

MEMORANDUM

TO: Interested Parties
FROM: Economic Security Project
DATE: April 2022
RE: Families Need Relief from Rising Costs and the Expanded, Monthly, Refundable Child Tax Credit is the Answer

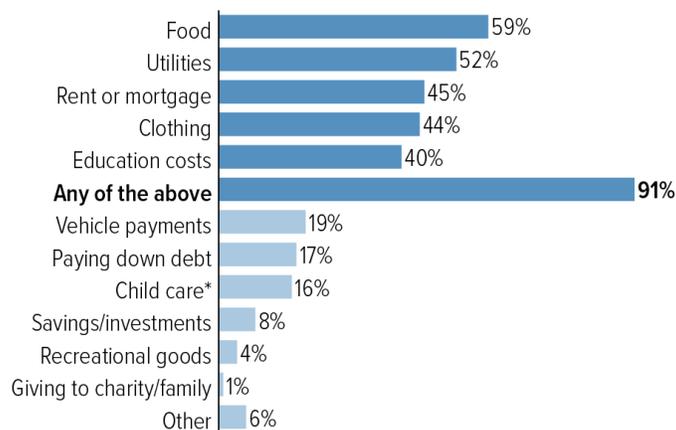
The cost of nearly everything – from food and fuel to housing and clothes – is going up at the fastest pace in decades. Families need relief now. The expanded Child Tax Credit is the most immediate, meaningful, and direct tool currently at our disposal to help families deal with the impact of inflation on family budgets. **While other policies can help lower costs over time, the expanded Child Tax Credit can provide immediate relief to 36 million families within weeks of enactment.**

Key Messaging & Talking Points

- **The Expanded Child Tax Credit Did Not – and Would Not – Contribute to Inflationary Pressure in the Economy:** Over [130 economists](#) from across the United States agree – expanded Child Tax Credit program is simply [too small](#) to drive inflation across the whole economy, but it is definitely big enough to make a crucial difference for the individual families who receive it. Chuck Marr of the Center on Budget and Policy Priorities [wrote](#): The expanded Child Tax Credit “would provide extremely meaningful income support for millions of low-income families, but it would generate little or no inflationary pressure at a time when much larger fiscal stimulus is ending as the Rescue Plan, CARES Act, and other COVID-19 relief spending and tax cuts expire.” Economists Darrick Hamilton and Demond Drummer [agree](#): “The real pain families are feeling from price increases today is not a result of stimulus spending.” As Federal Reserve Board Chairman Jerome Powell said recently, “fiscal policy is going to be less supportive of ... growth this year.”
- **The Expanded Child Tax Credit Can Offset the Impact of Inflation on Family Budgets:** A recent [study by Moody's Analytics](#) found that inflation is costing the average family \$327 per month, equivalent to the now-expired expanded, monthly, refundable Child Tax Credit. Another [analysis](#) by the Penn-Wharton Budget Model found that middle and low-income families – those who are eligible to receive the expanded Child Tax Credit – are being hit even harder by rising costs than wealthier Americans. The expanded Child Tax Credit (in place from July to December 2021) paid more than 90% of families with children up to \$300 per month per child, [averaging \\$444/month per household](#). So, the monthly child tax credit payments can offset the toll inflation is taking on family budgets. Harvard Professor Jason Furman [explains](#) it best: “If families are having a hard time coping with costs, one of the most direct and easy things we can do is provide them more support to help them to pay for those costs.”
- **Families Spent the Expanded Child Tax Credit on the Basics That are Surging in Cost Due to Inflation:** [Data from the Census Household Pulse Survey](#) found that more than 90 percent of expanded Child Tax Credit recipients spent their monthly payments in 2021 on basic needs such as food, utilities, housing, clothing, or educational costs – in other words, the very same goods that they are now struggling to afford.

Families With Low Incomes Spend Expanded Child Tax Credit on Most Basic Needs, Education

Percent of households with incomes below \$35,000 who spent their credit payments on:



*Percent of households with child(ren) under age 5.

Note: Education costs include school books and supplies, school tuition, tutoring services, after-school programs, and transportation for school. Household income is in 2020. Figures are for households who reported receiving a Child Tax Credit payment in the last 30 days in data collected July 21–September 27, 2021.

Source: CBPP analysis of U.S. Census Bureau Household Pulse Survey public use files for survey weeks 34-38

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- The Expanded Child Tax Credit is Targeted to Those Who Need it Most and Ready to be Implemented Again Immediately:** The IRS implementation of the expanded Child Tax Credit was highly successful. More than 80 percent of eligible families automatically received their payments thanks to the agency’s recent experience with stimulus checks. With just a few weeks’ notice, this monthly support system could help more than 35 million families with [65 million children](#) – approximately 90 percent of all children in the United States. There is no other policy option at hand to provide this scale and scope of immediate, targeted, and equitable relief for families across the income spectrum.
- The Expanded Child Tax Credit Kept Nearly 4 Million Children Out of Poverty, Was Withdrawn Just as Inflation Hit Four-Decade Highs:** As the Center on Budget and Policy Priorities notes, “the payments kept an estimated 3.7 million children out of poverty (using a monthly poverty measure), a 29 percent reduction that was reversed when the credit expired the following month.” Unfortunately, the monthly payments ended just as the country entered another COVID surge and when [inflation hit its highest levels in four decades](#).

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