

Lack of Awareness and Confusion over Eligibility Prevented Some Families from Getting Child Tax Credit Payments

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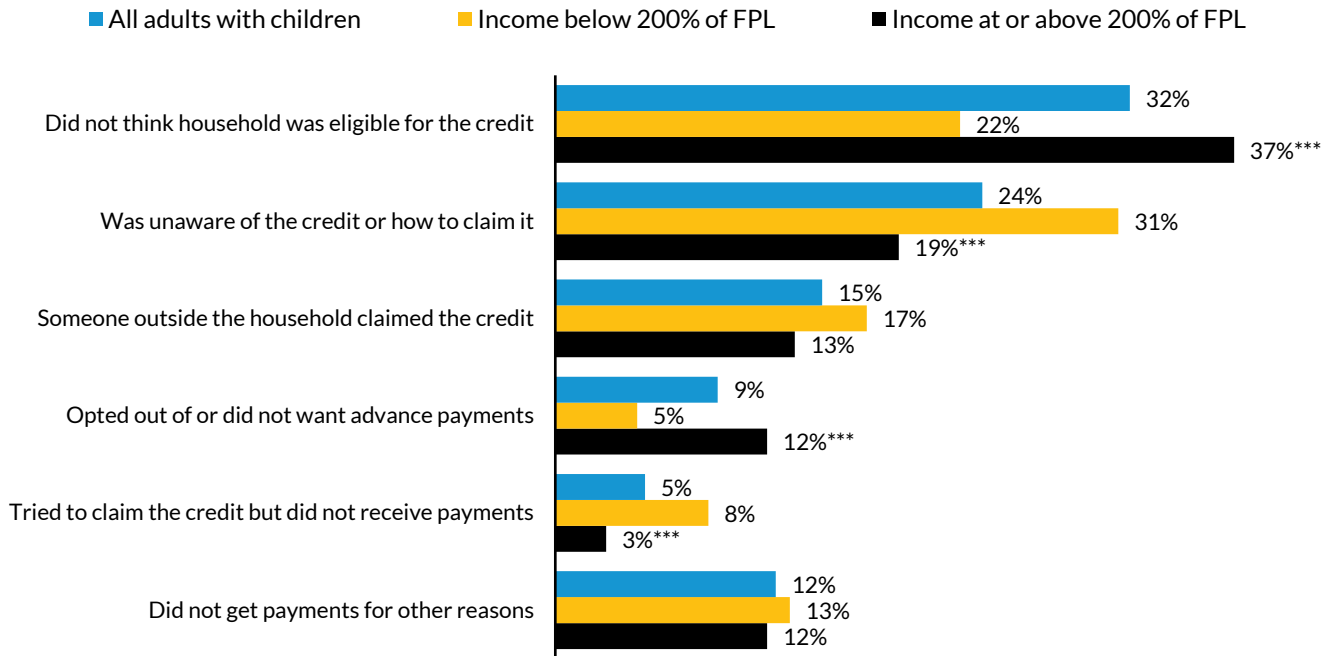
In 2021, the American Rescue Plan Act temporarily expanded the child tax credit (CTC) to provide a credit of up to \$3,000 per child ages 6 to 17 and up to \$3,600 per child under age 6, even to families with very low incomes, including those not typically required to file a tax return. Families with children received up to half of the credit in monthly payments from July to December. By December, the US Department of the Treasury reported that the families of more than 61 million children had received these payments.¹ Families could claim the remainder of the CTC by filing a tax return in the spring of 2022.

The IRS delivered the payments automatically to most families based on information in their 2019 or 2020 federal income tax returns or their claims for pandemic stimulus checks. But eligible families of up to 4 million children did not receive the advance CTC payments (Cox et al. 2021). The families likely to have been left out of advance payments include those with very low incomes (many of whom were not required to file taxes), Hispanic families, and families with low education levels (Burnside 2022; Karpman et al. 2021). Families who did not receive the payments automatically could claim the CTC by submitting information to the IRS through an online portal. More than 115,000 families used the GetCTC.org nonfiler portal to claim benefits (Code for America 2022).

Data from the Urban Institute's December 2021 Well-Being and Basic Needs Survey show that one-quarter of adults with children reported they did not get the payments, and nearly one-third (32 percent) of them said the main reason was that they did not think their household was eligible (figure 1). Adults in families with incomes at or above 200 percent of the federal poverty level (FPL) were more likely to report this reason than adults with family incomes below 200 percent of FPL (37 versus 22 percent). Among adults in families with incomes below 200 percent of FPL, the share who reported they did not get the payments because they were unaware of how to claim the credit was 31 percent, a higher share than that among adults in families with higher incomes (19 percent). The share of adults who did not know how to claim the credit includes those who had not heard about the credit, did not know how to claim the credit, or could not find help filing tax forms or signing up for the credit.

FIGURE 1

Main Reason Households Did Not Receive a Child Tax Credit Payment, as Reported by Adults Ages 18 to 64 Living with Children under Age 18, by Family Income, December 2021



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Source: Well-Being and Basic Needs Survey, December 2021.

Notes: FPL is federal poverty level. Estimates are not shown for the 4 percent of respondents who did not report the main reason their households did not get the monthly payments.

*/**/** Estimate differs significantly from that for adults with family incomes below 200 percent of FPL at the 0.10/0.05/0.01 level using two-tailed tests.

About 1 in 7 adults (15 percent) reported that someone outside the household claimed the credit for the children who live with them. In some cases, parents who are not married can decide who will claim the CTC on behalf of a common child (IRS 2022). Nearly 1 in 10 (9 percent) reported opting out of the advance payments or not wanting them, in many cases because they preferred to receive the full credit after filing taxes or feared they would have to pay the money back later. Finally, some adults (5 percent) tried to claim the credit but faced difficulty getting the payments.²

The White House and the Treasury Department have worked with other federal agencies, state and local governments, schools, and community organizations to increase awareness and uptake of the expanded CTC.³ With the GetCTC.org nonfiler portal reopened for the next several months, renewed outreach efforts are targeting participants in Social Security, the Supplemental Nutrition Assistance Program, and federal housing programs.⁴ Critical to the success of these efforts will be the ability to file a simplified return, reducing barriers to claiming the credit.

Even in cases where adults in multiple households share child custody, only one adult may claim the CTC. This may be why some adults in our sample who did not receive the credit reported that someone else claimed the CTC for their child. Finding a way to split benefits among multiple households would provide more equitable support, potentially better meeting families’ needs. This would better reflect how other benefits for children in families with low incomes are delivered but presents a challenge for IRS administration (Hammond and Maag 2021).

NOTES

- ¹ US Department of the Treasury, “Treasury and IRS Disburse Sixth Monthly Child Tax Credit to Families of 61 Million Children,” news release, December 15, 2021, <https://home.treasury.gov/news/press-releases/jy0533>.
- ² Additional reasons include having a child who was born in 2021 or having a child age out of eligibility. Some adults reported an “other reason” but did not specify the reason in a written response, and 4 percent of adults did not respond to the question.
- ³ The White House, “Fact Sheet: Biden-Harris Administration Whole-of-Government Efforts to Ensure Child Tax Credit Reaches All Eligible Families,” news release, September 15, 2021, <https://www.whitehouse.gov/briefing-room/statements-releases/2021/09/15/fact-sheet-biden-harris-administration-whole-of-government-effort-to-ensure-child-tax-credit-reaches-all-eligible-families/>.
- ⁴ Tami Luhby, “Biden Administration Renews Effort to Get Enhanced Child Tax Credit to Low-Income Families,” CNN, May 11, 2022, <https://www.cnn.com/2022/05/11/politics/child-tax-credit-low-income-families/index.html>.

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