress identified strategies to reduce the number of children in poverty in the United States by half in 10 years in a report, *A Roadmap to Reducing Child Poverty.* In that report, the National Academies concluded:

> *"A wealth of evidence suggests that a lack of adequate family economic resources compromises children's ability to grow and achieve success in adulthood, hurting them and the broader society as well."*

The report further stated:

> *"Some children are resilient to a number of the adverse impacts of poverty, but many studies show significant associations between poverty and child maltreatment, adverse childhood experiences, increased material hardship, worse physical health, low birth weight, structural changes in brain development, mental health problems, decreased educational attainment, and increased risky behaviors, delinquency, and criminal behavior in adolescence and adulthood. As for the timing and severity of poverty, the literature documents that poverty in early childhood, prolonged poverty, and deep poverty are all associated with worse child and adult outcomes."*

We also know that poverty can contribute to child neglect. Several parental stressors are associated with chronic neglect, including poverty, mental health issues, and substance abuse (Tanner & Turney, 2003; Wilson & Horner, 2003). Of all forms of maltreatment, neglect has the strongest relationship to poverty (Loman, 2006). This relationship is not causal but contributory—neglect is strongly associated with measures of socioeconomic disadvantage, which include welfare dependence, homelessness, low levels of education, and single-parent families, and limited income.

In other words, one of our best strategies for preventing child abuse, decreasing foster care placements, and limiting other forms of child welfare is to reduce child poverty. A child's future should not be determined by the zip code into which they are born.

The Key Parts of the CTC Expansion

The expanded CTC should be made fully available to families involved in the child welfare system and others left behind by the current qualifying child rules in the tax code. Under current law, to be eligible for the CTC a child must live with the adult claiming the credit for six months or more in the tax year and have a specific relationship with the child. Typically, they must be a child, grandchild, sibling, niece, nephew, adopted child, or foster child of the tax filer. Current rules deny benefits to children whose primary caregivers are more distant relatives, such as cousins, close family friends, or chosen family (fictive kin)—roughly 330,000 children. A higher percentage of Hispanic children are excluded because of these relative definition tests. The rules also deny benefits to children, including those in foster care, who may not spend at least six months in any single household. Changing the definition of a qualifying child in the tax code is necessary so that all children are eligible for the CTC regardless of their family structure or frequency of moving.

The expanded CTC should be made available to all children of parents and families who are immigrants, including children with Individual Tax Identification Numbers (ITINs), and benefits should cover families in Puerto Rico on an equal basis. The 2017 Tax Cuts and Jobs Act required that children have Social Security Numbers (SSNs) to be eligible for the CTC for the first time—making an estimated one million children ineligible for the credit. Rolling back this exclusion for children who are immigrants is vital for the country's economic well-being as we build a young workforce for the future. Families in Puerto Rico also should get the same level of benefit and monthly access as families in the 50 states.

The CTC should be made available via monthly payments that work for families. The American Rescue Plan requires that the IRS make the CTC available via advanced periodic payments. Regular payments are critical to helping families meet the everyday costs of raising children.

The CTC should be easy to access for families who are unbanked or underbanked. The IRS should establish clear policies for children and families who are unbanked or underbanked. The millions of children, youth, and families who are predominantly low-income and are unbanked or underbanked should have the option to receive payments through flexible options such as a pre-loaded debit card, similar to the Direct Express Debit Card used for Social Security and other federal benefits. All payment options made available to the unbanked or underbanked should be fee-free. Accessibility should be equitable, removing any unnecessary, burdensome administrative processes.

Reporting changes in life circumstances should be easy and accessible. The American Rescue Plan requires the IRS to establish a portal to allow families to report changes in circumstances that might affect their eligibility for the CTC, including changes in income, marital status, and number of children living in the home. The portal should stay open year-round and families should be able to use this portal to sign up for the benefit if they do not automatically receive the payment, as well as to change who should receive the benefit on behalf of the child in real time as frequently as possible—so that the benefit can follow the child over the year.

Conclusion

As the National Academies stated, *"Poverty alleviation can promote children's development, both because of the goods and services that parents can buy for their children and because it may promote a more responsive, less stressful environment in which more positive parent-child interactions can take place."* We need to ensure that parents and families have an income that is stable and predictable to lift them out of poverty. Making the CTC permanent provides regular income support and adequate benefits to anti-poverty programs.

CWLA believes that the single strongest strategy to address many of the goals we seek, including prevention of child abuse and neglect, reducing foster care and other forms of out-of-home care, and making children a national priority, starts with lifting children out of poverty. Taking this opportunity in 2021 to expand and improve the Child Tax Credit in the ways we have outlined here can do just that.

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