



# A monthly Child Tax Credit helps parents get back to work

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## TOPLINES

### The Child Tax Credit supports work

- A robust care infrastructure, including Child Tax Credit payments, strengthens the labor market. When parents have the resources they need to care for their children, they can go back to work, pick up hours, and keep their jobs. Not only do monthly payments help with the child care bill, when an emergency comes up – whether it’s a sick kid or the car breaking down – the \$300 benefit helps parents meet those unexpected costs. Because parents don’t lose the benefit when they work, the Child Tax Credit is a cornerstone of a healthy economy where everyone can participate.
- Monthly benefits like the Child Tax Credit actually help people get [more full-time work](#), because they can finish the training and coursework they need to take the next step in their careers.

### The Child Tax Credit helps families succeed

- Everyone should have the ability to provide for and care for their families. This expansion of the Child Tax Credit 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.
- Under President Biden’s [proposal](#), the average credit is \$2,800 per family, and the lowest-income families will get a 10% income boost.
- The ARP expansions are absolutely essential to help struggling Black and Brown families – extending eligibility to the [nearly half of Black and Latinx kids](#) who were previously locked out of the full credit, and [cutting poverty](#) the most for Black, Latinx, and Native American families.
- In the most unequal recession in history, the Child Tax Credit is a policy that targets benefits to the families that need it the most – fighting back against a K-shaped recovery.

### The Child Tax Credit lifts the whole economy

- When families do well, the economy does well. Monthly payments have spillover effects that help Main Street businesses, create jobs, and help our communities thrive.
- The Child Tax Credit will stimulate the economy. Each dollar invested in the Child Tax Credit produces up to [\\$1.50](#) in local economic spending and [\\$8](#) in economy-wide return on investment.

## HARD DATA

The American Rescue Plan's expansion of the Child Tax Credit (CTC) provides much needed economic security for millions of families across the country. With these critical expansions due to expire at the end of the year, policymakers must take urgent steps to make CTC expansions permanent.

**Cash transfers are not a disincentive to work. In fact, research demonstrates that giving people cash facilitates employment and employment and other types of productive activity.**

- △ Guaranteed income pilot projects have demonstrated that unconditional cash transfers actually increase employment. For example, participants in the Stockton Economic Empowerment Demonstration (SEED) received \$500 a month for two years. During [the first year](#) of the project, full-time employment increased from 28 percent to 40 percent. Recipients reported the additional funds allowed them to reduce part-time work and gig work and complete internships, training, and coursework that led to full-time employment and/or more secure and profitable positions. Cash transfers enabled people to invest in their futures in ways they were not previously able to.
- △ Research has found that other [tax credits](#), such as the Earned Income Tax Credit, increased employment. Roughly 60 percent of the 8.7 percent increase in yearly employment for single mothers between 1984 and 1996 was because of the Earned Income Tax Credit.
- △ In programs around the world, child allowances help parents work more. Research on Canada's Child Benefit, some form of which has been in place since 2006, has found that the benefit has [no effect](#) on labor supply among mothers.
- △ While [study after study](#) shows that cash transfers do not discourage work, CTC is deliberately not tied to working or not working. It's about providing a basic level of economic security for families with kids.
- △ Monthly CTC payments can help parents return to work and pick up additional hours by helping with child care costs and other expenses – especially mothers who have had to drop out of the paid workforce to care for kids while schools and child care were shut down.

**A permanent Child Tax Credit is a critical investment in our economic future. When children and families around the country experience more economic security, our economy as a whole is more resilient.**

- △ Research [has shown](#) that every \$1 spent on CTC expansion during recessions generates as much as \$1.50 in economic activity. Under the proposed CTC expansion, the lowest-income families would see their incomes rise by an

average of [10 percent](#). These income boosts would have a significant multiplier effect, as families in the lowest income quintiles tend to spend a higher percentage of their earnings on goods and services that stimulate the economy.

- △ Income transfers to families with children, like the CTC, [pay dividends](#) 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 analysis finds that the ROI from an expanded CTC 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.
- △ CTC helps build a foundation of economic security among low-income families and those in the middle class, too. A full \$2,000 CTC is available to 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.

**A permanent CTC would disproportionately benefit communities that have historically been forced to the economic margins. When Black, Latinx and Hispanic, and Native American families are more economically secure, we are all better off.**

- △ The benefits of the CTC far outweigh the costs. The proposed CTC expansion would lift 6.7 million people out of poverty, including almost 4 million children. It would reduce [child poverty](#) overall by almost 45 percent – by 61 percent for Native American children, 52 percent for Black (non-Hispanic) children, and by 45 percent Hispanic children.
- △ Giving cash to families, especially low-income families with kids, [reduces hardship](#) significantly. During this recession, cash relief helped households with kids by reducing: food insecurity by 42%, financial instability by 43%, and even depression and anxiety by more than 20%.
- △ An [evaluation](#) of the Magnolia Mother's Trust project – a guaranteed income pilot providing low-income Black mothers with \$1,000 per month for a year – found significant improvements in participants' economic security. The ability of mothers to pay all their bills on time increased from 27 percent to 83 percent, the percentage of mothers who had had emergency savings increased from 40 percent to 88 percent, and the percentage of mothers reporting they had enough money for food increased from 64 percent to 81 percent.